

# Savings through capability

Annual Report and Accounts 2006/07



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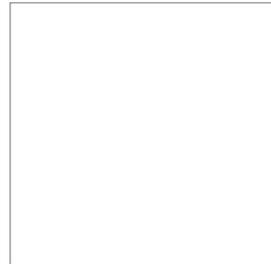
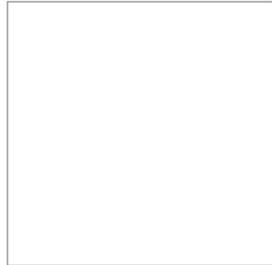
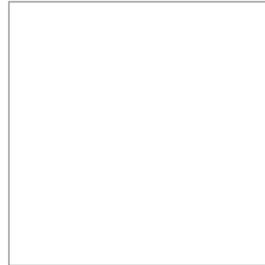
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# Welcome to OGCbuying.solutions'

## Annual Report and Accounts for 2006/07



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

Over the past year we have delivered or exceeded all of the targets set for us by Ministers. Working closely with customers from throughout the public sector, we have managed procurement arrangements on their behalf amounting to £3.7 billion of public expenditure, delivering savings of more than £500 million.

The accounts of OGCbuying.solutions for the year 1 April 2006 - 31 March 2007, together with the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament thereon prepared pursuant to Section 4(6) of the Government Trading Funds Act 1973 (as amended by the Government Trading Act 1990).

Presented to Parliament pursuant to Section 4(6A)(b) of the Government Trading Funds Act 1973 (as amended by the Government Trading Act 1990).

Ordered by the House of Commons to be printed on 25th June 2007.

# Chief Executive's Review

## Looking back with pride

2006/7 was a period of profound transition for OGCbuying.solutions.

The organisation firmly consolidated a record of continued success whilst preparing to address demanding Government goals - set out in our next three year strategy - dedicated to the vision of saving at least £1 billion a year for the taxpayer from 2010/11 onwards.

Staff once again exceeded their annual targets, driving up savings to £516 million in the year under review.

They did this with energy and commitment, against a challenging background of uncertainty over inevitable change.



**Alison Littley,**  
Chief Executive,  
OGCbuying.solutions

“Good procurement is essential to achieving savings that can be ploughed back into front line services. The challenge is to meet the public’s demands for increasingly high quality public services at good value for money and in a sustainable way.”

Transforming Government Procurement Report:  
HM Treasury, 2007

As I came on board in the role of Chief Executive, the National Audit Office was completing a thorough critique of Buying Solutions’ past performance and, in the latter part of the financial year, The Treasury revealed ambitious plans for the future in its Transforming Government Procurement report.

The NAO document “Assessing the Value for Money of OGCBuying.solutions”, published in December 2006, contained a rigorous and invaluable appraisal of our strengths and weaknesses, setting out a number of recommendations that will continue to inform our thinking as we move forward.

The Treasury report, published shortly afterwards, provided us with a clear sense of direction and confirmed that effective collaborative procurement is centre stage in the Government’s priorities.

I congratulate colleagues who remained fully-focused on bringing the final phase of the last three-year strategy to such an admirable conclusion within this somewhat unsettling context.

## Support

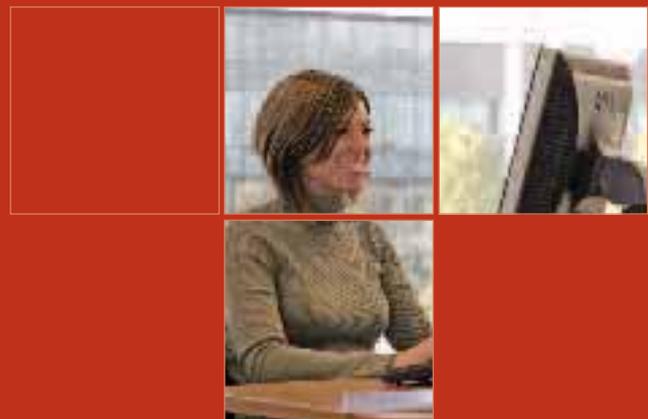
Although this has undoubtedly been a team effort, it would be remiss of me not to make special mention of three individuals.

John White, our Head of Devolved Customer Relations and Paul Ridgeon, Head of Special Projects, were both recognised in the New Year’s Honours List for their stalwart contributions to public sector procurement. John received an OBE and Paul an MBE. Congratulations to both.

I must also thank my predecessor Hugh Barrett who, in four years at Buying Solutions, presided over a period of unprecedented growth in the volume of facilitated sales and savings.

I have inherited an organisation that is clearly well run, and well governed, which is a tribute to Hugh and the team.

So 2006/07 can be marked, not just as a year of pride in demonstrable achievement against goals established in the past, but one in which our new, inspirational vision was conceived - a vision solidly underpinned by realistic and clearly-defined steps on how it will be achieved.



# Looking forward with confidence

As 2006/07 came to a close, we had already made significant progress in laying the foundations for future achievement.

Our new strategy was securely in place and the step changes needed to create a world-class procurement service identified and prioritised.

We had begun work on improving customer/supplier relationships, recognising, for example, that framework agreements in particular do not necessarily encourage the in-depth and innovative approach to which we always aspire.

Greater customer focus lies at the heart of our plans, to assist organisations across the public sector in meeting their own efficiency and sustainability targets.

We recognise that we have to develop a significantly more finely-tuned and sensitive approach to increasingly complex and sophisticated customer needs if we are to maintain, and build on, their confidence in Buying Solutions' ability to provide exactly what they want, when they want it.

We will develop a broad spectrum of offerings that, at one end of the scale, enable customers to simply buy commodities from catalogues, through to, at the other end of the scale, completely outsource their entire service requirements to us.

Our organisation will continuously strive to ensure the customer/supplier relationship delivers much more to the public sector and, therefore, the taxpayer.

Over the next three years, OGCBuying.solutions will finalise and gradually implement its fundamental change programme aimed at dramatically improving services to customers so generating the major additional savings required by Government.

Success will be achieved through enhanced capability, greater emphasis on sustainability, higher skill and expertise levels, increased effectiveness and efficiency, innovative business methods and improved communication.

Our plans recognise and embrace a critical, widely-recognised problem - that public sector procurement is characterised by fragmented buying organisations connecting to the private sector without strategic co-ordination.



“Only a fundamental culture change in public sector procurement can actually deliver the result everyone needs. Procurement professionals are going to have a critical role for society.

They are not just carrying out some unseen, unimportant role in the public sector machine. They have to be top performers, capable of delivering.”

Jonathon Porritt, Chairman  
Sustainable Development Commission.



We will work closely with the Office of Government Commerce (OGC), of which we are an executive agency, to effect the Government's move to collaborative procurement aimed at substantially reducing departmental duplication of procurement activity.

It is simply not efficient for departments to be awarding contracts and agreements in a fragmented way when pooling demand across the public sector would generate far greater savings in price, process and resource.

Meanwhile we will also continue our fruitful relationships with local authorities and the many diverse organisations that make the public sector such a rich and varied environment.

Our strategy is also driven by the need to radically transform our approach to category management - total ownership and successful delivery within any particular category of product or service.

We will train staff and bring in private sector expertise, when and where appropriate, to ensure we are immensely knowledgeable about, and tremendously skilled in, each category we offer so that customers trust us to buy and manage on their behalf.

And as we know, the Government has a number of important sustainability aims centring on reduced carbon emissions, recycling and energy efficiency.

Our whole life-cycle costing will enable customers to appreciate the full financial, social and environmental impact of their buying decisions as we assist them to meet their own sustainability targets.

We have also signed a three year partnership deal with Forum for the Future, the leading sustainable development organisation co-led by Jonathon Porritt, to provide us with continuing professional advice and guidance in this area.

I feel immensely positive about this next stage of our journey.

Everything we do will be about improving our own performance, providing a much better service for our customers and fostering a closer and more productive relationship with suppliers.

Together, we can all make a huge contribution to greatly improving the effectiveness of public sector procurement, thereby serving the interests of the country as a whole.

A Littley  
Accounting Officer  
15 June 2007

# Performance against targets

## Target One

### Savings

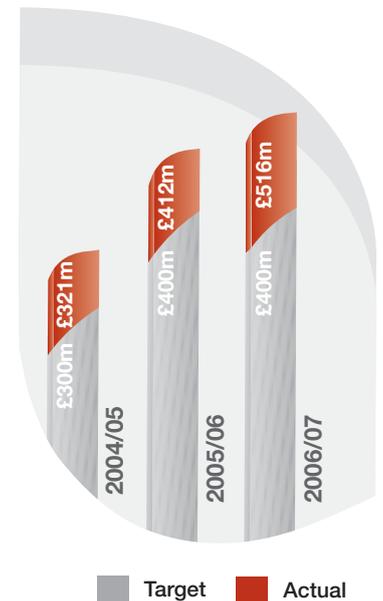
To facilitate at least £500 million value for money improvements for the wider public sector.

#### Target achieved...

The target has been met and exceeded. We estimate that as a result of using our services during the year, the public sector has made value for money gains of £516 million.

### How performance was measured

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



## Target Two

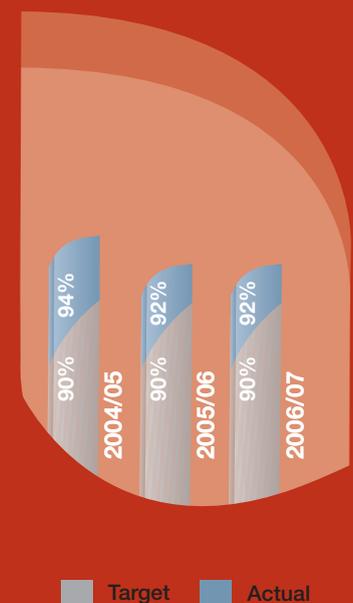
**Customer satisfaction**  
To achieve levels of customer satisfaction above 90%.

#### Target achieved...

The target has been met and exceeded with satisfaction levels of 92%.

### How performance was measured

We measured our performance through four customer satisfaction surveys carried out in April/May 2006, July 2006, October 2006 and January 2007. Data was gathered using a telephone questionnaire. 1,008 customers participated in the research.



# Target Three

## ROCE

To make a Return on Capital Employed of 6.5%.

### Target achieved...

The target has been met and exceeded. OGCBuying.solutions' operating surplus of £4.96 million represents an ROCE of 19.1%.

### How performance was measured

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

A Treasury Minute was issued with effect from 1st April 2004 requiring the Agency to make an average return of 6.5% over a five year period. Prior to 2004, this was calculated on an 8% average.



# Target Four

## Internal efficiency

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

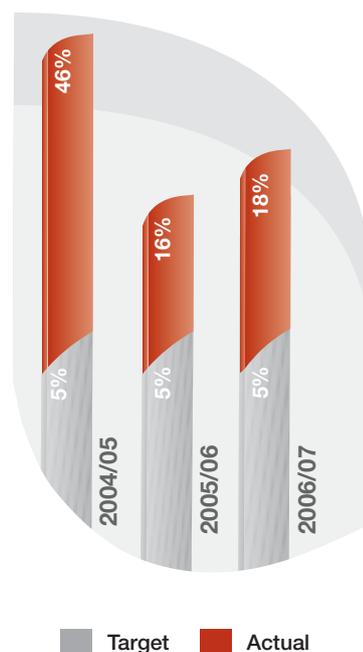
### Target achieved...

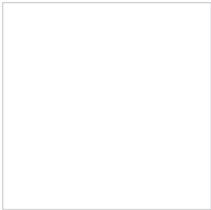
The target has been met and exceeded. The cost per £ saving is £0.041 compared to £0.050 in 2005/06.

### How performance was measured

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

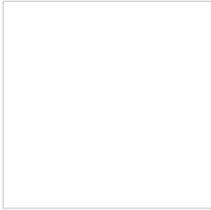
In 2005/06, vfm gains were £412 million and operating cost expenditure was £21 million, representing a cost per £ saving of £0.050. In 2006/07, vfm gains were £516 million and operating expenditure was £21 million, representing a cost per £ saving of £0.041, an 18% improvement on 2005/06.





# Operational review of the year

“During the year we resolved to ensure that our customers – our most important stakeholders - play an ongoing and central role on both specific procurement issues and the overall direction of OGCbuying.solutions’ procurement activities.”



## Highlights of the Year

- All of our Ministerial Targets were achieved – and exceeded
- The volume of facilitated sales grew by 40% to £3.7 billion, delivering savings for the public purse of £516 million
- 92% of customers were satisfied or very satisfied with our service
- An increasing focus on collaboration paid dividends for customers in areas such as the procurement of travel, postal services and energy
- From a cold start, spend through our travel arrangements during the year exceeded £200 million, delivering cost savings for the public purse of £20 million
- Our flexible purchasing model allowed us to deliver energy prices that were consistently below the market average
- Government Procurement Card goes from strength to strength with cumulative savings reaching £280 million during the year
- Our Great Deals model delivered savings of up to 45% on some commodities
- Our eSourcing Managed Service is now recognised as one of the most successful pan-public sector shared IT application services initiatives. In just a year it is now used by more than 54 public sector organisations with over 20,000 buyers and suppliers engaged in online procurement activities
- Memoranda of Understanding with key IT and Telecoms suppliers delivered even more impressive results on price and service





## Focusing on our customers

Looking back over the operational aspects of our work during 2006/07 there is much about which we can draw satisfaction.

As the focus on collaborative procurement continues to sharpen, so we have been placing increasing emphasis on working ever more closely with a diverse range of public sector organisations.

During the year we resolved to ensure that our customers – our most important stakeholders - play an ongoing and central role on both specific procurement issues and the overall direction of OGCBuying.solutions' procurement activities.

Following the vital input they provided as we implemented a major refreshment of many of our key framework agreements, we decided to retain their involvement on a permanent enhanced basis.

Many organisations are now represented on the Customer Steering Group including the Home Office, DTI, DfT, DfES, DWP, Defra, ODPM, HMRC, NHS PASA and Metropolitan Police, to name but a few.

Meanwhile a consultation process involving MoD, OGCBuying.solutions and Firebuy, the newly established procurement organisation for the fire and rescue service, delivered a realignment of procurement arrangements that will deliver benefits for all parties with Firebuy now taking the lead in this highly specialised area of procurement.

Our burgeoning relationship with the Regional Centres of Excellence (RCE) continued to bear fruit, a good example being the endorsement and recommendation by the RCE of our Postal Services products for use by all local authorities.

We continued to work closely with the Disposal Services Agency (DSA) to ensure that a sustainable disposal strategy is built in to all procurement deliberations. The DSA's services feature prominently in many of our marketing materials and initiatives.

Our Strategic Travel Forum, features a diverse range of public sector organisations, many of which spend large sums of money on travel each year. Over the year the Forum made an invaluable contribution to the development of our Travel Managed Service which is delivering significant savings on the cost of rail, air and ferry travel, hotel accommodation and vehicle hire as well as providing booking tools and invaluable management information to track spend and calculate the CO<sup>2</sup> emissions generated by each journey.

It is estimated that the spend through these arrangements during the year will approach £200 million, delivering cost savings for the public purse of £20 million.

“Our flexible purchasing model allows us to buy energy in volatile commodity markets at the most advantageous time for customers. The result is prices that are consistently below the market average.”

## Providing added value for customers

Our Energy Managed Service has had a very good year operating in a highly complex, specialised marketplace.

Our flexible purchasing model allows us to buy energy in volatile commodity markets at the most advantageous time for customers. The result is prices that are consistently below the market average.

Over the year we have secured both gas and electricity supplies at a very competitive price for the full 12-month period commencing on 1 April 2007.

In total we are expecting customers to achieve savings in excess of £50 million over the next 12 months when compared to April 2006 prices.

The Government Procurement Card goes from strength to strength. Since its launch in 1997 more than 73,000 cards have been used on spending worth more than £2 billion. In 2006/7 cumulative savings reached £280 million.

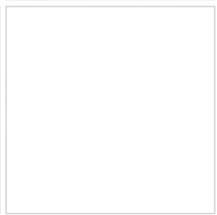
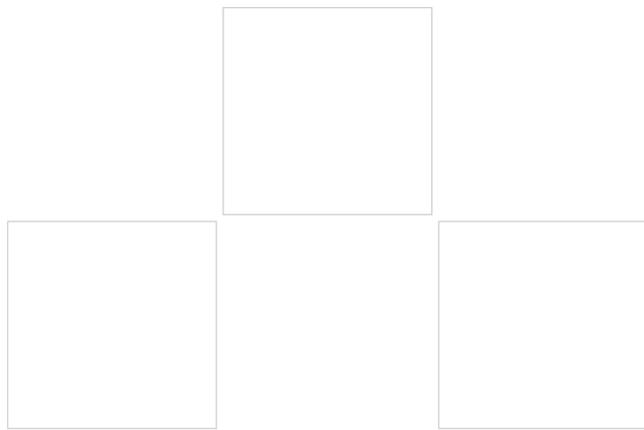
During the year we have worked hard to enhance our ability to understand the needs of our customers. In April 2006, following a pilot involving 700 customers, we developed a defined set of value indicators in three key categories:

- **Customer focus**
- **Quality and value**
- **Performance and delivery**

These indicators were used to establish customer satisfaction levels and gather information and views on the use of our services.

This in turn has informed a range of improvements to various communications channels with customers including our website, our flagship customer magazine Public Sector Procurement and our annual conference and exhibition, Procurement Solutions for the public sector.





“We continued to develop closer relationships with suppliers to develop fresh initiatives to take to customers.”

## Working closely with our suppliers

By the end of the financial year a total of 538 organisations were supplying goods and services to the public sector through our arrangements. Of these almost 50% were small and medium sized enterprises.

For new suppliers we introduced induction workshops to provide a comprehensive briefing on how our arrangements operate and how best to work successfully with the public sector.

Our annual Suppliers’ Forum event held in London attracted a strong turnout from our supplier base. As well as providing an update for suppliers on our performance, plans and the procurement issues of the moment, the Forum also provides an opportunity for suppliers to have their say, to make suggestions and express concerns.

Fresh marketing resources – both online and in conventional formats - were developed to assist suppliers to sell more effectively to the public sector.

Key supplier dinners were also held which provided invaluable opportunities for senior staff from suppliers and OGCBuying.solutions to strengthen relationships and explore opportunities.

A series of Memoranda of Understanding (MOU) with key suppliers produced enhanced arrangements and additional savings over the year.

An MOU with BT enables public sector organisations to qualify for BT’s lowest permanent tariff for voice calls, irrespective of volumes or any other existing precondition.

From July 2006, charges for UK landline calls under the BT Premier Value scheme were reduced by 31.3% for local calls, and by 25.6% for national calls. Local calls now cost just 1.1 pence per minute and national calls just 1.6p.

A renewed agreement signed with enterprise software company Oracle, managed by OGCBuying.solutions, is set to deliver savings of £45 million over three years.

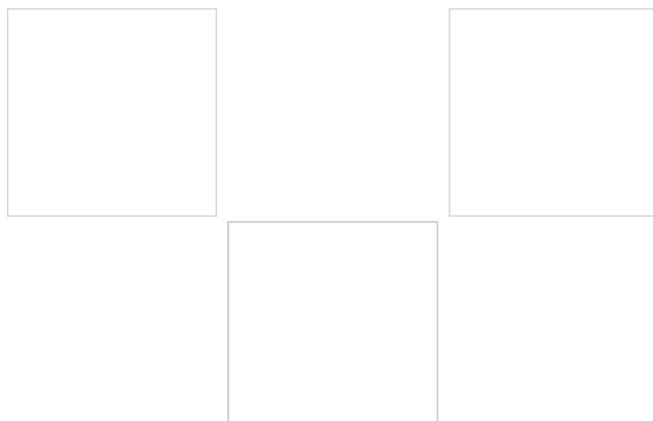
The number of Microsoft licenses issued across the public sector under an existing MOU exceeded 1.5 million during the year, triggering a further discount for public sector users.

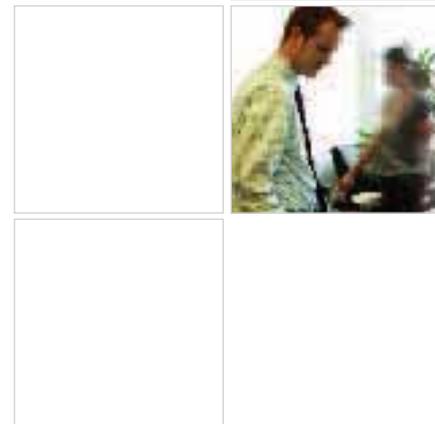
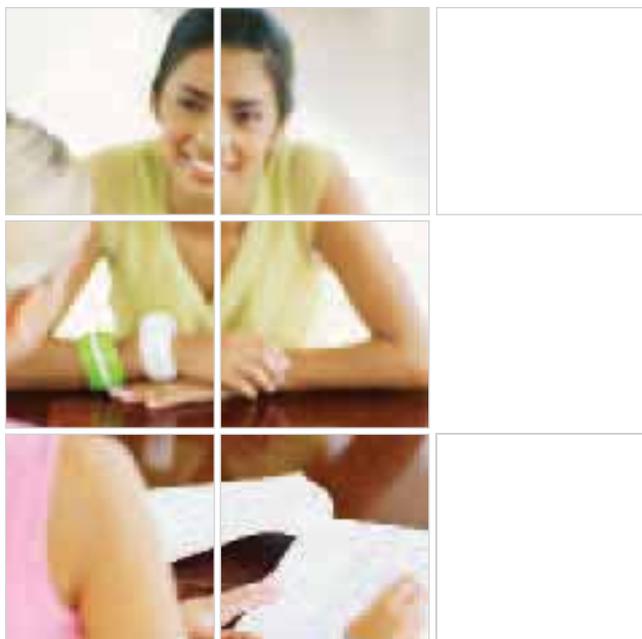
Meanwhile MOUs with leading business software providers, SAP and Agresso, will produce preferential pricing arrangements on software for all public sector organisations.

IT hardware products will be available to the whole of the public sector at huge discounts because of an agreement struck between OGC, OGCBuying.solutions and suppliers.

The initiative, called ‘Great Deals’ involved a competition for desktop and laptop PCs and screens. Pre-qualified suppliers were asked to provide prices against a common set of specifications. This resulted in very competitive pricing with savings of over 45% per unit identified.

The Great Deals model was used through the year with special arrangements on key products and services consistently delivering significant savings.





## Developing our people

As stated earlier in this report, the success of the OG buying solutions of the future will depend to a large degree on our ability to ensure that we are immensely knowledgeable about, and tremendously skilled in each category we offer so that customers trust us to buy and manage on their behalf.

The process of developing our workforce to meet the challenges ahead began this year with a thorough assessment of our current capabilities to identify our training and recruitment needs.

Improving the professionalism of the workforce and enhancing leadership capability continued as a major theme for training and development activity.

The Chartered Institute of Purchasing and Supply Graduate Diploma, the Institute of Leadership and Management Diploma and the Developing Top Management programme were amongst some of the key programmes where staff participation was high.

OG buying solutions continues to offer opportunities in a diverse range of business related learning along with a rolling programme of courses to enhance IT capability and skills.

During the year:

- A Diversity Plan was developed and an Equality Scheme published
- A new HR Management System was introduced which will improve the quality of data and management information available to the organisation
- A Top 100 companies staff survey showed a marked improvement from the previous year in a number of areas including leadership, well being and personal growth
- A targeted survey was carried out with remote workers to ensure effective policies and procedures are in place as part of our Health, Safety and Welfare obligations
- The existing staff suggestion scheme was redeveloped and launched as 'Bright ideas'
- Assessment of senior colleagues against the Professional Skills for Government Framework (PSG) was undertaken as part of the annual mid-year review. HR recruitment processes were tailored to ensure the requirements of the PSG were considered as a key part of the interview and selection of senior appointments
- An on-line recruitment website was introduced
- Every individual in the organisation was given the opportunity to embark on a coaching programme aimed at building on last year's 360° feedback initiative
- A fully managed payroll provision was introduced





“Improving the professionalism of the workforce and enhancing leadership capability continued as a major theme for training and development activity.”

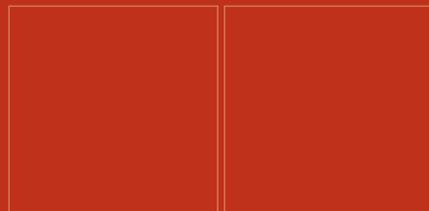
OGCbuying.solutions is committed to continuing communication and dialogue with employees and considers staff and their involvement, feedback and commitment to be vital to its effective running, development and future success.

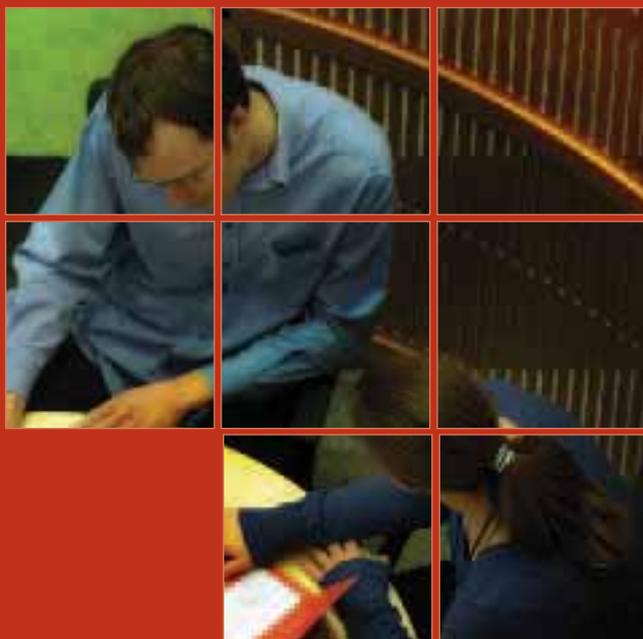
Among the methods of communication in regular use are monthly Chief Executive core briefs, quarterly staff presentations from senior management, monthly team meetings and Spotlight, an in-house newsletter which focuses on staff successes, both inside and outside of work. The OGCbuying.solutions intranet provides a daily source of information on strategic and operational issues. This has recently been redeveloped to ensure staff across the organisation can easily access up-to-date information.

In addition, employees are encouraged to say how they view the organisation and their employment through confidential staff opinion surveys. Results are fed back to staff and action plans are put in place to address concerns. Through their participation staff help to shape future employment developments.

Effective two-way communication with staff is essential to ensure everyone in the organisation is fully involved with and can influence its current and future activities and developments. The Chief Executive is committed to continuing to improve communications and participates in the Whitley arrangements with staff representatives which are supplemented by informal contact on an ongoing basis as issues arise.

During the year the number of individuals holding a professional qualification increased by 15%. These included key areas such as Leadership and Management, Procurement, Project Management, Marketing and Finance.





## Health, safety and welfare

The Health and Safety Management system continued to be improved through the introduction of new working arrangements and training from the Executive Board down to all staff. Some of the activity included:

- The setting up of a Health and Safety Senior Management Working Group to drive the Health, Safety and Welfare strategy
- The daily routine monitoring of the office environment from trained volunteers known as Health and Safety Monitors
- General Health and Safety awareness training for all staff including an event designed for Senior Managers and the Board about meeting legislation and employers obligations through 'Directing Safely'
- For colleagues who undertake agency business by regular use of a car, the introduction of an on-line risk assessment
- Enhancements to the existing policy which includes guidance on travelling, safe systems of working and manual handling

## Recruitment

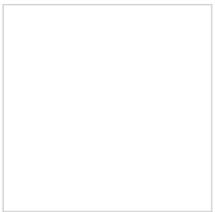
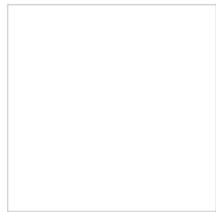
OGCbuying.solutions is an equal opportunities employer and our recruitment processes accord with the rules and regulations laid down by the civil service Commissioners and their recruitment code.

During the year a total of 41 posts were filled through external recruitment with 22 female and 19 male. One was of an ethnic minority.

Breakdown by grade:

Band 1	Administration	13
Band 2	Executive	10
Band 3	Management	3
Band 4	Management	7
Band 5	Senior Management	6
Band 6	Senior Management	1
SCS	Senior Civil Servant	1





## Sustainable procurement

Sustainability and value for money go hand in hand – that was the message from Financial Secretary to the Treasury John Healey in a keynote speech to more than 450 public sector delegates in November at our third national sustainable procurement conference entitled “Sustainability through Smarter Procurement.”

Jointly delivered by ourselves, OGC and Defra, the conference, chaired by Waste & Resources Action Programme (WRAP) Chief Executive Jennie Price, featured workshops on managing disposals, sustainable energy procurement, innovation, sustainable food procurement, sustainable business travel and the role of the third sector.

We also held a series of regional sustainable procurement roadshows in Autumn 2006. Latterly we have been emphasising the integral nature of sustainability in successful category management.

The Government has a number of key sustainability aims, including reduction of carbon emissions, cuts in waste through increased recycling and substantial energy savings.

To demonstrate our commitment to sustainable procurement, we have recently signed a three year partnership deal with Forum for the Future - the leading sustainable development campaigning organisation led by Jonathon Porritt and Sara Parkin - to provide us with additional professional advice and guidance.

## Community and social responsibility

OGCbuying.solutions takes its responsibility to the wider community very seriously.

Examples of this include:

Merseyside Diversity Mentoring – this programme aims to support and enhance the employability of black, Asian and disabled students, including those with specific learning difficulties. Over the past four years we have supported this, and a number of managers have acted as mentors to students within this programme.

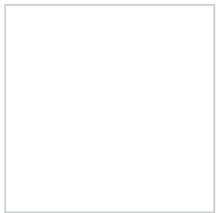
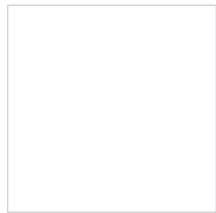
We also host work experience placements for young people.

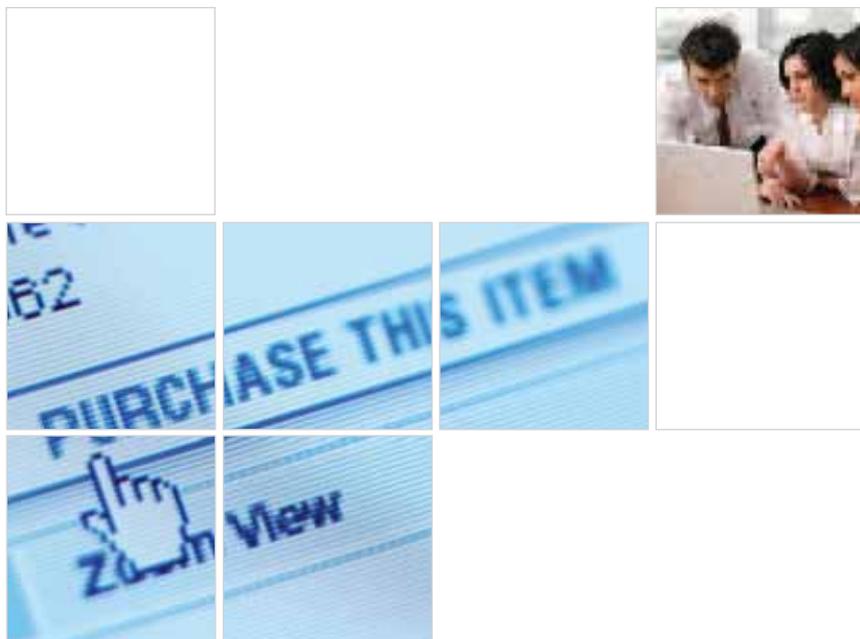
Staff are encouraged to fund raise for local charities, including an active Sports and Social Committee which regularly raises money for charity. Awareness is raised across the sites through Spotlight, the staff magazine.

Consip Exchange Programme – we have engaged in an ongoing training and staff exchange programme with Consip, our Italian equivalent, to promote awareness of the European dimension of public procurement set against EU legislation and the increasing sustainability agenda, sharing our best practice.

The Special Leave policy allows staff to take paid time off for voluntary activities, jury service and local government responsibilities.

We operate a Childcare Voucher scheme for employees.





## eProcurement - ready for take off

OGCbuying.solutions' eSourcing Managed Service is now recognised as one of the most successful pan-government shared IT application services initiatives.

In little over a year the service has attracted more than 50 public sector organisations and engaged with over 20,000 suppliers in online procurement activities through a single managed application service (software, hardware infrastructure, security and helpdesk support services).

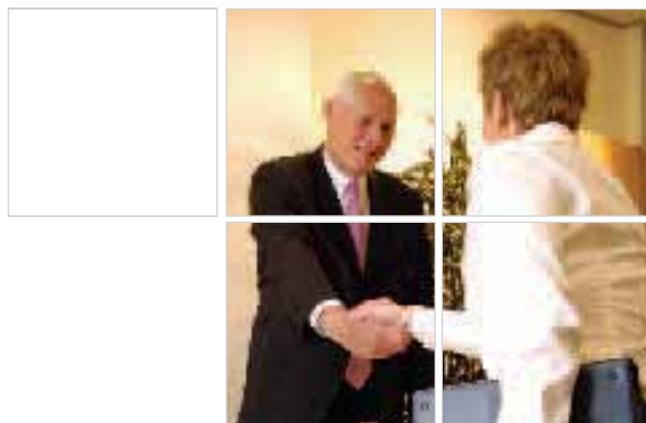
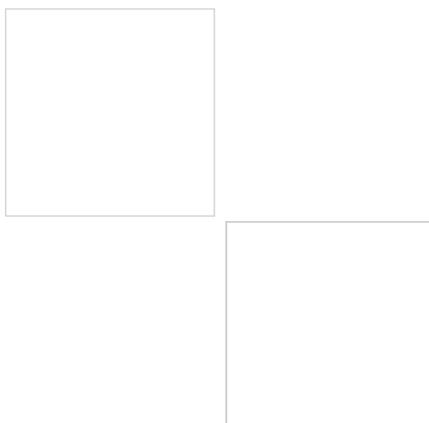
A further 25 organisations are expected to sign-up in the coming months.

The initiative has transformed public sector contracting processes by successfully assisting large numbers of organisations to abandon paper-based contracting activities and to embrace electronic tools and methods within their procurement lifecycle.

The figures are compelling:

- 1,400 buyer end-users have been trained and are actively using the system
- 20,000 supplier organisations have participated in electronic tenders worth over £4 billion in contract value
- 90,000 tender response documents have been submitted online, equivalent to approximately 15 million pages if printed, saving approximately 1,600 trees
- £150,000 worth of postage costs have been saved
- 2 million distinct user sessions have been successfully handled by the system

A customer survey of 16 organisations and a detailed study by the Home Office Commercial Directorate concluded that an average reduction in staff effort of 25%-30% has been achieved by replacing manual tendering and evaluation processes with the new online tools. On this basis an estimated £15 million in increased staff productivity has been achieved.





“Zanzibar, the Government eMarketplace and associated Purchase to Pay system, is now primed for rapid growth in 2007 as more and more public sector organisations move from pilot projects to concerted roll-out programmes.”

A total of 66 eAuctions for contracts worth over £2 billion have been conducted as part of this service leading to an estimated £184 million in savings on the cost of goods and services sourced by the public sector.

The eSourcing service was also featured in the 2006 National Audit Office (NAO) report on “Delivering Successful IT-enabled Business Change.” It was cited among circa 20 UK and global, public and private sector success case studies and praised for its effectiveness in modernising UK government procurement.

Meanwhile Zanzibar, the Government eMarketplace and associated Purchase to Pay system, is now primed for rapid growth in 2007 as more and more public sector organisations move from pilot projects to concerted roll-out programmes.

Announcements in late 2006 adding two key central government departments to the ranks of live users, namely the Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG) have given Zanzibar just the impetus it required to move to the next stage of its development.

St Mary’s Hospital, Hammersmith & Fulham Hospitals NHS Trust and Chelsea and Westminster Hospitals NHS Trust joined DWP and DCLG in beginning to enjoy the significant benefits that buying through Zanzibar can offer.

Meanwhile The Department for Education and Skills is equally upbeat about what Zanzibar can achieve for schools up and down the country.

DfES is to use the Zanzibar infrastructure to deliver a new service for schools named OPEN (Online Procurement for Educational Needs). This will provide schools with an e-Procurement and e-Marketplace platform designed to improve their collaborative buying potential.

Ultimately all 23,000 schools in England will have access to an eMarketplace where buyers and suppliers transact and access national, regional and local contracts.





The customer:

## The Medical Research Council (MRC)

The Medical Research Council's pioneering achievements for human health stretch back almost 100 years to its foundation in 1913.

These range from the development of penicillin as a drug, the discovery of the structure of DNA and the development of MRI scanning. In all, some 27 of its scientists have won Nobel prizes for their ground breaking, often life-saving work.

# Case Study ▶ Energy

## The challenge

MRC scientists operate in locations throughout the UK, both in their own premises and sometimes hosted by universities and hospitals. In common with many academic institutions, historically each location has operated semi-autonomously, making energy buying arrangements at local level with individual suppliers and at varying prices. Considerable sums of money were also being spent on energy consultancy advice.

## The solution

For Head of Procurement John Welch, the case for moving the organisation's estimated £2 million annual spend on gas and electricity to OGCBuying.solutions' Energy Managed Service was overwhelming.

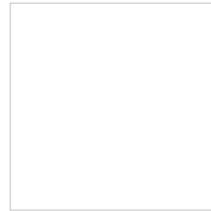
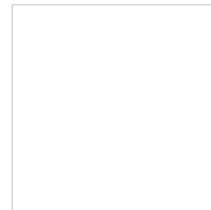
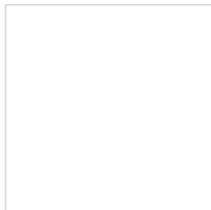
Joining a tried and tested energy procurement system with significant aggregated buying power promised immediate efficiency gains for MRC by enabling it to achieve economies of scale and greatly reduce inefficient buying at local level. Importantly it also delivered the prospect of significantly lower energy prices over the medium to long term.

John Welch set about convincing his colleagues of the wisdom of the approach and, in October 2006, a total of 14 locations began receiving their energy through OGCBuying.solutions' arrangements with more to follow over time.

"The energy market is very complex but OGCBuying.solutions explained the benefits of their service to me in a very understandable and persuasive fashion. Clearly it is a very specialised area of procurement requiring specialised expertise and so my clear view was that we needed to use experts in their field.

"And the great thing is that the Buying Solutions service is tried and tested, it exists solely to help public sector organisations like ours - they are one of us, if you like. It seems a perfectly logical step to me."

John Welch  
Category Manager (Facilities and Estates procurement service)  
Medical Research Council





## The customer: **The Environment Agency**

The Environment Agency is the Government department responsible for protecting and improving the environment in England and Wales.

# Case Study ▶ Travel

## The challenge

The Agency spends more than £3.5 million each year on rail travel with more than 4,000 employees booking travel on a regular basis. It wanted a booking system that was easy to access and simple to use, which saved money and provided valuable management information on the costs and environmental impact of travel.

## The solution

The OGCbuying.solutions Travel Managed Service provided precisely what the Agency was looking for. Using these arrangements they invited tenders from three approved suppliers and, after a thorough evaluation process, Redfern Travel's online service - RedfernOnlineRail - was selected to provide the solution.

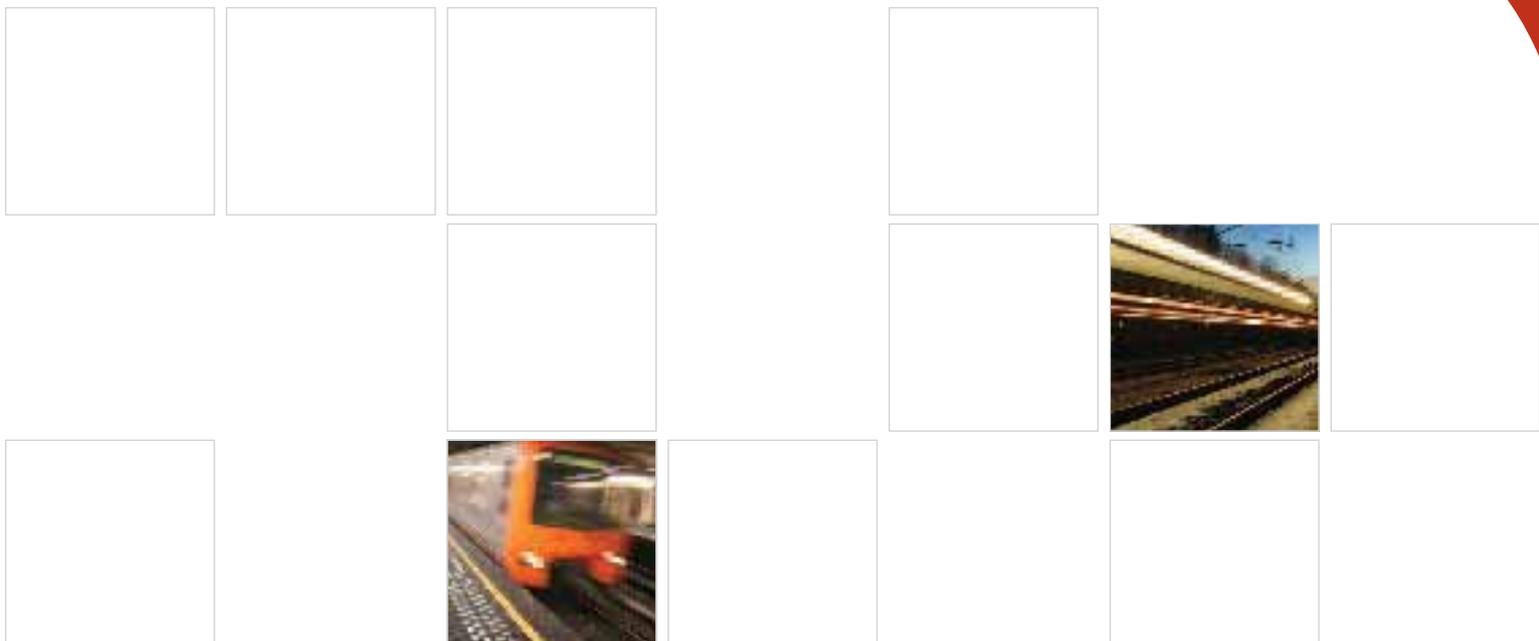
RedfernOnlineRail, the online booking engine for UK national rail journeys, is available to Environment Agency staff 24 hours a day, seven days a week. It shows timetables, the best routes and fares and enables users to make bookings. It also stores information including the costs and can generate a variety of management reports including a calculation of the CO<sup>2</sup> emissions generated per journey.

The Agency decided to roll out the new system across the entire organisation and, over a six week period early in 2007, a series of roadshows were held at nine regional offices throughout the UK. By mid February more than 4,000 users had been registered on the system with their own profiles with on site ticket printers installed at 17 offices where usage is highest.

As a result, in the first month alone, the Environment Agency saved 19.8% on rail travel when compared with standard open return journeys.

"The implementation of RedfernOnlineRail has been an outstanding success. The rapid roll out and adoption by staff has been impressive. As the Environment Agency, we were very keen to promote the use of train travel for business use as it produces far less CO<sup>2</sup> emissions than the car or plane. Working with Redfern Travel has allowed us to promote train travel and cut down on our carbon footprint."

Nick Hodkinson  
National Property Strategy Manager  
Environment Agency





## The customer: **Kent County Council**

Kent County Council (KCC) is one of the largest, most progressive local authorities in the UK. A key priority for the Council is the care it provides to enhance the quality of life for some 36,000 adult citizens who live at home, including 22,000 elderly people and those with mental and physical disabilities.

# Case Study ▶ GPC

**The challenge** The provision of care to such a large number of people inevitably produces a huge number of invoices that have to be processed. This in turn takes up valuable resources, which could be used in a far more beneficial way.

**The solution** Utilising the Government Procurement Card (GPC) framework agreement, which is arranged and managed by OGCBuying.solutions, the Council had previously appointed the Royal Bank of Scotland (RBS), one of the approved suppliers authorised to deliver GPC.

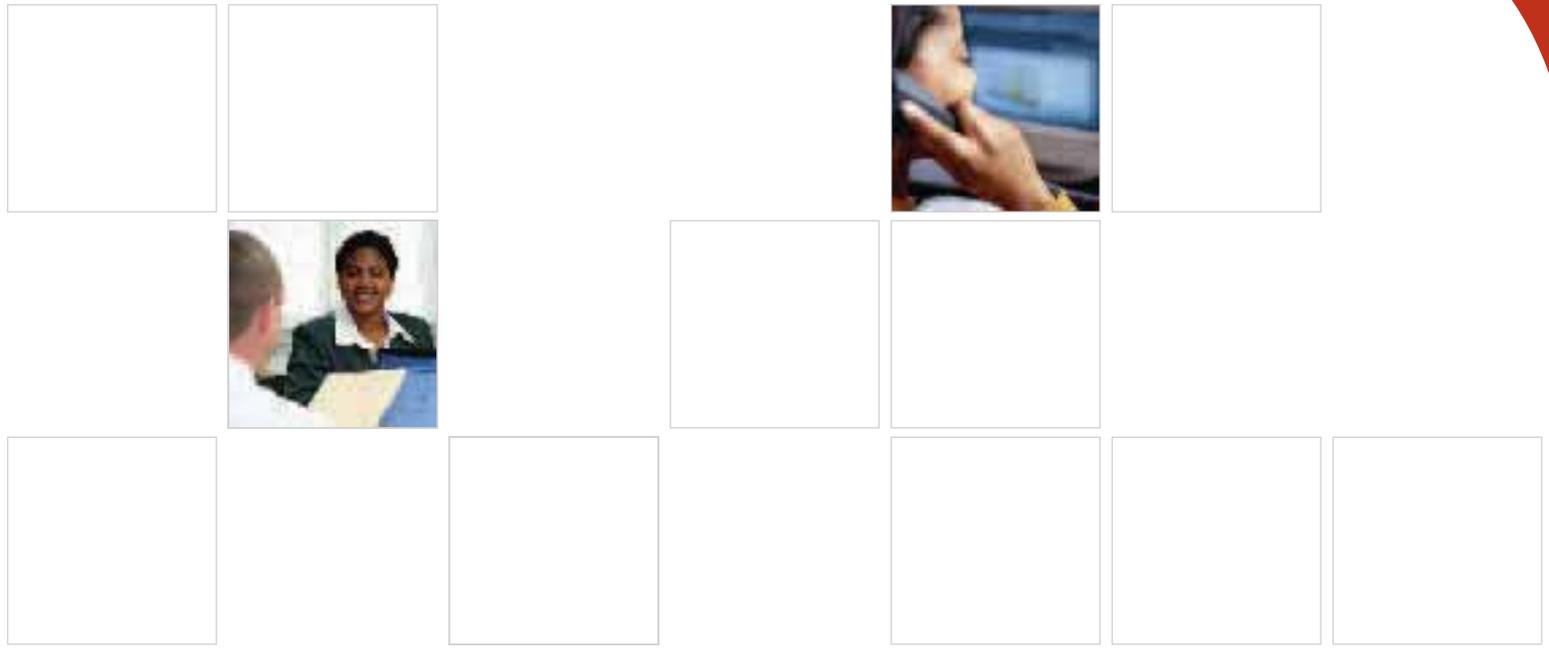
Responding to KCC's aspirations for customer choice, RBS, in conjunction with its software partner PCCL, developed a bespoke version of its innovative Transaction Data Matching (TDM) product. TDM is an ecommerce solution that automates and manages invoices from, and payments to, around 65 providers of domiciliary care in Kent. It uses existing accounting and ordering systems and provides automated payment and data reconciliation without reducing management control.

TDM works by electronically reconciling a buyer's order details to a virtual GPC payment that is generated automatically and then delivers electronic files to the buyer's finance systems to automate cost allocation.

OGCBuying.solutions has been supporting RBS to expand the use of the TDM solution to other local authorities who are interested to follow Kent's lead.

"This system not only allows us to run the care services in a way that suits our citizens but also makes great business sense. We purchase more than 2.5 million hours of care each year, which was producing 25,000 paper invoices. TDM saves crucial administration time and cuts bureaucracy by harnessing current technology. Eliminating costly and time-consuming manual processes also reduces human error or fraud. This system is currently processing around £36 million worth of care payments per year making it the largest GPC programme in the country."

Oliver Mills  
Managing Director  
Kent Adult Social Services  
Kent County Council.





## The customer: **Golden Gates Housing**

Golden Gates Housing (GGH) was established in 2004 by Warrington Borough Council and provides 9000 homes for rent in north Cheshire. In February 2007 the Audit Commission assessed GGH as providing an excellent three-star service that has excellent prospects for improvement. Strengths identified were “customer focus, accessibility, service delivery, value for money and performance management.”

# Case Study ▶ Building materials

## The challenge

GGH employs nearly 100 people working on responsive repairs and empty properties. It wanted to improve the procurement and management of the wide variety of building materials and supplies it required in order to improve the performance and efficiency of its repair teams. Achieving this would ensure that tenants' needs would be met more quickly through a smarter way of procuring materials to deliver a faster and more responsive service across the full spectrum of repairs and maintenance works. To achieve this goal using strict value-for-money principles was the challenge.

## The solution

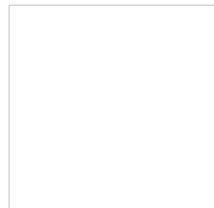
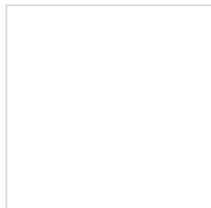
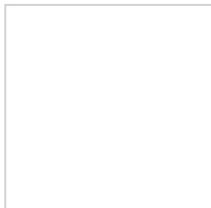
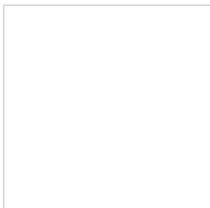
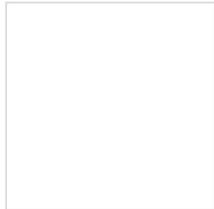
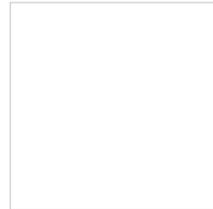
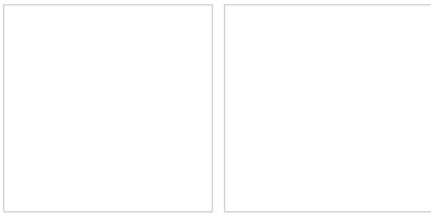
Working through OGCBuying.solutions' Building Materials and Associated Products framework agreement, GGH appointed Jewson to set up a branch in a central location in the town solely dedicated to meeting the day-to-day needs of GGH's repairs and maintenance teams.

The depot holds a bespoke range of stock including, plumbing, drainage and heating equipment, kitchens and bathrooms doors and windows, paints, masonry, light building materials, timber sheet materials as well as operating a tool and equipment hire service.

Stock levels are constantly monitored electronically and eProcurement tools are used to order and pay for items to reduce paperwork and drive efficiency. GGH believes that having its own managed source of supplies has made a strong contribution to their recent, highly complimentary Audit Commission assessment.

"After a short but vigorous evaluation we chose Jewson as our partner and together we have been working closely with OGCBuying.solutions to develop a bespoke stores arrangement for our response repairs team. Having our own depot has brought a great many benefits, most importantly for our tenants, and we are delighted with the results."

Peter Mercer  
Chief Executive  
Golden Gates Housing





The customer:

## Northamptonshire County Council

Northamptonshire County Council (NCC) is part of the East Midlands, although it is closely linked with London and the South East as many residents have their roots in the capital. The Council has recently undergone significant organisational and cultural change.

# Case Study ▶ Facilities Support

## The challenge

With more than 650 properties to look after including 350 schools, libraries, day centres, council offices and a wide range of other public buildings - in all more than one million square metres - NCC had employed a large team of property professionals and support staff. When it decided to restructure and centralise the management and delivery of property services - including a significant capital programme - to become more customer focused, its newly formed corporate procurement team began to explore the potential for enlisting external support.

## The solution

Embracing outsourcing has paid dividends for NCC as it strives to become more efficient and effective. Using OGCbuying.solutions' Estates Professional Services framework, NCC appointed Lambert Smith Hampton to provide a wide-ranging management service covering activities such as reviewing the Council's portfolio and carrying out valuations and disposals.

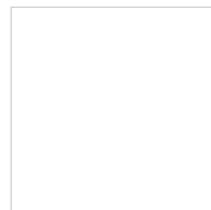
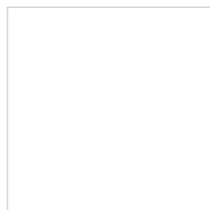
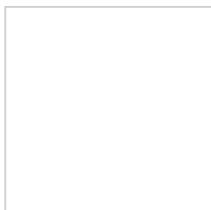
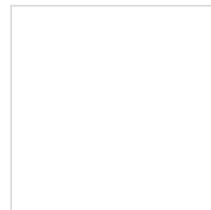
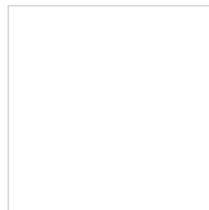
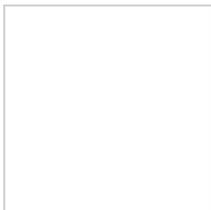
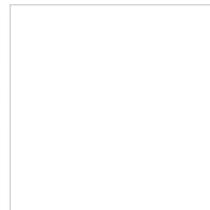
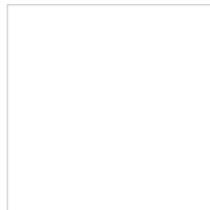
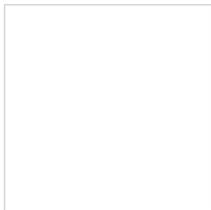
The success of this first phase of restructuring led NCC to apply this model to the rest of their property management requirements. They used the Project Management and Full Design Team framework to appoint Lend Lease Projects in June 2006 for their project management needs.

To complete the picture, it appointed Carillion to handle its property and facilities management needs, utilising a third OGCbuying.solutions vehicle, the Property and Facilities Management Services framework.

These arrangements helped NCC to achieve its overall strategic objectives of maximising the use of its resources and becoming a smaller, enabling Council that focuses on its core business, namely the delivery of front line services.

"Both the procurement process and the appointments have been a great success and, looking back, a low risk option. We had great support from OGCbuying.solutions, and the use of their arrangements ensured best procurement practice and much quicker process. We are very pleased with the way our new services are shaping up - we have a team of partners who are experts in their field and, working together provide some real added value for the Council and for local people."

Mark Bassett  
Head of Property,  
Northamptonshire County Council





The customer:

## London Borough of Waltham Forest

The London Borough of Waltham Forest is home to almost a quarter of a million people in the north east of the city.

Waltham Forest is one of five London Boroughs that will host the 2012 Olympic Games and Paralympic Games - and one of its key priorities is to ensure that local people and businesses share the lasting social and economic benefits that the Games will bring.

# Case Study ▶ IT and Telecoms

## The challenge

The London Borough of Waltham Forest (LBWF) wished to enable their staff to log on and carry out their duties at any one of their 94 sites. However, this was not possible with their existing desktop and network infrastructure. With a legacy of four different data networks, an almost entirely analogue telephone system, 4000 users, diverse hardware and 17 different contracts for IT provision and support - this was a significant challenge.

## The solution

The Council decided to compete their Council IT Infrastructure 'CITI' programme to seek commercial partners addressing:

- Network Infrastructure
- Desktop Information Systems and Data Management
- Skills Capacity and Capability and ERP Application Provision.

Through effective use of several of OGCBuying.solutions' framework agreements, the Council was able to deliver their vision whilst making massive savings in the process in terms of price and time.

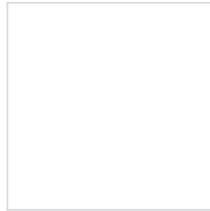
For example, in addition to talk and text, the Council required data transmission from mobile devices and Blackberry connectivity. OGCBuying.solutions' Mobile Solutions frameworks were used to secure a commercial relationship with Orange which has led to one of the best deals for mobile voice and data that David Wilde, the Council's Chief Information Officer, has seen to date.

"Fixed mobile costs are down to an all time low with significant savings in line rental charges to the Council.

"In 2004, less than 2% of our staff were able to work flexibly. The new desktop system has now allowed 15% of our staff to be equipped with laptops or Blackberrys and this is envisaged to increase to 30% by mid 2007.

"The new network and desktop information system means that staff are now able to work flexibly across the Council's sites, concentrating on their core functions."

David Wilde  
CIO for London Borough of  
Waltham Forest





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# Management Commentary

## 1 Statutory Background

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

The financial objectives of OGCBuying.solutions are detailed in a Treasury Minute laid before the House of Commons and reproduced on page 59 of this report.

## 2 History

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

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

## 3 Financial and Accounting Arrangements

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

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

On 1 January 2005 OGCBuying.solutions took a loan of £8,274,000 to partly finance the acquisition of Whitehall Systems. The loan is to be repaid by June 2009. Interest on the loan is levied at a fixed rate of 6.5%, which ensures no down-side exposure from increases in interest rates. At 31 March 2007 £2,715,820 was outstanding.

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

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

There have been no changes in accounting policies this year.

## 4 Principal Activities

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

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

Framework agreements are a set of pre-tendered contracts with a range of suppliers from which public sector customers can purchase goods and services with ease. A small commission (averaging less than 1%) is collected from the suppliers for each sale they make under our frameworks. Catalyst pre-tendered framework agreements cover over 500,000 individual products and services.

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

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

### **Catalist Framework Agreements**

- **Information Technology** - Including hardware, software, associated products, infrastructure, maintenance and management
- **Consultancy Services** - Including ICT, finance, functional, property & construction, environmental and organisational consultancy, as well as legal services
- **Resourcing Services** - Including Specialist Contractors, Training, Interim Managers and HR recruitment
- **Business Solutions** - Including Mobile Solutions, Specialist Solutions and Broadband
- **Property Solutions** - Including property and facilities management services, catering equipment, office equipment, furniture and furnishing, health and hygiene, postal services and the Retail Trade Framework
- **Payment Cards** - Including the Government Procurement Card (GPC) and a number of fuel procurement cards

### **Managed Services**

- **Managed Telecommunications Service (Mts)** - Offers Datalink Remote, Datalink Direct, including LAN and WAN connections, voice telephony, voicemail and non-geographic numbers supported by a 24 hour customer service desk
- **Energy** - Arranges and manages the supply of gas, electricity and other fuels via contracts awarded through competitive tender plus a range of energy and water management and conservation services. Whitehall Systems provides heating and stand-by power generation to various Government departments in the Whitehall district of London
- **Government Secure Intranet (GSI)** - Allows customers to exchange and publish information in a secure environment separated from the public internet thus protecting its confidentiality, integrity and availability
- **eProcurement Solutions** - A suite of collaborative, web-based tools that can reduce expenditure and process times, improve controls and compliance, and drive procurement best practice
- **Travel Services** - Offers substantial savings on business travel and related services, including hotel accommodation, air, rail and ferry travel and car hire

Working closely with our parent organisation, OGC, OGCbuying.solutions ensures that its services fully meet the requirements of public procurement policy. In particular, we play an important role in helping to facilitate the delivery of the Government's e-procurement agenda by developing for the public sector a range of web-based technologies for transactional purchasing.

### **5 Key Strengths and Resources**

Our key strengths and resources are as follows:

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

## 6 Principal Risks and Opportunities

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

- Closer working with OGC to deliver the Government's strategy outlined in the Transforming Government Procurement document published in January 2007
- Responding to the growing demand for sustainable products and services
- Educating customers about the new re-categorised frameworks, in order to provide a platform for sustained growth
- The hosting of "competitor" offerings alongside our own on the new Zanzibar electronic marketplace means that we will have to continue to offer the very best deals to ensure we are the preferred option for customers
- Developing our business model to meet the challenges of collaborative procurement and category management
- Establishing the right mix of skills and capabilities to enable us to play a significant role in public sector procurement

## 7 Principal Objectives

OGCbuying.solutions' objectives are:

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

## 8 Performance Against Targets

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

## 9 Financial Performance

The financial objective equivalent to a 6.5% return on capital employed was exceeded for the year ended 31 March 2007.

The operating surplus for the year amounted to £4,957,000 (£4,131,000 for 2006).

Interest receivable was £662,000 (£374,000 for 2006).

Surplus on ordinary activities for the period was £5,275,000 (£4,013,000 for 2006).

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

We made an early repayment of £2m of the loan taken out from OGC to purchase the Whitehall Systems.

A dividend of £1,341,000 (£1,130,000 for 2006) for the year to 31 March 2007 is payable to the Office of Government Commerce. The dividend is based on an annual average of 6.5% return on capital employed (ROCE).

The retained surplus of £3,934,000 has been taken to the General Reserve (£2,883,000 for 2006).

## 10 Customer Spend

	<b>31 March 2007</b>	<b>31 March 2006</b>
	<b>£million</b>	<b>£million</b>
<b>Framework agreements</b>	<b>3,447</b>	2,460
<b>Managed Services</b>	<b>63</b>	60
<b>Memorandum of Understanding</b>	<b>232</b>	151
	<b><u>3,742</u></b>	<b><u>2,671</u></b>

The above table shows the total value of public sector transactions with OGCbuying.solutions suppliers, through framework agreements and enabling contracts. The 2006/07 value is £1,071m above the 2005/06 level.

### 11 Contractual Arrangements

OGCbuying.solutions has framework agreements with 538 suppliers.

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

- **For GSi:**  
Cable and Wireless UK
- **For Managed Telecoms:**  
Global Crossing (UK) Telecommunications Limited
- **For Energy:**  
Corona Energy Retail 4 Limited, EDF Energy PLC, British Gas
- **For E-Commerce:**  
PA Shared Services Limited, BravoSolution Limited

### 12 Payment of Creditors

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

During the year 1 April 2006 - 31 March 2007, OGCbuying.solutions paid 97% of payments due (96% in the year ended 31 March 2006) within the credit period allowed.

### 13 Register of Interests

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

### 14 Significant Changes in Fixed Assets

There have been no significant changes in fixed assets during the year.

Movements in fixed assets are disclosed in Note 8 in the Notes to the Accounts.

### 15 Research and Development

OGCbuying.solutions does not currently undertake pure research.

OGCbuying.solutions carries out a programme of development relevant to the present and future requirement of its activities and the needs of its customers.

### 16 Post Balance Sheet Events

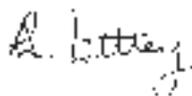
There are no post balance sheet events.

### 17 Disclosure of audit information to the auditors

So far as I am aware, there is no relevant audit information of which the auditors are unaware and I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

### 18 Auditors

The Comptroller and Auditor General is the auditor of OGCbuying.solutions accounts. The charge for the year is £48k. All of this cost is related to audit services.



A Littley  
Accounting Officer  
15 June 2007

# Remuneration Report

## 1 Introduction

This report sets out the policy and disclosures on directors' remuneration as required by the Companies Act section 234B and schedule 7A and as interpreted in the Government Financial Reporting Manual (the FReM – paras 7.2.18-26). The Companies Act requirements include some disclosures that are not likely to be relevant in the OGCbuying.solutions (such as those on shareholdings, share options, long-term incentive schemes and excess pension benefits paid) however the report has been prepared to be compliant so far as is practicable and appropriate.

## 2 Senior Salaries Review Body

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

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

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

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

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## 3 Service Contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

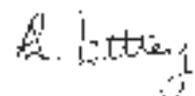
## 4 Senior Management Salary and Pension Entitlements

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

	Salary inc perf pay Year ended 31 Mar 07 (2005/06 comparative in brackets) £000	BIK rounded to nearest £100	Real increase in pension at 60 and related lump sum at age 60 £000	Total accrued pension at 60 £000	CETV nearest £000	Real increase in CETV after adj. for inflation and changes in market invest. factors £000
<b>A Littley</b> Chief Executive from 1 Nov 06	60-65 (-)		0-2.5 (-)	1 (-)	12 (-)	10 (-)
<b>H Barrett</b> Chief Executive 1 April 06 to 31 Oct 06	75-80 (110-115)		0-2.5 (0-2.5)	10 (8)	146 (124)	19 (22)
<b>S Heard</b> Director of Customer Relations	70-75 (70-75)		0-2.5 (0-2.5)	6 (5)	97 (77)	16 (16)
<b>D Murray</b> Director of Corporate Services	85-90 (80-85)		0-2.5 (0-2.5)	24 (22)	245 (230)	11 (16)
<b>D Rothwell</b> Director of Procurement	80-85 (10-15)	0 (33.3)	0-2.5 (0-2.5)	2 (0.5)	23 (3)	16 (3)
<b>J Moorhouse</b> Director of Managed Services to 31 July 06	35-40 (75-80)		0-2.5 (2.5-5.0)	4 (3)	53 (35)	15 (32)
<b>L Grant (note 1)</b> Director of ICT Procurement from 9 Jan 07	50-55 (-)					
<b>JC Thwaite OBE</b> Non-Executive Director	15-20 (15-20)					
<b>K Girling</b> Non-Executive Director	5-10 (5-10)					
<b>C Lamb</b> Non-Executive Director	0-5 (0-5)					
<b>P Fanning</b> Non-Executive Director from 1 Oct 06	0 (-)					
<b>M Sykes</b> Non-Executive Director to 30 Sept 06	0 (0)					

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

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



A Littley  
Accounting Officer  
15 June 2007

# Statement of OGCbuying.solutions and Chief Executive's responsibilities

Under Section 4(6A) (b) of the Government Trading Funds Act 1973, the Treasury has directed OGCbuying.solutions to prepare a statement of Accounts for the 12 month period from 1 April 2006 to 31 March 2007. The Accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at 31 March 2007 and of its income and expenditure, total recognised gains and losses and cash flows for the 12 months then ended.

In preparing the Accounts the Agency is required to:

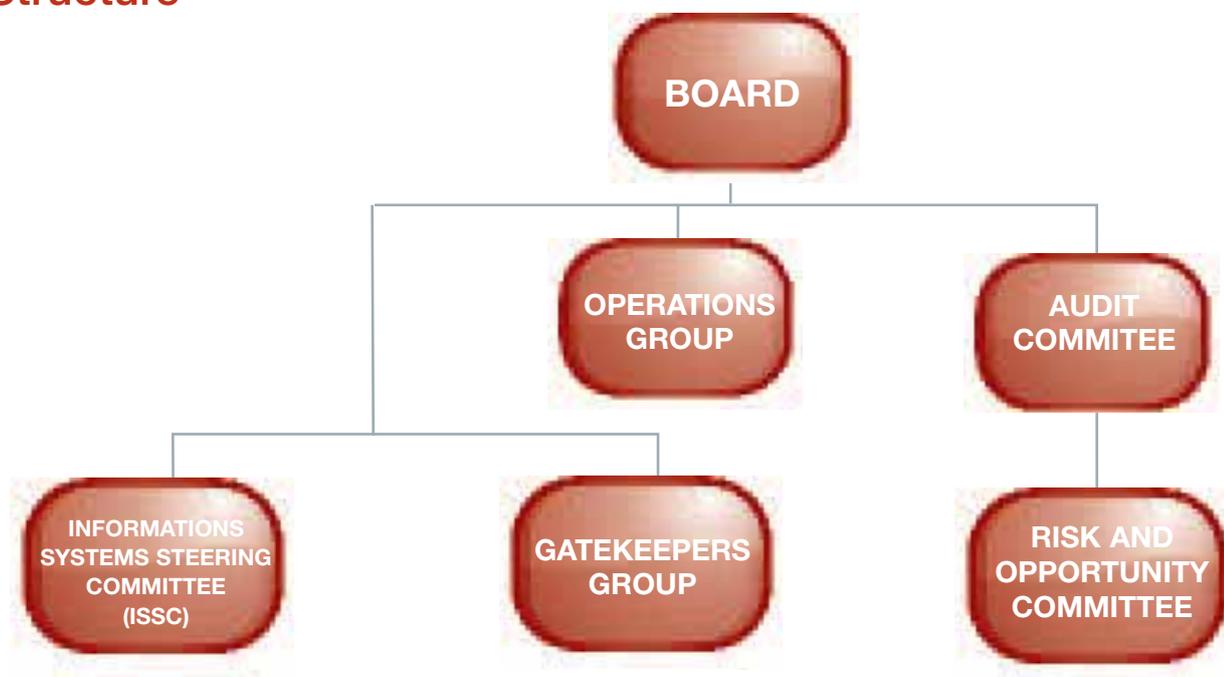
- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and to disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Agency will continue in operation

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

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

# Corporate Governance

## Structure



### Board of OGCbuying.solutions

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

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

In addition, the Board:

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

The Board membership consists of the Chief Executive (Chair), four Executive Directors and four Non-Executive Directors, (one of whom is nominated by the Chief Executive of OGC).

During 2006/07, the following Directors were members of the Board of OGCbuying.solutions:

		No. of meetings attended
Mr HA Barrett	Chief Executive	3/3
Mrs A Littley	Chief Executive	4/4
Mr DJ Murray	Director of Corporate Services	7/7
Mr SP Heard	Director of Customer Relations	6/7
Mr D Rothwell	Director of Procurement	6/7
Miss SJ Moorhouse	Director of Managed Services	1/2
Mr L Grant	Director of ICT Procurement	2/2
Mr JC Thwaite OBE	Non-Executive Director	6/7
Mr KR Girling	Non-Executive Director	7/7
Mr C Lamb	Non-Executive Director	6/7
Mr P Fanning	Non-Executive Director	3/4
Mr M Sykes	Non-Executive Director	3/3

### Operations Group

The Operations Group monitors operational performance against the targets set within the Business Plan, taking any corrective actions where required. It also considers policy issues that do not require full Board consideration. Membership of the Operations Group consists of 10 Directors/Heads of Departments. The Director of Corporate Services provides a Non-Executive role to advise the group and provide a link to the Board.

The membership during 2006/07 was as follows:

Mr J O'Neill	Facilities Director
Mr D King	Head of Planning
Mr S Lawlor	HR Director
Mr M Jones	Financial Controller
Mrs J Murray	Account Management Director
Mr L Barnett	Partnerships Director
Mrs J Driver	Marketing Director
Mr B Donovan	E-Commerce Director
Mr C Illman	Managed Telecoms Director
Mr T Love	Telecommunications Framework Director

### Audit Committee

The Audit Committee's role is to advise the Accounting Officer on the adequacy of the internal control arrangements including risk, governance and in particular, the findings and recommendations emerging from the work of internal audit to provide the associated assurance. During 2006/07, Audit Committee membership consisted of three Non-Executive Directors and in addition, the Chief Executive, Director of Corporate Services, representatives from OGC and the Internal and External Audit organisations were invited to attend. The Audit Committee has met four times during the period.

At 31 March 2007, the following were members of the Audit Committee:

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

### Information Systems Steering Committee (ISSC)

The Information Systems Steering Committee meets every three months to oversee the development, maintenance and implementation of OGCbuying.solutions' information strategy. In support of the vision and strategic direction of the Agency, it ensures that the information systems strategy is responsive to business needs and reflects best IT practice.

To achieve the above, the Committee's terms of reference include the following:

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

### Gatekeepers Group

The Gatekeeper Group's role is to consider at an early stage new products and services, allocating resources where appropriate.

### Risk and Opportunity Committee

The Agency views the careful management of risk as a key management activity. Much of the Agency's work in the area of risk management is facilitated by the Risk and Opportunity Committee, which is chaired by the Director of Corporate Services and comprises the Risk Improvement Manager together with Directorate Risk Coordinators and Internal Audit Representation. The Committee raises the awareness of risk generally across the Agency to ensure a consistent and efficient approach to risk management is maintained. The Risk and Opportunity Committee operates under formal terms of reference established by the Board and accords with HM Treasury guidance.

The Risk and Opportunity Committee supports and advises the Agency's Board through the Audit Committee, on the implementation and monitoring of the risk management strategy and ensures the appropriate mechanisms, structures and processes are in place to identify and evaluate key risks that threaten the achievement of Agency objectives. It is the role of management to implement Board policies on risk and control and all employees have responsibility for internal control as part of their accountability for achieving objectives.

# Statement on Internal Control

## Scope of Responsibility

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

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

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

## The Purpose of the System of Internal Control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

## Capacity to Handle Risk

The risk management process has the endorsement of the Board via the Agency's Risk and Opportunity Management Strategy. The Agency has a comprehensive risk and opportunity management strategy and policy which is reviewed annually, the most recent review being in September 2006.

The Board and Operations Group view risk and opportunity management as an integral part of good corporate governance and in ensuring the aims of the Business Plans are fulfilled. The Board recognise that effective risk management is not about eliminating or avoiding risk, but to identify and understand risk in order to manage it more effectively and to support innovation and new ways of working in order to take advantage of any opportunities. The Board of Directors are responsible for risk management across the Agency and for setting the Agency's "appetite for risk", determining what types of risk are acceptable and which are not; and providing guidance to senior

managers. Specific responsibility for strategic risks is assigned to Board members and responsibility for operational risks lies with the directorates. This ensures central control together with local ownership in managing and controlling all elements of risk to which the Agency may be exposed.

The Agency's risk and opportunity management is a continuous process linked to the Business Performance Scorecard objectives and all directorate and departmental objectives must be aligned accordingly. Risks threatening the achievement of objectives are identified and action plans are established to control, mitigate and manage those risks.

To support staff through the risk assessment process, guidance and facilitation is available from members of the Risk and Opportunity Committee who are responsible for disseminating good risk management practices across the Agency.

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

In addition to regular reports, the Head of Internal Audit undertakes an annual assessment of the effectiveness of the Agency's risk management procedures. The Head of Internal Audit also attends the Agency's risk committee meetings. The risk committee regularly reviews the Agency's risk maturity status to provide assurance that the risk management processes are working effectively and to improve future effectiveness as part of the Agency's commitment to continuous improvement.

## The Risk and Control Framework

Our framework for identifying and categorising risks focuses on the successful achievement of organisational objectives as defined within the Business Performance Scorecard. During this financial year, an appropriate and suitable risk appetite level has been set and agreed at board level for each of the perspectives based on the Business Planning process. The risk appetite levels will be reviewed at least annually. Each appetite is incorporated within the Agency's risk management computer system as part of the risk classification and scoring table. Every identified risk is subject to monitoring and action plans. If the responses to risk cannot bring the risk exposure to equal to or below the risk appetite level, such risks will be escalated to the next tier of management.

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

- Strategic risks are owned and managed by named members of the Board

- Managers should identify and evaluate the key operational risks within their respective business units and agree actions to mitigate those risks to an acceptable level
- Directors are required to review their registers and sign a separate annual assurance statement, declaring to the best of their knowledge that risks have been adequately identified and managed through the implementation and monitoring of appropriate controls
- A monthly risk reporting process feeds operational risks into the corporate risk report. These risks are reviewed by the Operations Group at each monthly meeting, by the Board quarterly and by the Audit Committee at each meeting to ensure controls have been applied and risks are effectively monitored
- The Risk and Opportunity Committee comprising representation from all Directorates, reviews and reports to the Board of Directors on the Agency's risk management and control provisions on a quarterly basis
- The Audit Committee, on behalf of the Board of Directors, monitors the effectiveness of internal control, including financial, operational and compliance controls and risk management

### Review of Effectiveness

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

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

- An Audit Committee, with internal and external audit representation, meeting four times a year under the chairmanship of a Non-Executive Director, at which all assurance activities are reviewed including internal and external audit, risk management, functional compliance audit and other reviews as appropriate. During the year, the Audit Committee conducted a self assessment benchmark against the HM Treasury Audit Committee Handbook Consultation Draft. This confirmed that the Audit Committee is operating to best practice standards
- A Board which meets regularly to consider the plans, progress and strategic direction of the Agency. The Board comprises myself, Executive Directors of the Agency and four Non-Executive Directors - one of whom is Chair of the Audit Committee

- A Risk and Opportunity Committee who meet quarterly and whose role is to support and advise the Agency's Board on the implementation and monitoring of the risk management strategy
- The Agency's internal auditors submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. The opinion of OGCbuying.solutions stated in the Annual Internal Audit Report for 2006/07 was:

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

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

Internal Audit have performed risk-based audits, including reviews of internal control, which supports my conclusion that there is no indication of any major control weakness that would lead me to qualify this statement of internal control.

### Future Developments

I will be carrying out a review of the future of Zanzibar, a managed service providing a web enabled eMarketplace and Purchase to Pay system for use by public sector organisations. Building on progress made to date, the internal review will make sure the Agency understands where it can add the most value, where further opportunities can be maximised and what resources will be required going forward.

As part of a comprehensive change programme to ensure the Agency can play a leading role in the changing government procurement landscape, I have commissioned a review of the Agency's Legal Services. The move towards collaborative procurement and category management of products and services will mean robust legal internal controls will be required to meet the challenges and opportunities the Agency will be faced with as it seeks to further improve value for money, customer service and overall growth.



A Littley  
Accounting Officer  
15 June 2007

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of OGCbuying.solutions for the year ended 31 March 2007 under the Government Trading Funds Act 1973. These comprise the Profit and Loss Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of OGCbuying.solutions, Chief Executive/Accounting Officer and auditor

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

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

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

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

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

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

## Basis of audit opinion

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

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

## Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of OGCbuying.solutions' affairs as at 31 March 2007 and of its profit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Fund Act 1973 and HM Treasury directions made thereunder; and
- information given within the Annual Report, which comprises the unaudited part of the Remuneration Report, the Management Commentary and the Five Year Summary, is consistent with the financial statements.

## Audit Opinion on Regularity

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

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
19 June 2007

# Operating Account for the Year Ended 31 March 2007

	Note	31 March 2007		31 March 2006	
		£000	£000	£000	£000
<b>Turnover</b>	2		70,530		70,341
Cost of sales			(44,183)		(45,466)
<b>Gross Surplus</b>			26,347		24,875
Staff costs	4.2	(11,845)		(11,606)	
Depreciation	8	(1,047)		(1,089)	
Other operating charges	5	(8,678)		(8,414)	
<b>Total operating costs</b>			(21,570)		(21,109)
Other operating income	3		180		365
<b>Operating Surplus</b>			4,957		4,131
Interest Receivable	6		662		374
Interest Payable	7		(344)		(492)
<b>Surplus for the financial year</b>			5,275		4,013
Dividend to be surrendered to OGC			(1,341)		(1,130)
<b>Retained Surplus</b>	17		3,934		2,883
Retained Surplus brought forward	17		19,464		16,581
<b>Retained Surplus carried forward</b>	17		23,398		19,464

Income and surplus are derived entirely from continuing operations. There were no material disposals or acquisitions. The notes to the accounts on pages 48 to 58 form an integral part of these accounts.

# Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2007

	31 March 2007	31 March 2006
	£000	£000
Surplus for the Financial Year	3,934	2,883
Movement on Revaluation of Fixed Assets	(24)	(5)
Credited to the Revaluation Reserve	275	269
<b>Total gains and losses relating to the financial year</b>	<b>4,185</b>	<b>3,147</b>

# Balance Sheet as at 31 March 2007

	Note	31 March 2007		31 March 2006	
		£000	£000	£000	£000
<b>Fixed Assets</b>	8		10,944		11,733
<b>Current Assets</b>					
Stocks	9	221		58	
Debtors	10	12,185		16,662	
Investment	11	10,000		5,000	
Cash at bank and in hand		<u>2,618</u>		<u>4,718</u>	
		25,024		26,438	
<b>Creditors:</b>					
Amounts falling due within one year	12	(9,414)		(11,841)	
<b>Net Current Assets</b>			15,610		14,597
Creditors amounts falling due after more than one year	12		(1,537)		(4,716)
<b>Total assets less liabilities</b>			<u>25,017</u>		<u>21,614</u>
<b>Financed by</b>					
Provision for liabilities and charges	14		685		1,467
<b>Capital and Reserves</b>					
Public Dividend Capital	15	350		350	
Revaluation Reserve	16	584		333	
General Reserve	17	23,398		19,464	
			<u>24,332</u>		<u>20,147</u>
<b>TOTAL</b>			<u>25,017</u>		<u>21,614</u>

The Notes to the Accounts on pages 48 to 58 form an integral part of these accounts.



A Littley  
Accounting Officer  
15 June 2007

# Cash Flow Statement for the Year Ended 31 March 2007

	31 March 2007 £000	31 March 2006 £000
<b>Net cash inflow / (outflow) from operating activities</b>	7,233	3,683
<b>Returns on investments and servicing of finance</b>		
Interest received	645	408
Interest paid	(344)	(628)
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(15)	(25)
<b>Dividend paid</b>	(1,440)	(1,269)
Long term loan	(3,179)	(2,379)
<b>Management of liquid resources</b>	(5,000)	(5,000)
<b>Net cash inflow/(outflow)</b>	<u>(2,100)</u>	<u>(5,210)</u>

See note 18 in the Notes to the Accounts. The Notes to the Accounts on pages 48 to 58 form an integral part of these accounts.

# Notes to the Accounts

## 1 Accounting Policies

### 1.1 Accounting Convention

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

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

The Accounts have not been modified to include other fixed assets valued at current cost as required in the Accounts Direction given by HM Treasury. Any difference is not material.

### 1.2 Accounting Standards

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

### 1.3 Turnover

Turnover consists of the invoiced value of goods and services net of Value Added Tax, Trade Discounts and Rebates, from the ordinary activities of the business.

### 1.4 Fixed Assets

Fixed assets are capitalised at their cost of acquisition and installation. The prescribed capitalisation level is £5,000. Where an asset costs less than this but forms an integral part of a package whose total value is greater than the capitalisation level, then it is treated as a capital asset. Fixed assets are valued at net current replacement cost by using the price index numbers for current cost accounting when the effect of revaluing assets over time is material. Only Whitehall Systems are revalued (using an appropriate index based on an independent valuation).

### 1.5 Depreciation

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

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

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

### 1.6 Stocks

Stocks are valued at weighted average cost.

### 1.7 Pension Benefits

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (Classic, Premium, and Classic Plus). New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality “money purchase” stakeholder based arrangement with a significant employer contribution (partnership pension account).

- **Classic Scheme** – Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. Members pay contributions of 1.5 per cent on pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widows’ and widowers’ pensions.
- **Premium Scheme** – 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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure, the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partners at a rate of 3/8ths the member’s pension (before commutation).

# Notes to the Accounts continued

On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

- **Classic Plus Scheme** – This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

Pensions payable under Classic, Premium, and Classic Plus are increased in line with the Retail Price Index.

## 1.8 Early Retirement

OGCbuying.solutions is required to meet the additional cost of liabilities beyond the normal Principle Civil Service Pension Scheme (PCSPS) benefits in respect of payments to employees who have or are due to retire early. Full provision is made in the Accounts for this cost (see Note 14 in the Notes to the Accounts).

## 1.9 Leases

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

## 1.10 Liquid Resources

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

## 1.11 Dividend on Return on Capital Employed

A dividend equal to an annual average of 6.5% (2005/06 6.5%) return on capital employed is payable to the Office of Government Commerce (OGC).

## 1.12 Grants

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

## 2 Segmental Performance

	TURNOVER		GROSS SURPLUS		OPERATING COSTS LESS OTHER OPERATING INCOME		OPERATING SURPLUS	
	31 Mar 2007 £000	31 Mar 2006 £000	31 Mar 2007 £000	31 Mar 2006 £000	31 Mar 2007 £000	31 Mar 2006 £000	31 Mar 2007 £000	31 Mar 2006 £000
Framework Agreements	24,560	26,531	22,307	21,076	(16,177)	(16,848)	6,130	4,228
Managed Services	45,970	43,810	4,040	3,799	(5,213)	(3,896)	(1,173)	(97)
<b>TOTAL</b>	<b>70,530</b>	<b>70,341</b>	<b>26,347</b>	<b>24,875</b>	<b>(21,390)</b>	<b>(20,744)</b>	<b>4,957</b>	<b>4,131</b>

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

## 3 Other Operating Income

During the previous year, OGCBuying.solutions received a grant from OGC in the form of Efficiency Challenge Funding. The money contributed towards start up costs for two new services to customers, Zanzibar and Travel Services. The balance of the grant has been used this year.

	31 March 2007 £000	31 March 2006 £000
Total grant received	180	545
Matched during the year	(180)	(365)
Deferred to FY 2007-08	<u>0</u>	<u>180</u>

## 4 Staff numbers and costs

### 4.1 Total staff numbers

Details of the average number of Full Time Equivalent employees during the period were as follows:

	31 March 2007	31 March 2006
Board	5	5
Operational	214	204
Administration	71	73
<b>TOTAL</b>	<b>290</b>	<b>282</b>

### 4.2 Total staff costs

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

	31 March 2007 £000	31 March 2006 £000
Wages and salaries	7,899	7,631
Bonus	383	358
Social Security	693	645
Superannuation	1,525	1,433
VER	-	242
Agency and contract staff costs	1,345	1,297
<b>TOTAL</b>	<b>11,845</b>	<b>11,606</b>

# Notes to the Accounts continued

## **4.3 Senior manager salary and pension entitlements**

For details of Executive Directors' salary, fee and pension entitlements see Remuneration Report on page 38.

## **4.4 Superannuation**

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

For the 12 month period ended 31 March 2007, contributions of £1,525,000 (2006: £1,433,000) were paid to Civil Superannuation Vote at rates determined from time to time by the Government Actuary and advised by the Treasury. Rates for the 12 month period to 31 March 2007 were between 17.1% and 25.5% depending upon the pay band of each employee.

## 5 Other Operating Charges

	31 March 2007 £000	31 March 2006 £000
<b>Charges Include:-</b>		
Auditor's remuneration	48	57
Charges for plant and machinery operating leases	23	36
Charges for other operating leases	409	256
Travel and subsistence	1,513	1,525
Loss on sale of fixed assets	8	2
Accommodation and Utilities	1,572	1,533
Marketing	2,098	1,587
Training	368	495
Other operating and external charges	2,639	2,923
<b>TOTAL</b>	<b>8,678</b>	<b>8,414</b>

## 6 Interest Receivable

	31 March 2007 £000	31 March 2006 £000
Bank and short term investment interest	662	374
<b>TOTAL</b>	<b>662</b>	<b>374</b>

## 7 Interest Payable

	31 March 2007 £000	31 March 2006 £000
Interest payable on long term loan (See note 12)	344	491
Interest payable on bank overdraft	-	1
<b>TOTAL</b>	<b>344</b>	<b>492</b>

# Notes to the Accounts continued

## 8 Fixed Assets

	31 March 2007 Computer Equipment £000	31 March 2007 Plant & Equipment £000	31 March 2007 Fixtures & Fittings £000	31 March 2007 TOTAL £000	31 March 2006 TOTAL £000
<b>Cost</b>					
At beginning of period	529	12,620	387	13,536	13,259
Additions in period	15	-	-	15	25
Disposals	(179)	-	-	(179)	(17)
Revaluation	-	275	-	275	269
<b>At end of period</b>	<b>365</b>	<b>12,895</b>	<b>387</b>	<b>13,647</b>	<b>13,536</b>
<b>Depreciation</b>					
At beginning of period	462	1,158	183	1,803	724
Amount provided in period	50	920	77	1,047	1,089
Revaluation	-	24	-	24	5
Disposals during period	(171)	-	-	(171)	(15)
<b>At end of period</b>	<b>341</b>	<b>2,102</b>	<b>260</b>	<b>2,703</b>	<b>1,803</b>
<b>Net book value at 1/4/06</b>	<b>67</b>	<b>11,462</b>	<b>204</b>	<b>11,733</b>	
<b>Net book value at 31/3/07</b>	<b>24</b>	<b>10,793</b>	<b>127</b>	<b>10,944</b>	<b>11,733</b>

## 9 Stocks

	31 March 2007 £000	31 March 2006 £000
Fuel Stocks	221	58
<b>TOTAL</b>	<b>221</b>	<b>58</b>

## 10 Debtors

	31 March 2007 £000	31 March 2006 £000
<b>Amounts falling due within one year</b>		
Trade debtors less provision for bad and doubtful debts	3,449	8,459
Other debtors	351	1,320
Prepayments and accrued income	8,385	6,883
<b>TOTAL</b>	<b><u>12,185</u></b>	<b><u>16,662</u></b>

## 11 Short Term Investment

	31 March 2007 £000	31 March 2006 £000
Balance on deposit with National Loan Fund	<u>10,000</u>	<u>5,000</u>

## 12 Creditors

	31 March 2007 £000	31 March 2006 £000
<b>Amounts falling due within one year</b>		
Other taxes and Social Security costs	831	1,690
Trade creditors	4,352	4,106
Other creditors	380	734
Accruals and deferred income	2,672	4,132
Other loans	1,179	1,179
<b>TOTAL</b>	<b><u>9,414</u></b>	<b><u>11,841</u></b>
<b>Amounts falling due after more than one year</b>		
Other loans	1,537	4,716
Trade creditors	-	-
<b>TOTAL</b>	<b><u>1,537</u></b>	<b><u>4,716</u></b>
<b>Maturity of Debt</b>		
<b>Amounts falling due within:</b>		
One to two years	1,179	1,179
Two to five years	358	3,537
Over five years	-	-
<b>TOTAL</b>	<b><u>1,537</u></b>	<b><u>4,716</u></b>

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

# Notes to the Accounts continued

## 13 Lease Obligations

	31 March 2007		31 March 2006	
	Other £000	Land & Buildings £000	Other £000	Land & Buildings £000
<b>Operating lease rentals due within:</b>				
One Year	1	-	6	-
Two to Five Years	27	488	23	98
Over Five Years	-	-	-	-
<b>TOTAL</b>	<u>28</u>	<u>488</u>	<u>29</u>	<u>98</u>

## 14 Provision for Liabilities and Charges

The Voluntary Early Retirement (VER) provision for liabilities and charges is in respect of liabilities for future payments to employees who have or are due to retire early. The Agency bears pension costs from the date of early retirement until age 60, when the liability is assumed by the Principal Civil Service Pension Scheme (see Note 1.7 in the Notes to the Accounts).

	31 March 2007			31 March 2006		
	VER £000	Restructuring Provision £000	Total £000	VER £000	Restructuring Provision £000	Total £000
Balance at beginning of period	1,193	274	1,467	329	1,088	1,417
Transferred in the period	-	-	-	696	(696)	-
Utilised in the period	(508)	(274)	(782)	(57)	(118)	(175)
Increase in the period	-	-	-	225	-	225
<b>Balance at the end of period</b>	<u>685</u>	<u>0</u>	<u>685</u>	<u>1,193</u>	<u>274</u>	<u>1,467</u>

## 15 Public Dividend Capital

	31 March 2007 £000	31 March 2006 £000
Issued Pursuant to Government Trading Funds Act 1973	100	100
Issued upon acquisition of Fuel Branch 1 July 1995	250	250
<b>Balance at end of period</b>	<u>350</u>	<u>350</u>

## 16 Revaluation Reserve

	31 March 2007 £000	31 March 2006 £000
Revaluation Reserve at 1st April	333	69
Revaluation of plant and equipment	275	269
Backlog depreciation	(24)	(5)
<b>Revaluation Reserve at 31st March</b>	<u>584</u>	<u>333</u>

## 17 General Reserve

	31 March 2007 £000	31 March 2006 £000
Balance at beginning of period	19,464	16,581
Retained surplus for the period	3,934	2,883
<b>Balance at end of period</b>	<b><u>23,398</u></b>	<b><u>19,464</u></b>

## 18 Notes to the Cash Flow Statement

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

	31 March 2007 £000	31 March 2006 £000
Operating surplus	4,957	4,131
(Decrease) / Increase in provision	(782)	50
Depreciation charges	1,047	1,089
Loss on sale of fixed assets	8	2
Decrease / (increase) in stocks	(163)	26
Decrease / (increase) in debtors	4,507	(2,609)
(Decrease) / Increase in creditors	(2,341)	994
Net cash inflow / (outflow) from operating activities	<b><u>7,233</u></b>	<b><u>3,683</u></b>

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

	31 March 2007 £000	31 March 2006 £000
Decrease in cash in the year	(2,100)	(5,210)
Short term investment	5,000	5,000
Loans repayable in more than one year	3,179	2,379
Net funds change	6,079	2,169
Net funds at 1 April 2006	3,823	1,654
Net funds at 31 March 2007	<b><u>9,902</u></b>	<b><u>3,823</u></b>

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

	1 April 2006 £000	Cash Flows £000	31 March 2007 £000
Cash at bank and in hand	4,718	(2,100)	2,618
Debt due within one year	(1,179)	0	(1,179)
Debt due after one year	(4,716)	3,179	(1,537)
Short term investment	5,000	5,000	10,000
<b>Total</b>	<b><u>3,823</u></b>	<b><u>6,079</u></b>	<b><u>9,902</u></b>

### Note (iv): management of liquid resources

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

# Notes to the Accounts continued

## 19 Capital Commitments

Capital commitments contracted for at 31 March 2007 were £nil (2006: £nil).

## 20 Financial Objective

The financial target was set at an annual average of 6.5% per annum Return on Capital Employed. The target was met for the period 1 April 2006 to 31 March 2007. The Agency's surplus of £4,957,000 represents an ROCE of 19.1%.

## 21 Related Party Transactions

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

The Office of Government Commerce is regarded as a related party. During the year ending 31 March 2007, OGCbuying.solutions has had various material transactions with this body.

In addition, OGCbuying.solutions had various material transactions with most Government Departments and other Central Government bodies, devolved administrations, the NHS and many local authorities.

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

## 22 Financial Instruments

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

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

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

OGCbuying.solutions policies for managing its financial risks are set to achieve compliance with the regulatory framework. The Agency follows Government Accounting rules.

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

## Financial Assets

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity Years
<b>31 March 2007</b>							
Sterling - PGO	2,618	-	2,618	-	4.43	0.12	-
Sterling - National loan fund	10,000	-	10,000	-	4.85	1.0	-
<b>Gross financial assets</b>	<b>12,618</b>	<b>-</b>	<b>12,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31 March 2006</b>							
Sterling - PGO	4,575	-	4,575	-	3.95	0.12	-
Sterling - Commercial	142	-	142	-	1.40	0.25	-
Sterling - National loan fund	5,000	-	5,000	-	4.37	1.0	-
<b>Gross financial assets</b>	<b>9,717</b>	<b>-</b>	<b>9,717</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Financial Liabilities

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity Years
<b>31 March 2007</b>							
Sterling	1,537	-	1,537	-	6.50	5	-
<b>Gross financial liabilities</b>	<b>1,537</b>	<b>-</b>	<b>1,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31 March 2006</b>							
Sterling	4,716	-	4,716	-	6.50	5	-
<b>Gross financial liabilities</b>	<b>4,716</b>	<b>-</b>	<b>4,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 23 Intra-Government Balances

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

	Total £000	Central Government Bodies £000	Local Authorities £000
<b>31 March 2007</b>			
Debtors	1,831	1,831	-
Creditors	(102)	(43)	(59)
<b>Total</b>	<b>1,729</b>	<b>1,788</b>	<b>(59)</b>
<b>31 March 2006</b>			
Debtors	4,859	4,817	42
Creditors	-	-	-

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

## 24 Contingent Liabilities

There could be a financial liability arising in respect of an early contract termination dispute. However, no provision has been made in the accounts as it is not known what settlement value, if any, may or may not arise.

## 25 Post Balance Sheet Events

There are no post balance sheet events. The report and accounts were authorised to be issued on 25 June 2007.

# Treasury Minute Dated

## 13 January 2004

- 1.** Section 4(1) of the Government Trading Funds Act 1973 provides that a Trading Fund established under the Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to that fund it shall be his duty:

  - a. To manage the funded operations so that the revenue of the fund:
    - i. consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
    - ii. is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account,
  - b. To achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
- 2.** OGCBuying.solutions Trading Fund was established as the Buying Agency Trading Fund with effect from 1 April 1991. The name of The Buying Agency was amended to OGCBuying.solutions with effect from 3 April 2001 in pursuance of OGCBuying.solutions Trading Fund Order 1991 (S.I. 2001 No. 922).
- 3.** The Chancellor of the Exchequer, being the responsible Minister, has determined that a further financial objective desirable of achievement by OGCBuying.solutions Trading Fund for the 5 year period from 1 April 2004 to 31 March 2009 shall be to achieve a minimum return, averaged over the period as a whole, equivalent to 6.5 percent a year in the form of an operating surplus, i.e. before interest (both receivable and payable) and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long term loan capital (if any) and the general reserve.
- 4.** This minute supercedes that dated 20 March 2002.
- 5.** Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

# Five Year Summary

## 1 April 2002 to 31 March 2007

	Year 2006/07 £000	Year 2005/06 £000	Year 2004/05 £000	Year 2003/04 £000	Year 2002/03 £000
<b>Balance Sheet</b>					
Fixed Assets	10,944	11,733	12,535	710	255
Total current Assets less liabilities	15,610	14,597	13,259	15,857	14,233
<b>Assets Employed</b>	<b>26,554</b>	<b>26,330</b>	<b>25,794</b>	<b>16,567</b>	<b>14,488</b>

### Financed by

Provision for liabilities and changes	685	1,467	1,417	58	120
Public Dividend Capital	350	350	350	350	350
Long Term Loan	1,537	4,716	6,895	-	-
Long Term Creditors	-	-	482	-	-
Revaluation Reserve	584	333	69	-	-
General Reserve	23,398	19,464	16,581	16,159	14,018
	<b>26,554</b>	<b>26,330</b>	<b>25,794</b>	<b>16,567</b>	<b>14,488</b>

### Operating Accounts

<b>Turnover</b>	<b>70,530</b>	<b>70,341</b>	<b>60,067</b>	<b>51,164</b>	<b>47,618</b>
Operating Surplus	4,957	4,131	1,350	3,031	4,398
Interest Receivable	662	374	432	352	309
<b>Surplus on ordinary activities</b>	<b>5,619</b>	<b>4,505</b>	<b>1,782</b>	<b>3,383</b>	<b>4,707</b>
Interest payable on long-term loan	(344)	(492)	(135)	-	-
<b>Surplus for the year</b>	<b>5,275</b>	<b>4,013</b>	<b>1,647</b>	<b>3,383</b>	<b>4,707</b>
Dividend payable to OGC	(1,341)	(1,130)	(1,225)	(1,242)	(972)
<b>Retained Surplus</b>	<b>3,934</b>	<b>2,883</b>	<b>422</b>	<b>2,141</b>	<b>3,735</b>

# Notes

# Notes

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