



Crown
Commercial
Service

Annual Report and Accounts

2016/17



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Crown Commercial Service



Welcome

to the Crown Commercial Service Annual Report and Accounts 2016/17

In 2016/17 the Crown Commercial Service, as a Trading Fund and an Executive Agency of the Cabinet Office, helped organisations across the entire public sector to save time and money on buying their everyday goods and services.

Performance highlights

£12.4bn

of public sector procurement spend channelled through our commercial arrangements including frameworks

£6bn from central government

£6.4bn from the wider public sector



£430m

commercial benefits including savings achieved for central government

£295m

commercial benefits including savings achieved for the wider public sector



All **32** of the Government's Strategic Suppliers have now signed the Prompt Payment Code

Customer satisfaction with our new Customer Service Centre (CSC), which we set up to simplify and improve the way we respond to enquiries, has increased from a Net Promoter Score of -33 to **+36**



Our Employee Engagement Index as measured by the Civil Service People Survey increased from 53% in 2015 to **58%** in 2016



Commercial benefits including savings

Local government

A local council saved **£500,000** on insurance
- the equivalent of 28 refuse collector salaries



Central government

We ran a further competition for the Department for Transport which helped them to save more than **£2.3 million** on the purchase of community minibuses - more than **£17,000 per vehicle**



Health

3 NHS trusts saved over **£9 million** on medical locums through one of our temporary clinical staff agreements
- the equivalent of 171 doctor salaries



Police and emergency services

We helped the police to save more than **£5 million** on the purchase of 2,800 vehicles for 22 police forces
- the equivalent of 215 police officer salaries



Education

A primary school saved **£5,000** on their photocopiers
- this helped them buy new art materials and run more after school clubs



Devolved Administrations

We helped North Ayrshire Council cut invoice processing by **45%** through our ePurchasing card programme



Our vision and values

Our aim is to be the 'go to' provider of commercial solutions for the procurement of common goods and services by the entire public sector. Our role is to support our customers in achieving commercial benefits, including savings, and improving value for money for taxpayers. We also take the lead on developing and implementing ministerial procurement policy priorities.

Our values are to listen, respect, collaborate and trust, in order to deliver with confidence.

The central graphic consists of four colored quadrants, each containing the same four values: 'we listen', 'we respect', 'we collaborate', and 'we trust'. The quadrants are purple (top-left), blue (top-right), orange (bottom-left), and light orange (bottom-right). Each quadrant features a white dotted-line icon: a person's head with radiating lines, two hands shaking, two people holding a structure together, and a person standing on a path.





Performance report

Overview

This summarises the performance of the Crown Commercial Service in 2016/17.

Chief Executive's commentary on performance



Malcolm Harrison

Chief Executive

I feel privileged to be leading the Crown Commercial Service (CCS) at such a critical time in our development and am delighted to have been confirmed as Chief Executive.

We have made significant progress over the year with £12.4 billion of spend being channelled through our commercial arrangements, including frameworks, helping to deliver £430 million in commercial benefits for central government and £295 million for the wider public sector.

Having reviewed our strategy during the year, we now have a revised and much clearer purpose and scope and a more commercial focus. Underpinning this, we also now have a clear and connected operating model which establishes the basis for delivering our standard service to customers as well as setting us up for future growth.

We are making real strides too in improving our offering to our customers, developing commercial products which better meet their needs and, as part of our wider public sector strategy, building our partnerships with other public sector buying organisations. At the same time, we have made significant changes internally to improving our operations which we expect to translate into higher levels of customer satisfaction with our service.

In parallel we have continued to tackle key policy challenges for public sector procurement. We undertook detailed work to understand the implications and potential opportunities of Brexit. We also began the process of simplifying our tender process and have continued to work with departments on increasing their spend with small and medium sized enterprises (SMEs) as part of the wider economic growth agenda.



I am very proud of the dedication, resilience and engagement that our people have shown throughout this challenging period of progress and change. I am also pleased to see how well our organisational values - to listen, respect, collaborate and trust - are starting to shape and drive how we operate both with our colleagues and our customers.

Our capability continues to improve too as we build the skills and expertise in our organisation. We have recruited four new strategic category directors who bring outstanding commercial and procurement experience to our Senior Leadership Team. We have also completed the recruitment of senior category specialists and developed commercial capability across the business with our Learning and Development Programme.

Investments in our technology are also helping us become a more effective and efficient organisation. Through our Digital Transformation Programme, we are putting in place the systems to enable our people to operate as effectively and efficiently as possible. As we make strong progress on the test phase of the Crown Marketplace Programme, we are beginning to transform the way in which our customers can access and purchase our products and services. The simple and easy to use 'click and buy' e-catalogue for Technology Products has been an outstanding success and is a strong sign of its future potential.

As the National Audit Office's and Public Accounts Committee's recent reviews of CCS highlighted, we have already made real progress but there is much work still to be done. Our Internal Auditors have also recognised the improvements we have made by providing an overall moderate assurance rating compared to the limited rating of the last two years. This is a significant achievement and something we will continue to build upon.

I am delighted with what we have achieved this year and look forward to leading the organisation as we continue to implement our new strategy.



M Harrison
Accounting Officer
6 July 2017



Statement of purpose, scope and strategy

We are part of the Government Commercial Function and we lead on developing and implementing Government's commercial policy priorities. We develop commercial solutions for the procurement of common goods and services to support the public sector in achieving value for money from spend with suppliers. We also support the Cabinet Office through provision of resources and funding for the Commercial Central Teams deployed under the direction of the Government Chief Commercial Officer.

We have three overarching strategic objectives:

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

Performance overview

This year we have made significant progress in continuing to deliver services for our customers in central government and the wider public sector whilst implementing an improved operating model.

1. Strengthening the UK economy through effective policy delivery

We have continued to address key policy challenges for public sector procurement and to support the delivery of the Government's priorities.

Detailed work has been carried out to understand the implications and the potential opportunities of Brexit. This includes the development of a plan for the transition to a set of UK procurement regulations rather than those governed by EU directives.

The Government's Industrial Strategy has also been a key area of focus for us and we have made a significant contribution to its development through identifying ways in which procurement can support innovation and other policy considerations.

We have continued to make a contribution to the policy objective of strengthening economic growth through the work we are leading across central government on supporting SME access to public procurement opportunities. In central government, we are addressing this through a refocused cross-departmental board of commercial directors with an engagement strategy that prioritises the largest spending departments.

Additionally, we have published the Growth Balanced Scorecard to ensure departments consider a broad range of benefits which are within the policy agenda, not only financial value, when making the decision on procurements of major infrastructure or capital projects.

Finally, on prompt payment, all 32 strategic suppliers to UK government have formally signed up to the Prompt Payment Code (up from 22 in 2015/16).



2. Maximising commercial benefits

Through our Commercial Accelerator Programme we have identified commercial benefits worth £430 million for central government departments and the use of our deals has helped the wider public sector achieve £295 million commercial benefits.

These are significant achievements but we must continue to get better at customer service and deliver more of the commercial products our customers need to drive value from their common goods and services procurement. We also wish to work far more closely with our customers to ensure that they can measure actual savings realised by them as opposed to the potential benefits that we create at the point of negotiation.

With our new strategic category directors in post and their teams taking shape, we have started to refresh our category strategies and have already begun to replace existing frameworks with new commercial deals which will enable our customers to access the right suppliers and the most competitive prices. Putting in place more 'best in class' frameworks will be a core focus over the next 12 months which will increase spend through CCS from both central government and the wider public sector.

We also continue to develop our transformative Crown Marketplace with the aim of creating an online service for the UK public sector which will connect buyers to a broad range of pre-selected suppliers and enable easier access to the best available deals on common goods and services. We have launched the test phase to trial a limited version of the platform initially with two catalogues (Technology Products and Office Supplies). We will continue this phase by adding payment functionality, establishing additional catalogues and testing other modules of digitally enabled procurement including aggregation. This will help us to develop the data and insights we need to make the investment case to develop the platform further with a view to launching in 2018/19.

3. Focusing on the customer

We have completed a detailed operational review and identified a simpler more efficient operating model which places our common goods and services procurement activities into four clearly defined pillars (Buildings, Corporate Solutions, People and Technology). We have aligned our strategic category management with our procurement operations so that we are now more joined up and commercially focused.

We have identified the activities that we are best placed to undertake and, where appropriate, have worked with departments to transfer back those more operational activities which are better undertaken by the user. At the same time, we have identified what our standard service offering should be so that it is clearer where we can add real value by leveraging our specialist expertise and buying power and help government departments get value for money from their common goods and services procurement.

We have begun to put in place new technology and systems which will enable all our people to operate as effectively as possible. We have also taken steps to strengthen our governance arrangements through refreshing our approach to risk management, improving our management information and rationalising the constitution of the CCS Board.



We have measured and tracked customer satisfaction levels through the year using quarterly Net Promoter Score (NPS) surveys. In Q4 our NPS for Central Government was minus 41, against our target of minus 40 for 2016/17 whilst our NPS score for the wider public sector was plus 2. In 2017/18 we will be focusing our efforts on more transactional customer surveys to help us quickly understand and deal with any issues raised and are confident we will achieve further improvements in the coming year. We are already taking steps to ensure that our Customer Service Centre functions effectively, our online portals are simple to use and provide the right information, and our tender processes and documentation are as simple as possible.

Financial performance

We exceeded our financial targets in 2016/17. Total income was £73.4m (2015/16: £67.7m) and expenditure was £71.6m (2015/16: £66.3m) delivering a surplus of £1.8m (2015/16: £1.4m). Other operating costs of £8.2m (2015/16: £8.0m) were also incurred relating to the Commercial Accelerator Programme, Digital Transformation Programme, Crown Marketplace Programme and the Public Sector Resourcing project. After interest and dividends the retained deficit was £(8.4)m (2015/16: £(8.6)m) which was £10.5m better than budgeted.

The opening General Reserve of £28.5m (2015/16: £37.1m) was therefore reduced to £20.1m. There was no change to Public Dividend Capital (£0.35m) meaning that the total of taxpayers' equity in CCS reduced from £28.9m (2015/16: £37.4m) to £20.5m. The return on capital employed for the year was minus 26.2% (2015/16: minus 20.1%) generating an average return from 1 April 2014 of minus 13.7% (2015/16: minus 7.5%) reflecting the spend on other operating costs in the year. The target is an average of 5% over the period April 2014 to March 2019.

More information is contained within the Notes to the accounts on pages 59 to 71.

We have continued to be committed to paying creditors in line with the Prompt Payment Code. In 2016/17 CCS paid 94% (2015/16: 90.1%) of supplier invoices within five days and 100% (2015/16: 99.2%) of payments due within 30 days.



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

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

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

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

Risk	Mitigation actions
Failure to attract and retain the best people	Continue to focus on strengthening people's skills and capabilities using Government Commercial Organisation to supply commercial specialist roles where needed. Implement business-wide succession plans to mitigate potential skill losses.
Failure to keep pace with innovation, technology and competitors and to remain relevant	Invest in the Digital Transformation Programme to enhance the quality of CCS service delivery. Develop Crown Marketplace as the intuitive, digitally enabled connection between public sector buyers and the supply base. Continue to develop relationships with leaders in the fields of technology that enable the procurement process.
Failure to keep pace with localisation and devolution challenges	Engage with localisation and devolution authority stakeholders to determine how CCS products will support their objectives and commercial needs. Engage with DCLG/CO to ensure CCS is at the forefront of commercial thinking on devolution.
Failure to monitor suppliers and assure that they comply with standards; failure to mitigate for risks in the supply-chain	Assess and monitor suppliers for signs of supply-chain vulnerabilities including quality/service failures, capacity shortfalls and payment performance. Ensure supplier contract conditions and behaviours comply with appropriate legislative and policy requirements. Ensure supplier controls remain robust whilst adhering to conduct and anti-fraud practices. CCS sourcing strategies to ensure adequate supplier geographic coverage and provision of multiple supply options whenever possible.
Failure to maintain reliable information, operational and security systems	Continue collaborating with Government security groups to protect CCS customer information. Ensure CCS business disruption is minimised through effective business continuity planning.
Failure to manage Brexit uncertainties and their potential impact on CCS	Monitor implications of proposed Brexit negotiations on UK procurement policy and ensure continuity of UK public sector procurement operating practices on exit of UK from EU.
Failure to meet customer expectations	Continuous engagement with customers across all channels including feedback surveys such as NPS. Further drive CCS product development to ultimately ensure CCS delivers products and services that meet customer expectations.



Performance analysis

Performance against Business Plan objectives

The table below summarises our achievements against the objectives that were set out in our 2016/17 Business Plan.

Strategic objective	What we achieved	
	Performance measure	Activity
Savings delivery To deliver savings for central government (CG) departments and the wider public sector (WPS)	Achieve the 2016/17 savings targets agreed with central government departments £240m (£330m stretch)	Fully achieved Commercial value / benefits totalling £430m have been tracked and recorded. Of the nine large departments where individual targets were agreed, eight were achieved.
	Achieve the 2016/17 savings target for the wider public sector £200m (£250m stretch)	Fully achieved Commercial value / benefits totalling £295m have been recorded.
Service delivery To deliver services meeting the needs of customers	Improve NPS score (2015/16 baseline minus 50 in central government) Achieve minus 40	Not achieved The Q4 result for CG was minus 41. The result for WPS, where no specific objective was set, improved to +2.
To increase spend through central deals	Increase in spend through CCS commercial frameworks in line with Financial Plan: £4.9bn in CG £6.5bn in WPS Note 1 - Spend has been rebaselined	Partially achieved Total spend through CCS commercial arrangements including frameworks reached £12.4bn which is an increase of £1.1bn compared to £11.3bn in 2015/16 on a like-for-like basis. This comprised £6.0bn in CG (£1.1bn ahead of plan) and £6.4bn in WPS; £100m short of plan.



<p>Policy delivery</p> <p>To deliver the government's objectives on procurement policy</p>	<p>Increase in SME spend within departments and CCS</p> <p>Establish baseline for indirect spend</p> <p>Departments publish progress against 33% target</p>	<p>Partially achieved</p> <p>Direct SME spend via CCS frameworks has increased from £702m (2015/16) to £879m (2016/17).</p> <p>An indicative indirect spend baseline has been established and will be validated along with other departments in readiness for publication in December 2017.</p> <p>Departmental progress was tracked. Final numbers for 2016/17 will be published (December 2017) when the survey of indirect spend with lower tier suppliers has been completed.</p>
	<p>Implement planned measures to support growth</p> <p>Publish Government's Balanced Scorecard for growth</p>	<p>Fully achieved</p> <p>The Balanced Scorecard was published on 14 October 2016 and is being used for new infrastructure and construction projects.</p>
	<p>Sign up all of Government's strategic suppliers to the Prompt Payment Code</p>	<p>Fully achieved</p> <p>All of the 32 strategic suppliers have formally signed up to the code.</p>
<p>Business transformation and capability</p> <p>To continue to improve commercial capability and organisational efficiency</p>	<p>Progress on Capability Plan</p> <p>Complete restructured strategic category recruitment</p> <p>Re-align resources to new Operating Model</p> <p>Drive a proactive Learning & Development offer</p> <p>Assess staff in commercial roles through Commercial Development Centre</p>	<p>Fully achieved</p> <p>Four Strategic Category Directors are in post and final category recruitment is underway.</p> <p>Restructuring is complete and managed as part of the Change & Transformation (C&T) Programme.</p> <p>Programme of commercial training events implemented with ongoing training both for CIPS and other professional qualifications.</p> <p>Of the 60 roles identified in the business as being in scope for GCO, over half have completed the Development Centre.</p>
	<p>Progress on New Operating Model (OM)</p> <p>OM agreed, implemented and standard service in place</p>	<p>Partially achieved</p> <p>OM defined and largely implemented through the six work-streams of the C&T Programme.</p> <p>Standard service has been outlined, the pillar structure has been implemented and efficiencies are being realised through freeing up resource for reassignment. Remaining activities will be completed during Q1 & Q2 of 2017/18 as part of the ongoing C&T programme.</p>



	<p>Progress on Digital Transformation Programme (DTP)</p> <p>Priority projects within Phase 1 and Phase 2 of DTP implemented</p>	<p>Partially achieved</p> <p>Priority projects have been implemented, delivering products in five work-stream areas including Customer Relationship Management, Contracts and Framework Management, Procurement Operations Workflow, Portal, Single Sign-on, Enquiry Management and a new eCatalogue solution. Phase 3 will be implemented during 2017/18.</p>
	<p>Progress on Crown Marketplace</p> <p>Business case signed off</p> <p>Resources secured</p> <p>Governance in place</p> <p>Contingent Labour pilot in place</p>	<p>Fully achieved (test phase)</p> <p>The test phase business case was approved by the CCS Board in December. Programme delivery team is in place along with project governance.</p> <p>Decision taken as part of test phase to focus initially on establishing a small number of eCatalogues.</p>
To improve staff engagement	<p>Improve staff engagement score reaching upper quartile levels by end of the Spending Review period</p>	<p>Partially achieved</p> <p>The CCS Employee Engagement Index increased by 5 points to 58%.</p> <p>Targeted action was taken to improve leadership, communications, learning & development offer and address bullying and harassment that resulted in improved scores in all areas.</p>
<p>Governance and financial management</p> <p>To strengthen organisational controls and deliver the financial plan</p>	<p>In 2016/17, achieve a 'moderate' internal audit assessment</p> <p>Our ultimate aim is to achieve a 'substantial' assessment so in successive years we will show positive progress in terms of governance, risk and control arrangements</p>	<p>Fully achieved</p> <p>CCS overall audit opinion has been assessed as 'moderate' reflecting the results of audits carried out throughout the year and the result of an improvement plan to strengthen organisational governance and control.</p>
	<p>In-year financial performance</p>	<p>Fully achieved</p> <p>We have achieved our in-year financial plan. The overall (CCS Core, Whitehall Systems and CCT) operating surplus was £1.8m. After other operating costs, finance income and dividends this becomes a deficit of £(8.4)m against a budget of £(18.9)m.</p>



Note 1: Spend rebaselining

A review was carried out during the year to clarify spend managed by CCS and in doing so provide a clear baseline against which growth can be measured in future years as part of CCS's Business Strategy to 2020. The review identified types of spend management activity which were subject to the Operational Review and are being transferred back to departments.

Spend should be classified as: direct (£9.5bn of direct purchasing through frameworks); transacted (£1.9bn of transactions using purchasing cards and merchant acquiring services through their own separate frameworks); and spend which forms part of public sector commercial agreements with suppliers (£1.0bn of purchases where discounts for public sector customers are in place but not necessarily through CCS frameworks).

The revised methodology also excludes other types of supported spend (£1.0bn on administrative and contract management activities). This has resulted in Home Office spend relating to processing of purchase orders being removed along with Ministry of Defence spend on Aviation & Marine Fuels and Financial & Technical Services.

Sustainability report

CCS is fully committed to the Greening Government Commitments (GGC) to reduce the impact we have on our environment with particular emphasis on reducing our greenhouse gas emissions, waste and water usage, and buying more sustainable and efficient products and services. We are committed to raising the profile of sustainability within CCS. In March 2017 we launched Cycle to Work in partnership with Cycle Solutions and we are promoting environmental awareness amongst our staff through Carbon Trust employee engagement materials.

Longer term, CCS is committed to the Government Property Unit (GPU) Hub building programme that will include an expansive Building Energy Saving and Green Travel Policy.

During the financial year, estate-related performance (gas emissions, energy, waste and water usage) were recorded at building level for sites occupied by CCS and reported by those owners on behalf of the occupiers.





Greenhouse gas emissions: business travel

The Greening Government Commitments 2016 to 2020 include targets to reduce greenhouse gas emissions by at least 32% from a 2009/10 baseline and reduce the number of domestic business flights by at least 30% from the 2009/10 baseline.

Our locations across eight sites during the reporting period means that business travel is often necessary and our performance is shown in the table below. In terms of business travel, rail usage increased in 2016/17 whilst air travel and road travel decreased slightly compared to 2015/16. CCS is proactively raising awareness with staff to reduce business travel and maximise the use of technology through teleconferences and video chats.

Greenhouse gas emissions (GHG)		2016/ 2017	2015/ 2016	2014/ 2015	2013/ 2014	2009/ 2010 Baseline
Non - Financial indicators (tonnes CO ² e)	Official Travel - Road	63	70	81	68	98
	Official Travel - Rail	290	193	265	133	57
	Official Travel - Air	44	47	103	128	128
	Total	397	310	449	329	283

Expenditure on official business travel

	2016/ 2017	2015/ 2016	2014/ 2015	2013/ 2014	2012/ 2013	2009/ 2010 Baseline
Financial indicators (£k)	1,674	1,540	1,694	1,021	797	1,183

Sustainable procurement

CCS considers sustainable procurement as a cross-cutting theme in its domestic policy work, often extending beyond central government. For example, last year CCS extended its practical guide to all public bodies on how to design major public procurement projects involving steel in a way that ensures the best value for money by recognising relevant wider social and environmental benefits.

CCS also launched a newly developed Procuring Growth Balanced Scorecard to help clarify for departments how the 2015 Public Contract Regulations allow broader policy considerations such as social and environmental factors to be integrated into major procurement decisions.

Within CCS, there is a growing focus on sustainable procurement across the business to ensure customer offerings are in line with the varied sustainability requirements of bodies across the public sector.



Social value

CCS has published a statement outlining how we will do more to help public sector bodies to deliver additional social benefits in line with legislation including the Public Services (Social Value) Act 2012.

We recognise that for many of our customers across the public sector, maximising value means both saving money and securing social value for citizens so we are making sure that our customers can use our deals to deliver the specific social value benefits they are looking for. Social value benefits could range from creating more apprenticeships for young people to reducing carbon emissions or promoting equality and diversity.

In future, frameworks will be designed to give customers the flexibility they need to decide their own specific social value benefits in keeping with their own social value objectives.

Category specific initiatives

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

We have worked with suppliers on the central government travel deal so that the CO² emissions associated with air and rail journeys are displayed at the 'search' stage allowing travellers to consider the emission impact prior to making the booking. We work proactively with our travel contract and framework suppliers to identify areas where we buy or can encourage travellers to select more sustainable products and reduce environmental impact by informing them of 'green' hotels and supplier fleets.

Our furniture solution includes areas specifically designed to help customers manage their current furniture assets and gain the best value for money. This is achieved by repairing and renovating furniture where possible and avoiding scrapping furniture to buy new replacements.

Our laundry and linen services solution includes a sustainable service delivery plan for suppliers to work to reduce their use of energy (gas and electric) and water during the life of the framework and subsequent contracts.

We support client compliance with the EU 2020 20% headline target on energy efficiency and ensure that goods required are purchased with a high energy efficiency performance.



M Harrison
Accounting Officer
6 July 2017





Accountability report



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Corporate governance report

Directors' report

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

As an Executive Agency of the Cabinet Office, the Crown Commercial Service (CCS) is accountable to the Minister for the Cabinet Office and Paymaster General. For the financial year 2016/17, the Rt Hon Ben Gummer MP was appointed on 14 July 2016 and the Rt Hon Matt Hancock MP was previously in the role from May 2015 until July 2016. The sponsor of CCS is the Cabinet Office Permanent Secretary, John Manzoni.

The management of CCS was directed by the Board, comprising the Chair, Non-Executive Directors, Chief Executive and Executive Directors. Tony van Kralingen was appointed to the position of Non-Executive Chair on 1 May 2016 following the departure of Ed Smith on 31 March 2016. Malcolm Harrison was appointed to the Board as Interim Chief Executive from 27 May 2016 and was appointed to the role of Chief Executive from 1 November 2016. One new Non-Executive Director was appointed during the year, increasing the number of non-executive roles to five. The number of executive roles on the Board reduced to two members - the Chief Executive and Finance Director. The attendance list is provided on page 29 and the remuneration of all Board members during the year is shown on page 36 of the remuneration and staff report.

HM Treasury appointed Paul Coombs (Finance Director) as Interim Accounting Officer for the Trading Fund from 25 March 2016 to 31 October 2016 and Malcolm Harrison was appointed as Accounting Officer from 1 November 2016.

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

Name	Position held	Declaration of interest	Live or closed
T van Kralingen	Non-Executive Chair	None	N/A
S Maizey	Chair Non-Executive Director Non-Executive Director Director	NHS Business Services Authority John Menzies plc Network Rail Saffron Solutions Ltd	Live
G Rhys Williams	Government Chief Commercial Officer Member of Board of Companions Trustee	Employee of the Cabinet Office Chartered Management Institute Fauna & Flora International	Live
D Wakefield	Chair Chair	NHS Bolton Foundation Trust Leverhulme Academy	Live
R Wilmot	CEO	Crowdcity Ltd	Live



Statement of Accounting Officer's responsibilities

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

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

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

Paul Coombs (Finance Director) was the Interim Accounting Officer for the Trading Fund from 25 March 2016 to 31 October 2016 and Malcolm Harrison was appointed as Accounting Officer from 1 November 2016. The responsibilities of the Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Crown Commercial Service's assets, as set out in Managing Public Money published by HM Treasury.

The Accounting Officer confirms compliance with all the above requirements.



Governance statement

Corporate governance

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

As a Trading Fund, CCS is required to have a Framework Document agreed with the Cabinet Office as its sponsor department which outlines key activities and governance. The document sets out CCS's roles and responsibilities and the framework within which it operates. The Framework Document was presented to and approved by the CCS Board in 2014 and will be updated and agreed with the Cabinet Office during 2017.

The 2016/17 Accounting Officer System Statement for the Cabinet Office includes assurance for the accountability relationships and processes between the department and CCS.

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

- Endorsing CCS's vision, standards and values
- Endorsing CCS's strategic aims, objectives and target setting
- Developing and endorsing the CCS Strategy and annual Business Plan
- Reviewing the management of financial and human resources to deliver the Business Plan
- Monitoring the operational and financial performance and any actions needed to keep performance on plan
- Monitoring strategic risks and seeking assurance on their management
- Reviewing the Annual Report and Accounts prior to approval by the Accounting Officer
- Reviewing the effectiveness of maintaining a transparent system of prudent and effective controls (including internal controls); and providing a scheme of delegated authority
- Reviewing the results of staff surveys, the results of customer satisfaction surveys, the health and safety report and major projects on a regular basis throughout the year;
- Scrutinising and endorsing major business cases of above £700,000 prior to approval by the Accounting Officer and other central government controls.

The Board also considered the conclusions of the Public Accounts Committee's review of CCS which included a recommendation that the Cabinet Office should review CCS's governance, ensuring that accountability arrangements are clear and provide a direct line of sight between activities, financial reporting and accountability, by the end of 2017.



During 2016/17, improvements were made to the management information and performance reporting data provided to the Board. Monthly performance and finance reports enable the Board to review progress against strategic objectives, budgets and key programmes.

In 2016/17 there were two sub-committees of the Board: the Audit Committee and the Senior Appointments and People Committee.

- The principal role of the Audit Committee was to advise the Board and Accounting Officer on the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the Annual Report.
- The role of the Senior Appointments and People Committee was to ensure that resourcing, succession planning and developmental strategies were in place for senior leadership roles within CCS, i.e. those in Senior Civil Service posts.

The executive Senior Leadership Team was led by the Chief Executive and included representatives from all the key areas of the business. The principal role of the Senior Leadership Team was to manage the delivery of the strategic aims and to provide leadership to the organisation. The Senior Leadership Team was supported by three internal boards covering People, Change and Transformation, and Investments and Estates.



Board and Committee attendance

Meeting attendance per board member of meetings eligible to attend					
Name	Position	Board	Audit Committee	Senior Appointments & People Committee	Comments
T van Kralingen	Non-Executive Chair	6/6		2/2	
D Wakefield	Non-Executive Director and Chair of the Audit Committee	5/6	4/4	2/2	
R Wilmot	Non-Executive Director and member of the Audit Committee	5/6	3/4	2/2	
S Maizey	Non-Executive Director and member of the Audit Committee	6/6	4/4	2/2	
G Rhys Williams	Non-Executive Director	2/2			Board member appointment from 1 January 2017
M Harrison	Chief Executive	6/6	4/4*	2/2	Board member appointment from 27 May 2016
P Coombs	Finance Director	6/6	4/4*		
M Denham	Commercial Delivery Director	3/3			Board member until 30 November 2016
C Meewezen	Business Services Director	3/3			Board member until 30 November 2016
S Rowbury	Policy Delivery Director	2/3			Board member until 30 November 2016

- There were six full board meetings during the year and three 'out of committee' meetings.
- * Attendance by the Accounting Officer and Finance Director at the Audit Committee was in an attendee not member capacity



Board effectiveness assessment

In line with the 'Corporate Governance in Central Departments: Code of Good Practice 2011', the Board has reviewed its performance and that of its committees during the financial year. The questionnaire considered the Board's effectiveness against the key principles of: the role of the Board, Board composition, Board effectiveness, risk management and personal performance. Overall, the Board concluded that it was meeting the key principles of the Code.

It was agreed that governance could be strengthened through a greater focus on technology and customers which are crucial to CCS's success. Two new sub-committees (a Customer Committee and a Technology Committee) will be established during the 2017/18 financial year to provide focused support and assurance to the Chief Executive and the Board. The Customer Committee will review progress on improving customer engagement and satisfaction to support CCS's vision of becoming the public sector's 'go to' procurement provider of common goods and services. The Technology Committee will review CCS's technology strategy and key technology programmes and initiatives. It was also agreed that the Board's composition would be re-assessed in 2017 to take account of the membership changes introduced in December 2016.

Board sub-committee reports

Audit Committee

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

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

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

In 2016/17 the Chair of the Audit Committee had regular dialogue and meetings with the Head of Internal Audit and all members engaged with senior management on a regular basis. When appropriate, Audit Committee members met with the Internal and External Auditors prior to each Audit Committee meeting.

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



The Committee's work during the year predominantly focused upon reviewing the appropriateness and robustness of:

- The strategic processes for risk, control and governance within the organisation
- The accounting policies, the Financial Statements and the Annual Report, and the processes which underpin them
- The planned activity and results of both internal and external audit
- The adequacy of the management response to issues identified by audit activity and external audit's management letter
- The assurances relating to the corporate governance arrangements for CCS
- The anti-fraud policies and whistleblowing processes.

During 2016/17 the Committee was satisfied that much had been done to improve and introduce more effective control systems throughout the organisation. Improvements included the design and introduction of a new operating model, the near completion of a large recruitment programme to enhance operational capability, investments in new systems and technology and the appointment of a new management team. In addition the Committee welcomed the programme of work which targeted specific areas of risk management and internal controls. The Committee recognised that there is more to be done over the coming year to complete and implement the new operating model and standard operating processes whilst continuing to embed robust systems and internal controls. Ongoing investment in new systems and people will be a continued requirement.

Senior Appointments and People Committee

The Senior Appointments and People Committee met twice in 2016/17. The Committee's focus during the year was the performance, talent management and development of senior leadership roles within CCS and the organisational restructure under the new operating model.

Code of corporate governance

CCS implemented its corporate governance structure and framework following establishment of the organisation in April 2014. An internal audit review of corporate governance during 2014/15 found that CCS was in full compliance with a number of the good practice recommendations set out in the 'Corporate Governance in Central Departments: Code of Good Practice 2011'. The review noted that there is no Nominations and Governance Committee as recommended in the Code, however, a Senior Appointments and People committee was established in 2015 and its remit is to ensure that resourcing, succession planning and developmental strategies are in place for senior leadership roles. The Board's view is that governance forms a key part of the Audit Committee's role and so no additional committee is required.

During 2016/17, the Government Internal Audit Agency conducted an advisory review of corporate governance. Suggested improvements included greater alignment between CCS's objectives and the Board's structure and responsibilities, and greater clarity on reporting lines and responsibilities between CCS and Cabinet Office. The Framework Document and appropriate Terms of Reference will be updated to reflect those recommendations agreed by the Board.



Internal Audit

Work of Internal Audit

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

The Internal Audit Plan for 2016/17 was developed with reference to CCS's corporate objectives and risks and was reviewed, discussed and subsequently approved at the March 2016 Audit Committee meeting. Throughout the year there was a review of the appropriateness of the plan and updates in terms of timings and detailed scope were made.

The core finance-related systems reviewed included budget setting and monitoring, financial reporting and capital accounting. Audits were also conducted of risk management, information governance, business continuity, corporate performance reporting, policy transposition, operational business delivery, supplier assurance approach and the disputes team.

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

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

Head of Internal Audit opinion

The Head of Internal Audit's annual report for 2016/17 recognised that good progress has been made in developing and improving core controls during a period of significant change.

The internal audit plan for the year provided a balance of assurance of core control areas such as risk management and budget setting as well as more strategic areas such as supplier assurance and policy transposition. The opinion of the Head of Internal Audit on the overall adequacy and effectiveness of CCS's framework of governance, risk management and control for 2016/17 was assessed as 'moderate' which is a positive step compared to the previous year's 'limited' assessment. For the coming year, it is important that CCS continues to follow this upwards trajectory and key areas of focus for 2017/18 include the new operating model and savings delivery and measurement.



Risk management

During 2016/17, CCS continued to focus on embedding good risk management processes and culture across all parts of the business. There were significant improvements in CCS's risk management capabilities in 2016/17 as evidenced by Government Internal Audit Agency's review of Risk Management which gave CCS an overall 'moderate' level rating.

Specific improvements in the year included: clarity and alignment of the method for describing and assessing risks; consistent risk registers across directorates and projects; and raising awareness and understanding of risk management across the business through a series of workshops and training events. The focus has been to closely align risks with strategic objectives at corporate and directorate level and for confidence in the mitigations in place to be provided by risk owners.

The Board reviews CCS's strategic risks on a regular basis in addition to receiving updates on risk management and controls from the Audit Committee. Current strategic risks are set out in the table on page 17.

Other

Ministerial directions

There have been no ministerial directions given.

Data security

The Business Services Director is the Senior Information Risk Owner supported by an Information Manager who has responsibility for information governance, assurance and managing information risk.

CCS has policies and guidance in place relating to data handling and protective security. During 2016/17, there have been no material breaches.

Fraud, bribery and whistleblowing

CCS has policies and guidance in place to ensure compliance with the Bribery Act 2010 and an ongoing programme of raising awareness in all aspects of anti-fraud, bribery, conflicts of interest, gifts and hospitality and whistleblowing.

There was one reported case of attempted fraud in 2016/17. The case was an attempted 'Executive impersonation' fraud whereby fraudsters pretend to be a Senior Executive to try and trick the finance department into transferring money into an account. The attempted fraud was identified promptly and no payment was made as a result of robust internal controls.

There was one case of whistleblowing in 2016/17 which was investigated and concluded satisfactorily.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman received no complaints about CCS for 2015/16 (the latest reporting period as published in December 2016).



Remuneration and staff report

This remuneration report sets out the policy and disclosures on directors' remuneration as required by the Companies Act 2006 sections 420 - 422 and as interpreted in the Government Financial Reporting Manual. The Companies Act requirements include some disclosures that are not likely to be relevant to the Crown Commercial Service (such as those on shareholdings, share options, long-term incentive schemes and excess pension benefits paid), however the report has been prepared to be compliant so far as practicable and appropriate.

Remuneration policy

Senior Salaries Review Body

The Executive Directors 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 Senior Civil Service pay bands and progression target rates in the light of economic evidence and movements in the private and wider public sector markets for senior executives. SSRB also gives a view on performance awards for base salary and the minimum bonus payments. In reaching its recommendations, SSRB is to have regard to the following considerations:

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

Further information about the work of the SSRB can be found at:
www.gov.uk/government/organisations/review-body-on-senior-salaries.



Performance and reward

The Senior Civil Service (SCS) pay system consists of relevant performance assessments. The highest performing individuals in CCS were awarded a non-consolidated performance reward for their performance against objectives in 2015/16 which was paid in 2016/17. These awards varied in amounts with the overall cost envelope set by the SSRB and approved by the Government. Consolidated base pay awards are limited to 1% increase to the SCS paybill. Only those receiving a top performance mark were given a base salary increase and those below the new band minimum had their salary uplifted to the new band minimum.

Further information about the performance and reward arrangements for Senior Civil Servants can be found at:

www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward.

Service contracts

The Constitutional Reform and Governance Act 2010 requires that Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles. These principles require appointments to be made on merit on the basis of fair and open competition but also include the circumstances when appointments may otherwise be made.

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

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

<http://civilservicecommission.independent.gov.uk>.



Senior management salary entitlements FY 2016/17 (Audited)

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

	To 31 March 2017					To 31 March 2016				
	Salary	Bonus	Benefits in kind to nearest £100	Pension benefits to nearest £1000	Total	Salary	Bonus	Benefits in kind to nearest £100	Pension benefits to nearest £1000	Total
	Note 1 £000	Note 2 £000	Note 3 £000	Note 4 £000	£000	£000	£000	£000	£000	£000
T Van Kralingen (1/5/16 - 31/3/17)	15-20				15-20					
Non-Executive Chairman										
Full Year Equivalent	15-20									
R Wilmot (Note 5)	10-15				10-15	25-30				25-30
Non-Executive Director										
D Wakefield	10-15				10-15	10-15				10-15
Non-Executive Director										
S Maizey	10-15				10-15	5-10				5-10
Non-Executive Director										
Full Year Equivalent						10-15				10-15
S Collier (1/4/16 - 22/4/16) (Note 9)	5-10			3	5 - 10	115-120			47	160-165
Chief Executive										
Full Year Equivalent	115-120									
M Harrison (27/5/16 - 31/10/16) (Note 6)	185-190				185-190					
Interim Chief Executive										
Full Year Equivalent	455-460									
M Harrison (1/11/16 - 31/3/17) (Note 7)	80-85				80-85					
Chief Executive										
Full Year Equivalent	195-200									
P Coombs (Note 10)	105-110			53	155-160	45-50			26	70-75
Finance Director										
Full Year Equivalent						100-105				
C Meewezen (1/4/16 - 30/11/16) (Note 9)	70-75			25	95-100	105-110			38	140-145
Business Services Director										
Full Year Equivalent	105-110									
S Rowbury (1/4/16 - 30/11/16) (Note 10)	60-65			41	100-105	10-15			1	15-20
Policy Delivery Director										
Full Year Equivalent	90-95					85-90				
M Denham (1/4/16 - 30/11/16) (Note 9)	105-110			41	145-150	155-160			61	215-220
Strategic Programmes Director										
Full Year Equivalent	160-165									
G Rhys Williams (1/1/17 - 31/3/17) (Note 8)	Nil				0	Nil				0
Non-Executive Director										



Note 1 'Salary' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts.

Note 2 There were no bonus payments made to any Board members in FY 2016/17. Non-Executive Board Members are not entitled to bonus payments for fulfilling their duties in that capacity.

Note 3 No benefits in kind were provided to any Board members in FY 2016/17.

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

Note 5 The amount shown for R Wilmot for FY 2015/16 reflects salary as a Non-Executive Director of £10-15K and fee based payments as a Crown Representative (for the period April to August 2015) of £10-15k. For FY 2016/17 he received no fee based payments as he is no longer a Crown Representative.

Note 6 The amount shown reflects payments to a third party for M Harrison's services from 27/5/16 to 31/10/16.

Note 7 The amount shown relates to salary payments made directly to M Harrison between 1/11/16 and 31/3/17. M Harrison is employed on a fixed term appointment contract due to end 31/7/18.

Note 8 No remuneration was paid to G Rhys Williams as he is an employee of the Cabinet Office.

Note 9 S Collier, C Meewezen, M Denham - Pension benefits have reduced as they were board members for only part of the year.

Note 10 P Coombs & S Rowbury - Pension benefits have increased as in 2015/16 they were board members for only part of the year.

Senior management pension entitlements FY 2016/17 (Audited)

The pension entitlements of the Board Member Executive Directors were as follows. These figures are calculated based on the duration of their tenure on the Board.

	Accrued pension and lump sum at pension age as at 31 March 2017	Real increase in annual pension and lump sum at pension age	CETV at 31 March 2017	CETV at 31 March 2016 (or date of board appointment)	Real increase in CETV
		(Note 1)	(Note 2)		
	£000	£000	£000	£000	£000
S Collier (1/4/16-22/4/16) Chief Executive	35 - 40 plus a lump sum of 100 - 105	0 - 2.5 plus a lump sum of 0	609	591	1
M Harrison (1/11/16-31/3/17) Chief Executive (Note 3)	N/A	N/A	N/A	N/A	N/A
P Coombs Finance Director	10 - 15 lump sum nil	2.5 - 5	229	171	44
C Meewezen (1/4/16-30/11/16) Business Services Director	20 - 25 lump sum nil	0 - 2.5	197	180	8
S Rowbury (1/4/16-30/11/16) Policy Delivery Director	20 - 25 plus a lump sum of 55 - 60	0 - 2.5 plus a lump sum of 0 - 2.5	348	312	21
M Denham (1/4/16-30/11/16) Strategic Programmes Director	10 - 15 lump sum nil	0 - 2.5	107	81	16

Note 1 Real increase in annual pension and lump sum are the combined increase in both PCSPS and Alpha. When calculating the real increase in CETV and the pension benefits accrued during the year 2016/17 for the single total figure of remuneration, MyCSP takes account of inflation. The CPI increase for September 2016 was 1%. Consequently, the Pensions Increase factor for April 2017 will be 1%. The in-service revaluation factor for Alpha will also be 1%.

Note 2 For an explanation of pensions benefits and Cash Equivalent Transfer Values (CETV), please refer to page 39. CETV is a combined value of the CETV in both PCSPS and Alpha schemes.

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



Civil Service pensions

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

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

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.



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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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



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

We have not made any compensation for early retirement or loss of office payments to Board Member Executive Directors in 2016/17.

Fair pay disclosure (Audited)

The table below illustrates the relationship between the remuneration of the highest-paid director and the median remuneration of the workforce as at 31 March 2017.

	2016/17	2015/16
Median total remuneration (£)	39,813	38,301
Annualised full time equivalent band of the highest paid director (£000)	195-200	155-160
Ratio between the median remuneration and the midpoint of the banded remuneration of the highest paid director	4.96	4.11

The banded annualised remuneration of the highest-paid director as at 31 March 2017 was £195,000 – 200,000 (2015/16: £155,000 - 160,000). This was 4.96 times (2015/16: 4.11) the median remuneration of the workforce, which was £39,813 (2015/16: £38,301).

In 2016/17 nil employees received remuneration in excess of the highest-paid director (2015/16: 2).

Total remuneration as at 31 March 2017 ranged from £17,289 to £200,000 (2015/16: £16,975 to £200,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The median total remuneration for 2016/17 is derived from the annualised payments of all staff made in March 2017. Part time employees' payments are adjusted to a full time basis.

The ratio for 2015/16 has been restated to reflect the midpoint of the banded remuneration.



Staff report

The figures in this report include staff in the Commercial Central Teams within Cabinet Office who are funded through the CCS Trading Fund.

Staff numbers and composition

Senior Civil Service (SCS) staff by salary band

Salary band £000	SCS within band as at 31 March 2017		SCS within band as at 31 March 2016	
	Number	Percentage	Number	Percentage
60 - 70	12	18.75%	15	23.08%
70 - 80	10	15.63%	11	16.92%
80 - 90	4	6.25%	9	13.85%
90 - 100	13	20.31%	12	18.46%
100 - 110	10	15.63%	11	16.92%
110 - 120	6	9.38%	3	4.62%
120 - 130	0	0.00%	0	0.00%
130 - 140	0	0.00%	1	1.54%
140 - 150	2	3.13%	0	0.00%
150 - 160	0	0.00%	1	1.54%
160 - 170	2	3.13%	0	0.00%
170 - 180	0	0.00%	0	0.00%
180 - 190	3	4.69%	1	1.54%
190 - 200	2	3.13%	1	1.54%
Total	64		65	

Note 1: The figures shown are headcount and exclude interim SCS.

Note 2: The figures shown exclude 3 Cabinet Office employees deployed into CCS from the Government Commercial Organisation (GCO).

There has been a decrease in SCS headcount by 1 and we have seen an increase in those SCS at the higher salary bandings due to the appointment of a number of external hires where we have utilised the new 'Government Commercial Specialist' terms and conditions to offer a more competitive salary package to secure these new hires.



Staff numbers and costs (Audited)

Total staff numbers

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

	2016/17	2015/16
Salaried staff	724	741
Agency and contract staff	<u>56</u>	<u>49</u>
Total	<u>780</u>	<u>790</u>

Note: Figures above exclude Fast-Streamers and Cabinet Office employees deployed into CCS from the Government Commercial Organisation (GCO).

Total staff costs

	2016/17	2015/16
	£000	£000
Wages and salaries	33,293	30,730
Bonus	498	147
Social security	3,594	2,956
Superannuation	6,379	6,382
Voluntary early retirement	-	2
Agency and contract staff costs	<u>7,871</u>	<u>5,944</u>
Total	<u>51,635</u>	<u>46,161</u>

Note: Superannuation costs relate to staff participation in the Principal Civil Service Pension Scheme (PCSPS) and "alpha" defined benefit schemes. Further details about the pension benefits can be found on page 38. Details of the underlying liabilities applicable to Agency employees are not separately identifiable.



Superannuation (Audited)

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

For 2016/17, employer's contributions of £6,379,000 were payable to the PCSPS and alpha (2015/16 £6,382,000) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016/17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £132,214 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earning. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £6,611, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £17,052. Contributions prepaid at that date were nil.

Partnership pension contributions are included within the overall pension contributions figure of £6,379,000.

Staff composition

Staff breakdown by gender as at 31 March 2017 - for temporary staff we have matched them to the closest band dependent on their role:

	Male		Female		Total	
Board Members	6	85.7%	1	14.3%	7	100%
Senior Civil Servants	40	62.5%	24	37.5%	64	100%
All Staff	350	47%	395	53%	745	100%

Notes:

1. This table shows the gender composition for each category of staffing group. It is not a cumulative table.
2. Staffing figures shown are headcount.
3. Staffing figures are made up of the following contract types - Permanent, Fixed Term Appointments, Loan In, Fee Paid.
4. Staffing figures exclude 3 x Cabinet Office SCS employees deployed into CCS from the Government Commercial Organisation (GCO), 21 x Fast-Streamers payrolled by HMRC, 13 x Loans Out.
5. Non CCS banded employees have been mapped to CCS equivalents.



Sickness absence

The number of working days lost due to sickness was 4,974. The average number of days lost per employee in the 12 month period was 6.71 (based on average headcount of 741 - excludes interims as we do not record their absence). This compares to 6.5 average days lost in 2015/16 and an average of 7.4 days lost across the Civil Service as a whole.

Recruitment

We are an equal opportunities employer and our recruitment processes aim to meet the rules and regulations laid down and subsequently audited by the Civil Service Commissioners. The Civil Service Commission's latest audit of the recruitment practices in operation within the Crown Commercial Service has set the risk rating as 'green', signifying that our practices comply.

CCS new recruits 2016/17

Band	New hires in 2016/17			New hires in 2015/16		
	Male	Female	Total	Male	Female	Total
Band 1	4	10	14	2	2	4
Band 2	12	12	24	12	17	29
Band 3	8	9	17	10	7	17
Band 4	8	14	22	2	4	6
Band 5	6	11	17	3	5	8
Band 6	5	5	10	2	1	3
Band 7	0	0	0	0	0	0
SCS 1	6	5	11	3	3	6
SCS 2	1	0	1	0	0	0
Crown Reps	3	1	4	3	1	4
Total	53	67	120	37	40	77

Note:

These figures relate to external hires from outside the Civil Service, they exclude transfers, loans or secondments from other government departments. Also excluded are Cabinet Office direct hires i.e. 3 x Cabinet Office employees deployed into CCS from the Government Commercial Organisation. Figures shown are headcount.



Diversity and inclusion

We have appointed a senior leader to champion diversity issues throughout the organisation and established a staff diversity network. Our new diversity and inclusion strategy 'Representing Modern Britain' will be launched in summer 2017 and will focus on four key areas: leadership and management, values and inclusion, representation and staff networks.

Policy on the employment of disabled persons

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

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

Expenditure on consultancy and temporary staff

	2016/17	2015/16
Consultancy spend	£2,697,341	£788,329
Contingent Labour spend	£7,870,595	£5,944,200

Note: within the notes to the accounts on page 63, total Consultancy Costs of £2,697k are split as follows:

Note 5.1 Consultancy Costs £2,680k

Note 5.2 Crown Marketplace Programme £17k

Consultancy costs have increased by 242% since 2015/16. In order to support the increased demand for Complex Transactions Team (CTT) resource, EY consultancy support was required as a knowledgeable and expert partner with the right specialist commercial consultancy skills and experience to work with CTT staff on a number of CTT projects. Consultancy has also been used to support the development of the Government Commercial Organisation (GCO).

There has been a 12% increase in Contingent Labour spend in 2016/17.



Reporting of high paid off-payroll appointments

We continue to use contingent labour as part of our resourcing model. It allows the business to respond quickly to demand for our specialist services from Government departments and has allowed us to augment our current commercial capability as we transform the organisation. Furthermore we have initiated two large digital change programmes in 2016/17 requiring specialist digital skill sets that are scarce and found most readily within the interim market.

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months:

No. of existing engagements as of 31 March 2017	28
Of which...	
No. that have existed for less than one year at time of reporting	14
No. that have existed for between one and two years at time of reporting	12
No. that have existed for between two and three years at time of reporting	2
No. that have existed for between three and four years at time of reporting	0
No. that have existed for four or more years at time of reporting	0

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

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



For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months:

No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	55
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	55
No. for whom assurance has been requested (Note 1)	50
Of which...	
No. for whom assurance has been received	46
No. for whom assurance has not been received (Note 2)	9
No. that have been terminated as a result of assurance not being received	0

Note 1: Four interims joined and left the organisation before the request for assurance data was due and one request was omitted and has now been rectified due to the changes in IR35 rules that came into force from 6 April 2017.

Note 2: In addition to the five recorded above in Note 1, four left the organisation due to their assignments ending during the data request time period.

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017:

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0 (Note 1)
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year.	10 (Note 2)

Note 1: There were no board members or senior officials with significant financial responsibility engaged in an off-payroll capacity during 2016/17. Malcolm Harrison was appointed to the Board as Interim Chief Executive from 27 May 2016 to 31 October 2016 and during that period was engaged by CCS on an interim contract. During this period, Paul Coombs was the Interim Accounting Officer and had overall significant financial responsibility for the organisation and authority for the organisation's budget. Malcolm Harrison was appointed to the role of Chief Executive and Accounting Officer from 1 November 2016 on a fixed term appointment.

Note 2: Excludes Gareth Rhys Williams, Non-executive Board Member as he is paid by Cabinet Office and does not receive remuneration for his non-executive role.



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

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

	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Exit package cost by band:	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
<£10,000	-	-	-	3	-	3
£10,000 - £25,000	-	-	-	6	-	6
£25,001 - £50,000	-	-	-	6	-	6
£50,001 - £100,000	-	-	-	12	-	12
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
£201,000 - £250,000	-	-	-	-	-	-
£250,000 +	-	-	-	-	-	-
Total number of packages by type	-	-	-	27	-	27
Total cost £	-	-	-	1,354,000	-	1,354,000

Note: The amounts shown exclude Contribution in Lieu of Notice payments. The full cost is shown in Note 5.2.



M Harrison
Accounting Officer
6 July 2017





Parliamentary accountability and audit report

Regularity of expenditure (Audited)

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

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

CCS meets the requirement for regularity through compliance with relevant legislation (including EU legislation). HM Treasury delegated authority to the Accounting Officer and through following MPM guidance.

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

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

There were no losses or special payments in the year.



Fees and charges (Audited)

As a Trading Fund, CCS manages the funded operations so that the revenue of the fund is sufficient to cover general running costs and the cost of capital, which are chargeable to the Statement of Comprehensive Income. Charges are set to recover full costs and to achieve the required rate of return on capital employed, before interest and dividends, of 5.0% a year averaged over the five year period from 1 April 2014 to 31 March 2019.

CCS provides services to Government Departments, (including agencies in other departments), non-departmental public bodies and other bodies within Central Government. CCS also provides commercial services to National Health Service bodies and the Wider Public Sector.

As per the segmental analysis shown in Note 2 of the Notes to the accounts on page 61, four types of charges are applied from which income is derived:

- Framework income – a commission levy is applied at the appropriate rate on sales reported by suppliers and also a monthly levy for energy based on the number of sites
- Managed services income - chargeable directly to customers for services received
- Whitehall income - service charges are made to users of the Whitehall Systems in line with service and maintenance costs
- Commercial Central Teams income – chargeable directly to customers for advice and support on: complex transactions; markets and suppliers; continuous improvement; and building capability

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

Remote contingent liabilities

The Crown Commercial Service does not have any remote contingent liabilities.

Long-term expenditure trends

A five year summary of CCS's income and costs is shown on page 73 of the Notes to the accounts. In recent years, increases in operating costs have reflected organisational expansion as a result of a more centralised approach to the procurement of common goods and services and the investment in key automated tools to make access to value for money deals easier for customers.



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 Crown Commercial Service for the year ended 31 March 2017 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Crown Commercial Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Crown Commercial Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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



Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Crown Commercial Service's affairs as at 31 March 2017 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP
10 July 2017





Financial Statements



Jan Feb Mar Apr May Jun Jul Aug Sep



Statement of comprehensive income year ended 31 March 2017

	Note	£000	2016/17 £000	£000	2015/16 £000
Income from external sales	2		72,793		66,901
Other operating income	4		562		778
Total income			73,355		67,679
Staff costs	3	(51,635)		(46,161)	
Depreciation of property, plant and equipment	7	(684)		(728)	
Amortisation of intangible assets	8	(2)		(16)	
Other expenditure	5.1	(19,258)		(19,352)	
Total expenditure			(71,579)		(66,257)
Surplus before other operating costs			1,776		1,422
Other operating costs	5.2		(8,230)		(8,090)
Operating (deficit)			(6,454)		(6,668)
Finance income	6		57		99
(Deficit) for the financial year			(6,397)		(6,569)
Dividend payable to Cabinet Office			(2,000)		(2,000)
Retained (deficit) for the financial year			(8,397)		(8,569)
Other comprehensive income			-		-
Comprehensive (expenditure) for the financial year			(8,397)		(8,569)

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

The Notes to the accounts on pages 59 to 71 form an integral part of these accounts.

Statement of financial position as at 31 March 2017

	Note	31 March 2017		31 March 2016	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	7		2,043		2,727
Intangible assets	8		-		2
			<u>2,043</u>		<u>2,729</u>
Current assets					
Inventories	9	89		104	
Trade and other receivables	10	22,429		23,273	
Cash and cash equivalents	11	18,635		31,968	
		<u>41,153</u>		<u>55,345</u>	
Current liabilities					
Trade and other payables	12	(22,115)		(28,288)	
Employee benefit payable	13	(604)		(575)	
		<u>(22,719)</u>		<u>(28,863)</u>	
Net current assets			<u>18,434</u>		<u>26,482</u>
Non-current assets plus net current assets			<u>20,477</u>		<u>29,211</u>
Provisions	15		(7)		(344)
Total assets less liabilities			<u>20,470</u>		<u>28,867</u>
Capital and reserves					
Public dividend capital	16		350		350
General reserve	17		20,120		28,517
Total capital and reserves			<u>20,470</u>		<u>28,867</u>

The Notes to the accounts on pages 59 to 71 form an integral part of these accounts.



M Harrison
Accounting Officer
6 July 2017

Statement of changes in taxpayers' equity at 31 March 2017

	General Reserve	Public Dividend Capital	Total
	£000	£000	£000
Taxpayers' equity at 1 April 2015	37,086	350	37,436
Recognition in statement of comprehensive income	(8,569)	-	(8,569)
Taxpayers' equity at 31 March 2016	<u>28,517</u>	<u>350</u>	<u>28,867</u>

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

The Notes to the accounts on pages 59 to 71 form an integral part of these accounts.

Statement of cash flows for the year ended 31 March 2017

	2016/17	2015/16
	£000	£000
Net cash (outflow) from operating activities	(9,390)	(3,910)
Cash flows from investing activities		
Finance income	57	99
Purchases of property plant and equipment	—	(72)
Net Cash inflow from investing activities	57	27
Net Cash (outflow) before financing	(9,333)	(3,883)
Cash flows from financing activities		
Dividend paid	(4,000)	-
Net Cash outflow from financing activities	(4,000)	—
Net (decrease) in cash and cash equivalents	<u>(13,333)</u>	<u>(3,883)</u>

See Note 18 in the Notes to the accounts, in which operating deficit (as shown in the Statement of comprehensive income) is reconciled to net cash flows from operating activities. The Notes to the accounts on pages 59 to 71 form an integral part of these accounts.

Notes to the accounts

1 Accounting policies

The accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by Crown Commercial Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1a Standards issued and effective in the 2016/17 FReM for the first time

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

1.1b Standards in issue but not in force

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

- IFRS 15 – revenue from contracts with customers
- IFRS 16 – leases

1.2 Accounting convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of Whitehall District Heating and Whitehall Standby Distribution Systems (the Whitehall Systems) included within property, plant and equipment. The Whitehall Systems were fully impaired during the financial year 2013/14.

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

1.3 Income and segmental reporting

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

1. Framework Income
 - a) General framework income – income is recognised in the calendar month in which spend takes place - at the appropriate commission rate on sales reported from suppliers
 - b) Energy framework income – a monthly levy is charged based on the number of sites a department has. Income is recognised monthly based on site information provided by our suppliers.
2. Managed Services – income is recognised through invoices billed directly to customers for services received. Any un-invoiced amounts are accrued.
3. Whitehall Systems income – standing charges are recognised quarterly in arrears with sales recognised in the month of consumption.
4. Commercial Central Teams – income is recognised through invoices billed directly to customers for services received. Any un-invoiced amounts are accrued.

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

1.4 Property, plant and equipment

Property, plant and equipment assets are capitalised at their cost of acquisition and installation. The prescribed capitalisation level is £5,000. Where an asset costs less than this but forms an integral part of a package whose total value is greater than the capitalisation level, then it is treated as a capital asset.

Whitehall Systems

The Whitehall Systems are a specialised asset and they have been stated at depreciated replacement cost and since 2013/14 have been fully impaired. Other property, plant and equipment assets that have short lives and/or low values are valued at depreciated historic cost as a proxy for fair value.

Depreciation

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

- Computer equipment – three to six years
- Fixtures & fittings – four to 10 years
- Plant & equipment – five to 20 years

Notes to the accounts continued

1.5 Intangible assets

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

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

1.6 Inventories

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

1.7 Early retirement

CCS is required to meet the additional cost of liabilities beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of payments to employees who have or are due to retire early. Full provision is made in the Accounts for this cost (see Note 15 in the Notes to the accounts).

1.8 Leases

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

1.9 Financial instruments cash and cash equivalents

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

1.10 VAT

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

1.11 Significant judgements and critical accounting estimates

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

Depreciation and amortisation

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

Lease obligations

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

Employee benefit obligations

Excess or deficit annual leave balances have been applied to employee mid point salary bands to derive a liability cost.

Voluntary Early Retirement (VER) provision

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

1.12 Going concern

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

2 Segmental analysis

2016/17

31 March 2017

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

2015/16 Restated

31 March 2016

	Frameworks	Managed Services	Whitehall Systems	Commercial Central Teams	TOTAL
	£000	£000	£000	£000	£000
Statement of comprehensive income (SOCl)					
Gross income from external sales	49,171	11,936	3,353	6,409	70,869
Commission shares	(3,968)	-	-	-	(3,968)
Net Income from external sales in SOCl	45,203	11,936	3,353	6,409	66,901
Other operating income	-	191	-	587	778
Total income	45,203	12,127	3,353	6,996	67,679
Operating costs	(29,188)	(23,076)	(3,353)	(10,640)	(66,257)
Surplus / (deficit) before other operating costs	16,015	(10,949)	-	(3,664)	1,422
Other operating costs	(6,322)	(1,386)	-	(382)	(8,090)
Operating surplus / (deficit)	9,693	(12,335)	-	(4,026)	(6,668)
Statement of financial position					
Non-current assets	1,162	1,229	-	338	2,729
Current assets	48,742	3,928	1,847	828	55,345
Total assets	49,904	5,157	1,847	1,166	58,074

We have restated the 2015/16 figures to reflect how income and expenditure is currently managed and reported. Total CCS income, expenditure and assets remain as published in the prior year. There is an additional segmentation of Commercial Central Teams.

Notes to the accounts continued

3 Total staff costs

	2016/17 £000	2015/16 £000
Wages and salaries	33,293	30,730
Bonus	498	147
Social security	3,594	2,956
Superannuation	6,379	6,382
Voluntary early retirement	-	2
Agency and contract staff costs	7,871	5,944
TOTAL	<u>51,635</u>	<u>46,161</u>

Note 1: In 2015/16 an over estimated accrual of £173,000 from 2014/15 was offset against the bonus allocation.

Note 2: Superannuation costs relate to staff participation in the Principal Civil Service Pension Scheme (PCSPS) and "alpha" defined benefits schemes. Further details about the pension benefits can be found on page 38. Details of the underlying liabilities applicable to Agency employees are not separately identifiable.

4 Other operating income

	2016/17 £000	2015/16 £000
Income		
Recruitment services	562	587
Commissioning Academy course fees	-	191
TOTAL	<u>562</u>	<u>778</u>

The Commissioning Academy is a development programme for senior commissioners of public services. CCS funded the programme and charged a fee to departments for each participating delegate. CCS's management of the programme ceased on 31 March 2016.

5 Operating costs	2016/17	2015/16
5.1 Other expenditure	£000	£000
Charges include:		
Auditor's remuneration	53	55
Charges for operating leases	2,485	2,550
Travel and subsistence	2,498	2,331
Accommodation and utilities	97	134
Marketing	239	34
Training	415	811
Whitehall Systems Management	2,306	3,203
Legal fees	706	898
Depreciation and amortisation	686	744
Technology and telephony	5,583	5,921
Recruitment	1,305	1,197
Consultancy	2,680	788
Other operating and external charges	<u>205</u>	<u>686</u>
TOTAL	<u>19,258</u>	<u>19,352</u>

The Comptroller and Auditor General is the auditor of CCS's accounts. The charge for the year is £55,000. All of this cost is related to audit services. The Auditor's remuneration above of £53,000 includes a £2,000 over accrual from the prior year.

5.2 Other operating costs	2016/17	2015/16
	£000	£000
Commercial Accelerator Programme	3,982	5,011
Digital Transformation Programme	3,816	687
Restructuring - voluntary exit scheme	-	2,392
Crown Marketplace Programme	290	-
Public Sector Resourcing	<u>142</u>	<u>-</u>
TOTAL	<u>8,230</u>	<u>8,090</u>

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

6 Finance income	2016/17	2015/16
	£000	£000
Bank and short term investment interest	<u>57</u>	<u>99</u>
TOTAL	<u>57</u>	<u>99</u>

Notes to the accounts continued

7 Property, plant and equipment

2016/17

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

2015/16

	31 March 2016 Computer Equipment £000	31 March 2016 Fixtures & Fittings £000	31 March 2016 TOTAL £000
Cost			
At beginning of period	3,414	819	4,233
Additions in period	72	-	72
Disposals in period	(105)	-	(105)
At end of period	3,381	819	4,200
Depreciation			
At beginning of period	510	338	848
Amount provided in period charged to SOCI	640	88	728
Disposals in period	(103)	-	(103)
At end of period	1,047	426	1,473
Net book value at March 2016	<u>2,334</u>	<u>393</u>	<u>2,727</u>
Net book value at March 2015	<u>2,904</u>	<u>481</u>	<u>3,385</u>

8 Intangible assets

	31 March 2017 Software licences £000	31 March 2016 Software licences £000
Cost		
At beginning of period	57	78
Disposals in period	<u>(57)</u>	<u>(21)</u>
At end of period	<u>-</u>	<u>57</u>
Amortisation		
At beginning of period	55	60
Amount provided in period	2	16
Disposals in period	<u>(57)</u>	<u>(21)</u>
At end of period	<u>-</u>	<u>55</u>
Net book value at March 2017	<u>-</u>	<u>2</u>
Net book value at March 2016	<u>2</u>	<u>18</u>

9 Inventories

	31 March 2017 £000	31 March 2016 £000
Fuel inventory for the Whitehall Systems	<u>89</u>	104
TOTAL	<u>89</u>	<u>104</u>

Notes to the accounts continued

10 Trade and other receivables

	31 March 2017 £000	31 March 2016 £000
Current receivables		
Trade receivables	9,117	11,228
Less: bad and doubtful receivables provision	<u>(9)</u>	<u>(34)</u>
Net trade receivables	9,108	11,194
Other receivables	69	82
Prepayments and accrued income	<u>13,252</u>	<u>11,997</u>
Total current receivables	<u>22,429</u>	<u>23,273</u>

	31 March 2017 £000	31 March 2016 £000
Aged debt analysis		
Within credit terms	6,410	8,853
Past due date but not impaired:		
0-1 month	1,303	927
1-2 months	803	746
More than 2 months	<u>592</u>	<u>668</u>
Total receivables	<u>9,108</u>	<u>11,194</u>

	31 March 2017 £000	31 March 2016 £000
Bad and doubtful receivables provision analysis		
Provision at the beginning of the year	34	7
Decrease in the provision for the year	<u>(44)</u>	<u>(7)</u>
Increase in the provision for the year	<u>19</u>	<u>34</u>
Provision at the end of the year	<u>9</u>	<u>34</u>

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

11 Cash and cash equivalents

	31 March 2017 £000	31 March 2016 £000
National Loans Fund	-	20,000
Government Banking Service and cash in hand	<u>18,635</u>	<u>11,968</u>
TOTAL	<u>18,635</u>	<u>31,968</u>

12 Trade and other payables

	31 March 2017 £000	31 March 2016 £000
Current payables		
Taxation and social security costs	3,141	3,127
Trade payables	2,912	6,705
Other payables	731	2,254
Dividend	-	2,000
Accruals and deferred income	15,331	14,202
TOTAL	<u>22,115</u>	<u>28,288</u>

13 Employee benefit payable

	31 March 2017 £000	31 March 2016 £000
Balance at beginning of period	575	990
Increase / (decrease) in the period	29	(415)
Balance at end of the period	<u>604</u>	<u>575</u>

Employee benefits represent accrued untaken leave. The increase in the period is reflected within total wages and salaries (Note 3).

14 Lease obligations

	31 March 2017 Land & Buildings £000	31 March 2016 Land & Buildings £000
Operating lease rentals due within:		
One year	3,055	3,036
Two to five years	3,678	5,587
Over five	-	389
TOTAL	<u>6,733</u>	<u>9,012</u>

Notes to the accounts continued

15 Provisions

The Voluntary Early Retirement provision for liabilities and charges is in respect of liabilities for future payments to employees who have or are due to retire early. The Agency bears pension costs from the date of early retirement until age 60, when the liability is assumed by the Principal Civil Service Pension Scheme (see page 38 for further information).

	31 March 2017 £000	31 March 2016 £000
Balance at beginning of period	344	2,521
Utilised in the period	(337)	(2,509)
Increase in the period	-	332
Balance at end of period	<u>7</u>	<u>344</u>

16 Public dividend capital

	31 March 2017 £000	31 March 2016 £000
Issued pursuant to Government Trading Funds Act 1973	100	100
Issued upon acquisition of Fuel Branch 1 July 1995	250	250
Balance at end of period	<u>350</u>	<u>350</u>

17 General reserve

	31 March 2017 £000	31 March 2016 £000
Balance at beginning of period	28,517	37,086
Retained (deficit) for the period	(8,397)	(8,569)
Balance at end of period	<u>20,120</u>	<u>28,517</u>

18 Notes to the statement of cash flows

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

	Note	2016/17 £000	2015/16 £000
Operating (deficit)		(6,454)	(6,668)
(Decrease) in provisions	15	(337)	(2,177)
Depreciation charges	7	684	728
Amortisation of intangible assets	8	2	16
Decrease in inventories	9	15	3
Decrease in receivables	10	844	1,927
(Decrease) / Increase in payables and Employee Benefit	12/13	(4,144)	2,261
Net cash (outflow) from operating activities		<u>(9,390)</u>	<u>(3,910)</u>

Note (ii): Analysis of changes in net funds

	2016/17 £000	2015/16 £000
Net funds at 1 April	31,968	35,851
Net funds (decrease)	(13,333)	(3,883)
Net funds at 31 March	<u>18,635</u>	<u>31,968</u>

19 Capital commitments

Capital commitments contracted for at 31 March 2017 were £nil (31 March 2016: £nil).

20 Financial objective

The financial target was set at an annual average of 5% return on capital employed (ROCE) per annum over a five year period (April 2014 to March 2019). ROCE is measured as CCS's operating surplus as a percentage of the annual average of opening and closing net assets. CCS had a five year financial plan that aims to deliver this target. The current three year rolling average ROCE achieved is minus 13.7%.

21 Related party transactions

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

CCS is an Executive Agency within the Cabinet Office. Cabinet Office is regarded as a related party. During 2016/17, CCS has had various material transactions with this body. During the

year G Rhys-Williams was appointed as an independent Non-Executive Director at CCS who is also an employee of the Cabinet Office. No material transactions occurred between CCS and this individual during the year. CCS had various material transactions with most government departments and other central government bodies, devolved administrations, the NHS and many local authorities. In addition, CCS has had dealings with all government departments during the year.

During the year, CCS entered into the following material transactions with NHS Business Services Authority (NHS BSA). As a Non-Executive Director of both CCS and NHS BSA, S Maizey was regarded as a related party but was not involved in the approval and contract award process in CCS:

Contract signed between CCS and NHS BSA to provide procurement services to NHS Supply Chain in support of the Department of Health's Future Operating Model and Procurement Transformation Programme for the NHS commencing October 2017.

Notes to the accounts continued

22 Financial instruments

CCS has powers to borrow funds.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities.

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

- **Liquidity risk** The agency faces some liquidity risk as revenue resource and capital expenditure requirements are financed solely by its trading activities.

Liquidity risk is managed as part of the overall organisational risk management strategy. The objective of liquidity risk management is to ensure that the organisation can continue to trade and invest according to the corporate strategy.

Liquidity risk management activities include:

- Short and long-term cashflow monitoring
- Analysis of key performance indicator ratios including liquidity and working capital ratios
- Monitoring and managing outstanding receivables.

Information on all of these measures is included in the monthly operational review document used by the Board and Senior Leadership Team.

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

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

Financial assets

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2017							
Trade receivables	9,108	-	-	9,108	-	-	-
Accrued income	11,213	-	-	11,213	-	-	-
Cash and cash equivalents	18,635	-	18,635	-	0.23	1.00	-
Gross financial assets	38,956	-	18,635	20,321	-	-	-
31 March 2016							
Trade receivables	11,194	-	-	11,194	-	-	-
Accrued income	10,286	-	-	10,286	-	-	-
Cash and cash equivalents	31,968	-	31,968	-	0.31	1.00	-
Gross financial assets	53,448	-	31,968	21,480	-	-	-

Financial liabilities

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2017							
Trade payables	2,912	-	-	2,912	0.00	0.00	-
Accruals and other payables	10,680	-	-	10,680	0.00	0.00	-
Gross financial liabilities	13,592	-	-	13,592	-	-	-
31 March 2016							
Trade payables	6,705	-	-	6,705	0.00	0.00	-
Accruals and other payables	14,252	-	-	14,252	0.00	0.00	-
Gross financial liabilities	20,957	-	-	20,957	-	-	-

23 Contingent liabilities

There were no contingent liabilities.

24 Events after the reporting period

There are none to report.

The Accounting Officer authorised these financial statements for issue on 10 July 2017.

Treasury minute dated June 2017

1. Section 4 (1) of the Government Trading Funds Act 1973 provides that a Trading Fund established under the Act shall be under the control and management of the responsible Minister and in the discharge of the Minister's functions in relation to that fund it shall be the Minister's duty:
 - a. To manage the funded operations so that the revenue of the fund:
 - i. consists principally of receipts in respect of goods and services provided in the course of the funded operations, and
 - ii. is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to income and expenditure account; and
 - b. To achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. OGCbuying.solutions Trading Fund was established as the Buying Agency Trading Fund with effect from 1 April 1991. The name of the Buying Agency Trading Fund was amended to OGCbuying.solutions Trading Fund with effect from 3 April 2001 by the OGCbuying.solutions Trading Fund Order 1991 (S.I. 2001. No 922). The Buying Agency Trading Fund (Amendment) Order 2009 (S.I. 2009/647) then changed OGCbuying.solutions Trading Fund to the Buying Solutions Trading Fund from 6 April 2009, which was subsequently changed to the Government Procurement Service Trading Fund by the Buying Agency Trading Fund (Amendment) Order 2011 (S.I. 2011/2208) from 1 October 2011. The Government Procurement Service Trading Fund has since changed to the Crown Commercial Service Trading Fund by the Buying Agency Trading Fund (Amendment) Order 2014 (S.I. 2014/561) from 1 April 2014.
3. The Minister for the Cabinet Office, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by Crown Commercial Service Trading Fund for the 5 year period from 1 April 2014 to 31 March 2019 shall be to achieve a minimum return, averaged over the period as a whole, equivalent to 5 percent a year in the form of an operating surplus, i.e. before interest (both receivable and payable) and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long term loan capital (if any) and the general reserve.
4. This minute supersedes that dated 26 April 2012.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4 (1) (b) of the Government Trading Funds Act 1973.

Five year summary

1 April 2012 to 31 March 2017

	Year 2016/17	Year 2015/16	Year 2014/15	Year 2013/14 Note 1	Year 2012/13 Note 1
	£000	£000	£000	£000	£000
Statement of financial position					
Non-current assets	2,043	2,729	3,403	1,815	12,579
Total current assets less liabilities	18,434	26,482	36,554	35,663	28,757
Provision for liabilities and charges	(7)	(344)	(2,521)	(75)	(119)
Assets employed	<u>20,470</u>	<u>28,867</u>	<u>37,436</u>	<u>37,403</u>	<u>41,217</u>
Financed by					
Public dividend capital	350	350	350	350	350
Revaluation reserve	-	-	-	-	3,714
General reserve	20,120	28,517	37,086	37,053	37,153
	<u>20,470</u>	<u>28,867</u>	<u>37,436</u>	<u>37,403</u>	<u>41,217</u>
Statement of comprehensive income					
Income	<u>73,355</u>	<u>67,679</u>	<u>70,244</u>	<u>47,807</u>	<u>41,448</u>
Operating costs	(71,579)	(66,257)	(64,835)	(49,089)	(30,273)
Surplus / (deficit) before other operating costs	1,776	1,422	5,409	(1,282)	11,175
Other operating costs	(8,230)	(8,090)	(3,500)	-	(3,032)
Operating (deficit) / surplus	(6,454)	(6,668)	1,909	(1,282)	8,143
Finance income	57	99	124	109	93
(Deficit) / surplus for the year	(6,397)	(6,569)	2,033	(1,173)	8,236
Dividend payable to the Cabinet Office	(2,000)	(2,000)	(2,000)	(2,641)	(2,615)
Contribution to Cabinet Office ERG activities	-	-	-	-	(2,880)
Retained (deficit) / surplus	<u>(8,397)</u>	<u>(8,569)</u>	<u>33</u>	<u>(3,814)</u>	<u>2,741</u>

Note 1 Operating as Government Procurement Service

