



**committed to
customers**

**committed to
savings**

Annual Report
and Accounts

2007/2008

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and Accounts
2007/2008

The accounts of OGCbuying.solutions for the year 1 April 2007 - 31 March 2008, together with the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament thereon prepared pursuant to Section 4(6) of the Government Trading Funds Act 1973 (as amended by the Government Trading Act 1990).

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Welcome to OGCbuying.solutions' Annual Report and Accounts for 2007/08

OGCbuying.solutions is an Executive Agency of the Office of Government Commerce in the Treasury. We provide our customers in the public sector with a tried and tested route to the procurement of high quality, value-for-money goods and services.

Over the past year we have delivered or exceeded all of the targets set for us by Ministers. Working closely with customers from throughout the public sector, we have managed procurement arrangements on their behalf amounting to £4.4 billion of public expenditure, delivering savings of £672 million.



Chief Executive's Review

“Working collaboratively with customers is at the heart of all that we do and I am very pleased with the significant developments we have made over the past year.”

This is my first full year as Chief Executive of OGCBuying.solutions and I am delighted with our success. We have achieved or exceeded all of our key ministerial targets, with over £670 million of efficiency savings generated.

As part of our major change programme, we reorganised OGCBuying.solutions to build a platform of capability and infrastructure to support the Comprehensive Spending Review (CSR07).

Our new category management organisation has brought together specialist teams which will provide top level expertise and successful delivery.

We have also enhanced our procurement capability by developing internal skills and undertaking an extensive external recruitment programme.

Working collaboratively with customers is at the heart of all that we do and I am very pleased with the significant developments we have made over the past year.

OGCBuying.solutions is an active member of the Strategic Stakeholder Forum (SSF) which is responsible for the strategic direction of pan-government procurement. We have sponsored a number of collaborative pilots, as we work towards our goal of ensuring that public sector procurement becomes truly collaborative and is led with a strong strategic focus.

Our success this year owes much to the commitment, energy and innovation of our staff and I am very proud of them all. They have risen to many challenges and worked tirelessly to ensure our key performance targets were achieved.

“We aim to provide innovative procurement services that meet the customer’s need to achieve value for money, whilst balancing environmental, social and economic requirements.”

Looking ahead

CSR07 has set challenging targets. We have therefore developed a new three year Corporate Plan to deliver £2.6 billion of savings. The plan focuses on improving our service to customers, with greater emphasis on sustainability, maximising eProcurement opportunities and innovation.

As well as achieving our own SOGE targets (Sustainable Operations on the Government Estate), we are committed to supporting our customers in attaining their own SOGE and SPAP (Sustainable Procurement Action Plan) targets, by enabling easy access to sustainable products and services.

This is a very exciting time for Buying Solutions and I feel immensely positive about the next three years. Together, with our customers and suppliers, we can make a major contribution to significantly improving the effectiveness of public sector procurement.



A Littley

A Littley
Accounting Officer
23 June 2008

Performance against targets

target 1

Savings

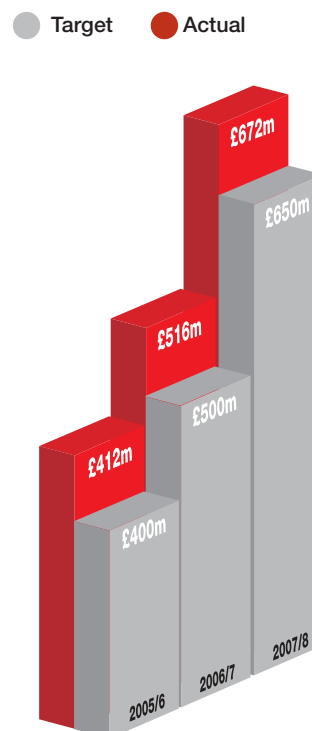
To facilitate at least £650 million value for money improvements for the wider public sector.

Target achieved...

The target has been met and exceeded. We estimate that as a result of using our services during the year, the public sector has made value for money gains of £672 million.

How performance was measured

Our estimate of gains includes price savings, where reliable price comparisons can be made, and the process cost savings. Process savings are estimated on a full cost basis, using OGCBuying.solutions calculations of its own costs of letting and managing framework agreements and contracts as an estimate of the savings made by our customers in using our services.



target 2

Customer Satisfaction

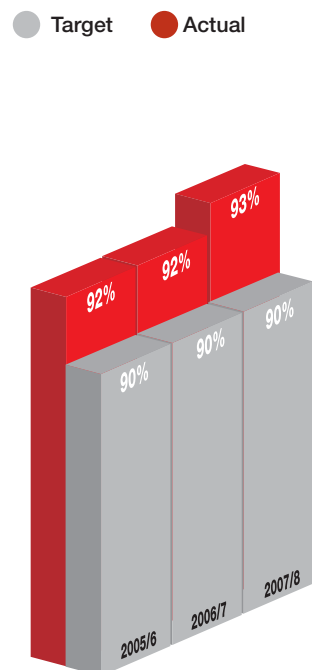
To achieve levels of customer satisfaction above 90%.

Target achieved...

The target has been met and exceeded with satisfaction levels of 93%.

How performance was measured

We measured our performance through four customer satisfaction surveys carried out in April 2007, July 2007, October 2007 and January/February 2008. Data was gathered using a telephone questionnaire. 1,005 customers participated in the research.



target 3

ROCE

To make a Return on Capital Employed of 6.5%.

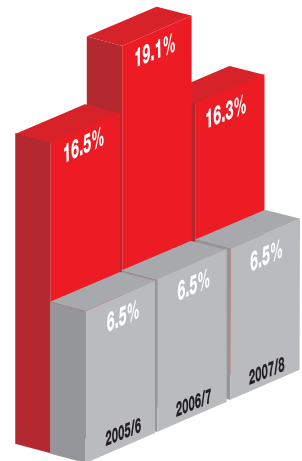
Target achieved...

The target has been met and exceeded. OGCbuying.solutions' operating surplus of £4.52 million represents a ROCE of 16.3%.

How performance was measured

ROCE is measured as OGCbuying.solutions' surplus for the year before dividend, as a percentage of the average of opening and closing net assets.

● Target ● Actual



target 4

Internal efficiency

To reduce by 5% the ratio of internal costs over value for money improvements compared with the out-turn for the same ratio in the previous year.

Target achieved...

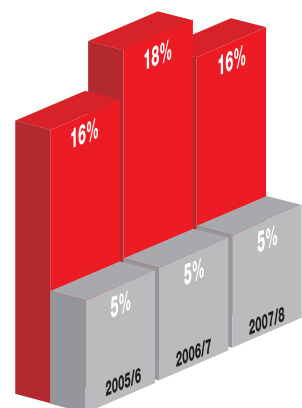
The target has been met and exceeded. The cost per £ saving is £0.035 compared to £0.041 in 2006/07.

How performance was measured

The cost per £ saving is OGCbuying.solutions' estimated value for money gain for the public sector, divided by the operating costs expenditure for the year.

In 2006/07, vfm gains were £516 million and operating cost expenditure was £21 million, representing a cost per £ saving of £0.041. In 2007/08, vfm gains were £672 million and operating expenditure was £24 million, representing a cost per £ saving of £0.035, a 16% improvement on 2006/07.

● Target ● Actual





Operational Review of the Year

While the past year has been one of significant change as we have re-engineered our organisation around the principles of category management, in operational terms our mantra has been 'business as usual'.

Highlights of the year

- We successfully implemented a major programme of organisational change whilst continuing to meet our key performance targets
- All of our Ministerial Targets were achieved - and exceeded
- The volume of facilitated sales grew by 18% to £4.4 billion, delivering savings for the public purse of £672 million
- 93% of customers were satisfied or very satisfied with our service
- For the first time, our new Government Merchant Acquiring arrangements give the public sector preferential rates for processing card payments and hiring the necessary equipment
- A deal to make green electricity more readily available to the public sector is expected to be worth £1 billion over the next four years
- Our eSourcing Managed Service won a prestigious Government Innovation Award
- Zanzibar was selected by the Welsh Assembly Government as the platform for its new all-Wales eProcurement system xchangewales
- Our newly launched Telecom Networks framework agreement is expected to attract spend of approximately £500 million over the next four years
- Less than one year after its launch, our Mobile Solutions products were being used by more than 1 million public sector workers



A busy and satisfying year

The past 12 months have been both busy and satisfying and we have pursued a wide range of innovative developments and successful initiatives through which our customers are already reaping benefits.

Many of our most well-established products and services have also seen impressive growth in both volume and customer base.

We have sought to collaborate with others at every available opportunity. Indeed collaboration was the theme of our highly successful Procurement Solutions exhibition and conference held in June, our most successful event yet.

Star speakers Sir Clive Woodward and Sir Gerry Robinson provided fascinating insights into what makes a successful leader, while Jonathon Porritt provided a forthright analysis of the importance of sustainability in procurement - and how it can be achieved.

When new OGC Chief Executive Nigel Smith took up his post in September, his very first speech reaffirmed the importance of eProcurement in supporting collaboration and delivering the priorities highlighted in the 2007 Comprehensive Spending Review.

In 2007/08 eProcurement has been a key focus area for OGCBuying.solutions. Our eSourcing Managed Service is now recognised as one of the most successful pan-public sector shared IT application services initiatives.

It offers public sector organisations access to a comprehensive suite of collaborative, web-based tools for buyers and suppliers to manage contracting activities. Just a year after its introduction it was being used by more than 54 public sector organisations with over 20,000 buyers and suppliers engaged in online procurement activities.

eSourcing is already delivering major savings and efficiency gains for customers, and tremendous sustainability dividends too, with millions of pages of documents sent electronically rather than output onto paper.

In April 2007 eSourcing fought off tough competition to win the prestigious award for Shared Services at the Government Innovation Awards.

“Colleagues could see the benefits very clearly and wanted to move as quickly as possible to take advantage of them. One of the most important of these is the removal of hugely time consuming manual processes, allowing people to manage contracts and engage with suppliers much more effectively.

“In less than 12 months we have had more than £2 billion worth of contracts processed through eSourcing and we will soon be in a position where all of our procurements will be handled electronically, unless there is a very good reason not to.”

Lal Bahadur
eProcurement Process Manager
Transport for London



Real benefits

Meanwhile Zanzibar, our strategic eMarketplace and Purchase to Pay eProcurement solution has emerged from further development to deliver real benefits for customers.

It was chosen by the Department for Communities and Local Government (Communities) to support their drive towards improving their procurement processes.

Zanzibar has been successfully and seamlessly integrated into their existing SAP system and Communities swiftly began to realise the benefits they were seeking, namely reducing paper from the procurement process and reducing manual errors.

It also provided a technology platform for ensuring consistent pricing amongst suppliers, and simplified the process for adding new suppliers. Staff doing transactional procurement are now able to focus on more value added activities rather than dealing with paperwork.

Early in 2008 the Department for Children, Schools and Families (DCSF) announced that it is to make OPEN - the online marketplace for schools based on Zanzibar - ready and available to all 20,500 schools in England.

OPEN allows users in schools to easily and securely access their local contracts and electronic catalogues for goods and services, as well as providing them with access to regional and national contracts that can offer increased value for money.

Meanwhile the all-Wales programme xchangewales, based on the Zanzibar platform, was launched allowing the public sector in Wales to collectively have the opportunity to buy all of its goods and services online, resulting in potential savings of up to £200 million to be ploughed back into vital public services.

xchangewales has already received widespread support from public sector bodies across Wales. Seventeen organisations embracing the NHS, local government and higher education have already put themselves forward as early adopters for the programme, with others in discussions about joining.

Recognising that payment cards have a proven track record as a highly efficient ordering and payment mechanism for lower value, high volume purchases, OGCBuying.solutions has been developing and operating a range of payment card programmes for more than 10 years.

One of the most successful of these is the Government Procurement Card (GPC), a free and easy to use purchasing card for public sector buyers, delivered in partnership with Visa Europe and six card issuing banks. Over the year the value of purchases using GPC topped £817 million, delivering savings of £137 million.

Using the same principles, fuel cards provide a simple mechanism for public sector organisations to efficiently manage and control their spending on automotive fuel, so vital during the current volatility in the energy markets.

OGCBuying.solutions operates a number of highly successful fuel card programmes with Arval, BP and Esso with Arval having the majority of market share using the brand name MonitorCard. Appointed in 2004 under the current framework agreement, all three were recently extended to August 2009.

Public sector spend using these arrangements exceeded £280 million by the end of the financial year, delivering combined process and cashable savings in excess of £39.5 million.

The fuel cards offered under the framework agreement are accepted at approximately 95% of all UK forecourts, include a comprehensive fuel management system and can be used to buy all types of fuel including LPG.

Preferential rates

The new Government Merchant Acquiring (GMA) framework agreement, launched in November 2007, now gives public sector organisations the opportunity to cut the cost of credit and debit card transactions.

GMA facilitates over the counter and internet or telephone payments and provides a variety of payment facilities and options for organisations, ranging from individual Chip and Pin terminals to fully integrated, automatic internet-based solutions. Importantly, users of GMA also enjoy preferential rates for processing card payments and hiring the necessary equipment.

New Telecoms Services

A new and comprehensive range of high quality telecoms products and services is now available to public sector buyers following the launch in January of our new Telecom Networks framework agreement.

All UK public sector organisations can take advantage of this agreement which promises to save them both time and money. Spend on the Telecom Networks package is expected to reach £500 million over the next four years.

Telecom Networks is aimed at customers with a specific, defined, network requirement who wish to specify and procure items such as voice calls, individual circuits, specific technology or detailed bandwidth or connectivity, broadband access and/or associated ISP services.

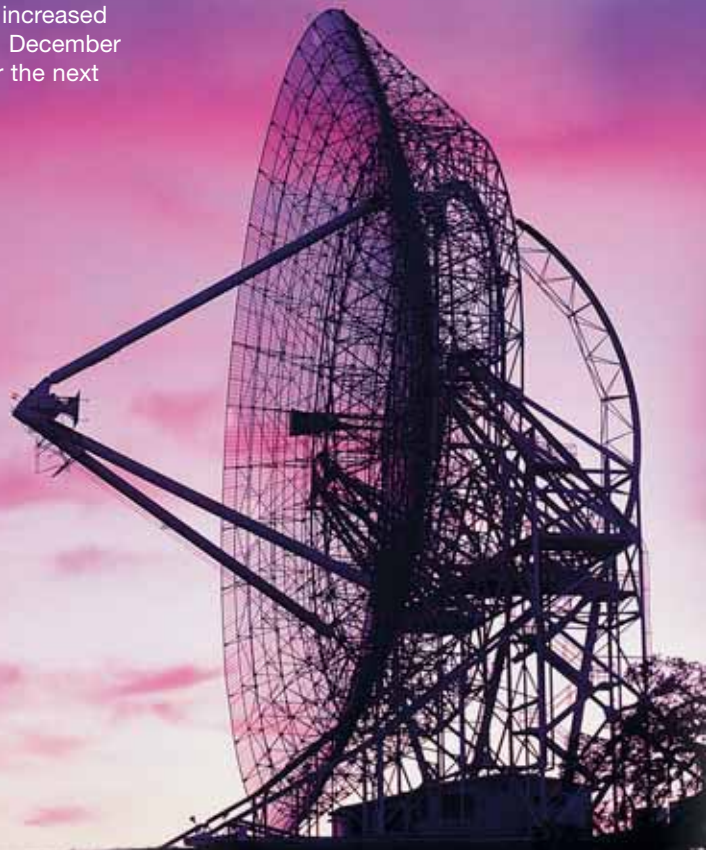
Compliance with security guidelines for Next Generation Networks, together with a full supplier management programme, means that customers can have peace of mind that these arrangements provide the quality, fitness for purpose, sustainability and value for money that they require.

Also in the telecoms arena, our five year pan-public sector Netstream Corporate commitment contract for private circuits with BT was increased to £1.5 million per year from December 2007, triggering eligibility for the next level of discount (34%).

In return for this commitment, BT treats the public sector - with the exception of Utilities and Charities - as a single customer.

The Netstream Corporate agreement extends the successful partnership between OGCBuying.solutions and major telecoms provider BT by aggregating public sector spend on private circuits. In the first year of operation around 40 public sector organisations have joined the scheme, saving over £2 million more than they could have achieved on their own.

Less than one year after its award, Mobile Solutions, our framework agreement for the provision of mobile voice, data and paging services, had been used to equip more than one million public sector workers with preferential tariffs.



Innovative solutions

We also launched a new Multi Functional Device (MFD) framework agreement that will build on the success of our existing arrangement, offering further cash and efficiency savings.

The new agreement offers access to a range of products and services including mono and colour MFDs, digital copiers, mono and colour network printers and printroom machines - all with standard network interfaces.

What distinguishes this new framework agreement from its predecessor is the availability of innovative print solutions, which can help the public sector reduce the environmental impact of their print activity, as well as maximising efficiency through better reprographics management.

Both managed and extended services are available, and these range from a total print management solution to bespoke service packages for specific customer projects.

There is similar flexibility in the range of payment options that users can choose from, with each supplier offering lease, rental, asset management, cost per print and total volume plans.

Postal Services extended

Our successful domestic and international Postal Services framework agreements have now been extended for an additional 12 month period, until 31st March 2009.

These arrangements provide access to a number of suppliers offering a broad range of services. They boast a range of benefits including easy access to the market, EU compliance, greater procurement efficiency, competitive rates and standard terms and conditions.

Using the Postal Services framework agreements is an easy way to embrace the principles of collaborative procurement.

Green electricity deal

The UK public sector now has access to green electricity at no premium, thanks to an innovative new deal signed in the course of the year.

The deal, worth around £1 billion over the next four years, guarantees central and local government customers one terawatt hour of electricity from renewable sources - equivalent to 33% of current volumes - until at least 2011.

Sustainability targets call for central government departments to be sourcing at least 10% of their electricity from renewable sources by March 2008.

Unlike previous arrangements, under this deal buying green energy will be no more expensive than buying "brown" (non-renewable) energy and paying the associated Climate Change Levy. In a market where demand for renewable electricity is outstripping supply, the new framework has secured these volumes and prices for four years.

The contract also includes a programme of site assessments for suitable renewable onsite generation, and toolkits for energy efficiency programmes for departments to meet the challenge of reducing carbon emissions by saving energy. There will also be an innovative carbon offsetting option which allows customers to buy certified emissions reduction certificates.

One of our main energy partners EDF Energy will supply the electricity under the deal, which was implemented by OGCBuying.solutions with technical support and energy expertise from the Office of Government Commerce and advice on sustainability from the Department for the Environment, Food and Rural Affairs.

Legal Services introduced

We also announced the award of Legal Services framework agreements worth an estimated £240 million over the four-year lifetime of the contract.

The categories of legal service provision were developed by OGCBuying.solutions and the Treasury Solicitor's Department and are designed to offer ready access to a wide range of firms from niche practices to full service commercial firms including those with the ability to handle the most complex and high value infrastructure projects.

Previous arrangements saved customers over £5 million in 2006/07 and we are confident that by improving accessibility to these high quality services we will secure even greater annual savings in the future.

Collaboration

In the summer of 2007, we signed a collaborative deal with the Ministry of Defence enabling MoD to channel up to £80 million worth of spend through our existing furniture framework agreements.

And £43 million worth of savings over three years is the prize after OGCBuying.solutions and NHS PASA led a pan-public sector sourcing exercise to provide water coolers and dispensers.



Establishing Effective Systems

Key Organisational Achievements

- Organisational restructure to facilitate a move to a category management approach to how we do business
- The introduction of a new high performance management system, which incorporates competency frameworks
- The development of a set of core and functional competency frameworks in support of the new approach to business and as a key part of the new performance management system
- Top 100 companies survey to all staff was conducted
- Data security and information awareness sessions rolled out to all staff
- Refinement of the TORCH (Trust, Outward-Looking, Rigour, Can-Do, Helpfulness) values to give greater alignment to the organisations' commercial activity
- Completion and sign off of the annual recruitment self assessment and compliance monitoring return to the Office of the Civil Service Commissioners

Investing in People

The major drivers behind this year's learning and development activities have been the embedding of a category management approach to procurement and the support structure to ensure continuing high performance.

This has involved:

- Development of a category management process that supports our business requirements
- Development of guidance, tools and templates contained within a bespoke category management tool kit

- Roll out of training events that included general awareness sessions for all staff along with Category Team specific workshops including a three day Category Management Foundation Workshop
- Ongoing training programmes by The Chartered Institute of Purchasing and Supply and the Institute of Leadership and Management
- Formal coaching and mentoring arrangements

We have long recognised that our people, their well-being, and their professional competencies, are the keys to our success.

We continue to support our staff with initiatives such as enhanced maternity and paternity leave, childcare vouchers, healthchecks and staff-welfare services and support for flexible working. We also offer extensive opportunities for training and professional development.

Our business targets for the year ahead include re-accreditation to Investors in People (IiP), corporate Chartered Institute of Purchasing & Supply (CIPS) accreditation, and improvements in our Times Top 100 survey results.

Recruitment

OGCbuying.solutions is an equal opportunities employer and our recruitment processes accord with the rules and regulations laid down by the Civil Service Commissioners and their recruitment code.

During the year a total of three posts were filled through external recruitment with two female and one male. None was of an ethnic minority.

Breakdown by grade:

Band 2	Executive	1
Band 3	Management	1
Band 7	Senior Management	1

Health, Safety and Welfare

The health, safety and welfare of staff continues to be a key focus area for the organisation. Initiatives during the year included:

- Introduction of a new employee assistance programme managed by FOCUS EAP
- Enhancements to the existing policy which includes guidance on alcohol and drug abuse
- An ongoing suite of activity in support of health awareness, lifestyle and corporate responsibility for all staff
- A review of accommodation to ensure the most efficient use of our office space in Norwich and Liverpool
- An increase in the number of trained health and safety representatives including in **National Examination Board in Occupational Safety and Health (NEBOSH)** and Fire Safety & Risk Management

There was one reported case against the **Reported Injuries Diseases and Dangerous Occurrences Register (RIDDOR)**



Corporate Responsibility

Corporate Responsibility (CR) in OGCbuying.solutions means understanding our stakeholders, and taking their views and expectations into account as we go about our business.

We have recently formed a new CR team in OGCbuying.solutions, to expand upon the work of our existing sustainability team. We believe that, delivered effectively, CR can be an important source of competitive advantage to our organisation, as well as contributing to making OGCbuying.solutions an even greater place to work.

We have identified four main areas for our CR activities: our business, our people, our environment, and our community. We recognise that our overall success requires us to succeed in all four areas.

Our values, TORCH (Trust, Outward-Looking, Rigour, Can-Do, Helpfulness), lie at the heart of everything we do.

We have recently launched our internal 'Consider' campaign - to help staff begin to think about OGCbuying.solutions' corporate responsibilities, why they matter, and how individuals can make a difference in the workplace.

Sustainable development will be a huge driver for change in the 21st century. Challenges such as global warming are leading to changes in society's expectations and behaviours, new legislation, and big commercial opportunities and risks for industry.

Sustainability is a major CR issue for OGCbuying.solutions, because it is a rapidly growing area of concern for our customers, our suppliers and many of our other stakeholders.

A key challenge for us is to provide our customers with the goods and services that they require to help them meet their sustainability goals, such as those set out in the Sustainable Operations on the Government Estate (SOGE).

Our environment

We recognise that we have an obligation to ensure that our organisation operates in a way which minimises our harmful impacts on the environment. During 2007/08 we began to make progress against our SOGE targets. In particular we have again successfully reduced our CO₂ emissions from business travel [by 5%], bringing both financial and environmental benefits. We have also made progress against our Environmental Management System (EMS), following the BS8555 standard. However, we recognise that there is much scope for improvement. Our target for 2008-9 will be to reach level 2 of BS8555 and to put in place the systems we need to accurately and regularly assess our performance against measures such as our waste production, recycling, energy usage, and carbon footprint.



Our community

Many of our people are actively involved in supporting their local communities, through charitable and fund-raising activities. However, we believe that OGCbuying.solutions itself should do much more to play a part in our local communities in both Merseyside and Norfolk. Our volunteering policy now allows all staff to take two days paid leave per annum for voluntary work. Over the coming year we will be encouraging more staff to make use of this opportunity. In particular, we plan to hold corporate volunteering days, offering a range of community-based activities that staff can choose to participate in.

Consultancy

It is recognised that, with consultancy firms, the most significant contribution towards sustainability outcomes is not through their internal sustainable processes and performance, but rather through due consideration being given to sustainability in the professional advice that they provide. We have initiated work with departmental stakeholders and supplier representatives (to include MCA, Intellect) to develop a Code of Practice on building sustainable outcomes into consultancy advice.

Energy

Renewable energy is an infinite commodity. However, the capacity to supply it is currently limited. This year, working with our partners and through our contract, we have been able to supply 90% of all government offices with at least 10% green energy of their overall volume. The overall portfolio percentage is 32% green energy, plus an additional 13% from CHP (combined heat and power) sources, distributed across the customer base.



Case Study - Travel

The Customer: The Cabinet Office

The Cabinet Office sits at the heart of government and, together with the Treasury, provides the 'head office' of government. It has an overarching purpose of 'making government work better'.

It supports the Prime Minister to define and deliver the Government's objectives. It supports the Cabinet to drive the coherence, quality and delivery of policy and operations across departments. And it strengthens the Civil Service to ensure that it is organised effectively and has the capabilities it needs to perform.

The challenge:

The Cabinet Office's activities require its staff to travel regularly to locations around the country, predominantly by rail.

Although the Department was using a recognised, existing public sector framework contract for booking travel through an agent, these arrangements missed opportunities to achieve the best deals on ticket prices.

The solution:

In 2007 the Department decided to move to OGCBuying.solutions' pan - government Travel framework agreement covering air and rail journeys and hotels. This enables significant savings to be achieved through enabling access to cheaper fares and improved charging arrangements for the agent.

Fundamental to the achievement of savings has been the adoption of the Trainline online booking system which empowers the traveller by enabling them to view timetables and the full range of available fare options - and to select and book directly the best value ticket for the journey.

The installation of rail ticket printing machines in offices, facilitated by OGCBuying.solutions, has helped to increase efficiency and service delivery still further. These arrangements have been supported by the strengthening of the departmental travel policy. Staff are encouraged to plan journeys in advance and to consider travelling off peak whenever possible.

Since the new system began operating in November 2007, the Cabinet Office has seen the average rail ticket cost drop 45% against like for like costs on rail for the previous year.

On an annual spend of £560,000, full year savings would equate to £255,000 on between 4,000 and 5,000 transactions. Administrative efficiencies are also predicted to add a further £65,000 to the savings total, with expensive CO₂ generating ticket deliveries a thing of the past.

“We are very pleased with these early results. OGCBuying.solutions have provided an excellent service.

“Facilitating the office-based ticket printing machines was an important development and we are grateful for their support.

“Giving our people the autonomy to take control of their travel arrangements at their own desks - and the stronger policy framework in which to operate - has clearly worked. They are using the system and we have compliance levels running at more than 97%.”

Gary Horton

Travel Category Manager, Cabinet Office



The Customer: Rochdale Metropolitan Borough Council

Rochdale Metropolitan Borough in Greater Manchester is home to some 200,000 people. Rochdale Council (RMBC) has achieved considerable successes in recent years with employment levels rising, especially amongst black and ethnic minority groups, the health of its citizens improving and in 2006 Rochdale was the most improved borough in the UK for its education of Key Stage 2 pupils.

The challenge:

In 2007 RMBC was looking for the best route to buy gas and electricity for its council buildings, schools and colleges - in all almost 1,000 individual sites.

But the Council found there were barriers to achieving value for money when procuring energy. A lack of quality management information in areas such as meter readings and consumption meant the Council was unable to issue accurate and effective tenders to potential suppliers.

The solution:

Following an assessment of the marketplace, RMBC concluded that OGCBuying.solutions' Energy Managed Service was best suited to meet Rochdale's energy requirements.

OGCBuying.solutions' wholesale purchasing model provides flexibility and reduced risk. Traditional tenders are generally tied to stringent schedules so the time of purchase becomes fixed, regardless of market conditions. As OGCBuying.solutions continually reviews its activities, RMBC was able to take advantage of a procurement strategy that constantly responds to the ever-changing marketplace.

By using this established route, the Council would be able to avoid the time and costs involved in undertaking a full OJEU procurement process. What's more, the Council could buy with confidence as they had the assurance that the available suppliers were capable of delivering high quality services.

Through OGCBuying.solutions' Energy Managed Service, RMBC's gas is supplied by Corona and its electricity requirements are fulfilled by EDF and British Gas.

Having taken a best practice approach to procuring energy, Rochdale Council is now enjoying a range of benefits. They now receive valuable management information at appropriate times and are able to view accurate usage patterns - a great advantage when it comes to energy management.

A combination of review meetings with suppliers, user group meetings and use of key performance indicators means that the Council can both monitor performance and demonstrate success on an ongoing basis.

"I was impressed with the support we received from OGCBuying.solutions. Specialist advice was available as required and, with this guidance, we were confident we were making the right decisions."

"By procuring in this way not only are we able to manage our use of energy in a more efficient way, we have also made savings that we can now use to improve public services in Rochdale."

Majid Khan

Senior Procurement Officer at RMBC



Case Study - Property and Office Solutions

The Customer: Lancashire County Council

Lancashire County Council (LCC) is the UK's fourth largest county council. Home to almost 1.5 million people, Lancashire is a thriving economic area with a £21 billion per annum local economy. In its most recent Comprehensive Performance Assessment it again achieved the top rating from the Audit Commission, maintaining its 'Four Star' status - the highest possible classification.

The challenge:

Over a three-year period LCC was spending more than £12 million on internal print production. An internal review identified that its 42,000 staff were generating as many as 185 million printed documents each year.

These were being produced by an estate of around 3,000 desktop printers and photocopiers located across 678 sites.

Desktop printers, photocopiers, consumables and other associated services were being sourced from a diverse range of suppliers. If efficiency targets were to be met, a radical transformation of LCC's print procurement strategy was essential.

The solution:

LCC selected OGCBuying.solutions' Multi Functional Devices (MFDs) framework agreement. This provided access to pre-selected suppliers and a broad range of equipment, print software and associated services delivering whole life cost (price) savings, enhanced document production and environmental benefits.

A Reprographic Steering Group kept the focus on finding the most efficient and cost effective solution, while a Contracts Award Panel, with the support of OGCBuying.solutions, oversaw a comprehensive evaluation of the five suppliers on the framework agreement.

The successful supplier, Danwood, recommended digital MFDs from Hewlett Packard - but also suggested a secure print strategy, using existing staff ID cards to allocate print costs to the appropriate departmental budget. For broader print requirements, upgrading the central reprographics unit with high-volume digital production engines also allowed staff to make much greater use of these facilities and secure additional savings in the process.

Though cashable savings are substantial, a reduction in paper usage will also bring measurable sustainability benefits. Furthermore, with networked MFDs and a secure ID system, home and mobile workers are also able to access any local council building to utilise the printing facilities on that site.

Salford Council has joined forces with LCC in order to maximise cost and resource savings. As a result of these innovations, LCC's total printing spend is projected to fall by as much as 38%, leading to savings in the region of £4.8 million during a three year contract period.

“By taking the OGCBuying.solutions route, we made the whole process of procurement more straightforward.

“Choosing to use an established agreement saved the council conducting an Official Journal of European Union (OJEU) procurement exercise themselves.

“Acting as procurement advisers to the council, the staff at OGCBuying.solutions provided us with ongoing support, working closely with the team to ensure the solution met all of our organisational requirements.”

Mike Wood

LCC's Reprographic Advisor

Case Study - ICT



The Customer: Six NHS Collaborative Procurement Hubs

Healthcare Purchasing Consortium for NHS Trusts in West Midlands, London and Luton

East of England Collaborative Procurement Hub for NHS Trusts in East of England

Pro-Cure for NHS Trusts in South Central England

North West Collaborative Procurement Hub for NHS Trusts in North West

Pro-NE for NHS Trusts in North East

Yorkshire & Humber Commercial Procurement Collaborative for NHS Trusts in Yorkshire and Humber

The challenge:

The NHS is probably the largest consumer of IT equipment in the UK, buying around 120,000 client devices a year. Historically it has not been able to leverage its considerable collective buying power but the formation of the NHS Collaborative Procurement Hubs has helped to change this.

These six procurement hubs had recognised that their requirements for IT equipment were common. It made sense to take this excellent opportunity to collaborate.

The solution:

The six NHS Collaborative Procurement Hubs, NHS Connecting for Health and OGCbuying.solutions worked closely together to secure an outstanding deal for the supply of IT client devices - desktops and laptops - for a large portion of the NHS.

The initiative brought together a total of 220 NHS Hospital and Primary Care Trusts as a single customer to buy IT equipment. By presenting a single face to the market, the NHS organisations involved were able to achieve significant cash savings.

OGCbuying.solutions was brought in at an early stage, helped to facilitate the collaboration and assisted with the procurement itself. NHS Connecting for Health provided input into the technical aspects of the procurement and to ensure alignment with the NHS National Programme for IT.

“This project has enabled us to share skills and resource to create an agreement that offers improved commercial relationships with NHS key providers, a better service offering and reduced costs through the combined volume of requirements.

“We see this approach as offering the best value to both the NHS and our suppliers who invest in our future success”.

The NHS Collaborative Procurement Hubs Team

Case Study - ICT



The Customer: The Department for Work and Pensions (DWP)

The Department for Work and Pensions (DWP) is the largest civil government department in the UK, with responsibility for delivery of the Government's welfare reform agenda.

Its aim is to promote opportunity and independence for all and it delivers support and advice through a modern network of local offices throughout England, Scotland and Wales, supported by the latest telephone and online services.

Its services are aimed at people of working age, pensioners, families and children, disabled people and employers.

The challenge:

DWP's Fraud Investigation Service is responsible for investigating individual and organised attacks on the payment and benefit system, attacks which stole an estimated £700 million from public funds in 2006/7.

Many investigations are conducted in partnership with the police and other agencies, involving surveillance and covert activities across the UK. During all operations, reliable radio communications are vital to their success.

The solution:

The Airwave service is the most secure digital radio network in the UK, designed, built and maintained for the exclusive use of the emergency and other essential public services.

It carries voice and data communications and offers unrivalled coverage across more than 99% of England, Wales and Scotland. This means that it is much easier for users to stay in communication even in areas where radio coverage has often failed in the past.

DWP bought Airwave through OGCbuying.solutions' Telecom Networks framework agreement.

“Airwave was a natural progression for DWP, following other agencies and emergency services’ transition to the Airwave digital network, so that our multi-agency approach to investigations could continue.

“OGCbuying.solutions gave us the platform to take forward the relationship with Airwave and enabled us to by-pass the usual time and expense of the upstream procurement process.

“This allowed us to focus exclusively on our dialogue with Airwave which was essential to shape the service that we need to meet our specific operational requirements. Without this, the procurement could have taken DWP an additional six to 12 months.”

Steve Welch
Category Manager, DWP

Case Study - Professional Services



The Customer:

The National College of School Leadership (NCSL) promotes and develops excellent leadership in schools, working with current and future school leaders to help them make a positive impact within and beyond their schools. At the heart of its activities are a diverse range of high quality leadership training programmes.

The challenge:

The NCSL's training initiatives span the country, with many of its courses being conducted out in the community, as well as at its own training facilities.

Supporting leading educational professionals, from head teachers to business managers, requires a fit for purpose, national college and the timely delivery of essential products and services. The College's procurement activities - it spends £115 million each year - reflect this objective, with the highest areas of spend including contracting with professional training providers across the UK, marketing and events, eLearning, ICT and facilities.

Receiving a sizeable amount of government funding each year, the College shares the same procurement drivers as other public sector organisations, namely collaboration, value for money and sustainability.

The solution:

Sourcing high calibre training providers is essential to the NCSL's reputation. OGCBuying.solutions' Professional Services framework agreements provide ready access to skilled professionals with the experience and expertise to deliver the market-leading training programmes devised by the College.

The NCSL uses OGCBuying.solutions' framework agreements as a first port of call for its requirements. Speed to market is just one of the key benefits that this route provides.

As well as satisfying internal demand, framework agreements ensure the College are not compromising value for money - all too easy when a supplier needs to be sourced quickly.

OGCBuying.solutions' arrangements also allow NCSL to run further competitions to establish best value between suppliers. Since 2006, NCSL has saved over £100,000 by employing framework agreements for consultancy, IT and telephony.

Using framework agreements has allowed the College to focus on what it does best - purchasing, establishing and developing teaching programmes for its customers.

“For a department that is lean, it is pointless embarking on identical procurement exercises that would stretch resources further if OGCBuying.solutions have already been through it.

“Going down competitive routes demonstrates we are really getting value for money rather than just handing business to favoured suppliers.

“The NCSL team is moving towards becoming best in class. We are continuously learning from experts in different fields and OGCBuying.solutions have shared their expertise with us.”

Jayesh Joshi
Commercial Director, NCSL

Case Study - eCommerce



The Customer:

The Department for Children, Schools and Families (DCSF) was one of three new government departments set up by the Prime Minister on 28 June 2007, replacing the previous Department for Education and Skills (DfES).

The challenge:

In 2004, the education system was set a procurement efficiency target of £1.4 billion, to be achieved by March 2008.

DCSF required an eProcurement solution that would improve process efficiency, compliance and deliver management information within schools, yet fit into the procurement process for any type of school, regardless of size and infrastructure.

The majority of schools throughout the UK faced familiar problems. Existing systems were slow and inefficient. Many orders were placed after items had been identified in a paper catalogue and a requisition manually written out. This requisition was then input into the school's financial management system, which in addition to generating unnecessary duplication of effort, could occasionally result in transcription errors.

Achieving best value for money was difficult as access to an appropriate range of suppliers was limited. Compliance with existing procurement procedures was mixed with many schools resorting to placing all their orders by telephone.

The solution:

Zanzibar is the Government's strategic eMarketplace and Purchase to Pay (P2P) system, part of the eProcurement Solutions portfolio of products and services operated by OGCBuying.solutions.

Throughout 2007 a Pathfinder for OPEN – the online marketplace for schools based on Zanzibar – was operating in 1,150 schools across the country in full operations mode. Schools provided positive feedback both on the speed of the system and its ease of use – and also reported significant cost savings on many commodities.

In January 2008 DCSF announced that it is to make OPEN ready and available to all 20,500 schools in England.

OPEN allows users in schools to easily and securely access their local contracts and electronic catalogues for goods and services, as well as providing them access to regional and national contracts that can offer increased value for money.

“The Pathfinder for OPEN rigorously tested the system for reliability, appropriateness, ease of use and integration with school's finance systems.

“The emerging benefits are encouraging and have given us the confidence to make OPEN available for general release to schools nationally in early 2008. OPEN will be the centre of the wraparound service we are providing to build and deliver a sustainable procurement infrastructure for schools.”

Darron Cox

Former Deputy Commercial Director and Head of EPC (the Educational Procurement Centre)



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Management Commentary

1 Statutory Background

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

The financial objectives of OGCBuying.solutions are detailed in a Treasury Minute laid before the House of Commons and reproduced on page 57 of this report.

2 History

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

Following the Gershon review of Central Government Procurement in 1999 a new organisation, the Office of Government Commerce (OGC), was set up within HM Treasury, TBA was transferred to OGC as an Executive Agency on 1 April 2000 and the Managed Services Division of Central Computer and Telecommunications Agency (CCTA) merged on 1 April 2001 to form a new Executive Agency of OGC. The Agency changed its name to OGCBuying.solutions on 3 April 2001.

3 Financial and Accounting Arrangements

The OGCBuying.solutions Trading Fund Order 2001 gives effect to the change of name from The Buying Agency Trading Fund. The Buying Agency Trading Fund Order 1991 imposes a limit of £10 million on the sums that may be issued to the fund by way of a loan; within its total borrowing power OGCBuying.solutions may also negotiate loans of up to 12 months duration.

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

On 1 January 2005 OGCBuying.solutions took a loan of £8,274,000 to partly finance the acquisition of Whitehall Systems. Interest on the loan was levied at a fixed rate of 6.5%, ensuring no down-side exposure from increases in interest rates. The loan was due to be repaid by June 2009 but was repaid early, in full, in March 2008.

OGCBuying.solutions is able to generate its own cash via supplier commission and managed services fees and, as such, does not receive funding from the public purse. Any surplus cash is, in the short-term, invested in a high interest account or on deposit with the National Loan Fund and, longer term, invested to generate further savings for the nation. A certain level of liquidity also needs to be maintained to fund the working capital requirements of the Managed Telecommunication Service (Mts). A "dividend" equal to 6.5% of capital employed is paid annually to OGC.

Our main tangible asset is Whitehall Systems which is detailed in the Notes to the Accounts.

There have been no changes in accounting policies this year.

4 Principal Activities

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

OGCBuying.solutions' operations break down into two major areas of activity, namely framework agreements, delivered under the Catalyst brand, and Managed Services.

Framework agreements are a set of pre-tendered contracts with a range of suppliers from which public sector customers can purchase goods and services with ease. A small commission (averaging 0.6%) is collected from the suppliers for each sale they make under our frameworks. Catalyst pre-tendered framework agreements cover over 500,000 individual products and services.

Managed Services are ongoing, often more sophisticated, services managed by OGCBuying.solutions on behalf of its public sector customers. In many cases, OGCBuying.solutions acts as the "intelligent customer" to a range of strategic partners. The economic model here varies by business area ranging from commission to traditional purchase and sale at a small margin designed to cover the cost of managing the service.

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

ICT

Hardware, software, associated products, infrastructure, maintenance and management; an extensive range of telecoms products and services including Mobile Solutions and Specialist Solutions; Mts, a Managed Telecommunication Service and GSi, the Government Secure Intranet.

Utilities

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

Property & Office Solutions

Property and facilities management services, catering equipment, office supplies, print and recycled paper, furniture and furnishings, health and hygiene, hardware and buildings and postal services.

Professional Services

Environmental, legal and organisational consultancy; specialised services to support business functions; resourcing services including specialist contractors and interim managers.

Payment Solutions

The Government Procurement Card (GPC); a selection of fuel procurement cards including MonitorCard and the Government Merchant Acquiring framework agreement.

Travel

Provides substantial savings on business travel and related services, including hotel accommodation, air and rail travel, vehicle hire and conference services.

eCommerce

Offers a set of web-based tools for buying on the Internet, encompassing eSourcing, eAuctions and Zanzibar which includes an electronic marketplace and purchase-to-pay solution.

5 Key Strengths and Resources

Our key strengths and resources are as follows:

- A highly skilled workforce maintained by rigorous recruitment and performance management processes, appropriate reward and recognition and a commitment to training and professional development
- A category management approach to all procurement activity
- Technical knowledge - we act as the "intelligent" customer on behalf of the public sector
- Great deals for the public sector, as evidenced by stringent independent benchmarking
- A clear vision ("Savings for the Nation") and strong supporting organisational values
- Increasing strength and reputation of the organisation
- Supplier management expertise
- Flexible response to customer demand
- Robust internal control and governance

6 Principal Risks and Opportunities

The Directors' comprehensive and robust approach to Risk and Opportunity Management is laid out in the Statement on Internal Control. The key risks and opportunities currently being managed are:

- Ensuring the business meets or exceeds its financial targets and remains financially robust
- Ensuring the business continues to enhance its reputation, brand and its associated values
- Ensuring the business attracts and retains a capable, motivated, adaptable workforce to deliver its key strategic objectives
- Ensuring the business processes are fit for purpose to deliver key business objectives
- Ensuring the business understands and responds to the needs of its customers
- Ensuring the business engages with, and manages its suppliers
- Ensuring the business identifies and responds quickly to market movements or opportunities and competitor activity

7 Principal Objectives

OGCbuying.solutions' objectives are:

- 1 To provide efficient and effective procurement and contract management services, complying with relevant public procurement regulations, and offering better value for money than customers could achieve otherwise
- 2 To bring about a progressive improvement in the cost effectiveness and quality of service its customers receive from OGCbuying.solutions suppliers and from OGCbuying.solutions itself
- 3 To maximise the savings potential of taxpayers' money by continuing to offer its arrangements and services across the whole of the public sector
- 4 To promote and facilitate quick and easy access to a range of sustainable and environmentally friendly products and services wherever possible in its business activities
- 5 To be a good employer, managing OGCbuying.solutions' business efficiently and effectively, seeking continuous improvement, in line with our corporate values

8 Performance Against Targets

Performance against targets are shown on pages 8-9. Directors use a Balanced Scorecard approach to measure progress against these targets during the year.

9 Financial Performance

The financial objective equivalent to a 6.5% return on capital employed was exceeded for the year ended 31 March 2008.

The operating surplus for the year amounted to £4,516,000 (£4,957,000 for 2006/07).

Interest receivable was £774,000 (£662,000 for 2006/07).

Surplus on ordinary activities for the period was £5,155,000 (£5,275,000 for 2006/07).

Due to the successful achievement of our targets (see pages 8-9 for more details of the performance against key targets) a staff bonus is payable (see note 4.2 in the Notes to the Accounts).

The loan, taken out from OGC to purchase the Whitehall Systems, was repaid early, in full, in March 2008.

A dividend of £1,669,000 (£1,341,000 for 2006/07) for the year to 31 March 2008 is payable to the OGC. The dividend is based on an annual average of 6.5% return on capital employed (ROCE).

The retained surplus of £3,486,000 has been taken to the General Reserve (£3,934,000 for 2006/07).

10 Customer Spend

	31 March 2008	31 March 2007
	£million	£million
Framework Agreements	4,136	3,447
Managed Services	51	63
Memorandum of Understanding	247	232
	<u>4,434</u>	<u>3,742</u>

The above table shows the total value of public sector transactions with OGCbuying.solutions suppliers, through framework agreements and enabling contracts. The 2007/08 value is £692m above the 2006/07 level.

11 Contractual Arrangements

OGCbuying.solutions has framework agreements with 550 suppliers.

It also has managed services contract agreements with the following strategic partners:

- **For GSi:**
Cable and Wireless UK
- **For Managed Telecoms:**
Global Crossing (UK) Telecommunications Limited
- **For Energy:**
Corona Energy Retail 4 Limited, EDF Energy PLC, British Gas
- **For eCommerce:**
Procserve Holdings Limited, BravoSolution Limited

12 Payment of Creditors

OGCbuying.solutions is committed to complying with the Late Payment of Commercial Debts (Interest) Act 1998, Confederation of British Industries (CBI) Prompt Payers Code and British Standards (BS) 7890.

During the year 1 April 2007 - 31 March 2008, OGCbuying.solutions paid 97% of payments due (97% in the year ended 31 March 2007) within the credit period allowed.

13 Register of Interests

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

14 Significant Changes in Fixed Assets

The Whitehall Systems asset has been revalued, and the useful economic life reassessed, during the year.

See Note 8 in the Notes to the Accounts for details.

15 Research and Development

OGCbuying.solutions does not currently undertake pure research.

OGCbuying.solutions carries 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

OGCbuying.solutions has had no personal data related incidents either during the year or in prior years.

17 Post Balance Sheet Events

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 1 July 2008.

There are no post balance sheet events to be reported.

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.

19 Auditors

The Comptroller and Auditor General is the auditor of OGCbuying.solutions accounts. The charge for the year is £51k. All of this cost is related to audit services.



A Littley
Accounting Officer
23 June 2008

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 7.2.18-26). The Companies Act requirements include some disclosures that are not likely to be relevant in OGcbuying.solutions (such as those on shareholdings, share options, long-term incentive schemes and excess pension benefits paid). However the report has been prepared to be compliant so far as is practicable and appropriate.

2 Senior Salaries Review Body

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

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff

- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- The funds available to departments as set out in the Government's departmental expenditure limits
- The Government's inflation target

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

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

3 Service Contracts

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

Unless otherwise stated below, the Directors covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The Chief Executive is employed on a Fixed Term Appointment basis.

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

4 Senior Management Salary and Pension Entitlements

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

	Salary inc bonus Year ended 31 Mar 08 (2006/07 comparative in brackets) £000	BIK rounded to nearest £100	Real increase in pension at 60 and related lump sum at age 60 £000	Total accrued pension at 60 £000	CETV nearest £000 (note 2)	Real increase in CETV after adj. for inflation and changes in market invest. factors £000
A Littley Chief Executive	135-140 (60-65)	- (-)	0-2.5 (0-2.5)	3 (1)	41 (12)	23 (10)
S Heard Director of Customer Relations	85-90 (70-75)	- (-)	0-2.5 (0-2.5)	8 (6)	138 (102)	19 (16)
D Murray Director of Corporate Services	90-95 (85-90)	- (-)	0-2.5 (0-2.5)	20 (17)	234 (180)	17 (11)
D Rothwell Director of Business Services Procurement	90-95 (80-85)	- (-)	0-2.5 (0-2.5)	6 (2)	90 (58)	20 (16)
L Grant (note 1) Director of ICT Procurement to 9 May 2008	215-220 (50-55)					
JC Thwaite OBE Non-Executive Director	15-20 (15-20)					
K Girling Non-Executive Director	5-10 (5-10)					
C Lamb Non-Executive Director	0-5 (0-5)					

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

Note 1 The amount shown reflects payments to a third party for L Grant's services.

Note 2 Due to certain factors being incorrect in last year's CETV calculator, there may be a slight difference between the final period CETV for 2006/07 and the start of period CETV 2007/08. For a description of CETV please refer to Note 1.7 in the Notes to the Accounts.



A Littley
Accounting Officer
23 June 2008

Statement of OGCBuying.solutions and Chief Executive's responsibilities

Under Section 4(6A) (b) of the Government Trading Funds Act 1973, the Treasury has directed OGCBuying.solutions to prepare a statement of Accounts for the 12 month period from 1 April 2007 to 31 March 2008. The Accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at 31 March 2008 and of its income and expenditure, total recognised gains and losses and cash flows for the 12 months then ended.

In preparing the Accounts the Agency is required 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 have been followed, and to disclose and explain any material departures in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Agency will continue in operation

The Treasury has appointed the Chief Executive of OGCBuying.solutions as the Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including her responsibilities for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money.

The Chief Executive's responsibilities as Accounting Officer for the keeping of proper records includes the responsibilities for the maintenance, integrity and upkeep of financial records (including the financial statements) on OGCBuying.solutions' website.

Corporate Governance

Structure

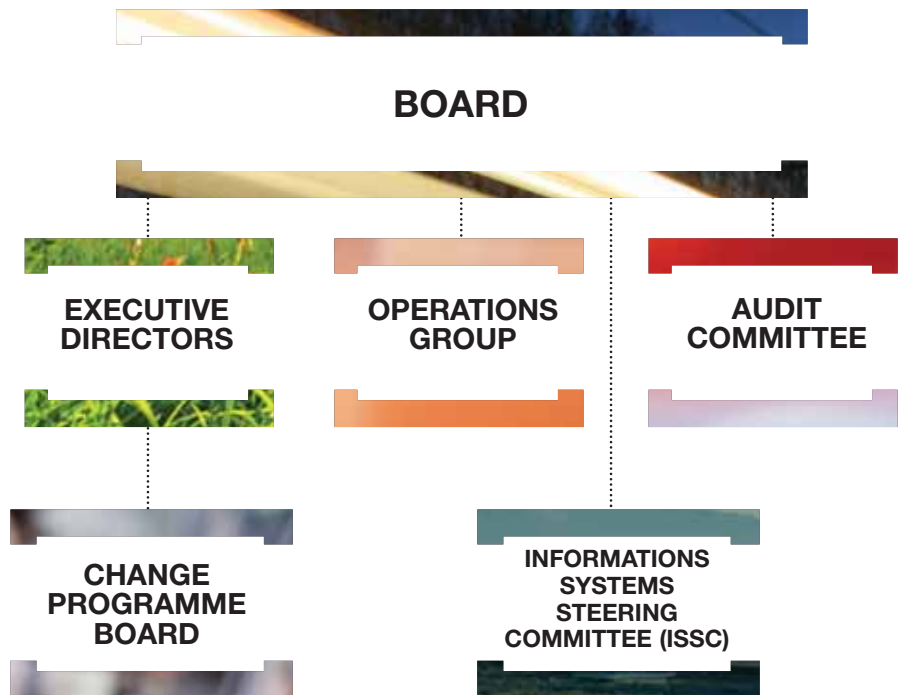
Board of OGCbuying.solutions

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

- Defines the Agency's strategic aims, objectives and target setting
- Reviews and agrees the Annual Business Plan prior to submission to OGC and Treasury
- Allocates and manages financial and human resources to deliver the Business Plan
- Monitors the operational performance of the business and any actions needed to keep performance on plan
- Reviews the Annual Report and Accounts prior to sign-off by the Chief Executive
- Sets the Agency's vision, standards and values; and provides a scheme of delegated authority
- Maintains a transparent system of prudent and effective controls (including internal controls)

In addition, the Board:

- Reviews the following items on a regular basis through the year: the Risk Register; the results of staff surveys; the results of customer satisfaction surveys; annual reviews of health and safety; and major projects
- Considers major business cases (>£500K total expenditure) prior to sign-off by the Chief Executive.
- Leads and oversees the process of change, in line with the Government's efficiency agenda, encouraging innovation, and enterprise, to enhance the Agency's capacity to deliver



The Board membership consists of the Chief Executive (Chair), four Executive Directors and three Non-Executive Directors.

During 2007/08, the following Directors were members of the Board of OGCbuying.solutions:

	No. of meetings attended		No. of meetings attended
Mrs A Littley Chief Executive	7/7	Mr L Grant Director of ICT Procurement	7/7
Mr DJ Murray Director of Corporate Services	7/7	Mr JC Thwaite OBE Non-Executive Director	7/7
Mr SP Heard Director of Customer Relations	6/7	Mr KR Girling Non-Executive Director	7/7
Mr D Rothwell Director of Business Services Procurement	6/7	Mr C Lamb Non-Executive Director	6/7

Executive Directors

The Executive Directors meet weekly and concentrate on key procurement decisions and stages (“gates”) including the progress of the development and management of category plans, opportunity assessments, source plans and tender exercises in line with simplified procurement processes. Executive Directors also use this forum to update each other on key activities as well as making quick, informed decisions as required.

The Audit Committee

The Audit Committee’s role is to advise the Accounting Officer on the adequacy of the internal control arrangements including risk, governance and in particular, the findings and recommendations emerging from the work of internal and external audit to provide the associated assurance. During 2007/08, Audit Committee membership consisted of three Non-Executive Directors and in addition, the Chief Executive, Director of Corporate Services, representatives from OGC and the Internal and External Audit organisations were invited to attend. The Audit Committee has met four times during the period.

At 31 March 2008, the following were members of the Audit Committee:

	No. of meetings attended
Mr JC Thwaite	4/4
Mr KR Girling	4/4
Mr C Lamb	3/4

The Operations Group

The Operations Group monitors operational performance against the targets set within the Business Plan, taking any corrective actions where required. It also considers policy issues that do not require full Board consideration. Membership of the Operations Group consists of category and functional Directors. The Director of Corporate Services provides a Non-Executive role to advise the group and provide a link to the Board.

The Change Programme Board

To ensure the Agency can continue to support the principles of HM Treasury’s Transforming Government Procurement initiative, the Agency has undergone a major change programme to improve its approach to procurement and its effective interaction with customers and suppliers.

Reporting to Executive Directors, the Change Programme Board has been responsible for managing the governance of the programme, ensuring the clarity of roles, responsibilities and dependencies across the work streams and effective communication to staff and the delivery of outputs at the agreed milestones.

As part of the change programme, a new approach to risk management structures and systems will be launched in 2008/9. From January 2008, the Information Systems Steering Committee (ISSC) (see below) ceased to convene as a formal committee. The Agency’s IT strategy, systems and infrastructure will be managed by the IT Director and management information and information assurance will be discussed at the Operations Group. The IT strategy will be approved annually by the Board.

Information Systems Steering Committee (ISSC)

The Information Systems Steering Committee met every three months until December 2007, to oversee the development, maintenance and implementation of OGCbuying.solutions’ information strategy. In support of the vision and strategic direction of the Agency, it ensured that the information systems strategy was responsive to business needs and reflected best IT practice.

To achieve the above, the Committee’s terms of reference included the following:

- Regularly review the alignment of the IT Strategy in relation to the Agency’s business plan
- Act as a referral point on issues of a strategic nature
- Explicitly review and agree project management arrangements for particularly large, sensitive or complex projects involving IT infrastructure
- Ensure that completed IT infrastructure projects are reviewed for their attainment of business objectives and that post implementation reviews are carried out effectively
- Review arrangements for IT service, security and resilience, business continuity plans, the operation of partnership arrangements (service level agreements) and long-term arrangements for resources (staff, services, software and hardware)
- Review any IT aspects of the Agency’s risk register and ensure adequate controls are put in place
- Discuss and review developments in the IT marketplace which may impact upon the Agency

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

A close working relationship with our parent department the Office of Government Commerce (OGC) is maintained through my membership of the OGC Board and through OGC representation at Audit Committee level.

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Chief Executive and the Board are responsible for maintaining an adequate system of internal control, for reviewing its effectiveness and for ensuring necessary actions are taken to remedy significant failings or weaknesses identified. All employees are accountable for operating within these policies.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Key elements of the Agency's system of internal control incorporate:

- Formal authorisation processes and record keeping covering all financial transactions, all programme initiation and delivery, all major project expenditure and all contracts including defined criteria of when Executive Board approval is required;
- Financial and other reporting processes within category teams and departments and up to the Board including monthly management and activity reporting, business reviews and new initiatives, an annual budget and Business Plan cycle with regular rolling forecasts, performance reviews and exception reporting;
- Policies and procedures to facilitate and ensure the flow of timely, relevant and reliable information across the organisation;

- Processes to ensure compliance with all applicable regulations and legal requirements including freedom of information, data protection and security, health and safety;
- Procedures to ensure staff professionalism, competency and development including recruitment policies, performance management and appraisal, training programmes to improve required knowledge and skills.

Capacity to Handle Risk

The risk management process has the endorsement of the Board via the Agency's Risk and Opportunity Management Strategy. The Board of Directors are responsible for risk management across the Agency and for setting the Agency's "appetite for risk", determining what types of risk are acceptable and which are not; and providing guidance to senior managers. Specific responsibility for strategic risks is assigned to Board members and responsibility for operational risks lies with the directorates. This ensures central control together with local ownership in managing and controlling all elements of risk to which the Agency may be exposed.

An internal risk management function works with management and the Board to ensure the continued operation and appropriate development of processes to identify, evaluate and manage the significant risks facing the agency. Periodic risk updates and reports are submitted to the Audit Committee.

The reporting structures enable risk management activities to be monitored and where necessary, escalated to the appropriate level of management.

In addition to regular reports, the Head of Internal Audit undertakes an annual assessment of the effectiveness of the Agency's risk management procedures.

The Risk and Control Framework

Our framework for identifying and categorising risks focuses on the successful achievement of organisational objectives as defined within the Business Performance Scorecard. An appropriate and suitable risk appetite level is set and agreed at board level for each of the perspectives based on the Business Planning process. The risk appetite levels will be reviewed at least annually.

The key features of the Agency's risk management process to identify, evaluate and control risk are as follows:

- Strategic risks are owned and managed by named members of the Board;
- Managers should identify and evaluate the key operational risks within their respective business units and agree actions to mitigate those risks to an acceptable level;

- Directors are required to review their registers and sign a separate annual assurance statement, declaring to the best of their knowledge that risks have been adequately identified and managed through the implementation and monitoring of appropriate controls;
- A monthly risk reporting process feeds operational risks into the corporate risk report. These risks are reviewed by the Operations Group at each monthly meeting, by the Board quarterly and by the Audit Committee at each meeting to ensure controls have been applied and risks are effectively monitored;
- The Audit Committee, on behalf of the Board of Directors, monitors the effectiveness of internal control, including financial, operational and compliance controls and risk management.

Following a major change programme to enable the Agency to play a leading role in the Treasury's Transforming Government Procurement agenda, the Agency has undergone a restructuring to facilitate the introduction of a category management approach to procurement. A re-launch of a simplified risk management strategy and central risk website will be undertaken during the next financial year.

A key risk to the reporting of Agency income is the dependency on suppliers to provide accurate and complete reporting of sales. The Agency has a number of management controls in place to gain assurance over sales reporting. In response to recent NAO suggested recommendations, the Agency is taking steps to enhance these controls to further mitigate any risks which could lead to the potential for income misstatement.

Review of Effectiveness

As Agency Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of internal auditors KPMG and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The assurance framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. A breach of internal controls relating to purchases for direct use by the Agency was identified by management in the year. Actions have been taken to address this weakness and improve control procedures.

The effectiveness of the system of internal control was maintained and reviewed through:

- A Board which meets regularly to consider the plans, progress and strategic direction of the Agency. The Board comprises myself, Executive Directors of the Agency and three Non-Executive Directors – one of whom is Chair of the Audit Committee;
- An Audit Committee, with internal and external audit representation, meeting four times a year under the chairmanship of a Non-Executive Director, at which all assurance activities are reviewed including internal and external audit, risk management, functional

compliance audit and other reviews as appropriate. During the year, internal audit carried out a review of the Audit Committee's compliance with HM Treasury's Audit Committee Handbook and concluded positively in respect of compliance with the principles and elements of the handbook;

- The Agency's internal auditors undertake regular testing of control systems and core business policies and processes. The audit plan is based on a continuing assessment of key risks and covers financial, compliance and operational controls. The results of testing are reported through internal audit reports at each meeting of the Audit Committee;
- Internal audit reports include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. The opinion of OGC Buying Solutions stated in the Annual Internal Audit Report for 2007/08 was

"I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, control and governance processes."

"In my opinion, OGCbuying.solutions has adequate and effective risk management, control and governance processes to manage its achievement of the organisation's objectives."

Future Developments

To re-enforce the importance of data and asset security in the public sector, all employees will be attending information management awareness seminars to ensure they are reminded of their responsibilities. The Agency is committed to ensuring there is sufficient protection of the confidentiality, integrity and availability of information and data that it holds and relies upon for the successful conduct of its business activities. The main priority in the immediate future is to put in place the measures required by the mandatory standards issued by the Cabinet Office. Some of the standards are already met, such as the accreditation of systems, whilst others present new tasks for the organisation.

The newly appointed Legal team will support the development of new procurement solutions and business models tailored to meet customer needs and the Operations Group will undertake comprehensive business reviews as part of its key role of delivering the Business Plan.



A Littley
Accounting Officer
23 June 2008

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 OGCBuying.solutions for the year ended 31 March 2008 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses 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 OGCBuying.solutions, the Chief Executive and auditor

OGCBuying.solutions and the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of OGCBuying.solutions and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Management Commentary, included within the Annual Report, is consistent with the financial statements. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if OGCBuying.solutions has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects OGCBuying.solutions' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of OGCBuying.solutions' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by OGCBuying.solutions and the Chief Executive as Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to OGCBuying.solutions' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Funds Act 1973 and directions made thereunder by HM Treasury, of the state of OGCBuying.solutions' affairs as at 31 March 2008 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- information, which comprises the Management Commentary, included within the Annual Report is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
1 July 2008

Operating Account for the Year Ended 31 March 2008

	Note	31 March 2008		31 March 2007	
		£000	£000	£000	£000
Turnover	2		75,479		70,530
Cost of sales			(47,429)		(44,183)
Gross Surplus			28,050		26,347
Staff costs	4.2	(14,842)		(11,845)	
Depreciation	8	(849)		(1,047)	
Other operating charges	5	(7,843)		(8,678)	
Total operating costs			(23,534)		(21,570)
Other operating income	3		-		180
Operating Surplus			4,516		4,957
Interest Receivable	6		774		662
Interest Payable	7		(135)		(344)
Surplus for the financial year			5,155		5,275
Dividend to be surrendered to OGC			(1,669)		(1,341)
Retained Surplus	17		3,486		3,934
Retained Surplus brought forward	17		23,398		19,464
Retained Surplus carried forward	17		26,884		23,398

Income and surplus are derived entirely from continuing operations. There were no material disposals or acquisitions. The Notes to the accounts on pages 46 to 56 form an integral part of these accounts.

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2008

	31 March 2008		31 March 2007	
	£000	£000	£000	£000
Surplus for the Financial Year		3,486		3,934
Movement on Revaluation of Fixed Assets		1,718		(24)
Credited to the Revaluation Reserve		-		275
Total gains and losses relating to the financial year		5,204		4,185

Balance Sheet as at 31 March 2008

	Note	31 March 2008		31 March 2007	
		£000	£000	£000	£000
Fixed Assets	8		11,813		10,944
Current Assets					
Stocks	9	210		221	
Debtors	10	12,485		12,185	
Investment	11	11,000		10,000	
Cash at bank and in hand		1,498		2,618	
		25,193		25,024	
Creditors:					
Amounts falling due within one year	12	(6,876)		(9,414)	
Net Current Assets			18,317		15,610
Creditors amounts falling due after more than one year	12		-		(1,537)
Provision for liabilities and charges	14		(594)		(685)
Total assets less liabilities			<u>29,536</u>		<u>24,332</u>
Capital and Reserves					
Public Dividend Capital	15	350		350	
Revaluation Reserve	16	2,302		584	
General Reserve	17	26,884		23,398	
TOTAL			<u>29,536</u>		<u>24,332</u>

The Notes to the Accounts on pages 46 to 56 form an integral part of these accounts.



A Littley
Accounting Officer
23 June 2008

Cash Flow Statement for the Year Ended 31 March 2008

	31 March 2008	31 March 2007
	£000	£000
Net cash inflow / (outflow) from operating activities	3,490	7,233
Returns on investments and servicing of finance		
Interest received	789	645
Interest paid	<u>(135)</u>	<u>(344)</u>
	654	301
Capital expenditure		
Payments to acquire tangible fixed assets	-	(15)
Dividend paid	<u>(1,548)</u>	(1,440)
Long term loan	<u>(1,537)</u>	(3,179)
Short term loan	<u>(1,179)</u>	-
	<u>(2,716)</u>	(3,179)
Management of liquid resources	<u>(1,000)</u>	<u>(5,000)</u>
Net cash inflow/(outflow)	<u>(1,120)</u>	<u>(2,100)</u>

See Note 18 in the Notes to the Accounts. The Notes to the Accounts on pages 46 to 56 form an integral part of these accounts.

Notes to the Accounts

1 Accounting Policies

1.1 Accounting Convention

The Accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 4 (6A)(b) of the Government Trading Funds Act 1973 updated 27 March 2002.

The Accounts have been prepared under the historical cost convention modified to include the revaluation of Whitehall District Heating and Whitehall Standby Distribution Systems (the Whitehall Systems) included within plant and machinery.

The accounting treatment has not been modified in respect of other fixed assets valued at current cost as required in the Accounts Direction given by HM Treasury. Any difference is not material.

1.2 Accounting Standards

The Accounts conform, insofar as appropriate, with the requirements of the Financial Reporting Manual (FRM) issued by HM Treasury and of accounting standards issued or adopted by the Accounting Standards Board.

1.3 Turnover

Turnover consists of the value of goods and services net of Value Added Tax, Trade Discounts and Rebates, from the ordinary activities of the business. Framework income is based on sales reported by suppliers.

1.4 Fixed Assets

Fixed 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

This asset is independently revalued at net current replacement cost on a regular basis. The useful economic life of the asset is also independently re-assessed on a regular basis. In previous years the asset has been valued at net current replacement cost by using the price index numbers for current cost accounting. However from 2007/08 this index is no longer applied. See Note 8 in the Notes to the Accounts for more details.

1.5 Depreciation

Depreciation is provided on tangible fixed assets on a straight-line basis at annual rates based on the estimated lives of the assets as follows:

- Computer Equipment – three to six years
- Fixtures & Fittings – five to ten years
- Plant & Equipment – five to twenty years

Depreciation in respect of Whitehall Systems has been calculated on the basis of there being no significant residual value at the end of the assets' useful life.

1.6 Stocks

Stocks are valued at weighted average cost.

1.7 Pension Benefits

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

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

Notes to the Accounts continued

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

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

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

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

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

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

1.8 Early Retirement

OGCbuying.solutions is required to meet the additional cost of liabilities beyond the normal Principle 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 14 in the Notes to the Accounts).

1.9 Leases

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

1.10 Liquid Resources

During the period, funds surplus to immediate requirements have been deposited with the National Loans Fund. These funds are considered to be liquid resources as they are short term deposits that do not qualify as cash.

1.11 Dividend on Return on Capital Employed

A dividend equal to an annual average of 6.5% (2006/07 6.5%) return on capital employed is payable to the Office of Government Commerce (OGC).

1.12 Grants

Grants are matched against relevant expenditure as it is incurred. Any unmatched element of the grant is either deferred to the next period or returned in accordance with the grant's terms and conditions. (see Note 3 in the Notes to the Accounts).

2 Segmental Performance

	TURNOVER		GROSS SURPLUS		OPERATING COSTS LESS OTHER OPERATING INCOME		OPERATING SURPLUS	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Frameworks	23,747	24,560	23,306	22,307	(18,062)	(16,177)	5,244	6,130
Managed Services	51,732	45,970	4,744	4,040	(5,472)	(5,213)	(728)	(1,173)
TOTAL	75,479	70,530	28,050	26,347	(23,534)	(21,390)	4,516	4,957

This analysis has been restated to reflect the new organisational structure, which is based on the products and services offered by OGCBuying.solutions. For information we have provided the current year's figures in the format used last year in the table above.

	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
	Business Services	16,898	18,763	14,001	13,265	(11,993)	(10,917)	2,008
ICT procurement	58,581	51,767	14,049	13,082	(11,541)	(10,473)	2,508	2,609
TOTAL	75,479	70,530	28,050	26,347	(23,534)	(21,390)	4,516	4,957

There were no discontinued operations. OGCBuying.solutions does not separate net assets for each segment.

3 Other Operating Income

During the year ended 31 March 2006, OGCBuying.solutions received a grant from OGC in the form of Efficiency Challenge Funding. The money contributed towards start up costs for two new services to customers, Zanzibar and Travel Services. The balance of the grant was used during the year ended 31 March 2007.

	2007/08 £000	2006/07 £000
Total grant received	-	180
Matched during the year	-	(180)

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:

	2007/08	2006/07
Board	5	5
Operational	202	197
Administration	62	69
Agency and contract staff	29	19
TOTAL	298	290

4.2 Total staff costs

Superannuation costs relate to staff participation in the PCSPS defined benefit scheme. Details of the underlying liabilities applicable to the Agency employees are not separately identifiable. Due to the successful achievement of targets, a staff bonus is payable.

	2007/08 £000	2006/07 £000
Wages and salaries	8,373	7,899
Bonus	398	383
Social Security	694	693
Superannuation	1,618	1,525
VER	299	-
Agency and contract staff costs	3,460	1,345
TOTAL	14,842	11,845

Notes to the Accounts continued

4.3 Senior manager salary and pension entitlements

For details of Executive Directors' salary, fee and pension entitlements see Remuneration Report on page 36.

4.4 Superannuation

Most OGCBuying.solutions' staff are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 (and subsequent amendments) apply and are covered by the provisions of the Principal Civil Service Pension Scheme which is non contributory. (Note 1.7 of the Notes to the Accounts includes details of the scheme).

For the 12 month period ended 31 March 2008, contributions of £1,618,000 (2007: £1,525,000) were paid to the 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 2008 were between 17.1% and 25.5% depending upon the pay band of each employee.

5 Other Operating Charges

	2007/08 £000	2006/07 £000
Charges Include:-		
Auditor's remuneration	51	48
Charges for plant and machinery operating leases	22	23
Charges for other operating leases	368	409
Travel and subsistence	1,437	1,513
Loss on sale of fixed assets	-	8
Accommodation and Utilities	1,316	1,572
Marketing	1,854	2,098
Training	340	368
Other operating and external charges	2,455	2,639
TOTAL	<u>7,843</u>	<u>8,678</u>

6 Interest Receivable

	2007/08 £000	2006/07 £000
Bank and short term investment interest	774	662
TOTAL	<u>774</u>	<u>662</u>

7 Interest Payable

	2007/08 £000	2006/07 £000
Interest payable on long term loan (See note 12)	135	344
TOTAL	<u>135</u>	<u>344</u>

Notes to the Accounts continued

8 Fixed Assets

	31 March 2008 Computer Equipment £000	31 March 2008 Plant & Equipment £000	31 March 2008 Fixtures & Fittings £000	31 March 2008 TOTAL £000	31 March 2007 TOTAL £000
Cost					
At beginning of period	365	12,895	387	13,647	13,536
Additions in period	-	-	-	-	15
Disposals	(10)	-	-	(10)	(179)
Revaluation	-	(297)	-	(297)	275
At end of period	355	12,598	387	13,340	13,647
Depreciation					
At beginning of period	341	2,102	260	2,703	1,803
Amount provided in period	16	756	77	849	1,047
Revaluation	-	(2,015)	-	(2,015)	24
Disposals during period	(10)	-	-	(10)	(171)
At end of period	347	843	337	1,527	2,703
Net book value at 1/4/07	24	10,793	127	10,944	11,733
Net book value at 31/3/08	8	11,755	50	11,813	10,944

The Whitehall Systems asset (within Plant & Equipment) has been independently revalued during the year by Cambridge Projects Ltd (Industry Experts) as at 1 April 2007 based on net current replacement cost, which has been adjusted based on the age of the assets to provide a depreciated replacement cost. The useful economic life of the asset has also been independently reassessed during the year. As a result the life has been extended by five years to 2024 and depreciation charge for the year has reduced by £182,000. In previous years the asset has been valued at net current replacement cost by using the price index numbers for current cost accounting, however from 2007/08 this index is no longer applied.

9 Stocks

	31 March 2008 £000	31 March 2007 £000
Fuel Stocks	210	221
TOTAL	210	221

10 Debtors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year		
Trade debtors less provision for bad and doubtful debts	5,325	3,449
Other debtors	62	351
Prepayments and accrued income	7,098	8,385
TOTAL	<u>12,485</u>	<u>12,185</u>

11 Short Term Investment

	31 March 2008 £000	31 March 2007 £000
Balance on deposit with National Loans Fund	<u>11,000</u>	<u>10,000</u>

12 Creditors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year		
Other taxes and Social Security costs	725	831
Trade creditors	2,631	4,352
Other creditors	486	380
Accruals and deferred income	3,034	2,672
Other loans	-	1,179
TOTAL	<u>6,876</u>	<u>9,414</u>
Amounts falling due after more than one year		
Other loans	-	1,537
TOTAL	<u>-</u>	<u>1,537</u>
Maturity of Debt		
Amounts falling due within:		
One to two years	-	1,179
Two to five years	-	358
TOTAL	<u>-</u>	<u>1,537</u>

A long term loan of £8,274,000 was taken out on 31st December 2004 to finance the Whitehall Systems acquisition. Interest on the loan was levied at 6.5%. The loan was due to be repaid by June 2009 but was repaid, in full, in March 2008.

Notes to the Accounts continued

13 Lease Obligations

	31 March 2008		31 March 2007	
	Other £000	Land & Buildings £000	Other £000	Land & Buildings £000
Operating lease rentals due within:				
One Year	22	-	1	-
Two to Five Years	1	418	27	488
TOTAL	23	418	28	488

14 Provision for Liabilities and Charges

The Voluntary Early Retirement (VER) 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 Note 1.7 in the Notes to the Accounts).

	31 March 2008			31 March 2007		
	VER £000	Restructuring Provision £000	Total £000	VER £000	Restructuring Provision £000	Total £000
Balance at beginning of period	685	-	685	1,193	274	1,467
Utilised in the period	(176)	-	(176)	(508)	(274)	(782)
Increase in the period	85	=	85	=	=	=
Balance at the end of period	594	=	594	685	=	685

15 Public Dividend Capital

	31 March 2008 £000	31 March 2007 £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	350	350

16 Revaluation Reserve

	31 March 2008 £000	31 March 2007 £000
Revaluation Reserve at 1st April	584	333
Revaluation of plant and equipment	1,718	275
Backlog depreciation	=	(24)
Revaluation Reserve at 31st March	2,302	584

17 General Reserve

	31 March 2008	31 March 2007
	£000	£000
Balance at beginning of period	23,398	19,464
Retained surplus for the period	3,486	3,934
Balance at end of period	<u>26,884</u>	<u>23,398</u>

18 Notes to the Cashflow Statement

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

	2007/08	2006/07
	£000	£000
Operating surplus	4,516	4,957
(Decrease) / Increase in provision	(91)	(782)
Depreciation charges	849	1,047
Loss on sale of fixed assets	-	8
Decrease / (increase) in stocks	11	(163)
Decrease / (increase) in debtors	(327)	4,507
(Decrease) / Increase in creditors	(1,468)	(2,341)
Net cash inflow / (outflow) from operating activities	<u>3,490</u>	<u>7,233</u>

Due to the movements in debtor and creditor balances not relating to the Operating Surplus, the movements in working capital balances do not necessarily agree to the supporting notes.

Note (ii): Reconciliation of net cash flow to movement in net funds

	2007/08	2006/07
	£000	£000
Decrease in cash in the year	(1,120)	(2,100)
Short term investment	1,000	5,000
Loans repayable in more than one year	1,537	3,179
Short term loan	1,179	-
Net funds change	2,596	6,079
Net funds at 1 April	9,902	3,823
Net funds at 31 March	<u>12,498</u>	<u>9,902</u>

Note (iii): Analysis of changes in net funds

	1 April 2007	Cash Flows	31 March 2008
	£000	£000	£000
Cash at bank and in hand	2,618	(1,120)	1,498
Debt due within one year	(1,179)	1,179	(-)
Debt due after one year	(1,537)	1,537	(-)
Short term investment	10,000	1,000	11,000
Total	<u>9,902</u>	<u>2,596</u>	<u>12,498</u>

Note (iv): Management of liquid resources

During the period an account with the National Loans Fund was used to place monies on short-term deposit (See note 11 in the Accounts).

Notes to the Accounts continued

19 Capital Commitments

Capital commitments contracted for at 31 March 2008 were £nil (2007: £nil).

20 Financial Objective

The financial target was set at an annual average of 6.5% per annum Return on Capital Employed. The target was met for the period 1 April 2007 to 31 March 2008. The Agency's surplus of £4,516,000 represents an ROCE of 16.3%.

21 Related Party Transactions

OGCbuying.solutions is a Trading Fund of the Office of Government Commerce (within HM Treasury) established on 1 April 2001.

The Office of Government Commerce is regarded as a related party. During the year ending 31 March 2008, OGCbuying.solutions has had various material transactions with this body.

In addition, OGCbuying.solutions had various material transactions with most government departments and other central government bodies, devolved administrations, the NHS and many local authorities.

None of the Board members, key management staff or other related parties have undertaken any material transactions other than payment of salaries and expenses with OGCbuying.solutions during the period.

22 Financial Instruments

OGCbuying.solutions has powers to borrow funds. A long term loan of £8,274,000 was taken out on 31st December 2004 to finance the Whitehall Systems acquisition. Interest on the loan was to be levied at a fixed rate of 6.5%, ensuring no down-side exposure from increases in interest rates. The loan was due to be repaid in June 2009 but was repaid early, in full, in March 2008.

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.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this disclosure.

OGCbuying.solutions' policies for managing its financial risks are set to achieve compliance with the regulatory framework.

- **Liquidity Risk** The Agency faces some liquidity risk as revenue resource and capital expenditure requirements are financed solely by its trading activities.
- **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 Postmaster General's Office account or the commercial bank account are deposited overnight at a fixed rates basis.
- **Foreign Currency Risk** The Agency has no foreign currency income. Foreign currency expenditure has not exceeded £5,000 in the financial year. The Agency is not exposed to currency risk. Transactions have not been hedged.

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 Years
31 March 2008							
Sterling - PGO	1,498	-	1,498	-	5.00	0.12	-
Sterling - National loan fund	11,000	-	11,000	-	5.48	1.0	-
Gross financial assets	12,498	=	12,498	=	=	=	=
31 March 2007							
Sterling - PGO	2,618	-	2,618	-	4.43	0.12	-
Sterling - National loan fund	10,000	-	10,000	-	4.85	1.0	-
Gross financial assets	12,618	=	12,618	=	=	=	=

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 Years
31 March 2008							
Sterling	-	-	-	-	-	-	-
Gross financial liabilities	=	=	=	=	=	=	=
31 March 2007							
Sterling	1,537	-	1,537	-	6.50	5	-
Gross financial liabilities	1,537	=	1,537	=	=	=	=

23 Intra-Government Balances

Details of debtor and creditor 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 2008			
Debtors	2,488	2,488	-
Creditors	(115)	(11)	(104)
31 March 2007			
Debtors	1,831	1,831	-
Creditors	(102)	(43)	(59)

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

24 Constructive Loss

During the year an early termination payment of £500,000 was paid in respect of a managed services agreement held on behalf of the Department for Work and Pensions. This was due to a change in Government policy.

25 Contingent Liabilities

There are no contingent liabilities as at 31 March 2008 (nil as at 31 March 2007).

26 Post Balance Sheet Events

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 1 July 2008. There are no post balance sheet events to be reported.

Treasury Minute Dated

13 January 2004

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 or services provided in the course of the funded operations, and
 - ii. is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account,
 - b. To achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. 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).
3. The Chancellor of the Exchequer, being the responsible Minister, has determined that a further financial objective desirable of achievement by OGCBuying.solutions Trading Fund for the 5 year period from 1 April 2004 to 31 March 2009 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 20 March 2002.
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 2003 to 31 March 2008

	Year 2007/08 £000	Year 2006/07 £000	Year 2005/06 £000	Year 2004/05 £000	Year 2003/04 £000
Balance Sheet					
Fixed Assets	11,813	10,944	11,733	12,535	710
Total current Assets less liabilities	18,317	15,610	14,597	13,259	15,857
Provision for liabilities and changes	(594)	(685)	(1,467)	(1,417)	(58)
Assets Employed	<u>29,536</u>	<u>25,869</u>	<u>24,863</u>	<u>24,377</u>	<u>16,509</u>

Financed by

Public Dividend Capital	350	350	350	350	350
Long Term Loan	-	1,537	4,716	6,895	-
Long Term Creditors	-	-	-	482	-
Revaluation Reserve	2,302	584	333	69	-
General Reserve	26,884	23,398	19,464	16,581	16,159
	<u>29,536</u>	<u>25,869</u>	<u>24,863</u>	<u>24,377</u>	<u>16,509</u>

Operating Accounts

Turnover	<u>75,479</u>	<u>70,530</u>	<u>70,341</u>	<u>60,067</u>	<u>51,164</u>
Operating Surplus	4,516	4,957	4,131	1,350	3,031
Interest Receivable	774	662	374	432	352
Surplus on ordinary activities	5,290	5,619	4,505	1,782	3,383
Interest payable on long-term loan	(135)	(344)	(492)	(135)	-
Surplus for the year	5,155	5,275	4,013	1,647	3,383
Dividend payable to OGC	(1,669)	(1,341)	(1,130)	(1,225)	(1,242)
Retained Surplus	<u>3,486</u>	<u>3,934</u>	<u>2,883</u>	<u>422</u>	<u>2,141</u>

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Notes

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