



Government
Procurement
Service

Annual Report and Accounts 2012/13

Government Procurement Service
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Contents

Welcome	05
Chair's overview	06
Managing Director's review of the year	07-09
Performance against targets	10-11
Responding to change	12-13

Accounts for the year ended 31 March 2013

Management commentary	16-19
Sustainability report	20-22
Remuneration report	23-26
Statement of Government Procurement Service's and Managing Director's responsibilities	27
Corporate governance statement 12/13	28-35
The certificate and report of the Comptroller and Auditor General to the Houses of Parliament	36
Statement of comprehensive income	37
Statement of changes in taxpayers' equity	37
Statement of financial position	38
Statement of cash flows	39
Notes to the accounts	39-54
Treasury minute	55
Five year summary	56

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Welcome to Government Procurement Service Annual Report and Accounts 2012/13

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

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

Chair's Overview

2012/13 has been a very challenging yet successful year for Government Procurement Service (GPS). Operating at the heart of Cabinet Office, GPS is at the forefront of the delivery of the centralised procurement strategy to achieve sustainable savings and better value for the taxpayer. It is also playing a pivotal role in the Commercial Reform programme established by the Civil Service Capabilities Plan.

Good progress has been made over the past 12 months, building on the strong foundations established following the comprehensive business transformation programme undertaken in 2011/12. GPS has continued to deliver at pace to ensure the achievement of challenging savings and efficiency targets.

I am delighted that this strong business performance has been acknowledged by the National Audit Office (NAO) in its recently published 'Improving Government Procurement' and 'The impact of Government's ICT savings initiatives' reports, which noted the significant improvements GPS has achieved, particularly in the management of data and information.

Investment in the new eProcurement tools is clearly yielding results, particularly spend analysis which is providing a comprehensive understanding of government spending and enabling further savings to be identified.

The NAO also expressed confidence in GPS's reported savings for 2011/12 which help to demonstrate the significant contribution GPS is making to the Government's spend reduction targets.

Collaboration with wider public sector buying organisations through formalised Memoranda of Understanding (MoUs) is helping to ensure that the benefits of these improvements are shared across the public sector.

A number of important procurements have been awarded which not only support improved savings delivery but also show that the government's commitment to the SME agenda and growth is paying dividend. These include ConsultancyONE where 44% of the suppliers are SMEs and the Energy for Growth contract for long term fixed price energy generation, which will lead to the creation of 750 jobs in the North East.

The implementation of the Commercial Reform programme will have a major impact on public sector procurement and GPS is well placed to help deliver these fundamental changes to the way Government buys common goods and services. Implementing the reforms will require GPS to further improve its capability to meet the changing needs of departments under the reforms.

The scope of the organisation has already increased significantly over the past year with the integration of the Procurement Centre of Excellence (PCoE) which moved into GPS from the Home Office in October 2012 to support the shared services strategy. This additional transactional capability has enabled GPS to provide a managed procurement service for customers.

GPS's role will expand substantially in 2013/14 with the further development of managed service provision for customers. This is a fundamental element of the Commercial Reform vision which will see the purchasing of common goods and services once on behalf of Government, maximising efficiency.

I feel privileged to be the Government's Chief Procurement Officer at such an important time. There is much work to do to implement the reforms and 2013/14 will inevitably present many challenges. However I am confident that GPS will continue to build on the success of the past year and I look forward to working with its non executives, leadership and staff to deliver exceptional outcomes for the UK taxpayer.

Following two years as Managing Director of GPS, David Shields has moved on from the Cabinet Office with effect from the end of June. I would like to thank David for his leadership of GPS over that period and, in particular, the achievement of the 2012/13 savings targets. David has led the team that has achieved much in GPS, vastly improving the quality of government data and improving systems and processes. I wish him all the best in his new endeavours.

Following David's departure, Sally Collier, Deputy Chief Procurement Officer, has assumed day to day operational responsibility as acting Managing Director and has been appointed Accounting Officer for GPS by HM Treasury.

Bill Crothers
Chair

Managing Director's Review of the Year

I am pleased to inherit such positive results with year 2012/13.

In its recent reports on Government Procurement, the NAO acknowledged the good progress and significant improvements made over the last two years.

Key highlights of the year include:

- Delivering savings of £1.2 billion (price) and £1.6 billion (demand) from working with departments and maintaining the reduction in use of consultants and contingent labour from a 2009/10 baseline. See page 10.
- Over 25% increase in spend under management to £11.4 billion.
- Further efficiency improvements with running costs per FTE reduced from £108.6k in 2009/10 to £68.6k this year.
- The successful transition of the Procurement Centre of Excellence from the Home Office to GPS to support the development of a managed services capability.
- New strategic alliances with leading buying organisations from across the public sector to deliver increased savings and reduce duplicate frameworks.
- Significant improvement in employee engagement from 56% to 61%.

Over the past year GPS has continued to focus on four key strategic areas which underpin the ability to achieve business objectives:

- People
- Customer
- Operational Delivery
- Enablers / Efficiency

People

As well as the positive increase in the employee engagement index the scores for leadership, line management and learning and development were particularly encouraging. An ambitious people strategy has been developed to support continued improvement in all areas for the mutual benefit of staff, stakeholders and customers.

1100 staff across government have been through the Lean procurement training programme over the past year, which has been developed and delivered in partnership with the Chartered Institute of Purchasing & Supply (CIPS) as part of the broader commitment to enhance procurement capability across government.

Customer

As part of the commitment to delivering customer excellence, GPS has worked closely with departments and organisations from across the public sector, developing productive customer led relationships.

A major project 'Delivering Customer Excellence' has been implemented to support the customer experience and drive a programme of continuous improvement. This includes the development of a new Customer Relationship Management system and related processes. Customer satisfaction has improved significantly over the last two quarters finishing at 73% for Central Government and 90% for wider public sector in Quarter 4. This demonstrates that a focus on service delivery is starting to pay dividends. GPS values feedback from all stakeholders and uses it to enhance customer service.

Recognising the challenges schools face with complex procurement processes, GPS has worked in partnership with the Department for Education (DfE), YPO and ESPO, culminating in the launch of 'EduBuy', an online portal which brings together contracts for everyday products and services into a single place. This speeds up the buying process enabling education establishments to focus on what's most important - teaching and learning.

A successful collaboration is being undertaken with the London Borough of Camden on behalf of all 33 London Councils for improving value for money for ICT expenditure.

An NHS customer board has been established to drive improvements across the health sector and the organisation is working closely with the Department of Health's NHS procurement policy team. One of the outputs of this is a spend analysis exercise which is being undertaken on behalf of 10 NHS Trusts to provide benchmark data on usage and to identify savings opportunities.

Operational Delivery

Working with over 1400 public sector organisations and around 2300 suppliers, GPS has delivered savings of £1.2 billion through commercial arrangements, with a further £1.6 billion in demand savings in Consultancy and Contingent Labour achieved by working closely with departments. Spend under management rose to £11.4 billion, up more than 25% from last year.

Managing Director's Review of the Year continued

- To ensure the benefits of our commercial aggregated deals are shared across the public sector, Memoranda of Understanding have been signed with ten buying organisations in health, local government and the devolved administrations. Working together to share agreements, information and develop joint procurements, a number of innovative procurement solutions have been delivered, including the first national framework for Insurance developed in conjunction with Pro5.

Operational efficiency continues to be a key driver:

- Continued implementation of 'Lean' principles to streamline working practices has enabled further reductions in procurement lead times, from an average of 220 working days in 2009/10 to just 91 days in 2012/13, a 59% reduction. This improvement has also been helped by the introduction of the new eSourcing tool which is supporting the Government's commitment to simplify the procurement process and make it easier for suppliers to compete for government business.

Enablers/Efficiency

Continued commitment to improving productivity and financial efficiency has enabled an increase in managed spend per full time employee (FTE) to £30.3 million, almost 65% higher than the £18.4 million baseline in 2009/10, whilst the cost per FTE has fallen by 38% to £68,600. Total operating costs of £26.8 million were 37% lower than the £42.3 million 2009/10 baseline, despite the expanded remit, transition of the Procurement Centre of Excellence and significant growth in spend under management.

- Efficiency has enabled the investment in systems and training across the public sector and helped to fund the Public Sector Network which is providing a fundamental layer of infrastructure, enabling much of the government's ICT strategy.
- Investment in more robust systems is improving access to arrangements for both customers and suppliers including a new data warehouse and the introduction of a new online tool (MISO) which supports the automated collection of management information to help streamline the provision of data from suppliers and improve management of spend.
- Furthermore, the Norwich estate has been refreshed, integrating GPS and ERG staff to support closer working whilst reducing total costs.

Most significantly, the Procurement Centre of Excellence (PCoE) moved into GPS from the Home Office in October 2012. The addition of PCoE's transactional capability as a procurement delivery centre has strengthened the GPS customer offering considerably. This important structural change supports the Commercial Reform agenda to streamline procurement resource across Central Government to improve efficiency.

During the year we have worked closely with a number of departments with the intention of transitioning their entire procurement functions to GPS and the addition of the Newport capacity and capability has helped to deliver this.

GPS is also expanding into new category areas, having formed a strategic alliance with UK Shared Business Services (formerly Research Councils UK Shared Services Centre) to develop new pan-government offerings in research and construction.

Procurement Highlights

Highlights of the year include:

Energy

- Groundbreaking long term power purchase agreement signed for fixed price energy generation over a 20 year term will stimulate regional employment, creating up to 750 jobs in the North East. This procurement provides long term price certainty to generators and reduces the risk of price volatility for customers.
- Innovative demand side response framework is helping to improve energy management; lowering energy bills for customers whilst assisting the UK electricity network manage demand in times of pressure on the national grid.
- Non half hourly electricity contract set to deliver an increase in the total forecast framework savings of up to 25%, benefiting more than 90% of the customer portfolio.

Information Communication Technology (ICT)

- Award of the second iteration of the innovative pay as you go GCloud framework for computing and software services with over 450 suppliers - more than 66% of spend is going through SMEs.
- National frameworks for telecommunications Public Service Network (PSN) established with the first national further competition for mobile voice and data services conducted under the PSN Services agreement delivering an aggregated saving of £2.5 million over three years.

Communications

- Creative Solutions, the first in a series of refreshed frameworks under the new centralised strategy for communications, providing increased visibility and management of spend across government.
- Agile Route to Market established providing access to over 300 agencies, mainly SMEs for cost effective low value requirements under £100,000.

Travel

- All departments transitioned to new Central Government Travel Services contract saving £115 million, including £5 million in booking fees against the 2009/10 baseline.
- New Meetings & Events contract, worth up to £120 million over four years. 63 customers in Central Government are already using the contract, reducing costs by making better use of government space.

Office Solutions

- Document storage framework worth up to £200 million awarded – a strategic negotiation with a supplier achieved a one off price saving of £2.3 million for three organisations in education.
- Innovative cross-Government closed loop initiative managed by HMRC on behalf of GPS, recycling Government's paper waste into paper products and repurchasing it to create a sustainable long term closed loop end to end solution. 15 departments are inputting paper waste and 16 are buying closed loop paper from it, accounting for 47% of paper purchased by departments in 2012.
- A further competition conducted under the wider public sector office supplies framework achieved approximately 33% savings against a baseline spend of £750k per annum for a range of office supplies, paper and printer consumables.

Property & Facilities Management

- Estates Professional Services worth up to £120 million expected to deliver savings of 23% - 30% suppliers are SMEs.
- Furniture framework worth up to £275 million saving 11% – more than half of the 14 suppliers are SMEs.
- New centralised Facilities Management (FM) contracting model agreed with Government Property Unit to become operational in 2014/15, driving overall savings in FM costs.

Professional Services

- ConsultancyONE framework awarded, providing wider choice and better value for customers with 44% SMEs.
- First ever national pan-government framework for insurance developed in partnership with Pro5 organisations YPO, ESPO and NEPO.
- Legal Services framework worth up to £250 million developed in conjunction with Government Legal Service (GLS).
- Imminent award of Contingent Labour framework worth up to £3 billion.

Fleet

- Pan-government framework worth up to £120 million for supply and fit of tyres to replace previous NHS and police agreements.
- Fleet portal launched bringing vehicle purchase and lease provision together into one place providing access to instant quotes and direct award.
- Vehicle purchase discounts increased by 5.8% at annual review point.
- Three eAuctions delivered almost £8 million additional savings on the purchase of 4,450 vehicles against a pre-auction and competed value of £38 million.

Looking Forward

GPS has a key role to play in the delivery of the Commercial Reform Programme as well as maintain as strong business as usual performance.

Key priorities for 2013/14 will be:

- Development of a fully managed service operation for central government.
- A relentless focus on savings and value for money for our customers whilst continually improving customer satisfaction.

S. Collier

S Collier
Accounting Officer
12 July 2013

Performance against targets

1 Savings

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

- **Price savings** – current price paid now against price paid in 2009/10 baseline year. This includes demand savings for all areas apart from consultancy and contingent labour (CCL).
- **CCL Demand savings** – measures consumption now compared to 2009/10 consumption using current price paid. Government Procurement Service administers the approvals process and supports Central Government departments in delivering these savings.

2012/13	Price £m	CCL Demand £m	Total £m
Central Government	741	1,551	2,292
Wider Public Sector	434	-	434
Total	1,175	1,551	2,726

2 Customer Satisfaction

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

2012/13	Target %	Q1 %	Q2 %	Q3 %	Q4 %
Central Government	75	61	60	74	73
Wider Public Sector	92	88	85	84	90

3 Return on Capital Employed

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

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

4 Financial Performance and Resource Efficiency

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

Financial performance is shown in the table below.

Financial Performance	Restated			
	2012/13	2011/12	2010/11	2009/10
Managed Spend (£m)	11,441	9,123	7,602	7,028
Revenue (£000)	41,613	54,198	76,279	104,430
Gross surplus and Other Operating Income (£000)	37,934	35,785	37,056	38,739
Total Operating Costs excluding Restructuring and PIF (£000)	(26,759)	(25,301)	(30,411)	(42,327)
Less Whitehall Depreciation (£000)	933	849	849	733
Total Costs excluding Restructuring, PIF and Whitehall Depreciation (£000)	(25,826)	(24,452)	(29,562)	(41,594)
Surplus before Restructuring and PIF (£000)	11,175	10,484	6,691	(3,555)
Restructuring Costs (£000)	(12)	(5,229)	(455)	-
Procurement Investment Fund (£000)	(3,020)	(2,239)	-	-
Operating Surplus/(Deficit) (£000)	8,143	3,016	6,190	(3,588)
Comprehensive income for the year (£000)	2,741	697	4,144	(5,661)

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

The reduction in revenue to £41,613,000 (£76,279,000 for 2011) together with a corresponding decrease in cost of sales to £4,542,000 (£42,873,000 for 2011) have been as a direct result of the expiry of the managed telecommunication service.

From January 2012 this former managed service was replaced by a framework.

Key Performance Indicators	Target 2012/13	2012/13	2011/12	2010/11	2009/10
Staffing Full Time Equivalentents (FTE)	391	378.2	359	392	383
Managed Spend per FTE (£m)	31	30.27	25.41	19.39	18.35
Gross surplus and Other Operating Income per FTE (£000)		100.35	99.68	94.53	101.15
Total Costs excluding Restructuring, PIF and Whitehall Depreciation per FTE (£000)	75	68.32	68.11	77.46	110.43
Average Commission Rate (%)	<0.35	0.33	0.39	0.49	0.55

Responding to change

Our People Strategy

Our continued success is a direct consequence of the tenacity, drive and commitment of our people and we have continued to invest in supporting their development with the recent launch of GPS Learning & Development strategy which closely aligns with the overarching Civil Service Learning approach.

Capability Review

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

During the last year we have continued to concentrate on developing the number of Members of the Chartered Institute of Purchasing and Supply (MCIPS) qualified procurement and category management staff. The newly formed Training Delivery Centre, whose purpose is to grow the capability and skills across both Central Government and the wider public sector, saw in excess of 2000 users benefit from its products and services. This programme is supported by the Chartered Institute of Purchasing and Supply (CIPS).

Staff Survey

During October 2012 GPS participated in the annual Civil Service People survey, a civil service wide project run by the Cabinet Office.

295 GPS employees participated in the survey – a response rate of 86%, the same as the previous year.

The survey showed that our overall Employee Engagement Index exceeded expectations and increased significantly. Key elements of engagement show a marked increase across the board on last year, in particular our 'commitment to the organisation' which clearly demonstrates the great strides we have made.

Some key areas which showed improvement on the previous year include Learning and Development which was up 9 points and Organisational Objectives & Purpose which improved further this year with an increase of 6 points.

Recruitment & Staffing Levels

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

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

Band	Male	Female	Total
Band 1	2	2	4
Band 2	2	1	3
Band 3	3	6	9
Band 4	8	9	17
Band 5	6	5	11
Band 6	11	1	12
Band 7		1	
SCS	1		1
Total	25	33	57

Breakdown by age at 31 March 2013

Age Range	Male	Female	Total
16 – 20		1	1
21 - 30	28	41	69
31 - 40	62	56	118
41 - 50	64	59	123
51 - 60	42	29	71
61 - 70	6	1	7
Total	202	187	389

Staff numbers and breakdown at 31 March 2013

Band	Permanent Male	Permanent Female	Interim Male	Interim Female
Band 1	14	16		
Band 2	28	38		
Band 3	32	41		
Band 4	59	49		
Band 5	32	29		
Band 6	30	6		
Band 7	7	6		
SCS Band 1		2		
SCS Band 1A	2			
SCS Band 2	1			
No Grade			11	2

Average staff numbers throughout the year: 378.2 Full Time Equivalent (FTE).

Health, Safety & Welfare

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

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

The number of working days lost due to sickness absence was 2277 (2,406 for 2012) with the average number of days per employee 6.0 (7.8 for 2012) against a reduced target of 7.5.

Volunteering in the Community

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

- **Liverpool Compact Employability** - Interview programme which saw staff work with teenagers from local schools to help prepare them for a successful real life interview and give them a clear understanding of the recruitment process.
- **Business in the Community**
 - Tackling homelessness and youth unemployment.
 - Changing lives Christmas Celebration; over the Christmas period supporting homeless people who have really made an extra effort to take that first step in changing their lives around.
 - Make a Difference; supporting individuals from diverse backgrounds with a 'Get Ready for Work' programme.

**Accounts for the year
ended 31 March 2013**

Management commentary	16-19
Sustainability report	20-22
Remuneration report	23-26
Statement of Government Procurement Service's and Managing Director's responsibilities	27
Corporate governance statement 12/13	28-35
The certificate and report of the Comptroller and Auditor General to the Houses of Parliament	36
Statement of comprehensive income	37
Statement of changes in taxpayers' equity	37
Statement of financial position	38
Statement of cash flows	39
Notes to the accounts	39-54
Treasury minute	55
Five year summary	56

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 Government Procurement Service are detailed in a Treasury Minute laid before the House of Commons and reproduced on page 55 of this report.

2. History

Government Procurement Service (GPS) 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 merged with the Managed Services Division of Central Computer and Telecommunications Agency (CCTA) on 1 April 2001 to form a new Executive Agency of OGC and has had several name changes since.

- | | |
|----------------------------------|----------------|
| • OGcbuying.solutions | 3 April 2001 |
| • Buying Solutions | 6 April 2009 |
| • Government Procurement Service | 1 October 2011 |

With offices based in Liverpool, Norwich, Newport and London GPS focuses on those goods and services that are common across government.

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

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

For more information about ERG please refer to the website <https://www.gov.uk/government/organisations/efficiency-and-reform-group>

4 GPS Aims and Key Objectives

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

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

5 Principal Activities

GPS provides a professional procurement service to the whole of 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.

GPS operations comprise three major areas of activity, namely framework agreements, managed services and memoranda of understanding (MoUs).

Frameworks

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

A small commission (averaging at 0.33%) is collected from the suppliers for each sale they make under our frameworks. Pre-tendered framework agreements cover over 500,000 individual products and services.

Managed Services

Managed services are ongoing, often more sophisticated, services provided by GPS on behalf of its public sector customers. In many cases, GPS 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 on a cost recovery only basis.

Memoranda of Understanding (MoUs)

GPS manages a number of MoUs, particularly in the ICT space that provide value from the economies of scale across public sector organisations through recognition of their aggregate spend with individual suppliers. In 2012/13, GPS managed MoUs which covered over £500 million of public sector spend.

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

Customer Relations

As part of our commitment to delivering excellent customer service, we have worked closely with departments and organisations across the public sector to develop a better understanding of customer needs.

Customer Boards

A number of new customer boards have been developed, including an NHS board which provides a forum for representatives from the NHS to input into our work plans and identify how the NHS can harness and leverage its purchasing power. A similar customer board has been established with the Ministry of Defence. Listening to our customers through these board meetings is one of the ways we can capture specific requirements and support commercial delivery.

Collaborative Partnerships

Memoranda of Understanding have been signed with buying organisations in local government, health and devolved administrations, underpinning our commitment to sharing agreements and information to drive further savings and efficiencies across the public sector.

Spend Analysis Service

Our investment in spend analytics for departments has been made available to customers across the public sector to help understand spend and identify savings opportunities. Take up has been encouraging with work undertaken for a number of customers including regional police forces and NHS trusts.

Supporting Education

We have been working closely with Department for Education (DfE) to provide a more effective and joined-up procurement service for schools and academies. One of the key outputs has been the launch of EduBuy, an innovative new portal developed in conjunction with YPO, ESPO and DfE. The portal brings together frameworks from all partners to simplify access to deals for common goods and services needed by schools.

GPS also negotiated an MoU with Microsoft on behalf of DfE which has reduced licensing costs for academic software saving around £10 million, enabling schools to spend more on their budgets on frontline teaching.

Category Management and Enablers

Our products and services are grouped and managed as follows:

- IT Hardware
- IT Software
- Networks & Telecoms
- Property
- Energy
- Office Solutions
- Communications
- Professional Services
- Travel
- Fleet
- eCommerce
- eEnablement

Whitehall Heating Systems

GPS is responsible for running the Whitehall Heating Systems which provide heating to a number of Government buildings within the Whitehall area via an extensive pipe and tunnel network. Government Procurement Service has a contract with a managing agent who will maintain and operate the systems until March 2019.

6 Principle Risks and Opportunities

Our comprehensive and robust approach to risk and opportunity management is described within the Governance Statement on page 28.

7 Performance Against Targets

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

8 Financial and Accounting Arrangements

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

Our Trading Fund status affords GPS 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.

GPS is able to generate its own cash via supplier commission and managed services fees and, as such, does not receive funding from the public purse. Any surplus cash is, in the short-term, invested in a high interest account or on deposit with the National Loan Fund and, longer term, invested to generate further savings for the nation. A “dividend” equal to 6.5% of capital employed is paid annually to the Cabinet Office. Our main tangible asset is Whitehall Systems which is detailed in the Notes to the accounts on page 45.

Management commentary continued

Procurement Investment Fund

Some surplus funds arising following payment of the dividend are reinvested in improving government procurement through the Procurement Investment Fund (PIF). PIF investments during the reporting year have included:

- eEnablement
- Lean training

Lean sourcing training was set up by GPS, in partnership with the Chartered Institute of Purchasing and Supply (CIPS), delivering face to face and eLearning packages. This training provides government procurement staff with the necessary knowledge and skills to run Lean sourcing processes and support the achievement of the ministerial target of 120 days maximum process time for all but the most complex procurements.

The Procurement Investment Fund (PIF) is currently suspended and under review by the Chief Procurement Officer.

9 Financial Performance

The financial objective equivalent is to make a return on capital employed of 6.5% averaged over a five year period commencing 1 April 2009 to 31 March 2014.

This year, an actual ROCE of 15.7% has been achieved. The four year average ROCE from 2009/10 to 2012/13 is 11.1%.

Overall financial health and performance continue to be strong. Further reductions in operating costs per FTE have demonstrated continued good cost control and financial management.

The operating surplus for the year amounted to £8,143,000 (£3,016,000 for 2012 restated).

Surplus on ordinary activities for the period was £8,236,000 (£3,076,000 for 2012 restated).

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

GPS made a special payment of £2,880,000 to the Cabinet Office to contribute towards the costs of ERG staff undertaking procurement delivery functions.

Cash and cash equivalents as at 31 March 2013 were £22,856,000 (31 March 2012 £21,078,000).

For more details see notes to the accounts on pages 39 to 54.

The above table shows the total value of public sector transactions with GPS suppliers, through framework agreements and enabling contracts.

10 Customer Spend

	31 March 2013 £million	Restated 31 March 2012 £million
contractual agreements	10,395	8,727
managed services	668	36
memoranda of understanding	<u>378</u>	<u>360</u>
	<u>11,441</u>	<u>9,123</u>

11 Contractual Arrangements

GPS has framework agreements with over 2400 suppliers. It also has managed services contract agreements with the following strategic partners:

• For Energy:

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

• For eCommerce:

ProcServe

• For eEnablement

BravoSolution Limited, NQC, IBM (Emptoris)

• For Payroll Solutions

Logica CMG

12 Payment of Creditors

GPS 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 2012 - 31 March 2013, GPS paid 94% of payments due (97% in the year ended 31 March 2012) within the credit period allowed.

13 Register of Interests

GPS 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 Non-Current Assets

On 31 October 2012, the Whitehall Systems asset was independently revalued by Parsons Brinckerhoff, resulting in an increase to the valuation of £2,984,000. There have been no significant changes in other non-current assets during the year. Movements in non-current assets are disclosed in Note 8 in the Notes to the accounts.

15 Research and Development

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

16 Personal Data Related Incidents

Nil return.

- No incidents have been reported to the Information Commissioner by or on behalf of Government Procurement Service, involving Protected Personal Data during the year.
- Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office, but recorded centrally within the Agency are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

17 Sustainability

Please see page 20 for the GPS sustainability report.

18 Events after the Reporting Period

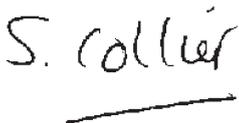
On 21 May 2013, Sally Collier was appointed acting Managing Director and Accounting Officer of GPS.

19 Disclosure of Audit Information to the Auditors

So far as I am aware, there is no relevant audit information of which the auditors are unaware and I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information. The Report and Accounts were authorised by the Accounting Officer to be issued on 15 July 2013.

20 Auditors

The Comptroller and Auditor General is the auditor of GPS' accounts. The charge for the year is £74,200. All of this cost is related to audit services.



S Collier
Accounting Officer
12 July 2013

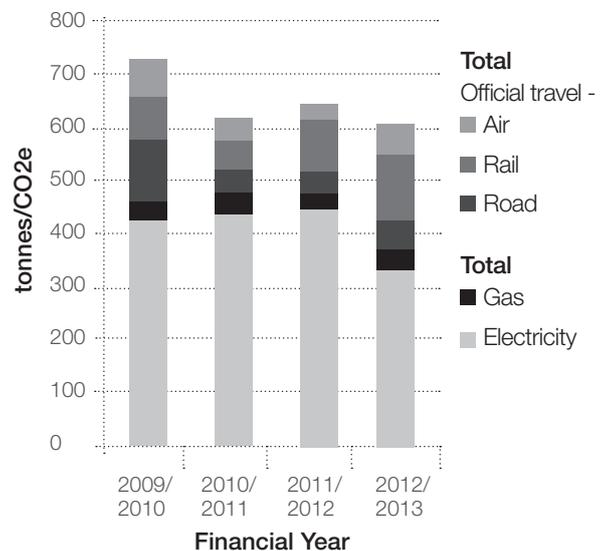
Sustainability report

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

Greenhouse Gas Emissions (GHG) and Energy Performance Commentary

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

Greenhouse gas emissions (GHG) and energy		2009/2010	2010/2011	2011/2012	2012/2013
Non - Financial indicators (tonnes CO2e)	Total gross emissions for scopes 1&2	453	475	470	360
	Total net emissions for scopes 1 & 2 (i.e. less reductions for - e.g. green tariffs)	453	475	470	360
	Scope 1 (Direct) GHG emissions	38	43	25	31
	Scope 2 (Energy Indirect)	415	432	445	329
	Scope 3 (Official business travel emissions)	128	61	43	69
Related energy consumption (million kWh)	Electricity: Non-renewable	-	-	-	-
	Electricity: Renewable	0.71	0.79	0.75	0.56
	Gas (Rosebery Court office, Norwich only)	0.19	0.21	0.12	0.15
	LPG	-	-	-	-
	Other	-	-	-	-
Financial indicators (£k)	Expenditure on energy	71	60	61	43
	CRC gross expenditure (2010 onwards)	-	-	-	-
	Expenditure on accredited offsets (e.g. GCOF)	-	-	-	-
	Expenditure on official business travel (£k)	1,183	867	739	797



Performance Commentary

Government Procurement Service has reduced total GHG emissions by 15.93% from 2009/10.

The Agency is located over three sites – The Capital Building in Liverpool, Rosebery Court in Norwich and Concept House in Newport from October 2012. Government Procurement Service is a tenant in all of its offices and pays a service charge for facilities management and accommodation services.

GPS occupies approximately 10.6% of the office space in Rosebery Court so utilities costs are based on 10.6% of the building total. In Liverpool, utilities costs are based on estimates for the Capital Building (until such time as separate meter readings will be available). For Concept House, GPS occupies 2.84% of the building so utilities costs for the whole building are split on a percentage occupation basis. In respect of Capital Building data, Government Procurement Service will be working with their landlords, UK Border Agency (UKBA) / Home Office Property Group with the overall aim of achieving localised metering for all electrical supplies but this will not happen in the short term.

Direct Impacts Commentary

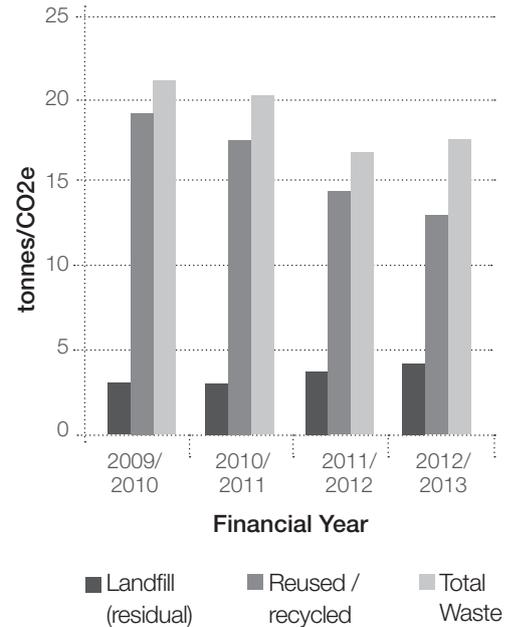
Within all offices, energy consumption is due to heating, cooling, lighting and ICT equipment usage. Electricity supplies are on green tariffs. Gas is used at Rosebery Court only.

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

Waste Commentary

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

Waste		2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	
Non Financial indicators (t)	Total waste (not including construction)	19.35	20.30	16.78	17.18	
	Proportion of total waste recycled	90%	90%	87%	77%	
	Hazardous waste	Total				
	Non hazardous waste	Landfill (residual)	1.98	2.01	2.12	3.96
		Reused / recycled	17.37	18.29	14.66	13.22
		Incinerated / energy from waste	-	-	-	-
		Construction landfill	-	-	-	-
Construction recycled	-	-	-	-		
Financial indicators (£k)	Total waste disposal cost (Rosebury Court, Norwich only. Cost for RLB Liverpool not available.)	2.30	1.45	1.66	0.91	
	Hazardous waste - Total disposal cost	-	-	-	-	
	Non hazardous waste - Total disposal cost	Landfill	0.30	0.54	0.87	0.50
		Reused / recycled	2.00	0.92	0.79	0.41
		Incinerated / energy from waste	-	-	-	-



Performance Commentary

Total waste disposed by Government Procurement Service has reduced by 12.62% compared to 2009/10.

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

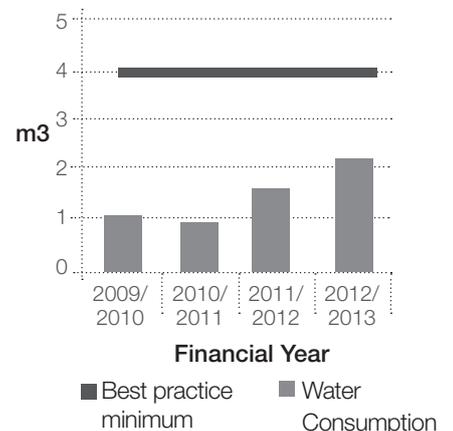
Direct Impacts Commentary

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

Water Consumption Commentary

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

Water		2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013
Non- Financial supplied indicators (m3)	Water Consumption	Supplied (Rosebert Court, Norwich only, to February / March data in 2010 / 2011. Liverpool and Norwich full data from 2011/2012)			
	Abstracted	-	-	-	-
Financial indicators (£k)	Water Supply costs (Rosebery Court, Norwich only)	0.91	1.00	0.61	0.49
FTE's	Liverpool, Newport and Norwich total FTE's	383	392	309.9	378.2
M³ per FTE	Water Consumption per FTE	1.09	0.91	1.58	2.09



Performance Commentary

Government Procurement Service's water usage is within best practice benchmarks, achieving 2.09m³ per full time employee (FTE).

Direct Impacts Commentary

Water consumption monitoring will require re-engineering of pipe works and installation of localised meters within the Capital Building. We have asked the building landlords to implement this but it will not happen in the short term.

Sustainability report continued

Supply Chain Commentary

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

Government Procurement Service is committed to reviewing all of its existing and future frameworks to reinforce the importance of Government Buying Standards (GBS). With support from DEFRA, GPS will ensure all of the standards are communicated to and understood by suppliers.

GPS is committed to improving and publishing data on our supply chain impacts, initially focussing on carbon, but also water and waste with the aim of setting detailed baselines for reducing these impacts. A new Single Supplier Registration agreement will enable a campaign to be run for all suppliers on all our frameworks that have a GBS or other relevant sustainable target. This would give us a rich vein of information on our suppliers and their supply chain impacts.

Work has already been done with the Technical and Strategy Boards, to embed the GBS standards in relevant procurements, including, where necessary, obtaining and evaluating the whole life savings from using the standards:

The fleet category conducts further competitions in accordance with GBS standards and to aggregate pan government volume by:

- Providing straightforward vehicle specifications which can be inserted directly into tenders; conforming to the minimum 130g/km CO₂ cap for passenger vehicles.
- Informing the suppliers for the current targets and potential changes required for them to develop and meet standards, therefore improving efficiencies i.e. the commercial vehicle CO₂ target of 175g/km, implementation for Government Fleets 2013.
- The category has attempted to improve some of the fleet targets for CO₂ with the support of the top 7 Central Government fleet spending departments and suppliers i.e. super-mini vehicle specification sub 110g/km, lower-med vehicle specification sub 120g/km, 4x4 operational vehicle specification sub 240g/km.

For the past 6 months, Government Procurement Service has been working on a pilot project with a GCloud SME supplier to engage an initial 235 suppliers on environmental management.

Based upon data from DEFRA (2008)¹, supply chain emissions constitute 77% (49.8 m tonnes CO₂) of total government emissions.

The aim of phase one was to analyse the baseline emissions of a sub-set of Government Procurement Service suppliers across categories.

Key successful criteria for this pilot phase included the following:

1. **Baseline emissions:** calculate supply chain emissions in detail,
2. **Increased visibility:** Increased disclosure of supplier environmental information by 100%, providing insight into environmental impact and cost.
3. **Scalable model:** A rigorous scoring algorithm, easy-to-use web application, and robust back-end data processing and integration system that enables scaling from many of suppliers to hundreds of thousands.
4. **Integration plan:** A concrete operational plan that will seamlessly integrate the web application into Government Procurement Service's existing systems and management processes whilst minimising the burden for suppliers and Government Procurement Service staff.

This is the first step, but the pilot has demonstrated that through partnership with suppliers it is possible in the public sector supply chain to baseline emissions, and to start to build up a picture of supplier operational costs, to identify good performance and opportunities for improvement and better management of supply chain risks.

Phase II will look to incorporate more supply chain environmental and business performance data and integrate it into existing Government Procurement Service systems to improve supplier management and identify areas for improvement.

The Energy category, together with a key supplier, is keen to support the UK Government's ongoing commitments to sustainability and climate change. Sourcing electricity from renewable and low carbon (Climate Change Levy (CCL) exempt) generators is one of the ways this can be achieved. However, delivery of CCL exempt electricity has traditionally been at a cost premium (or at best cost neutral) to standard "brown" supplies, meaning a balance has had to be struck between supporting the "green" agenda (and demonstrating the reputational benefits that apply) and price. The Supply of Electricity framework (RM864) supplier identified and presented a proposal whereby additional CCL exempt volumes could be sourced and supplied to our customers. These additional volumes have been sourced at a cost reduction of 1% - making "green" cheaper than "brown", and resolving the issue of having to balance "green" benefits with additional cost.

¹ Department for Environment, Food and Rural Affairs, (2010). Greenhouse Gas Footprint Analysis of UK Central Government 1990-2008. http://randd.defra.gov.uk/Document.aspx?Document=EV0464_9812_FRP.pdf

Remuneration report

1 Introduction

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

2 Senior Salaries Review Body

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

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

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

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

3 Service Contracts

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

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

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

www.civilservicecommissioners.gov.uk

Remuneration report continued

Senior Management Salary Entitlements FY 12-13

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

	Salary to 31 March 2013 Note 1 £'000	Bonus to 31 March 2013 (Note 2) £'000	Total Remuneration to 31 March 2013 £'000	Salary to 31 March 2012 £'000	Bonus to 31 March 2012	Total Remuneration to 31 March 2012 £'000
D Shields Managing Director	140-145	10-15	155-160	150-155		150-155
M Chown Director of Government Procurement Projects (until 25.1.13) Full Year Equivalent	95-100 115-120		95-100 115-120	115-120		115-120
D Murray Director of Resources	100-105	5-10	110-115	100-105		100-105
K Brookes Director of Human Resources (until 31.10.12) Full Year Equivalent	45-50 80-85		45-50 80-85	80-85	0-5	85-90
H MacCarthy Director of Customer Services	85-90		85-90	80-85		80-85
S Guy Director of Sourcing and Category Management (From 10.4.12 Until 28.1.13) Full Year Equivalent	100-105 125-130		100-105 125-130			
M Brennan Director of Procurement Services (from 5.11.12) Full Year Equivalent	35-40 90-95		35-40 90-95			
L Charlesworth-Hart Director of Human Resources (from 10.10.12) Full Year Equivalent	25-30 65-70		25-30 65-70			
R Clegg Non-Executive Director	15-20		15-20	15-20		15-20
M Bryant Non-Executive Director	10-15		10-15	10-15		10-15
J Watkinson Non-Executive Director	15-20		15-20	10-15		10-15
R Wilmot Non-Executive Director (from 10.9.12) Full Year Equivalent	5-10 10-15		5-10 10-15			
J Collington Non Executive Chairman (until 10.07.12)	No remuneration paid			No remuneration paid		
B Crothers Non Executive Chairman (from 10.07.12)	No remuneration paid					
V Godfrey Non-Executive Director (Until 31.1.13)	No remuneration paid			No remuneration paid		
D Thomas Non-Executive Director	No remuneration paid			No remuneration paid		
J Fernau Non-Executive Director (from 1.2.13)	No remuneration paid			No remuneration paid		
Band of Highest Paid Director's Total Remuneration (£'000)			155-160			150-155
Median Total Remuneration			36,050			38,170
Ratio			4.35			4.00

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

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

Note 2 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012/13 relate to performance in 2011/12.

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

Note 4 No remuneration was paid to the following members of the Board: J Collington (Non-Executive Chairman until July 12), B Crothers (Non-Executive Chairman from July 12) V Godrey (Non-Executive Director until 31.1.13), D Thomas (Non-Executive Director) and J Fernau (Non-Executive Director from 1.2.13).

Senior Management Pension Entitlements FY 12-13

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

	Accrued pension and lump sum at pension age as at 31 March 2013 £'000	Accrued pension and lump sum at pension age as at 31 March 2012 £'000	Real increase in annual pension and lump sum at pension age £'000	CETV at 31 March 2013 £'000	CETV at 31 March 2012	Real increase in CETV £'000
D Shields Managing Director	30	15	2.5-5	400	339	35
M Chown Director of Government Procurement Projects (until 25.1.13)	11	8	0-2.5	107	81	13
D Murray Director of Resources	36	32	2.5-5	452	396	29
K Brookes Director of Human Resources (until 31.10.12)	7	6	0-2.5	84	70	8
H MacCarthy Director of Customer Services	113	104	5-7.5	398	360	17
S Guy Director of Sourcing and Category Management (From 10.4.12 Until 28.1.13)	3		2.5-5	36	0	30
M Brennan Director of Procurement Services (from 5.11.12)	149		17.5-20	728	628	93
L Charlesworth-Hart Director of Human Resources (from 20.10.12)	Opted out of scheme					

Remuneration report continued

4 Pension Benefits

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

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

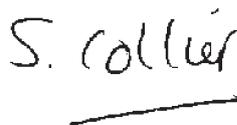
The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

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

Real increase in CETV

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



S Collier
Accounting Officer
12 July 2013

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

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

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

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

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

Corporate governance statement 12/13

Context

Government Procurement Service (GPS) is an executive agency and trading fund of the Cabinet Office¹. Our overall priority is to deliver procurement savings for the UK public sector as a whole and specifically to deliver centralised procurement for Central Government departments.

Key outcomes for GPS in 2012/13 were:

- Increase in spend managed through GPS model;
- Sustainable savings through CSR 10;
- Credible pipelines by sector, valued by industry;
- Effective spend and supplier data;
- More spend with SMEs;
- Reduction in sourcing time and cost;
- Higher percentage of trained staff;
- Deployment and operation of enabling technology;
- Improved perception of GPS.

The business planning process to achieve the key outcomes was inclusive to ensure the Executive Team and Senior Management Team at GPS were fully involved and engaged. GPS created a future direction in line with the overall vision of "Savings for the Nation". The future direction covered five areas which were used as the structure for business planning and organisational management. The five areas covered:

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

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

Corporate Governance

The management of GPS is directed by the GPS Board comprising the Chair, Managing Director, Executive Directors and Non-Executive Directors (NEDs).

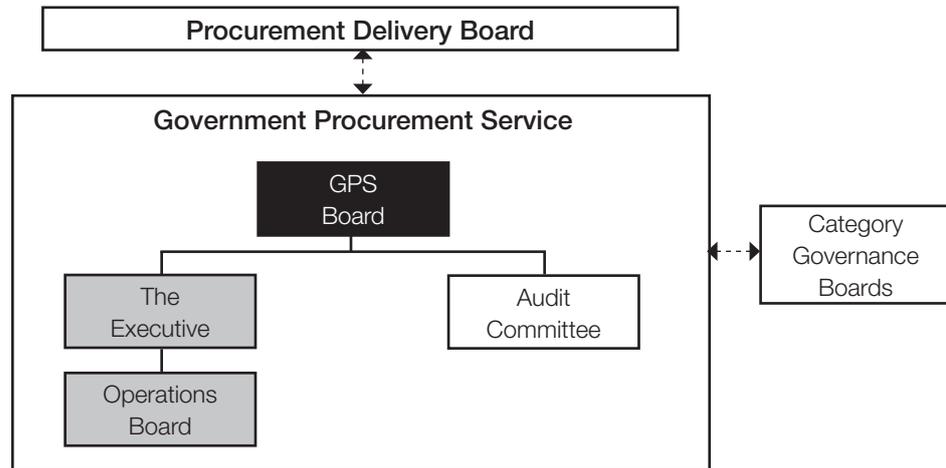
The Board is chaired by Bill Crothers, Government Chief Procurement Officer who also chairs the Cabinet Office's Procurement Delivery Board which determines overall procurement strategy for central government. In September 2012 a fourth independent Non-Executive Director, Rob Wilmot, joined the GPS Board and Audit Committee. GPS has two additional NEDs who, as Commercial Directors of GPS customers, do not serve in an independent NED capacity and as such attend the Board but not the Audit Committee. To maintain NED continuity a rolling schedule of appointment review was introduced to commence in July 2013/14. The Board membership has been subject to a degree of churn in the current financial year as noted in the attendance list provided below.

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

- Defining the Agency's strategic aims, objectives and target setting.
- Reviewing and agreeing the Annual Business Plan which sets out financial and human resources to deliver the targets prior to submission to Efficiency and Reform Group and Cabinet Office.
- Monitoring the operational performance of the business and any actions needed to keep performance on plan.
- Setting the Agency's vision, standards and values.
- Maintaining a transparent system of prudent and effective controls (including internal controls).
- Reviewing Major Projects, the Risk Register; staff and customer satisfaction survey results and Annual Health & Safety reviews.
- Considering major business of above £1 million prior to Managing Director sign-off.
- Overseeing the process of change, in line with the Government's efficiency and collaborative procurement agendas, encouraging innovation, and enterprise, to enhance the Agency's capacity and capability to deliver.

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

Structure



The principal role of the Audit Committee is to advise the Board and Accounting Officer on the adequacy of the system of internal control;

The principal role of the Executive is to support and challenge the delivery of the strategic aims of Government Procurement Service within ERG and the wider public sector and provide leadership on operational issues to be progressed by the Operations Board;

The Operations Board is attended by senior operational managers and is responsible for operational management by exception where decisions cannot be taken by accountable line management or delivery status/action is lacking rigorous assurance.

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

The principal role of the Executive is to support and challenge the delivery of the strategic aims of Government Procurement Service for central government and the wider public sector. It also provides leadership on issues to be managed by the Operations Board. The Executive is chaired by the Accounting Officer and includes the six Executive Directors of Government Procurement Service.

The Operations Board was chaired by the Accounting Officer and includes as members the Executive Directors supported by the attendance of their direct reports to provide a strong link between the two boards and to assure delivery of business plan targets.

Some procurement categories, Energy as an example, may have an External Governance Board. The purpose of these boards is to represent the interest of GPS customers, enable direct customer input into the purchasing strategy, scrutinise strategy delivery and ensure transparency to all customers of value for money and performance. The influence of the external boards is limited to category management and performance and not directly to the corporate governance of GPS. The Accounting Officer carries out performance reviews of all procurement categories monthly and twice yearly with the full Board. The Audit Committee has also carried out periodic “deep dives” to obtain assurance about risk management and internal control.

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

Corporate governance statement 12/13 continued

Government Procurement Service Board attendance:

Mr J Collington	Chair	2/2	(To June 2012)
Mr B Crothers	Chair	3/3	(from Sept 2012)
Mr D Shields	Managing Director	5/5	
Mr D Murray	Director of Resources	5/5	
Ms H MacCarthy	Director of Customer Services	5/5	
Mr S Guy	Director of Sourcing/Category Management	3/4	(April - Dec 2012)
Ms K Brookes	Director of HR	3/3	(To Sept 2012)
Mr M Chown	Director of Government Procurement Projects	4/4	(To Dec 2012)
Mrs L Charlesworth-Hart	Director of HR	2/2	(From March 2013)
Mrs M Brennan	Director of Sourcing Operations	2/2	(From Dec 2012)
Mr R Clegg	Independent Non-Executive Director and Audit Committee Chair	5/5	
Mr M Bryant	Independent Non-Executive Director	5/5	
Mr J Watkinson	Lead Independent Non-Executive Director	5/5	
Mr R Wilmot	Independent Non-Executive Director	3/3	(From Sept 2012)
Mr V Godfrey	Commercial Non-Executive Director	0/5	(To Dec 2012)
Mr D Thomas	Commercial Non-Executive Director	2/5	
Mr J Fernau	Commercial Non-Executive Director	1/1	(From March 2013)

Code of Corporate Governance

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

Government Procurement Service Board:

GPS has a high degree of code compliance and four questions were raised with the Board in December 2011 under the “comply or explain” principle. These were:

1. Is it still appropriate for the Board to subsume oversight of risk management in the absence of a Risk Committee?
 - i. The Board decided this approach is still appropriate. Risk Management is firmly the Board’s responsibility. In our view it would complicate and reduce the efficiency our executive processes if we set up a discrete Risk Committee. This has remained the position for the current financial year.
2. Should a Nominations and Governance Committee be established?
 - i. The Board decided this was not appropriate for Government Procurement Service. Oversight for the effectiveness of GPS’s governance processes is part of the Audit Committee’s responsibilities. This has remained the position for the current financial year and was reviewed again in the Audit Committee of March 2013 where it was decided to recommend to the Board that a HR Committee should be established. The GPS Board accepted this recommendation.
3. Does a process need to be established for the regular review of skills and understanding requirements of Board members?
 - i. The Board agreed this should form part of a planned self assessment which was completed in June 2012.
4. Should a lead Non Executive Board Member be appointed?
 - i. The Board agreed this will be reviewed as part of the June 2012 review of its effectiveness. Subsequently John Watkinson was appointed Lead Non-Executive Director.

Government Procurement Service Audit Committee:

A review of the Code of Corporate Governance evidenced a high degree of Audit Committee compliance with the code and no “comply or explain” exceptions were raised.

Assessment of Performance

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

The Chair of the Audit Committee requested a review to be completed in Q3 2012/13 and to report its initial findings to the December 2012 Audit Committee. The self-assessment

questionnaire was produced afresh to seek to review the performance of the Audit Committee against outcomes and “value add” rather than process.

The Chair of the Audit Committee sought and received contributions from Audit Committee members, internal and external invitees including National Audit Office and their contractors. The results were discussed initially at the December 2012 Audit Committee and in greater detail during a specific and more detailed review in January 2013. The review recognised the high performance of the Audit Committee and focused on enhancing further its value adding activities to GPS.

A self-assessment questionnaire was developed as a tool to assist in reviewing the effectiveness of the GPS Board. It was designed to build on the high level review of Board compliance with the July 2011 Corporate Governance Code of Good Practice and focused on compliance, where appropriate, with the more detailed supporting provisions. The GPS Board self-assessment was completed June 2012 and was utilised in a general review of Board effectiveness by the Accounting Officer.

A self-assessment tool has been designed for the Operations Board to be implemented in 2013-14 to allow time for the re-constituted board to operate in practice and review its performance based on operational evidence.

Work of the Audit Committee

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

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

Audit Committee meetings usually precede the Government Procurement Service Board and the Chair of the Audit Committee briefs the Board on the key areas covered at the committee. The annual Audit Committee self assessment review completed in January 2013 agreed to the benefits of uncoupling the Audit Committee from the Board to allow time for reflection on areas of risk and to enable full Committee minutes to be submitted with Board papers and discussed as part of the agenda.

Corporate governance statement 12/13 continued

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

A feature of the current year has been the deep dives into areas of risk consistent with the Corporate Risk Log which has included Completeness of Income, Health Assurance and adequacy of Governance arrangements. This will be developed further into 2013/14.

Government Procurement Service Audit Committee attendance:

Mr R Clegg	Non-Executive Director and Chair	4/4
Mr J Watkinson	Non-Executive Director	4/4
Mr M Bryant	Non-Executive Director	4/4
Mr R Wilmot	Non-Executive Director	3/3

(From Sept 12)

Work of Internal Audit

GPS has a dedicated Audit and Assurance Unit (AAU) the independence and operation of which is enshrined in a Charter signed by the Accounting Officer, the Chair and the Audit Committee and the Head of Internal Audit. An annual assessment against Government Internal Audit Standards is completed and presented to the Government Procurement Service Audit Committee. An independent assessment of the performance of the audit function, to build on the self-assessment completed, was scheduled for 2012/13 but was deferred at the request of the Central Government Internal Audit Transformation Programme (IATP).

In November 2012 the Accounting Officer wrote to the Permanent Secretary of the Cabinet Office agreeing, in principle, to join the internal audit shared services consortium that covers the Internal Audit Services of the Department for Business, Innovation and Skills (BIS), the Department for Communities and Local Government (DCLG), HM Treasury (HMT) and Cabinet Office (CO) effective from 1 April 2013. Initial participation will be at the "collaborative level" as agreed with the Head of the Internal Audit Consortium.

The Internal Audit Plan is based on risks from GPS' own assessment. Any proposed changes to the plan are discussed, initially, with the Accounting Officer and Chair of the Audit Committee before being presented to the full Audit Committee for discussion and approval.

This year the AAU has focused on the key areas of delivery for GPS, for example Spend Transition, Data Integrity, Supplier Management, Procurement, eEnablement and Spend Analytics, Risk Management and Information Assurance. There has been close liaison with the National Audit Office and their contractors, Grant Thornton, to ensure no gaps or overlaps in audit coverage in areas of common interest.

Where appropriate, audit work has been "real time" to enable Government Procurement Service management to take immediate remedial action where control weaknesses have been found. Audit Management actions are tracked by AAU and reported to the Government Procurement Service Audit Committee for challenge and review. There is strong evidence of robust GPS management ownership with no overdue actions required Audit Committee challenge throughout 2012/13.

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

Head of Internal Audit Opinion

*"2012/13 has been a year of significant achievement against stretching targets with strong evidence of further improvement to risk management and enhanced rigour in organisational governance. Based on the work we have undertaken during the year I have concerns on the quality and consistency of compliance with key internal controls. However my opinion is not based on internal control in isolation. Therefore taking all factors into consideration in my opinion Government Procurement Service had **substantial** systems of risk management, governance and internal control in operation during the year. There remains scope for improvement particularly in relation to compliance with internal control."* **Mike Wood.**

Risk Management

Government Procurement Service has, for the last three years, had an independent internal audit assessment of how the business benchmarks against the Treasury Risk Management Assessment Framework. At the beginning of 2012/13 a review was completed to assess whether the Treasury framework remained fit for purpose for GPS. The review concluded it remained the most appropriate model and benchmark targets were agreed by the Chair of the Audit Committee and Accounting Officer. Progress against these targets has been assessed by Internal Audit. The assessment reported:

- Revised targets against the Treasury Framework have been set through discussion between the Chair of the Audit Committee, the Director of Resources and the Head of Internal Audit. These targets reflect an increasing maturity in the corporate attitude to risk management and provide for some consolidation of a good position. Led by the Managing Director, there has been continuing willingness at senior levels to promote risk management as synonymous with good business management and the establishment of reporting mechanisms that put risk at the centre of business performance reporting. This continues to be evidenced in the monthly Operations Board reporting pack and team Visual Performance Management displays. The use of Lean terminology including the 3Cs (concern, cause, countermeasure) has brought a real-time element to documenting risk management.
- The Assurance Framework, which maps business-as-usual controls over the main functions of GPS has been revised and was presented to the Operations Board in the last quarter. This provides a link to the corporate risk profile as well as providing an opportunity for challenge to managers' understanding of issues under their control.

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

- A monthly review of the Corporate Risk Log by the Head of Internal Audit and Director of Resources. The log then forms part of the Board Reporting Pack issued monthly;
- A defined escalation process from the Operations Board to the Executive Board with all directorate risk logs now being a key component of dashboard reporting providing visibility for management review by exception at the Operations Board;
- A risk management intranet site, Savings Reporter, has been created to aid interactive and real time risk management. This site was subject to HIA review in December 2012 and it was recommended to the Operations Board that further rigour be applied by directorate teams;

- Strengthened linkage of risk to operational performance and reporting. Clear line of sight between the Board Reporting Pack, Corporate Risk Log and the Internal Audit Plan;
- Revision of The Guide to Integrated Assurance to enhance clarity and consistency;
- The GPS Assurance Framework had not been reviewed since its development in 2011. Following referral to the Operations Board in February 2013 the framework has been revised with the board agreeing to action six monthly reviews; and
- Internal Audit work is wholly risk based allowing for real time management of business risks.

Principal Areas of Risk and Control

The focus of corporate risk management in 2012/13 reflects the outcomes of the business planning process which, utilising Lean principles, defined outcomes within a Strategic Deployment Matrix. Specifically the business has been managing actively the risks in relation to the following key areas:

- Achievement of key corporate targets and in particular spend under management and savings
 - o The Strategic Procurement Support team has been actively engaged with Central Government departments on spend transition projects. A key deliverable for 2012/13 was the transition of the Procurement Centre of Excellence (PCoE) at Newport from the Home Office to GPS which was completed successfully 1 October 2012.
- Management of suppliers
 - o A framework of supplier Key Performance Indicators has been developed and a road map of what constitutes successful Supplier Relationship Management (SRM) is being defined. Strong focus was provided on the enhancement of assurance on completeness of income as part of the SRM with category teams being trained as a key first line of defence.
- GPS capability and capacity
 - o The majority of GPS vacancies were filled during the year and the integration of PCoE enhanced capability and capacity in transactional procurement. An Operations Board sub group was established to review headcount and the way GPS controls its resources. The Civil Service Survey results provided evidence of improvement in GPS with an engagement score of 61% against a 2012/13 target of 60%.

Corporate governance statement 12/13 continued

- Data integrity, infrastructure and management
 - o Key in 2012/13 has been the development of a new Data Warehouse and, as part of the Completeness of Income project, development of enhanced data mining and analysis capability in respect of supplier management information.
- eEnablement and the ability to drive increased savings and reduced costs
 - o eEnablement are now involved in the initiation of procurement projects and able to advise on system capacity planning. There were issues with the eSourcing tool during the year which were managed successfully by enhancing server capacity.
- Risk of a successful legal challenge
 - o The Procurement internal audit identified control weaknesses with eSourcing tool and with the Standard Operating Procedures. Management took swift action to implement the agreed actions to mitigate this risk.

GPS Board agreed the risk appetite as “open” or “cautious” defined in the Guide to Integrated Assurance on a risk by risk basis and began 2012/13 with 2 red and 5 amber and 2 green corporate risks. At the end of the year the risk log showed no red risks, 7 amber and 2 green risks. The number of amber risks remaining raised a concern that the GPS risk appetite does not reflect the current position of the organisation and this will be reconsidered for the 2013/14 reporting year.

There have been no ministerial directions given.

Fraud, Bribery and Whistle-Blowing

GPS has an Anti-Fraud Policy & Response Plan which has been reviewed and updated including benchmarking against Fraud Advisory Panel best practice guidance. The Staff Handbook guidance, for example the Whistle-blowing policy and Acceptance of Gifts, Rewards and Hospitality policy, has also been revised and re-published on the Intranet in conjunction with the Fraud Awareness campaign across government. Mandatory fraud training has been completed by GPS staff.

There is a specific risk log for fraud highlighting six risks all of which carry green status. The internal audit of fraud and bribery provided a substantial opinion.

There has been no requirement for whistle blowing or fraud investigations in Government Procurement Service in 2012/13.

Data Security Lapses

The Information Assurance Maturity Model has been completed and submitted in accordance with Cabinet Office Guidelines. Information Assurance risk remains low in GPS and is a standing item on the Audit Committee agenda.

There have been no material data security lapses.

Other Matters of Governance

Application Development, Delivery and Support Services (ADDSS)

In 2012, GPS published a tender for a pan government collaborative framework agreement for IT application development, delivery and support services (ADDSS), with an estimated overall spend of £600 million over four years.

On 28 August 2013, GPS experienced a system failure with the eSourcing system, Emptoris, which caused suppliers to experience problems while submitting tender responses. As a result, it was unclear to GPS whether the information received was exactly as suppliers had submitted. In addition, no clear audit trail was available to GPS.

The fundamental reason for the failure of the ADDSS procurement was a mismatch between the specification of the procurement, which contained some technical and design flaws, and the capacity of the Emptoris system. The root cause of this mismatch was a lack of co-ordination and connectivity within GPS between category management, sourcing management and the IT systems team. This is now being effectively addressed through the “lean procurement” process.

An Internal Audit review of management action in March 2013 concluded:

- Management’s response to ADDSS findings has been timely and effective. Testing confirms that 13 of 14 recommendations have been implemented. The collaborative approach is not yet supported by defined stakeholder roles and responsibilities.

Government Procurement Card

The NAO reported on the use of Government Procurement Cards following a period of prolonged interest and adverse reporting in the press. The report covered the usage by Central Government departments and included feedback from those departments, together with the GPC steering group (chaired by MoJ and including members from Cabinet Office, GPS, DWP, MoD, Home Office, HMRC, FCO and DoH) and GPS GPC management team. The report was fair and the findings were accepted.

The subsequent Public Accounts Committee (PAC) hearing probed certain elements of the report and specific usages of the card in certain departments (primarily MoD who account for approximately 70% of the card usage in Central Government). It is worth noting however that approximately 66% of card usage lies outside of Central Government in the wider public sector, which was outside the remit of the NAO Review and was not covered at the PAC hearing.

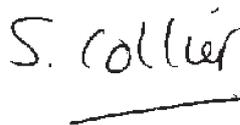
GPS working with the GPC steering group, has implemented the recommendations contained within the PAC Hearing Report and, where practicable to do so, will include them in the requirements for the future GPC requirement procurement.

NAO Reports

In March 2013 the GPS Accounting Officer attended the Public Accounts Committee to give evidence on 'The impact of Government's ICT savings initiatives' and 'Improving Government procurement' following publication of NAO reports. Both reports acknowledge the significant progress made by GPS, especially in terms of data and MI, in particular 'Improving Government Procurement' where the report acknowledged that 'good progress was being made' and that GPS is 'an improvement on its predecessor.' It also expressed confidence in our reported savings for 2011/12.

Forensic Accounting Review

A forensic accounting review was completed by PWC during 2012/13 to review the existing supplier assurance processes, the various sources of data available to GPS, and the current "Right of Access to Audit" framework clause and relating Self Audit Certificate requirements. The purpose of this review was to identify new data analysis techniques and processes that could be implemented to make better use of the available data, therefore providing a greater level of assurance in relation to the completeness of framework spend and relating income. The outcome was a fundamental process redesign under a Completeness of Income Project which will be implemented by May 2013.



S Collier
Accounting Officer
12 July 2013

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

I certify that I have audited the financial statements of Government Procurement Service for the year ended 31 March 2013 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Changes in Taxpayers' Equity, Statement of Financial Position, Statement of Cash Flows; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Managing Director and Auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Government Procurement Service as at 31 March 2013 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1 W 9SP
15 July 2013

Statement of comprehensive income year ended 31 March 2013

	Note	31 March 2013		Restated 31 March 2012	
		£000	£000	£000	£000
Revenue	2		41,613		54,198
Cost of sales			(4,542)		(19,378)
Gross Surplus			37,071		34,820
Staff costs	4.2	(19,811)		(18,372)	
Depreciation of property, plant and equipment	8	(1,083)		(967)	
Amortisation of intangible assets	9	(13)		(12)	
Other operating charges	6	(8,884)		(13,418)	
Total operating costs			(29,791)		(32,769)
			7,280		2,051
Other operating income	5		863		965
Operating surplus			8,143		3,016
Finance income	7		93		60
Surplus for the financial year			8,236		3,076
Dividend to be payable to Cabinet Office	23		(2,615)		(2,379)
Contribution to Cabinet Office ERG activities	24		(2,880)		-
Retained surplus for the financial year			2,741		697
Adjustment to reserves PCoE transfer	20		874		1,875
Other comprehensive income					
Net gain on revaluation of property, plant and equipment	19		1,008		-
Comprehensive income for the financial year			4,623		2,572

Income and surplus are derived entirely from continuing operations. There were no material disposals or acquisitions. The 2011/12 figures have been restated to include expenditure of £1.9 million relating to the transfer of Procurement Centre of Excellence (PCoE) to GPS. The impact of this transfer on the 2011/12 and 2012/13 statements has been disclosed in note 31. The notes to the accounts on pages 39 to 54 form an integral part of these accounts.

Statement of changes in taxpayers' equity at 31 March 2013

	Restated	Revaluation Reserve	PDC	Restated
	General Reserve			Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2011	30,315	3,357	350	34,022
Recognition in statement of comprehensive income	697	-	-	697
Revaluation reserve transfer to general reserve	280	(280)	-	-
Reserve adjustment PCoE	1,875	-	-	1,875
Taxpayers' equity at 31 March 2012	33,167	3,077	350	36,594
	General Reserve	Revaluation Reserve	PDC	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2012	33,167	3,077	350	36,594
Recognition in statement of comprehensive income	2,741	1,008	-	3,749
Revaluation reserve transfer to general reserve	371	(371)	-	-
Reserve adjustment PCoE	874	-	-	874
Taxpayers' equity at 31 March 2013	37,153	3,714	350	41,217

Statement of financial position as at 31 March 2013

	Note	31 March 2013		Restated 31 March 2012	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	8		11,058		11,019
Intangible assets	9		12		25
Long term receivable	10		1,508		-
			12,578		11,044
Current assets					
Inventories	11	115		126	
Trade and other receivables	12	12,052		14,724	
Cash and cash equivalents	13	22,856		21,078	
		35,023		35,928	
Current liabilities					
Trade and other payables	14	(5,783)		(9,822)	
Employee benefit payable	15	(482)		(395)	
		(6,265)		(10,217)	
Net current assets			28,758		25,711
Non-current assets plus net current assets			41,336		36,755
Provisions	17		(119)		(161)
Total assets less liabilities			41,217		36,594
Capital and reserves					
Public dividend capital	18		350		350
Revaluation reserve	19		3,714		3,077
General reserve	20		37,153		33,167
Total capital and reserves			41,217		36,594

The 2011/12 figures have been restated to include expenditure of £1.9 million relating to the transfer of PCoE to GPS. The impact of this transfer on the 2011/12 and 2012/13 statements has been disclosed in note 31.

The Notes to the accounts on pages 39 to 54 form an integral part of these accounts.

S. Collier

S Collier
Accounting Officer
12 July 2013

Statement of cash flows for the year ended 31 March 2013

	31 March 2013	31 March 2012
	£000	£000
Net cash inflow from operating activities	7,276	3,313
Cash flows from investing activities		
Finance income	93	60
Purchases to acquire intangibles	-	(21)
Purchases of property plant and equipment	(114)	(862)
Net Cash outflow from investing activities	(21)	(823)
Net Cash inflow before financing	7,255	2,490
Cash flows financing activities		
Dividend paid	(2,597)	(2,399)
Contribution to Cabinet Office ERG activities	(2,880)	
Net Cash outflow from financing activities	(5,477)	(2,399)
Net increase in cash and cash equivalents	<u>1,778</u>	<u>91</u>

See Note 21 in the Notes to the accounts, in which operating surplus (as shown in the Statement of Comprehensive Income) is reconciled to net cash flows from operating activities. The Notes to the accounts on pages 39 to 54 form an integral part of these accounts.

Notes to the accounts

1 Accounting Policies

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

1.1 Standards in issue but not in force

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

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

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

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

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

Notes to the accounts continued

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

The standard defines fair value and provides guidance on fair value measurement techniques and sets out disclosure requirements. The standard has established a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3). GPS will be required to maximise the use of relevant observable inputs when determining fair value. The inference is that the more observable the inputs, the higher the quality of the reported value. This standard is still subject to further review by HM Treasury and the other relevant authorities following proposals put to the Financial Reporting Advisory Board (FRAB) in December 2012. Further due consultation process will take place during 2013.

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

1.2 Accounting Convention

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

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

1.3 Revenue

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

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

1.4 Property, plant and equipment

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

Whitehall Systems

The Whitehall Systems are a specialised asset and they have been stated at depreciated replacement cost. The cost of assets is shown as the historic purchase cost adjusted for the value of subsequent revaluations (as applicable to the period of ownership by the GPS). This results in the net book value representing the revalued historic cost net of adjusted accumulated depreciation. These assets are independently revalued at net current replacement cost on a triennial basis. The estimated useful economic life and residual value of the asset are also independently re-assessed on a regular basis and an adjusted depreciation is calculated based on this assessment. The useful economic life and residual value including any impairments is considered by the Audit Committee annually in between these independent assessments.

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

Depreciation

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

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

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

1.5 Intangible assets

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

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

1.6 Inventories

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

1.7 Early retirement

Government Procurement Service is required to meet the additional cost of liabilities beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of payments to employees who have or are due to retire early. Full provision is made in the Accounts for this cost (see Note 17 in the Notes to the accounts).

1.8 Leases

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

1.9 Financial instruments cash and cash equivalents

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

2 Segmental Analysis

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

	Restated Frameworks Procurement 31 March 2012	Energy Procurement 31 March 2012	Managed Services Procurement 31 March 2012	Whitehall Procurement 31 March 2012	PIF & Restructuring 31 March 2012	Restated TOTAL 31 March 2012
	£000	£000	£000	£000	£000	£000
Statement of comprehensive income						
Revenue from external sales	25,281	4,181	20,641	4,095	-	54,198
Gross surplus	25,281	4,181	3,701	1,657	-	34,820
Operating costs less other operating income	(16,171)	(3,846)	(3,349)	(967)	-	(24,333)
Procurement Investment Fund and restructuring costs	-	-	-	-	(7,471)	(7,471)
Operating surplus	9,110	335	352	690	(7,471)	3,016
Statement of financial position						
Non-current assets	549	169	137	10,189	-	11,044
Current assets	26,041	2,849	5,822	1,216	-	35,928
Total assets	29,590	3,018	5,959	11,405	-	46,972

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

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

Notes to the accounts continued

3 Exceptional items

Total operating costs includes the following exceptional items:

Restructuring Costs

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

	31 March 2013 £000	31 March 2012 £000
Restructuring costs	12	5,229
TOTAL	<u>12</u>	<u>5,229</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 2013	Restated 31 March 2012
Board	4	5
Operational	302	294
Administration	52	51
Agency and contract staff	20	9
TOTAL	<u>378</u>	<u>359</u>

4.2 Total staff costs

Superannuation costs relate to staff participation in the Principal Civil Service Pension Scheme (PCSPS) defined benefit scheme. Further details about the pension benefits can be found on page 26. 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 2013 £000	Restated 31 March 2012 £000
Wages and salaries	14,300	13,338
Bonus	454	133
Social security	1,254	1,145
Superannuation	2,637	2,236
Voluntary early retirement	106	(67)
Agency and contract staff costs	1,060	1,587
TOTAL	<u>19,811</u>	<u>18,372</u>

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

Exit package cost band:	Number of compulsory redundancies	Number of other departures agreed		Total number of exit packages by cost band	
<£10,000			(2)		(2)
£10,000 - £25,000		1	(30)	1	(30)
£25,001 - £50,000			(30)		(30)
£50,001 - £100,000			(20)		(20)
£100,001 - £150,000			(10)		(10)
£150,001 - £200,000			(2)		(2)
£200,001 - £250,000			(1)		(1)
£250,000 +			(1)		(1)
Total number of exit packages by type					
Total cost £		6,501	(4,171,903)	6,501	(4,171,903)

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

Compensation in lieu of notice payments are not included.

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

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

4.4 Senior manager salary and pension entitlements

For details of Executive Directors' salary, fee and pension entitlements see the Remuneration Report on pages 23 to 26.

4.5 Superannuation

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

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

For the 12 month period ended 31 March 2013 contributions of £2,637,000 (2012: £2,236,000) 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 2013 were between 16.7% and 25.8% depending upon the pay band of each employee. The Scheme Actuary (the Government Actuary's Department) reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account which is a stakeholder pension with an employer contribution. There are currently three stakeholder pension accounts within GPS. Employer contributions are age-related and GPS paid £5,893 during the reporting year (2012: £5,699).

Notes to the accounts continued

5 Other Operating Income

	31 March 2013	Restated 31 March 2012
	£000	£000
Income		
Grant from Department of Health brought forward	63	1,028
Home Office funding for the running of Procurement Centre of Excellence	800	-
Released during year	<u>(863)</u>	<u>(965)</u>
Deferred to 2013/14	<u>-</u>	<u>63</u>

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

6 Other Operating Charges

	31 March 2013	Restated 31 March 2012
	£000	£000
Charges Include:		
Auditor's remuneration	74	73
Charges for plant and machinery operating leases	-	3
Charges for other operating leases	624	1,001
Travel and subsistence	1,342	1,083
Accommodation and utilities	47	238
Marketing	5	180
Training	559	278
Other operating and external charges	6,221	5,333
Restructuring	12	5,229
TOTAL	<u>8,884</u>	<u>13,418</u>

7 Finance income

	31 March 2013 £000	31 March 2012 £000
Bank and short term investment interest	93	60
TOTAL	<u>93</u>	<u>60</u>

8 Property, plant and equipment

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

On 31 October 2012, the Whitehall Systems asset was independently revalued by Parsons Brinckerhoff, resulting in an increase to the valuation of £2,984,000. This has resulted in prior years' depreciation being increased by £1,976,000, with a full year's depreciation on the revalued amount charged in this period. The net effect of the revaluation is therefore £1,008,000.

Notes to the accounts continued

8 Property, plant and equipment continued

	31 March 2012	Restated 31 March 2012	31 March 2012	Restated 31 March 2012
	Computer Equipment	Plant & Equipment	Fixtures & Fittings	TOTAL
	£000	£000	£000	£000
Cost				
At beginning of period	280	23,630	-	23,910
Additions in period	44	-	819	863
Disposals	(24)	-	-	(24)
Revaluation	-	-	-	-
At end of period	<u>300</u>	<u>23,630</u>	<u>819</u>	<u>24,749</u>
Depreciation				
At beginning of period	191	5,035	-	5,226
Depreciation 1 April 2011 charged to revaluation reserve	-	7,558	-	7,558
Amount provided in period charged to SCI	77	849	41	967
Amount charged to revaluation reserve in period	-	-	-	-
Disposals during period	(21)	-	-	(21)
At end of period	<u>247</u>	<u>13,442</u>	<u>41</u>	<u>13,730</u>
Net book value at April 2011	89	11,038	-	11,127
Net book value at March 2012	53	10,188	778	11,019

9 Intangible assets

	31 March 2013	1 April 2012
	Software licences	Software licences
	£000	£000
Cost		
At beginning of period	56	35
Additions in period	-	21
Disposals in period	(19)	-
At end of period	<u>37</u>	<u>56</u>
Amortisation		
At beginning of period	31	19
Amount provided in period	13	12
Disposals in period	(19)	-
At end of period	<u>25</u>	<u>31</u>
Net book value at April 2012	<u>25</u>	<u>16</u>
Net book value at March 2013	<u>12</u>	<u>25</u>

10 Long term receivable

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

	31 March 2013	1 April 2012
	£000	£000
Balance at beginning of period	-	-
Increase / (decrease) in period	1,508	-
Balance at end of period	<u>1,508</u>	<u>-</u>

11 Inventories

	31 March 2013 £000	1 April 2012 £000
Fuel inventory for the Whitehall Systems	115	126
TOTAL	<u>115</u>	<u>126</u>

12 Trade and other receivables

Current receivables

	31 March 2013 £000	1 April 2012 £000
Trade receivables	5,064	8,403
Less: bad and doubtful receivables provision	-	(30)
Net trade receivables	5,064	8,373
Other receivables	34	33
Prepayments and accrued income	6,954	6,318
Total current receivables	<u>12,052</u>	<u>14,724</u>

Aged debt analysis

	31 March 2013 £000	1 April 2012 £000
Within credit terms	3,448	5,580
Past due date but not impaired:		
0-1 month	816	2,177
1-2 months	185	449
More than 2 months	615	167
Total receivables	<u>5,064</u>	<u>8,373</u>

Bad and doubtful receivables provision analysis

	31 March 2013 £000	1 April 2012 £000
Provision at the beginning of the year	30	31
Decrease in the provision for the year	(30)	(31)
Increase in the provision for the year	-	30
Provision at the end of the year	<u>-</u>	<u>30</u>

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

13 Cash and cash equivalents

	31 March 2013 £000	1 April 2012 £000
National Loans Fund	20,000	18,000
Government Banking Service and cash in hand	2,856	3,078
TOTAL	<u>22,856</u>	<u>21,078</u>

Notes to the accounts continued

14 Trade and other payables	31 March 2013 £000	Restated 1 April 2012 £000
Current payables		
Taxation and social security costs	759	1,782
Trade payables	1,110	746
Other payables	642	535
Accruals and deferred income	<u>3,272</u>	<u>6,759</u>
TOTAL	<u>5,783</u>	<u>9,822</u>

15 Employment benefit payable	31 March 2013 £000	1 April 2012 £000
Balance at beginning of period	395	407
Increase/ (decrease) in the period	<u>87</u>	<u>(12)</u>
Balance at end of the period	<u>482</u>	<u>395</u>

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

16 Lease obligations

	31 March 2013		31 March 2012	
	Other £000	Land & Buildings £000	Other £000	Land & Buildings £000
Operating lease rentals due within:				
One year	-	1,029	16	691
Two to five years	-	3,754	16	3,581
Over five	<u>-</u>	<u>2,656</u>	<u>-</u>	<u>3,550</u>
TOTAL	<u>-</u>	<u>7,439</u>	<u>32</u>	<u>7,822</u>

17 Provisions

The Voluntary Early Retirement provision for liabilities and charges is in respect of liabilities for future payments to employees who have or are due to retire early. The Agency bears pension costs from the date of early retirement until age 60, when the liability is assumed by the Principal Civil Service Pension Scheme (see page 26 for further information).

	31 March 2013 £000	1 April 2012 £000
Balance at beginning of period	161	331
Utilised in the period	<u>(148)</u>	<u>(170)</u>
Increase in the period	<u>106</u>	<u>-</u>
Balance at end of period	<u>119</u>	<u>161</u>

18 Public dividend capital

	31 March 2013 £000	1 April 2012 £000
Issued Pursuant to Government Trading Funds Act 1973	100	100
Issued upon acquisition of Fuel Branch 1 July 1995	<u>250</u>	<u>250</u>
Balance at end of period	<u>350</u>	<u>350</u>

19 Revaluation Reserve

	31 March 2013	1 April 2012
	£000	£000
Revaluation reserve at 1 April	3,077	3,357
Revaluation of plant and equipment	1,008	-
Transfer to general reserve	(371)	(280)
Revaluation reserve at 31 March	<u>3,714</u>	<u>3,077</u>

20 General Reserve

	31 March 2013	Restated 1 April 2012
	£000	£000
Balance at beginning of period	33,167	30,315
Retained surplus for the period	2,741	697
Transfer from PCoE	874	1,875
Transfer from Revaluation Reserve	371	280
Balance at end of period	<u>37,153</u>	<u>33,167</u>

21 Notes to the Statement of Cash Flows

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

	Note	31 March 2013	Restated 31 March 2012
		£000	£000
Operating surplus		8,143	3,016
(Decrease) / increase in provision	17	(42)	(170)
Depreciation charges	8	1,083	967
Amortisation of intangible assets	9	13	12
Decrease in inventories	11	11	8
(Increase) / decrease receivables	12	1,164	(2,967)
Increase / (decrease) in payables		(3,970)	572
Non cash adjustment PCoE		874	1,875
Net cash inflow from operating activities		<u>7,276</u>	<u>3,313</u>

Note (ii): Analysis of changes in net funds

	31 March 2013	31 March 2012
	£000	£000
Net funds at 1 April	21,078	20,987
Net funds change	1,778	91
Net funds at 31 March	<u>22,856</u>	<u>21,078</u>

Notes to the accounts continued

22 Capital Commitments

Capital commitments contracted for at 31 March 2013 were £nil (2012: £nil).

23 Financial Objective

The financial target was set at an annual average of 6.5% return on capital employed (ROCE) per annum over a five year period (April 2009 to March 2014). ROCE is measured as Government Procurement Service's operating surplus as a percentage of the annual average of opening and closing net assets. Government Procurement Service operating surplus of £8 million represents an ROCE of 15.7% (2012 14%). Government Procurement Service has a five year financial plan that aims to deliver this target. The 6.5% ROCE dividend figure due to the Cabinet Office is £2,615,000 (2012 £2,379,000).

24 Special Payment

Government Procurement Service made a special payment of £2,880,000 to contribute towards the costs of ERG staff undertaking procurement delivery functions.

25 Related Party Transactions

In accordance ISA24 Related Party Disclosures, as interpreted by the FReM, the following information is provided on related party transactions.

Government Procurement Service is an Executive Agency, within the Cabinet Office. Cabinet Office is regarded as a related party. During the year ending 31 March 2013, Government Procurement Service has had various material transactions with this body. In addition, Government Procurement Service had various material transactions with most government departments and other central government bodies, devolved administrations, the NHS and many local authorities.

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

Cabinet Office, Ministry of Defence, Home Office, Research Council UK, Foreign and Common Wealth Office, HM Revenue & Customs, HM Treasury.

26 Financial Instruments

Government Procurement Service has powers to borrow funds.

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

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

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

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

Liquidity risk management activities include:

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

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

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

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

Financial Assets

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2013							
Trade receivables	5,064	-	-	5,064	-	-	-
Cash and cash equivalents	22,856	-	22,856	-	0.32	1.00	-
Gross financial assets	27,920	-	22,856	5,064			
31 March 2012							
Trade receivables	8,373	-	-	8,373	-	-	-
Cash and cash equivalents	21,078	-	21,078	-	0.35	1.00	-
Gross financial assets	29,451	-	21,078	8,373			

Financial Liabilities

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2013							
Trade payables	1,110	-	-	1,110	0.00	0.00	-
Gross financial liabilities	1,110	-	-	1,110			
31 March 2012							
Trade payables	746	-	-	746	0.00	0.00	-
Gross financial liabilities	746	-	-	746			

Notes to the accounts continued

27 Intra-Government Balances

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

	Total £000	Central Government Bodies £000	Local Authorities £000
31 March 2013			
Receivables	168	168	-
Payables	-	-	-
31 March 2012			
Receivables	196	196	-
Payables	(23)	(23)	-

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

28 Contingent Liabilities

Following the year end, a GPS and Driving Standards Agency procurement was challenged. GPS considers that the amount of any potential obligation cannot be reliably measured.

29 Significant Judgements and Critical Accounting Estimates

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

Depreciation and Ammortisation

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

Lease Obligations

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

Employee Benefit Obligations

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

Voluntary Early Retirement (VER) Provision

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

30 Events after the Reporting Period

On 21 May 2013, Sally Collier was appointed acting Managing Director and Accounting Officer of GPS.

31 Reconciliation Incorporating PCoE Transfer

On the 1 October the Home Office Procurement Centre of Excellence (PCoE) activities were transferred to GPS. The Treasury's Trading funds Accounts Guidance requires that a transfer of functions between government bodies should be accounted for as a merger, in accordance with International Financial Reporting Standard 3. Merger accounting aggregates the accounts of the combining entities and presents them as though the combining entities had always been part of the same reporting entity, including restating comparative figures.

a) Comprehensive statement of income for the year ended 31 March 2012

	31 March 2012		PCoE 31 March 2012		Restated 31 March 2012	
	£000	£000	£000	£000	£000	£000
Revenue		54,198		-		54,198
Cost of sales		(19,378)		-		(19,378)
Gross profit		34,820		-		34,820
Staff costs	(16,774)		(1,598)		(18,372)	
Depreciation of property, plant and equipment	(967)		-		(967)	
Amortisation of intangible assets	(12)		-		(12)	
Other operating charges	(13,103)		(315)		(13,418)	
Total operating costs		(30,856)		(1,913)		(32,769)
		3,964		(1,913)		2,051
Other operating income		965		-		965
Operating surplus		4,929		(1,913)		3,016
Finance income		60		-		60
Surplus for the financial year		4,989		(1,913)		3,076
Dividend to be payable to Cabinet Office		(2,379)		-		(2,379)
Retained surplus for the financial year		2,610		(1,913)		697
Adjustments to reserves PCoE transfer		-		1,875		1,875
Other comprehensive income		-		1,875		1,875
Net gain on revaluation of property, plant and equipment		-		-		-
Comprehensive income for the financial year		<u>2,610</u>		<u>(38)</u>		<u>2,572</u>

Notes to the accounts continued

b) Statement of financial position for the year ended 31 March 2012

	31 March 2012		PCoE 31 March 2012		Restated 31 March 2012	
	£000	£000	£000	£000	£000	£000
Non-current assets						
Property, plant and equipment		11,019		-		11,019
Intangible assets		25		-		25
		11,044		-		11,044
Current assets						
Inventories	126		-		126	
Trade and other receivables	14,724		-		14,724	
Cash and cash equivalents	21,078		-		21,078	
	35,928		-		35,928	
Current liabilities						
Trade and other payables	(9,784)		(38)		(9,822)	
Employee benefit payable	(395)		-		(395)	
	(10,179)		(38)		(10,217)	
Net current assets		25,749		(38)		25,711
Non-current assets plus net current assets		36,793		(38)		36,755
Provisions		(161)		-		(161)
Total assets less liabilities		<u>36,632</u>		<u>(38)</u>		<u>36,594</u>
Capital and reserves						
Public dividend capital		350		-		350
Revaluation reserve		3,077		-		3,077
General reserve		33,205		(38)		33,167
Total capital and reserves		<u>36,632</u>		<u>(38)</u>		<u>36,594</u>

Treasury minute dated 26 April 2012

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

Five year summary

1 April 2008 to 31 March 2013

Accounting Convention Applied	Restated				
	IFRS Year 2012/13 £000	IFRS Year 2011/12 £000	IFRS Year 2010/11 Note 1 £000	IFRS Year 2009/10 Note 1 £000	UK GAAP Year 2008/09 Note 2 £000
Statement of Financial Position					
Non-current assets	12,579	11,044	11,143	10,443	11,196
Total current assets less liabilities	28,757	25,711	23,210	18,134	20,800
Provision for liabilities and changes	(119)	(161)	(331)	(321)	(446)
Assets employed	<u>41,217</u>	<u>36,594</u>	<u>34,022</u>	<u>28,256</u>	<u>31,550</u>
Financed by					
Public dividend capital	350	350	350	350	350
Revaluation reserve	3,714	3,077	3,357	1,993	2,136
General reserve	37,153	33,167	30,315	25,913	29,064
	<u>41,217</u>	<u>36,594</u>	<u>34,022</u>	<u>28,256</u>	<u>31,550</u>
Statement of Comprehensive Income					
Revenue	<u>41,613</u>	<u>54,198</u>	<u>76,279</u>	<u>104,430</u>	<u>91,789</u>
Operating surplus / (deficit)	8,143	3,016	6,190	(3,588)	(244)
Finance Income	93	60	46	34	508
Surplus / (deficit) on ordinary activities	8,236	3,076	6,236	(3,554)	264
Finance Cost	-	-	-	(1)	-
Surplus / (deficit) for the year	8,236	3,076	6,236	(3,555)	264
Dividend payable to the Cabinet Office	(2,615)	(2,379)	(2,092)	(2,106)	(2,082)
Contribution to Cabinet Office ERG activities	(2,880)	-	-	-	-
Retained surplus / (deficit)	<u>2,741</u>	<u>697</u>	<u>4,144</u>	<u>(5,661)</u>	<u>(1,818)</u>

Note 1 Operating as Buying Solutions

Note 2 Operating as OGCBuying.solutions

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