
The Government Actuary's Department

Annual Report & Accounts 2011-12

(For the year ended 31 March 2012)

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(For the year ended 31 March 2012)

Accounts presented to the House of Commons pursuant to Section 6 (4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

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Introduction

This document contains the Annual Report and Accounts of the Government Actuary's Department (GAD) for the year 1 April 2011 to 31 March 2012. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FReM) for 2011-12.

The Annual Report contains information consistent with that covered in a directors' report for a public company where relevant for a government department, a management commentary on GAD and a remuneration report. The Accounts show how resources have been used by GAD in delivering its objectives. The Accounts have been prepared by GAD under a direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000.

GAD's Annual Report and Accounts is one of a series of Departmental Reports. The following HM Treasury publications are also relevant:

- Main Estimates 2011-12;
- Supplementary Estimates 2011-12; and
- Spending Review 2010 which presents Government Spending plans for 2011-12 to 2014-15.

Readers may also wish to refer to the GAD website for more information on the Department at www.gad.gov.uk

About the Government Actuary's Department

GAD provides actuarial analysis to governments and organisations in the public sector in the UK and around the world. GAD has unrivalled experience and expertise in advising the UK public service.

GAD is a non-Ministerial Department and its funding is almost entirely met from the fees charged to clients. As a non-profit organisation, the fees charged are set only to meet the cost of running the Department.

Management Structure and Governance

GAD's management structure and governance are described in the Governance Statement (page 29)

Resources managed by GAD

Apart from a leased office, office furniture and an IT network as shown in notes 9 and 10 to the accounts the only resource managed by GAD is the staff.

On 31 March 2012 GAD employed 130 staff (average number of persons employed during the year was 129), of whom 59 are qualified actuaries.

Our Aims, Commitments and Values

Aims

1. For UK Central Government (and the devolved administrations) – to deliver and be seen to deliver as the 'shared service' supplier of actuarial analysis to Government:

- a) Top notch service and policy advice
- b) A full range of actuarial analysis whenever appropriate for actuarial input to be provided
- c) All the actuarial analysis on pensions.

2. For other public sector (UK and overseas) – to win and deliver as much actuarial analysis work as we can subject to:

- a) Meeting the commitments to quality in all we do
- b) Anything we do must be consistent with Government policy
- c) Nothing we do must impair our ability to deliver Aim 1
- d) Meeting our financial criteria.

3. To have a sustainable long-term GAD in Government.

Commitment to quality

Our commitment to quality is to consider the six key aspects of the service we deliver. Our service and advice should be:

- Correct
- Applicable
- Clear
- On time
- Value for money
- Properly discussed at regular status briefings

Values

In addition to the core values of the Civil Service (integrity, honesty, objectivity and impartiality) GAD has values of:

- Making client service our priority
- Professionalism (Civil Service core values as above and actuarial professionalism)
- Treating people fairly and with respect
- Being flexible, sharing and collaborative (i) with clients, (ii) within and between teams, and (iii) with peer group and above
- Delivering a work-life balance to the extent consistent with our themes
- Being forward-looking and proactive
- Pursue a fulfilling and varied career
- Public sector ethos consistent with the ethos of our respective counterparts (ie clients and colleagues of equivalent pay/grade) in Government Departments generally.

Principal Activities

Public Sector Pensions

GAD has accumulated expertise and wide ranging experience over many years of advising government on occupational pension schemes. It currently advises all of the main public service schemes such as those for the civil service, armed forces, police, fire service, teachers and National Health Service. GAD's advice in this area involves pension schemes covering over five million members. This can be on strategic and policy issues, benefit design, financing, restructuring, and cost and financial risk to the employer of sponsoring a pension scheme, as well as how to recognise the cost of pensions in employer accounts.

Pensions Policy, Regulation and Supervision

GAD is a source of expertise for government departments and public bodies requiring actuarial input to policy development. While the main focus is on the provision of actuarial support to officials in HM Treasury and the Department for Work and Pensions (DWP), it also provides support to a number of autonomous bodies such as the Pension Protection Fund.

Staff Transfers

A specialist team provides advice on the pension aspects of TUPE transfers of staff from public sector schemes, and internal "machinery of Government" transfers. The terms of such transfers must comply with the Government's Fair Deal policy, and changes to the main public service schemes in the last couple of years have meant that the nature of the exercises is more complicated than previously, requiring clear and effective communication with transferring staff.

Insurance

GAD provides a broad range of actuarial services for overseas governments:

- In-depth reviews of insurance companies, analysing regulatory returns and financial statements;
- Analyses of business plans submitted for the authorisation of new companies, or for mergers and acquisitions of existing companies;
- The development of insurance regulations, and guidance on their interpretation for the industry and the supervisor;
- Developing training programmes for supervisors; and
- Financial modelling of long term liabilities.

GAD has carried out a strategic review of overseas work and, in April 2012, decided to withdraw from work for overseas insurance regulators during 2012-13.

GAD also provides financial modelling and analysis of long term liabilities for UK government departments.

Social Security

The Government Actuary has statutory obligations to report to Parliament on the financial impact, both over the short and long term, of social security legislation. In 2011-12 the Government Actuary prepared a report to accompany an Order concerning the annual up-rating of benefits, or changes in contributions, laid before Parliament by the Secretary of State for Work and Pensions. The most recent up-rating report was published in January 2012.

GAD advises overseas governments (of countries of various sizes and at all levels of economic growth and development) on their state social security programmes.

Investment and Risk

GAD's expertise applies to the identification and control of financial and investment risks inherent in the structuring of financial institutions and the provision of benefits and services by government.

Recent work includes:

- Investment strategy for financial institutions such as pension schemes and insurance companies;
- Assessment of exposure of Government to the financial risks of supporting certain pension schemes;
- Advice to government, e.g. in relation to the Asset Protection Scheme; and
- Advice on management of risk with a big IT project.

Other Activities of GAD

Healthcare/Long Term Care

Ageing populations can lead to increasing healthcare costs as well as to increasing social security expenditure. GAD provides a range of advice on healthcare and long-term care schemes, including the projection of costs and the regulation of health insurance for overseas territories. During 2011-12 GAD provided support to the Department of Health.

Demography and Statistics

GAD supplies demographic advice to the Office for National Statistics; provides National Savings and Investments with a verification of the statistical randomness of the premium bond system (ERNIE); and provides the actuarial input for the preparation of the Ogden tables for use by the courts in personal injury and fatal accident cases.

Strategy

2011 saw the conclusion of the three year strategic plan, put in place when Trevor Llanwarne took up his post as Government Actuary in 2008, and the development over the summer months of a new strategic plan to take GAD through to March 2014.

The focus in the first three year plan had been on embedding a set of aims, commitments and values throughout the Department to provide a foundation for serving our clients and for delivery of our financial targets year on year. Some comparisons between 2008 and 2011 show that this strategy delivered real successes;

- > Improved sustainability:
 - 95 staff then, 130 staff by 2011;
 - £12m income in 2008, £15m in 2011.
- > Service offerings going beyond traditional pensions and insurance work into new areas of investment, modelling, risk, and long-term care
- > More wins and retentions of clients in open competition
- > Much stronger reputation for GAD in Central Government

As a result, our new strategic plan is based on the success of three strong years and needed only to evolve to reflect the new realities. The Aims, Commitments and Values of our new strategy are set out on page 3. Our strong commitment to quality based on six key aspects of the service we deliver is unchanged. Our eight core values have only minor changes to reflect the experience of the last three years, primarily a stronger emphasis on being flexible and collaborative.

Our new strategy establishes a set of guiding principles in three areas:

- > Client and new client principles
- > People and people behaviour principles
- > Department operation principles

Client and new client principles: Our primary client principle is that we must identify client needs and deliver them, minimising risk and maximising efficiency. We view regular feedback from clients as the only true measure of our performance in this regard. We get this through regular client/adviser briefings and feedback via on-line surveys for all clients, and for larger clients from one-to-one reviews with a member of GAD's Management Board.

People and people behaviour principles: Engagement of our staff has been essential in delivering our strategy. At senior level our new strategy strengthens this engagement by further involving Chief Actuaries in the management of the Department. From October 2011 three Chief Actuaries joined GAD's Management Board as Interim Actuarial Directors (IADs) for a term of 15 months. The IADs were selected from across the Department to ensure they represent the range of work carried out and this exposure to the strategic management of the Department gives them a wider experience of business life.

Around the rest of the Department, there are regular staff briefings and plenty of opportunities for professional development – for qualified actuaries, as study programmes for actuarial students, and for non-actuarial staff.

Department operation principles: Having benefited from the investment of management time in developmental projects in the last three years our new strategy introduces more streamlined and focussed management. We now have a smaller Executive and have reviewed and refocused the other committees that manage GAD's operations.

In our management of the Department we seek to achieve the optimal balance between delivery of short-term operational performance and building a secure and sustainable Department for the long term. While our annual operational planning and our performance metrics focus on delivery of short-term operational results, we also now have a concise and focused risk management methodology. Our management of risk sits alongside our operational plans, identifying the areas of greatest risk, the potential impact on the Department, and the controls we have in place as protection.

Management Commentary

Operating Review

Governance Structure

Our governance structure is explained in the Governance Report on page 29.

Client Services

An online client survey was conducted in August 2011, and client review interviews were undertaken to hear directly from clients their view of our strengths and weaknesses. Our clients told us that there was much that was good about the service and advice they received from us, with responses to the survey being significantly better in some cases than those in the 2010 survey. For instance half of all clients considered GAD to be best in class compared to a third of clients in 2010. There were other aspects of our service to certain clients that demonstrated we need to continue to focus on further improving our flexibility and responsiveness. We also recognise that we need to maintain our focus on identifying opportunities for improved efficiency, in the interests of all our clients.

Public sector pensions continue to be GAD's predominant area of activity and during 2011-12 GAD advised most of the main public service pension schemes on actuarial aspects of their operation, including accounting for pension costs. In addition to the usual annual demands in this area of work, 2011-12 also saw a great deal of work related to public service pension reform. This followed on from the Government's acceptance of the recommendations of Lord Hutton's commission. GAD advised separately HM Treasury and our public service pension scheme clients on the costs of revised scheme designs. We set up the Big Schemes Implementation Group, a gathering of representatives from the large public service schemes, to help schemes work more efficiently on aspects of reform.

GAD also advised other government departments and agencies on pension issues specific to them. We continued to provide advice on the pension aspects of outsourcing public sector services.

Following GAD's recent appointment as scheme actuary to the Principal Civil Service Pension Scheme, from April 2012 GAD will be advising all the main public service pension schemes.

Our actuaries advised the Trustees and sponsoring employers of a number of funded pension schemes, with advice ranging from completing actuarial valuations to investment strategy and the management and communication of scheme changes.

GAD gave advice on a range of pension policy issues to the Department for Work and Pensions including the proposals for a single tier state pension, and will be providing further advice on the proposals for changing state pension age. In January 2012 the Government Actuary provided his annual report to Parliament on the short-term financial implications of changes to National Insurance contributions and benefits. GAD also continued to provide regular certification of the randomness of the monthly premium bond draw (ERNIE) managed by National Savings and Investments (NS&I).

We provided advice to the Department of Health on aspects of Long-term Care and to HM Treasury on the Equitable Life Payment Scheme.

GAD continued to provide advice to a range of international clients in the areas of insurance supervision, social security and pensions. Our largest international clients were insurance supervisors in Saudi Arabia, India and Cyprus, while on the social security front we advised, for example, Saudi Arabia, Isle of Man and the Channel Islands. Following a strategic review of our international work in April 2012, GAD announced its decision to withdraw from international insurance work. GAD will continue to do international social security and pensions work subject to appropriate criteria.

In Scotland, we consolidated our operation at a more permanent base in Edinburgh and we increased our staff numbers there.

We have published regular online newsletters and technical bulletins. We also published a guide to long-term financial modelling and we set up a discussion forum for actuaries working in, or close to Government.

GAD's People

The management of the performance of our people continues to be based on a competency-based framework. Our people have clarity about what is required of them in their individual roles, and about how their individual performance will be measured.

A number of staff were transferred to new roles, giving opportunities for personal growth through learning new aspects of being an actuary. Other staff have benefited from working on secondment at client organisations, notably at HM Treasury, the Asset Protection Agency, the Office for National Statistics and the Pension Protection Fund.

Regular lunchtime knowledge sharing sessions have been held as a means of spreading expert knowledge and awareness more broadly across the Department.

GAD's staff participated in the Civil Service People Survey 2011, a Civil Service-wide survey of staff's attitudes and experience of work. GAD's results showed a year-on-year improvement in the benchmark employee engagement index and our score was well above the Civil Service score as a whole.

One new Chief Actuary and one new Deputy Chief Actuary were appointed during the year.

Pension benefits of GAD's Management Board members are shown in the Remuneration Report (pages 22-27). Information on staff pensions is given in note 1.1ab of the Accounts.

Data and Technology

GAD's business involves handling large amounts of data which may contain personal information about individuals. The Department continuously reviews its policies and procedures for the handling of sensitive data in both electronic and paper formats, in the light of evolving central government guidance, with appropriate staff training and communication as necessary. A Government Secure Intranet (GSI) facility is in place to ensure appropriate protection, where necessary, for communications with clients. GAD has also assessed its policies and procedures against the information assurance maturity model.

GAD has not suffered any protected personal data-related incidents during 2011-12 or in previous financial years.

Environmental Matters

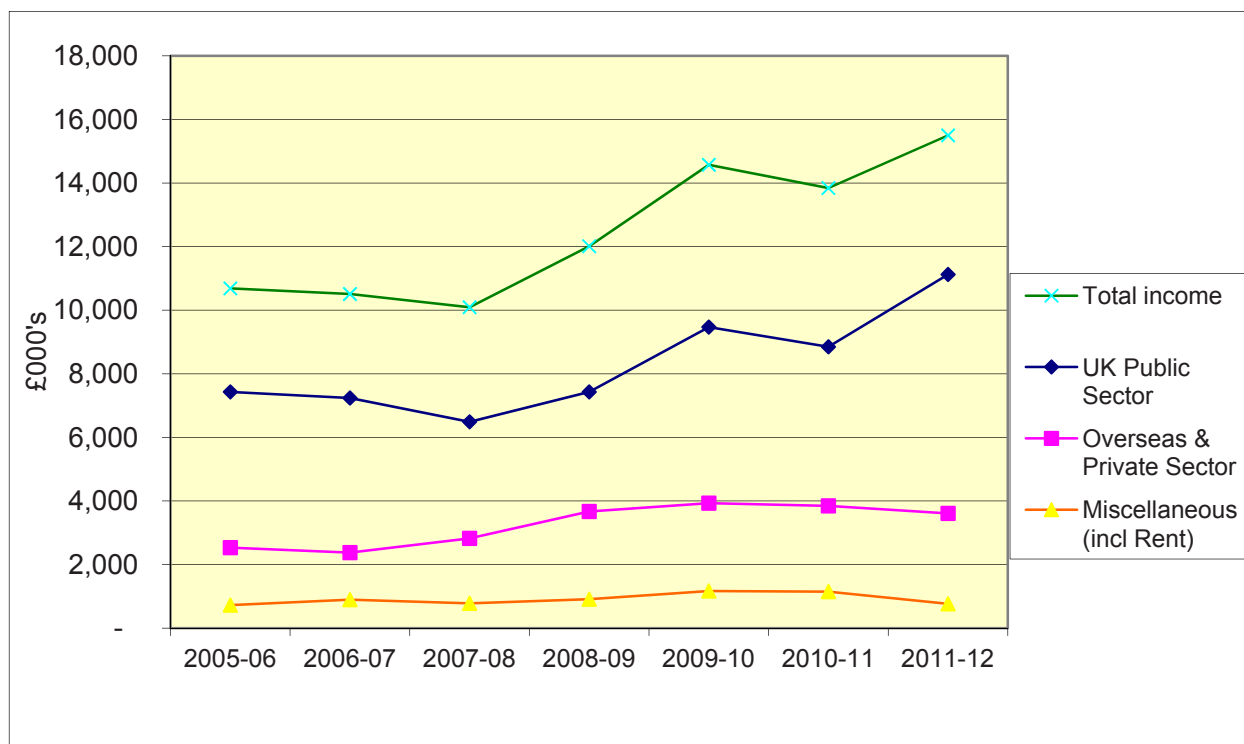
GAD is committed to conducting its activities in an environmentally responsible manner and recognises the need to seek continual improvements in its operations in order to reduce the impact on the environment.

More information on GAD's sustainability performance is available on page 20 of this report.

Financial Review

Exceptional demand for GAD's advice and services, particularly in relation to public service pension scheme reforms, have resulted in the Department generating a net operating surplus of £2.14m in 2011-12. This is in contrast to 2010-11 when income was reduced with work for these same clients being on hold whilst the discount rate for valuing pension schemes was being reviewed. The graph below shows how this fluctuation in demand is reflected in our UK public sector income stream.

GAD total income in 2011-12 grew by 11.5% from £13.9m in 2010-11 to £15.5m and UK public sector income grew by 26% from £8.9m in 2010-11 to £11.1m. Income from overseas and the private sector reduced by 6% to £3.6m while miscellaneous income dropped from £1.2m in 2010-11 to £0.8m with less rental income being received due to un-let vacant space in Finlaison House.



Expenditure amounted to £14.1m of which staff costs is the main item at £10.3m with all other running costs of £3.8m accounting for the remainder. GAD continues to look for cost savings wherever possible and overall achieved savings of £638k on goods and services compared to last year's comparable expenditure. This excludes the £4.7m cost incurred in 2010-11 setting up a provision for an onerous lease and adjustments of other provisions in both years. Details of expenditure are shown in notes 6 and 7 of the accounts.

Capital investment over the past year was £309k and covered the normal replacement cycle of IT hardware and furniture plus some minor building refurbishments.

GAD received a small amount of voted cash funding (£428k in 2011-12), primarily to fund the capital expenditure, and is reliant on the income it generates from providing actuarial services to cover most of its costs.

GAD's Statement of Financial Position shows total assets of £6.76m, current liabilities of £3.21m and non-current liabilities of £5.21m. Our liabilities include provisions for an onerous lease, early retirement costs and an injury benefit claim.

Cash flow and debtors are closely monitored to ensure that we have sufficient cash to meet our liabilities and pay our creditors promptly. As a result of a more vigorous credit control we ended the year with a significant reduction in the value of trade debtors and a healthy cash balance of £1.7m.

Payment of Suppliers

GAD's policy is to pay all invoices in accordance with credit terms, or where no such terms exist, within 10 days of the receipt of goods or services or the presentation of a valid invoice, whichever is the later. The calculation of payment performance for 2011-12 is based on continuous monitoring of payments since the start of the year. On this basis 98% of GAD's payments were paid within 30 days and 79% within 10 days. The equivalent 10 day target figures for 2009-10 and 2010-11 were 60% and 73% respectively. No interest payments were made under the late Payment of Commercial Debts (Interest) Act 1998.

Expenditure on Consultancy and Professional Services

During 2011-12 GAD spent £189k (£169k 2010-11) on consultancy and professional services. This included advice on legal issues (£171k – mainly on behalf of clients and recharged to them as disbursements), property lease contracts (£10k) and welfare and employment issues (£8k). GAD incurred £88k on the employment of temporary staff. These were all specialist actuarial staff required to meet additional demand from clients.

Political and Charitable donations

GAD made no political or charitable donations in 2011-12 (2010-11: £nil).

Financial Outturn

GAD's financial outturn for 2011-12 is reported in different ways. The accounts show the net resource outturn as a surplus of £2,144k against an Estimate of a £302k surplus, Resource Departmental Expenditure Limit (DEL) of £934k surplus against an Estimate of £31k net cost and Capital DEL of £309k against an Estimate of £336k. The tables in Notes 2 and 3 reconcile these figures.

Core Tables

Table 1: Public spending

	£'000								
	2006-07	2007-08	2008-09	2009-10 ⁶	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
Resource DEL									
Section A: Administration	245	568	-473	677	533	-1,385	-140	-499	-366
Section B: Use of Provisions (DEL)	7	-	-	338	92	452	360	609	376
Total Resource DEL	252	568	-473	1,015	625	-933	220	110	10
<i>Of which:</i>									
Pay	7,136	7,238	8,075	10,349	10,395	10,306	11,230	11,455	11,685
Net current procurement ¹	-7,329	-7,007	-8,862	-9,991	-10,161	-11,948	-11,684	-12,264	-12,363
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-
Depreciation ²	320	291	252	250	235	197	250	250	250
Other	125	46	62	407	156	512	424	669	438
Resource AME									
Section C: Losses on revaluation	50	15	19	52	95	-	107	96	87
Section D: Provisions (AME)	-6	-	764	233	4,613	-1,210	-360	-609	-376
Total Resource AME	44	15	783	285	4,708	-1,210	-253	-513	-289
<i>Of which:</i>									
Pay	-	-	-	-	-	-	-	-	-
Net current procurement ¹	-	-	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-
Net public service pensions ³	-	-	-	-	-	-	-	-	-
Take up of provisions	-	-	764	571	4,705	-758	-	-	-
Release of provisions	-6	-	-	-338	-92	-452	-360	-609	-376
Depreciation ²	50	15	19	52	95	-	107	96	87
Other	-	-	-	-	-	-	-	-	-
Total Resource Budget	296	583	310	1,300	5,333	-2,144	-33	-403	-279

Of which:

Depreciation ²	370	306	271	302	330	197	357	346	337
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Capital DEL

Section A: Administration	178	63	178	223	283	309	166	126	287
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Total Capital DEL	178	63	178	223	283	309	166	126	287
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Of which:

Net capital procurement ⁴	178	63	178	223	283	309	166	126	287
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-
Capital support for local government	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-

Capital AME

Total Capital AME	-	-	-	-	-	-	-	-	-
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Of which:

Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-
Net lending to the private sector and abroad	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-

Total Capital Budget	178	63	178	223	283	309	166	126	287
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Total departmental spending⁵	104	340	217	1,221	5,286	-2,032	-224	-623	-329
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of which:

Total DEL	430	631	-295	1,238	908	-821	386	236	297
Total AME	44	15	783	285	4,708	-1,210	-253	-513	-289

¹ Net of income from sales of goods and services² Includes impairments³ Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items⁴ Expenditure on tangible and intangible non-current assets net of sales⁵ Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.⁶ 2009-10 DEL outturn is restated.

Table 2: Public Spending Control

	2011-12 Outturn	2011-12 Original Budgetary Control Limits	2011-12 Final Budgetary Control Limits
Spending in Departmental Expenditure Limits £ '000			
Administration			
Gross Expenditure	14,091	14,689	15,179
Gross Income	-15,477	-15,073	-15,600
Net Resource	-1,386	-384	-421
Gross Capital	309	336	336
Spending in Annually Managed Expenditure £ '000			
Gross Programme Resource	-758	119	119
Total Resource Budget	-2,144	-265	-302
Total Capital Budget	309	336	336
Less: Depreciation	196	250	250
Total Departmental Spending	-2,031	-179	-216

Table 3: Capital Employed

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
<i>Assets and Liabilities on the Statement of Financial Position at end of year:</i>									
Assets									
Non Current Assets	1,829	1,859	1,513	1,181	1,125	1,268	1,324	1,318	1,473
<i>of which:</i>									
Intangible	231	167	196	244	252	260	488	160	692
Tangible	1,598	1,692	1,317	937	873	1,008	836	1,158	781
<i>of which:</i>									
Re-Fit of Building	1,294	1,453	1,121	773	649	650	648	647	646
IT Hardware	178	130	97	88	124	258	147	426	92
Office Furniture	126	109	99	76	100	100	41	85	43
Current assets	3,768	3,050	3,791	3,950	4,808	5,492	4,000	4,000	4,000
Liabilities									
Payables (< 1 Year)	1,670	801	1,034	1,713	1,685	3,178	2,038	2,241	2,466
Payables (> 1 Year)	1,439	1,533	1,475	1,380	1,282	1,182	1,080	974	866
Provisions	-	-	764	997	5,610	4,400	4,372	3,763	3,387
Total Capital employed	2,488	2,575	2,031	1,041	(2,644)	(2,000)	(2,166)	(1,660)	(1,246)

Table 4: Administration budget**£'000**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
Section A: Administration	245	568	-473	677	533	-1,386	-140	-499	-366
Section B: Use of Provisions (DEL)	7	-	-	338	92	452	360	609	376
Total administration budget	252	568	-473	1,015	625	-934	220	110	10
<i>Of which:</i>									
Paybill	7,136	7,238	8,075	10,349	10,395	10,306	11,230	11,455	11,685
Expenditure	3,624	3,423	3,466	5,200	4,100	4,237	4,551	4,715	4,883
Income	-10,508	-10,093	-12,014	-14,534	-13,870	-15,477	-15,561	-16,060	-16,558

Table 5: Staff Numbers

	Numbers of staff employed								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
Summary									
Civil Service Full Time equivalents	100	100	107	132	132	129	130	130	130

Human Resources Review

The HR team has continued a programme of revision and reform of HR policy and procedures including the actuarial and non-actuarial study leave policies, sick absence and flexible working policies. GAD is working with the Next Generation HR teams to identify appropriate efficiencies in recruitment, resourcing, policy work and learning and development. An audit of work to promote and uphold the Civil Service Code was completed in April 2011.

Recruitment and Turnover

The Civil Service Commissioners' Recruitment Compliance Monitoring process confirmed that recruitment which takes place within GAD is carried out on the basis of fair and open competition with selection on merit, and in accordance with the Civil Service Recruitment Principles.

Staff in Post as at 31 March 2012

	Staff in Post 31/03/2011	Leavers	Joiners	Qualified	Staff in Post 31/03/2012
Actuaries	54	-7	5	7	59
Trainee Actuaries	43	-11	14	-7	39
Support Staff	33	-3	2	-	32
Total	130	-21	21	-	130*

* The average number of persons employed during the year was 129 (2010-11: 132).

Staff recruited during 2011-12

	Male	Female
Actuaries	2	3
Trainee Actuaries	8	6
Support staff	1	1
Total	11	10

Expenditure on Temporary Staff

GAD engages a small number of communication specialists on an ad-hoc basis who are paid a daily fee for giving presentations to staff involved in transfers to new employers under the Fair Deal. Their fees in 2011-12 amounted to £23,500. There is also a panel of actuaries who are available on temporary contracts which GAD can draw on when there is high client demand. Their fees in 2011-12 amounted to £88,000.

Sick Absence

The Management Board monitors sick absence on a monthly basis against the published sick absence policy. The average sick absence per head in 2011-12 was 4.55 days (2010-11 4.15 days). We have a small number of long term sickness absence cases that have had an impact on these figures.

Equal Opportunities and Diversity

GAD is fully committed to providing equal opportunity for all staff, regardless of colour, nationality, ethnic origin, religion, gender, sexual orientation, age, marital status or trade union affiliation. Our aim is that the Department should reflect a diverse, modern society at all levels both to bring in and bring on talent. Throughout the year, the GAD management team entered into regular dialogue with the recognised trade union on matters affecting staff.

Disabled Persons

As GAD is committed to providing equal opportunities for all staff, disability is not a bar to recruitment or advancement in the Department. The Department observes good practice in the areas of employment particularly relevant to staff with disabilities and provides all necessary facilities.

Information for Staff and Communications Policy

GAD keeps all members of staff informed of changes in and affecting the Department. We operate an intranet site that is regularly updated with policy and guidance. Regular e-mails, Office Notices and updates of other general Departmental information are also used. There are a number of operating committees under the Management Board to encourage direct staff input into Departmental decision making.

Learning and Development

GAD has always recognised that people are its most important resource and that training and development are crucial to the Department's continued success. GAD sources training from external suppliers together with internal job training, coaching and mentoring. GAD also sponsors staff taking a number of different professional exams (including actuarial and accountancy disciplines) and operates a staff mentoring scheme for trainees. The training provision includes Continuing Professional Development (CPD) for our professional staff, personal development and leadership and programmes of study leading to professional qualifications at appropriate levels. GAD seeks to develop staff to an appropriate level, so that they can perform as effectively as possible.

Social and Community Issues

GAD has not yet formalised its policies on social and community issues. However, staff may be granted special leave to carry out public duties, such as serving as a school governor or justice of the peace. Requests from staff for time off to undertake volunteering activities are considered on a case by case basis.

Health & Safety Reporting

Under the Health and Safety Commission's Revitalising Health & Safety Strategy all public bodies are required to summarise their health and safety performance and plans in their annual reports.

GAD recognises that effective management of health and safety can assist the department in delivering an efficient service to its clients.

GAD staff are all office based, so the main H&S risks are based around the office environment and working practices. GAD has agreed policies and procedures in place to underpin a safe working environment.

During 2011-12:

- No reportable accidents occurred during 2011-12;
- A fire risk assessment of the building was carried out in December 2011 to audit GAD's legal compliance against the Regulatory Reform (Fire Safety) Order 2005;
- Risk Assessments were carried out on expectant mothers and new mothers returning to work;
- All new starters to the department received a health & safety induction informing them of the Department's health & safety arrangements and procedures and DSE Assessment of their workstation;
- GAD continued to maintain a positive relationship with Prospect, the recognised trade union at GAD, on all aspects of H&S by - liaising with the safety representative on safety issues, helping to raise awareness of H&S and securing greater involvement from staff on all health and safety matters arising.

Sustainability Reporting

Commentary on Sustainability Performance

The Department is committed to integrating sustainability across its operations to support the UK Government Sustainability Development Strategy. As a small department with less than 250 staff GAD is not required to report its sustainability performance in the annual report in accordance with HM Treasury Public Sector Annual Reports: Sustainability Reporting. As a matter of good practice, GAD is voluntarily reporting, following the guidance where practical to do so.

Summary of Performance

GAD's objectives & targets are based on the Greening Government Commitments: Operations and Procurement (GGCOPs). These targets concentrate on Climate Change Management, Waste Reduction and Natural Resources (water) protection. The targets set out how GAD plans to deliver reductions in CO₂ emissions from building energy use through efficient use of accommodation and IT, how waste will be diverted away from landfill via methods based on the waste hierarchy principle and to manage the consumption of water.

Area	2011 -12* Performance	2010 -11 Performance
Carbon dioxide (CO ₂) emissions	191.28 tCO ₂ e	231.57 tCO ₂ e
CRC license expenditure	£1,290.00	£2,240.00
Electricity consumption	287575 kWh	346344 kWh
Gas consumption	192239 kWh	237951 kWh
Total energy consumption	479814 kWh	584295 kWh
Electricity expenditure	£27,752.40	£32,597.32
Gas expenditure	£8,370.73	£9,852.00
Total energy expenditure	£36,123.13	£42,449.32
Water consumption	880m ³	1,666m ³
Water expenditure	£1,858.88	£3,065.00
Waste – landfill	3.4 tonnes	6.59 tonnes
Waste – Recycled	14 tonnes	14.95 tonnes
Waste – composted	1.2 tonnes	0.00 tonnes
Total waste	18.6 tonnes	21.54 tonnes
Waste expenditure	£7,055.37	£8,163.00

** Part of the building was unoccupied during 2011-12*

Greenhouse Gas Emissions

The main areas of energy consumption in GAD are lighting, heating & cooling and use of office IT equipment. GAD has set a target to reduce Greenhouse Gas emissions by 4% year-on-year to 2020 to meet the GGCOP target to reduce Greenhouse Gas emissions by 34% against 2009-10 levels. GAD's CO₂ emissions fell by 17.4% between 2010-11 and 2011-12. This was due to investment in energy saving infrastructure and tighter controls on heating and cooling. GAD plans to introduce printer rationalisation, server virtualisation and L.E.D. lighting into its accommodation in 2012-13 which will help to make further reductions in CO₂ emissions.

Waste

Our office waste typically comprises of paper, cardboard, food and drink and its packaging. In October 2011 GAD introduced mixed recycling points and removed desk bins to help increase the amount of waste recycled. GAD reduced the amount of waste sent to landfill by 48% and all waste is now either sent for recycling, composting or energy recovery and none to landfill. GAD reduced the overall amount of waste produced by 2.94 tonnes and going forward we plan to make further reductions of overall waste produced

through the re-use of equipment; encouraging double sided printing and re-use of scrap paper to meet the GGCO target to reduce generated waste by 25% from a 2009-10 baseline.

Use of Resources

Water use is limited to drinking, hygiene (toilets & shower etc) and cleaning. Figures for both years are based on the best data available provided by the water supplier. For 2011-12 GAD had a water consumption of 6.7m³ per full time equivalent. A target has been set to reduce this consumption figure to between 4m³ and 6m³ by 2015. To achieve this GAD aims to make better use of existing instant hot water systems and to ensure a robust maintenance system is in place to identify and repair leaks.

Sustainable Procurement

Procurement is carried out through the Government Procurement Services web portal, using suppliers that demonstrate sound environmental responsibilities. The Government Buying Standards for sustainable procurement are applied when procuring office & IT equipment.

Environmental Management System

In 2008 GAD gained ISO14001 accreditation for its Environmental Management System (EMS). GAD can:

- Identify the impacts it makes on the environment through its activities
- Record and monitor environmental data
- Set objectives and targets against (i) the key impact areas and (ii) the operational procedures to meet the targets
- Identify relevant environmental legislation, regulations or other related guidance or requirements related to the business.

Auditor

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2011-12 was £59,000 (2010-11: £55,000). No fees, either actual or notional, were incurred for non-audit work (2010-11: £nil).

The Accounting Officer confirms that:

- as far as he is aware, there is no relevant audit information of which our auditors are unaware;
- he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information; and
- he has taken all the steps that he ought to establish that our auditors are aware of that information.

Trevor Llanwarne
Government Actuary
Accounting Officer

DATE: 26 June 2012

Remuneration Report

Remuneration Policy

The current head of the Department was appointed through an open competition run by HM Treasury and has been in the post since 1 May 2008. The appointment was made following the general rules for Senior Civil Service Appointments and was initially for a period of five years which has been extended until 30 April 2014. The appointment may only be terminated in accordance with the Civil Service Management Code. The Deputy Government Actuary and Head of Actuarial Operations is automatically a member of the Management Board.

The pay of the Government Actuary is determined on an annual basis, under agreed arrangements with the Permanent Secretary of HM Treasury. The determination of the pay of the remaining senior staff has been formally delegated to the Government Actuary, and is subject to the annual pay negotiation arrangements for GAD staff.

Under his contract, and based on a very good year for the Department, the Government Actuary was entitled under his contract to a bonus of £45,000. However, in line with Civil Service practice he has agreed for this to be reduced to a bonus of £17,500 relating to the performance year to 31 March 2012. Further, in order to put himself in the same net position as the generality of staff with a standard bonus, he has determined to pay the remaining net bonus after relevant deductions to charity (Cancer Research UK and Help for Heroes). The standard bonus is to be confirmed and is expected to be around £700 gross. He originally suggested that he receive a bonus of this amount with GAD paying the money to charity but this proved unworkable for tax and accounting reasons.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Termination outside normal contract provisions, 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 Commission can be found at www.civilservicecommission.org.uk

Disclosure of salary, pension and compensation information for 2011-12

The following sections provide details of the remuneration and pension interests of the Management Board members of the Department. These details are shown in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury and are subject to audit.

Included in the table is the remuneration of the Non-Executive Directors (NEDs) the Government Actuary's Department has appointed on the Management Board and the Audit Committee. The NEDs receive no emoluments except for fees of £500 per day of service plus their travelling expenses (Note 6 contains further details). Also included are three new non executive positions (Interim Actuarial Directors) to the board. The holders of these positions are Chief Actuaries who head various actuarial teams. These posts are for a 15 months period (ending 31st December 2012) when the current holders will stand down and be replaced by three different Chief Actuaries.

	2011-12				2010-11		
	Salary £000	Bonus Payments £000	Benefits in Kind		Salary £000	Bonus Payments £000	Benefits in Kind
Trevor Llanwarne * <i>Government Actuary</i>	190-195	15-20	-	Trevor Llanwarne <i>Government Actuary</i>	190-195	0-5	-
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	140-145	0-5	-	George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	140-145	0-5	-
Colin Wilson <i>Head of Technical (from 1 April)</i>	140-145	0-5	-	Edward Battersby <i>Head of Technical (until 31 March)</i>	145-150	0-5	-
William Rayner** <i>Client Relations and Development Director (until 9 November)</i>	85-90	0-5	-	William Rayner <i>Client Relations and Development Director</i>	135-140	0-5	-
Stephen Humphrey <i>Interim Actuarial Director (from 1 October)</i>	130-135	0-5	-		-	-	-
Ian Boonin <i>Interim Actuarial Director (from 1 October)</i>	130-135	0-5	-		-	-	-
Dermot Grenham*** <i>Interim Actuarial Director (from 1 October)</i>	90-95	0-5	-		-	-	-
Kevin Down <i>Director of Finance</i>	65-70	0-5	-	Kevin Down <i>Director of Finance</i>	65-70	0-5	-
Simon Bancroft- Rimmer**** <i>Director of Personnel</i>	45-50	0-5	-	Simon Bancroft- Rimmer <i>Director of Personnel</i>	60-65	0-5	-
				Jan Smith <i>Non-executive Director (until 15 December)</i>	5-10	-	-
Jane May ***** <i>Non-executive Director</i>	10-15	-	-	Jane May <i>Non-executive Director (from 15 December)</i>	5-10	-	-
Alex Jablonowski ***** <i>Non-executive Director</i>	5-10	-	-	Alex Jablonowski <i>Non-executive Director</i>	5-10	-	-
Band of highest paid employee's total remuneration (£000)		210-215		Band of highest paid employee's total remuneration (£000)		190-195	
Median total remuneration		£45,600		Median total remuneration		£45,300	
Ratio		4.6		Ratio		4.2	

* See third paragraph on page 22.

** William Rayner ceased to be a member of the Management Board with effect from 9th November 2011 due to moving to a new job role in the Department.

*** Dermot Grenham works part-time. His full time equivalent salary is in the range £110K-£115K

**** Simon Bancroft- Rimmer works part-time. His full time equivalent salary is in the range £60K-£65K

***** Jane May received higher remuneration than Alex Jablonowski because she carried out additional work. Both are paid the same daily fee rate.

Salary

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

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in GAD in the financial year 2011-12 was £210K-£215K (2010-11, £190K-£195K). This was 4.6 times the median remuneration of the workforce, which was £46,375 (2010-11, 4.2 times the median of £45,600).

No employee in GAD received remuneration in excess of the Government Actuary.

The remuneration includes salary but does not include employer pension contributions and the cash equivalent transfer value of pensions.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No payments of this kind were reported in respect of Board Members in the accounting period.

Bonuses

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 for the Government Actuary in 2011-12 relate to performance in 2011-12 and the comparative bonuses reported for 2010-11 relate to the performance in 2010-11.

Pension Benefits

	Accrued pension at age 65 at 31/3/12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/12	CETV at 31/03/11 ²	Real increase in CETV
	£000	£000	£000	£000	£000
Trevor Llanwarne <i>Government Actuary</i>	15-20	2.5-5.0	271	191	60
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	35-40	0-2.5	543	474	26
Colin Wilson ³ <i>Head of Technical</i>	10-15	2.5-5.0	152	109	32
William Rayner ⁴ <i>Client Relations and Development Director</i>	5-10	0-2.5	128	96	26
Stephen Humphrey ⁵ <i>Interim Actuarial Director</i>	25-30 Plus lump sum of 80-85	0-2.5 Plus lump sum of 0-2.5	432	411	10
Ian Boonin ⁵ <i>Interim Actuarial Director</i>	20-25 Plus lump sum of 65-70	0-2.5 Plus lump sum of 0-2.5	394	361	12
Dermot Grenham ⁵ <i>Interim Actuarial Director</i>	5-10	0-2.5	74	63	10
Kevin Down <i>Director of Finance</i>	15-20 Plus lump sum of 55-60	-2.5 - 0 Plus lump sum of -2.5 - 0	273	253	-2
Simon Bancroft-Rimmer <i>Director of Personnel</i>	20-25 Plus lump sum of 60-65	-2.5 - 0 Plus lump sum of -2.5 - 0	313	294	-7

1. Some board members may receive Annual Allowance tax charges as a result of pension accrual during the accounting period. No allowance has been made for any consequential benefit reductions that may arise if these members opt to meet their liability to pay this Annual Allowance charge through a reduction of their pension benefits.
2. The actuarial factors used to calculate CETVs were changed during 2011-12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.
3. Colin Wilson became a member of the Management Board on 1st April 2011.
4. William Rayner left the Management Board on 9 November 2011. The figures above reflect the period when he was a member of the Management Board.
5. Stephen Humphrey, Ian Boonin and Dermot Grenham became members of the Management Board on 1 October 2011. The figures above reflect the period when they were members of the Management Board.

Civil Service Pensions

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 the benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of $1/80^{\text{th}}$ of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of $1/60^{\text{th}}$ of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pension Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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:

<http://www.civilservice.gov.uk/pensions>

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

No compensation was paid for loss of office in 2011-12 (£nil in 2010-11).

Trevor Llanwarne

Government Actuary

Accounting Officer

Date: 26 June 2012

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Government Actuary's Department to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Government Actuary's Department at the year end and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Government Actuary's Department. 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 the Government Actuary's Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

Governance Statement

GAD is non-Ministerial Department and is one of the Chancellor's Departments. The Financial Secretary to the Treasury, Mark Hoban MP, has Ministerial responsibility for the Department. No remuneration is payable by the Department to the Minister and the Department has no Special Advisers. GAD is not responsible for any arms length bodies.

The position of Government Actuary, the permanent head of the Department and Accounting Officer, has been held by Trevor Llanwarne since May 2008.

GAD has established the following governance arrangements:

- The Management Board usually meets each month (except for August). The Board focuses on the overall strategic management of the Department. It ensures the appropriate management of the risks that face the Department and takes decisions on key high level issues. Day-to-day operational issues are delegated to the Head of Actuarial Operations, the Support Operations Committee and the Technical Committee. The Board includes two Non-Executive Directors.
- An Audit Committee, chaired by a Non-Executive Director meets at least quarterly and reports directly to the Accounting Officer and the Management Board. The chair provides an annual report on the work of the Audit Committee to the Accounting Officer.
- The Leadership Group consists of the Management Board, Chief Actuaries and Senior Consulting Actuaries and is responsible for setting the tone and direction of the Department.
- The Support Operations Committee (SOC), chaired by the Director of Finance, deals with administrative operational issues. The Director of Finance is also responsible for Accommodation, Information Technology, Security and Information Assurance issues, reporting directly to the Accounting Officer. The Information Security Forum and IT user group report to the SOC.
- Professional and technical matters are overseen by the Technical Director who reports directly to the Accounting Officer.
- The Head of Actuarial Operations oversees the resourcing of the actuarial teams and the delivery of advice to clients, reporting directly to the Accounting Officer.
- The Human Resources Director is responsible for people issues, reporting directly to the Accounting Officer.
- There are six teams covering the UK public service and wider public sector pensions plus pensions policy. Three further teams cover social security, overseas pensions and insurance, and investment and risk. GAD also has a small office in Edinburgh to service GAD's Scottish clients which is the tenth team. Each of these teams is headed by a Chief Actuary.

Corporate Governance Code

The focus of the Code is on ministerial departments. Smaller departments are encouraged to adopt the practices set out in the Code wherever this is relevant and practical. The Code has been discussed by the Management Board but a formal assessment of GAD's compliance has not been completed. During the year the Management Board agreed its remit which includes a set of operating principles. The first review of the Board's effectiveness under this remit is planned for Autumn 2012. This review will include an assessment of which parts of the Code are relevant and practical for GAD to adopt.

The Board supports the Government Actuary (GA) as head of all professional and technical matters in GAD and as Accounting Officer for GAD in the discharge of his accountabilities and responsibilities through the remit described below.

Principle 1 – the remit of the Board covers strategic direction

- > Approve the Department's overall strategy, mission, vision and values and any amendments from time to time
- > Oversee strategy implementation
- > Approve major change programmes

Principle 2 – the remit of the Board covers effective use of resource and performance

- > Approve the annual business plan for the Department and the key component elements as set out in the strategy
- > Oversee business plan implementation and performance on an advisory, supervisory, support and challenge basis of the relevant accountable individual(s)

Principle 3 – the remit of the Board covers strategic risk

- > Identify, assure, monitor and advise on strategic risk(s) as affect the Department and its effective management

Principle 4 – the remit of the Board covers other decisions and advice

- > Take decisions on any other matters as given to the Management Board to decide
- > Give advice on any other matters as requested or as it feels appropriate to give
- > Approve changes to this remit subject to appropriate consultation

Principle 5 – the governance of the Board will operate as follows:

- > Appointment of Board members and structure of Board is a GA decision
- > Decisions all require GA support
- > Aim for collective decision making
- > No joint and several responsibility but members will support all decisions and actions
- > Quorum (GA or nominated deputy + 1 Non-executive Board Member + 2 other Executive members + 1 Interim Actuarial Director)
- > Chairman (can be rotated)
- > Annual review (Outcome-based, linked to GAD performance)

The key drivers in developing the remit as above were:

- > The remit to be a statement of current understanding of how GAD's Management Board operates, which will be revisited at each Board effectiveness review
- > Recognition of the unique position of GAD and the Government Actuary (GA)
- > To preserve (and improve upon) GAD as a highly respected and high-performing Department with long-term sustainability
- > To be consistent with the letter and spirit of the GAD strategy
- > To meet all GA, Professional, legislative and Accounting Officer (AO) responsibilities and requirements
- > Recognition of the important link to HM Treasury (HMT) and our membership of the HMT family

The Management Board was chaired by Trevor Llanwarne. The other members of the Management Board during the year were:

George Russell	Deputy Government Actuary & Head of Actuarial Operations
William Rayner	Sales, Marketing & Client Relations and Development Director (until November 2011)
Colin Wilson	Technical and Service Range Director
Kevin Down	Director of Finance and Support Operations
Simon Bancroft-Rimmer	Director of Human Resources
Ian Boonin	Interim Actuarial Director (from October 2011)
Dermot Grenham	Interim Actuarial Director (from October 2011)
Steve Humphrey	Interim Actuarial Director (from October 2011)
Alex Jablonowski	Non-Executive Director
Jane May	Non-Executive Director

As part of the new strategy and with the principles of streamlining, creating career opportunities and improving representation, the Management Board's composition was changed to reduce the number of Executive Directors and introduce three new Interim Actuarial Directors (IADs), drawn from the GAD leadership group.

Attendance at Management Board meetings in 2011-12

Number of meetings	11
Number of meetings attended by:	
Trevor Llanwarne	11
George Russell	11
Colin Wilson	11
William Rayner	2
Kevin Down	10
Simon Bancroft-Rimmer	6
Ian Boonin	5
Dermot Grenham	6
Steve Humphrey	6
Alex Jablonowski	10
Jane May	11

Audit Committee

GAD's Audit Committee has two posts which are filled by Non-Executive Directors, Alex Jablonowski (Chairman) and Jane May. The Government Actuary, Director of Finance, External Auditors and Internal Auditors are invited to attend the Committee, which meets at least quarterly.

Attendance at Audit Committee meetings in 2011-12

Number of meetings	5
Number of meetings attended by:	
Alex Jablonowski (Chairman) (NED)	5
Jane May (NED)	5
Other Attendees	
Accounting Officer	5
Director of Finance	5
Internal Audit	5
External Audit	5

Risk Management

It is GAD's policy to identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to reduce our risk exposure to an acceptable level.

GAD aims to:

- > Not take unnecessary risks which can cause failure of the Department (see below) and subject to this, the subsidiary aims are
- > Implement effective risk management as a key element of good governance;
- > Consider risk as an integral part of corporate and business planning and service delivery;
- > Encourage considered and responsible risk taking as a legitimate response to opportunity and uncertainty;
- > Achieve better outcomes for GAD through a more realistic assessment of the challenges faced, through improved decision-making and targeted risk mitigation and control;
- > Engender, reinforce and replicate good practice in risk management.

The Management Board has agreed that GAD's tolerance for risk depends on the nature of the risk and has agreed that risks should be assessed, and prioritised, so that any mitigation can be targeted at the risks which are potentially the most damaging. The risks are classified as follows:

Failure risks which could cause failure (where failure is defined as the occurrence of a damaging event which, were it to happen, could easily provide just cause for Government [independent of any general strategic review] to make fundamental changes to GAD, even sell it off). The mitigation of failure risk is a top priority and is focussed on minimising the likelihood.

Material risks which are not defined as failure risks, but events which – were they to happen – would have a material prejudicial impact on GAD's ability to:

- meet financial targets;
- maintain successful client relationships; and
- maintain a good reputation (as judged by clients, potential clients, the actuarial profession and the public).

For each of these risks GAD is risk averse, and emphasis is given to their mitigation.

Other monitored risks which are neither failure nor material risks, but which nevertheless merit regular assessment in the risk register.

Other minor risks (not warranting regular assessment in the risk register), but which might arise from time to time. GAD will take a view on a case by case basis, and mitigate the risk, or not, as necessary in a pragmatic and cost effective way.

2011-12 Review

GAD carried out a self assessment using the Treasury's "Managing Risk of Financial Loss" toolkit and found no significant control weaknesses. The Fraud Policy was updated and re-issued to all staff to include the provisions of the Bribery Act that came into force on 1 July 2011. There were no incidents of fraud or bribery during the year.

The Information Security Forum met regularly and continued to use the Information Assurance Maturity Model to demonstrate GAD's compliance with all the mandatory measures of the Government's Data Handling Review.

Business Continuity Plans were revised and tested.

GAD staff took part in the Civil Service People Survey and GAD received an overall engagement index rating of 67% which compares favourably with the Civil Service average of 56% and was equal ninth highest score of the 97 organisations taking part. Full survey results are published in the Transparency section of our website (www.gad.gov.uk).

GAD sources its Internal Audit through a shared service provided by the Department for Communities and Local Government. An Audit Charter was agreed which sets out how the Internal Audit Service provides the Accounting Officer, through the Audit Committee, with assurance on the adequacy and effectiveness of the risk management, control and governance arrangements in the Government Actuary's Department.

Internal Audit carried out reviews to provide assurance on the risk management and governance

framework, HR, Finance and IT key controls, GAD's self-assessment against the Treasury toolkit, compliance with the Security Policy Framework and a post-implementation review of the new pension valuation system.

The annual report by the Head of Internal Audit gave a substantial assurance on the effectiveness and efficiency of GAD's governance, risk management and control mechanisms. This report is supplemented by a formal system of assurance statements from all senior executive managers.

Given these assurances I consider GAD's internal control, risk management, governance and assurance frameworks are effective and appropriate to the size and nature of the Department.

Trevor Llanwarne
Government Actuary
Accounting Officer

DATE: 26 June 2012

Government Actuary's Department 2011-12**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the Government Actuary's Department for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive and Director of Savings, 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 Resources and Accounts Act 2000. 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 the Government Actuary's Department and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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 Statement of Parliamentary Supply properly presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and

- 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 the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of Government Actuary's Department as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 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 Resources and Accounts Act 2000; and
- the information given in 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

Date 28 June 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Government Actuary's Department: Annual Accounts as at 31 March 2012

The annual accounts for the Government Actuary's Department comprise:

- a Statement of Parliamentary Supply
- b Statement of Comprehensive Net Expenditure
- c Statement of Financial Position
- d Statement of Cash Flows
- e Statement of Changes in Taxpayers' Equity
- f Notes to the Department annual accounts

Statement of Parliamentary Supply

Summary of Resource Outturn 2011-12

£000	Note	2011-12			2010-11
		Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
		Voted	Voted		Total
Departmental Expenditure Limit					
- Resource	2	31	(934)	965	625
- Capital	2	336	309	27	283
Total		367	(625)	992	908
Annually Managed Expenditure					
- Resource	2	(333)	(1,210)	877	4,708
- Capital	2	-	-	-	-
Total Budget		34	(1,835)	1,869	5,616
Non-budget					
- Resource		-	-	-	-
Total		34	(1,835)	1,869	5,616
Total Resource		(302)	(2,144)	1,842	5,333
Total Capital		336	309	27	283
Total		34	(1,835)	1,869	5,616

Net cash requirement 2011-12

Note	2011-12	2011-12	2011-12	2010-11
	Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
4	428	(1,590)	2,018	1,483

Administration Costs 2011-12

Note	2011-12	2011-12	2010-11
	Estimate	Outturn	Outturn
3	(31)	(1,386)	533

Explanations of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary.

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

					2011-12 £000	2010-11 £000 (Restated*)
	Note	Staff Costs	Other costs	Income		
Administration costs:						
Staff costs	6	10,306			10,306	10,395
Other administration costs	7		3,785		3,785	4,423
Operating income	8			(15,477)	(15,477)	(14,190)
Programme expenditure:						
Staff costs	6	-	-	-	-	-
Other administration costs	7	-	(758)	-	(758)	4,705
Operating income	8	-	-	-	-	-
Totals		10,306	3,027	(15,477)	(2,144)	5,333
Net Operating Cost as at 31 March 2012		10,306	3,027	(15,477)	(2,144)	5,333

Other Comprehensive Net Expenditure

	Note	2011-12 £000	2010-11 £000
Net (gain)/loss on:			
- revaluation of property, plant & equipment	9	(28)	-
- revaluation of Intangibles	10	-	-
Total comprehensive expenditure at 31 March 2012		(2,172)	5,333

* Operating income was restated in 2010-11 to include movement of work in progress (previously as a separate item of expenditure)

Statement of Financial Position

As at 31 March 2012

£000		2012	2011 (Restated*)
	Note	31 March	31 March
Non-current assets:			
Property, plant and equipment	9	1,008	873
Intangible assets	10	260	252
Total non-current assets		1,268	1,125
Current assets			
Work in Progress	13	379	758
Trade and other receivables	14	3,403	3,659
Cash and cash equivalents	15	1,710	394
Total current assets		5,492	4,811
Total assets		6,760	5,936
Current liabilities			
Trade and other payables	16	(3,178)	(1,685)
Provisions (due within one year)	17	(376)	(428)
Non-current assets plus/less net current assets/liabilities		3,206	3,823
Non-current liabilities			
Trade and other payables	16	(1,182)	(1,282)
Provisions (due after one year)	17	(4,024)	(5,182)
Total non-current liabilities		(5,206)	(6,464)
Assets less liabilities		(2,000)	(2,641)
Taxpayers equity:			
General fund		(2,028)	(2,641)
Revaluation reserve		28	-
Total equity		(2,000)	(2,641)

* Provisions were restated in 2010-11 to separate current liabilities from non-current liabilities (total remains unchanged).

Trevor Llanwarne
Government Actuary,
Accounting Officer

Date: 26 June 2012

Statement of Cash Flows

For the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities			
Net operating surplus/(cost)		2,144	(5,333)
Adjustments for non-cash transactions	7	(505)	5,099
(Increase)/Decrease in trade and other receivables	14	256	(191)
(Increase)/Decrease in work in progress	13	379	(320)
Increase/(Decrease) in trade payables	16	177	(265)
Increase/(Decrease) in trade payables falling due in more than one year	16	(100)	(98)
Use of Provisions	17	(452)	(92)
Net cash inflow/(outflow) from operating activities		1,899	(1,200)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(230)	(144)
Purchase of intangible assets	10	(79)	(139)
Net cash outflow from investing activities		(309)	(283)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year	4	120	-
From the Consolidated Fund (Supply) – prior year		-	1,987
Advances from the Contingencies Fund		-	2,400
Repayments to the Contingencies Fund		-	(2,510)
Net financing		120	1,877
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		1,710	394
Payments of amounts due to the Consolidated Fund		(394)	(44)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		1,316	350
Cash and cash equivalents at the beginning of the period	15	394	44
Cash and cash equivalents at the end of the period	15	1,710	394

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

	Note	General Fund	Revaluation Reserve	Total Taxpayers' equity
		£000	£000	£000
Balance at 31 March 2010		1,044	-	1,044
Net Parliamentary Funding draw down		1,987	-	1,987
Net Parliamentary Funding – deemed		-	-	-
Supply payable /(receivable) adjustment	16	(394)	-	(394)
CFERS payable to the Consolidated Fund	16	-	-	-
Comprehensive Net Expenditure for the Year		(5,333)	-	(5,333)
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	7	55	-	55
Balance at 31 March 2011		(2,641)	-	(2,641)
Net Parliamentary Funding draw down		120	-	120
Net Parliamentary Funding – deemed		-	-	-
Supply payable /(receivable) adjustment	16	(1,710)	-	(1,710)
CFERS payable to the Consolidated Fund	16	-	-	-
Comprehensive Net Expenditure for the Year		2,144	-	2,144
Net (gain)/loss on:				
revaluation of property, plant & equipment	9,10	-	28	28
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	7	59	-	59
Balance at 31 March 2012		(2,028)	28	(2,000)

Annual Report and Accounts 2011-12

Notes to the Departmental Annual Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Government Actuary's Department (GAD) for the purpose of giving a true and fair view has been selected. The particular policies adopted by GAD are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under the FReM, the Department is also required to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets. Revaluation is based on published indices, which are applied to the appropriate assets at each year end.

1.1aa Administration expenditure

Administration costs reflect the cost of running GAD as defined under the Administration Cost Control regime.

1.1ab Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

1.1ac Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.2 Property, Plant and Equipment

Fitting out costs - Leasehold Property

The Department moved into leasehold premises on 24 July 2003. The fit-out costs were capitalised in the financial year 2003-04 and will be amortised over an effective life of 20 years from 24 June 2004 – being the date of practical completion of the property. Subsequent fit-out costs which enhance the building will be amortised over an effective life of 10 years. Fit-out costs are valued at fair value.

Computer Equipment and Office Furniture

Computer Equipment and Office Furniture valuations are based on the Department's estimate of their current valuation, taking into account appropriate indices. The minimum level for capitalisation of fixed assets is £1,000. Similar assets purchased in the same month will be grouped for the purpose of assessing whether they meet the capitalisation threshold. Computer equipment with values less than £1,000 are capitalised if they significantly enhance a previously capitalised asset and are easily identifiable. Office Furniture does not have a minimum level of capitalisation, provided that the small value items are similar to those of the larger purchases.

1.3 Intangible Assets

Computer software

Computer software and its associated consultancy costs having a minimum value of £1,000 are capitalised. The cost of such software is amortised over its expected useful life. Computer software valuations are based on the Department's estimate of their current valuation, taking into account appropriate indices. An item less than £1,000 may be capitalised if it significantly enhances a previously capitalised asset and is easily identifiable.

1.4 Depreciation and amortisation

Depreciation and amortisation is provided at rates calculated to write off the valuation of tangible and intangible fixed assets by equal instalments over their estimated useful lives. Depreciation periods adopted are as follows:

Leasehold improvements	10 – 20 years
Information Technology	3 – 4 years
Furniture & Fittings	10 years
Intangible Assets	4 – 8 years*

* Some individual software packages are depreciated on a longer or shorter life span – dictated by the expected useful life of the system. Items that have a determinable lifespan (such as software licences) will have a lifespan equal to that of the licence itself.

1.5 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the time of the transaction. All currency gains or losses are taken into the Statement of Comprehensive Net Expenditure. Losses are recorded under "Other Costs", while gains are recorded as part of Income. The Department's functional currency and presentation currency is sterling.

1.6 Leases

GAD has an operating lease in respect of its Finlaison House premises and a 3-month renewable contract for its Scottish Office. GAD's commitments are disclosed in note 18.

Accommodation lease of Finlaison House

Due to the length of the contract, 20 years, the annual rent increases are effectively an attempt to account for inflation (the rent increases by 2.47% per year), and thus in real terms are the same each year. Due to the amount of inflation one can expect in 20 years, adding up all the nominal rents and dividing by 20 would overstate costs in real terms in earlier years of the contract, and understate it in later years. Therefore recognising simply the liability incurred each year is appropriate. Cash back is, however, apportioned on a straight line basis.

1.7 Work-in-Progress

Work-in-Progress (WIP) is valued at the lower of cost (including appropriate overheads, multiplied by the number of rechargeable hours booked through the time recording system and not already charged to clients) or recoverable value. Information as to the value of work-in-progress is collected through the accounts system. Work is generally billed monthly, or in some cases on completion or at agreed break-points and therefore the work in progress total is the value of incomplete work outstanding at 31 March 2012.

1.8 Operating Income

Operating income is shown net of value added tax and comprises receipts from actuarial services provided, together with income from the sub-letting of spare accommodation in our leasehold property.

1.9 Provisions

a. Onerous Lease

The department is obligated to meet a 20 year's leasehold contract on the building it has occupied since 2003. A provision has been made for the expected departure of the current tenant (Ministry of Defence) in June 2014 (third floor) and June 2015 (fourth floor). The Human Tissue Authority (HTA) vacated the second floor in March 2011 and this has subsequently been let on the open market at a rent level below the rent GAD is contractually required to pay. The provision is based on expected lease terms, length of lease, rent levels, rent reviews and rent free periods based on current market conditions for this type of rental property as advised by the Government Property Service (GPS) and independent property agents. The provision is discounted at the rate of 2.8%. The onerous lease provision covers 3 floors of Finlaison House.

Key sources of estimation uncertainty:

In addition to the factors set out above, the quantification of the provision is based on assumptions made by the Management Board on the likelihood of finding suitable tenants at appropriate times to match the coming availability of the office accommodation. The provision is estimated taking into account the prevailing market conditions and an appreciation of current property rental prices, based on advice provided both by GPS and independent property agents. Notwithstanding these assumptions, there is a degree of uncertainty as to when new tenants will be found, though GAD will actively seek both public sector and private sector interest at the appropriate time.

b. Provisions for Early Departure Costs

GAD is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments. Future provisions are not discounted as the difference is immaterial.

c. Other provisions

The only other provision relates to a claim under the Civil Service Injury Benefit Scheme (CSIBS). A former GAD employee was awarded an initial interim award through the CSIBS. Upon taking early (medical) retirement the interim award was converted to a final award. The applicant had twelve months to appeal against the value of the final award. That period ended in December 2011 and the final award is confirmed. The final award funded by the provision is discounted at the pensions discount rate of 2.8%.

1.10 Value Added Tax

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

1.11 New standards, amendments and interpretations to existing standards that have been adopted by GAD

The following sections of the FReM have been amended and are mandatory for GAD's accounting period beginning 1 April 2011 or later periods, which GAD has now adopted:

Chapter 3, "Parliamentary Accountability". In preparation of the Statement of Parliamentary Supply, GAD has adopted FReM 3.2.2, a comparison of outturn against the Supply Estimates voted by Parliament in respect of each budgetary control limit, showing the net resource expenditure and net capital expenditure for both Departmental Expenditure Limit (DEL) and Departmental Annually Managed Expenditure (AME) budget classifications.

Administration costs is also presented in the Statement of Parliamentary Supply, with Note 3 as a reconciliation of outturn to net operating cost and against Administration Budget according to FReM 3.2.7

Chapter 10, "Other assets and liabilities", IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Provisions are presented in both Current Liabilities and Non-current liabilities as some of the provisions are expected to be utilised within 12 months

IAS 18, "Revenue". This standard is expected to be in force after 2014 which GAD has adopted, as to recognise Movement in Work in Progress as part of the total revenue in the Statement of Comprehensive Net Expenditure.

IFRS 8, Segmental Reporting. Under the definitions of IFRS 8, GAD is an entity with a single reportable segment. GAD's financial planning and internal reporting is based on GAD being one single entity. The function of "chief operating decision maker", as defined by IFRS 8 is exercised by GAD's Management Board. Financial information that is required by the Management Board to make decisions about planning, resource allocation and fee-setting as well as monitoring of performance is reported on a GAD-wide basis. Accordingly, GAD complies with the entity-wide reporting requirements of IFRS 8, specifically income information about products and services, geographical areas and major customers (note 8). There are no non-current assets that need to be reported on a geographical basis.

IAS 1, "Presentation of the financial statements". This standard became effective on 1 June 2012. This standard requires items of Other Comprehensive Income to make clearer the impact of items that may affect net operating costs in future periods. As this standard is still to be reviewed by HM Treasury the impact on the Government Actuary's Department is still to be determined.

IFRS 13, "Fair Value Measurement". This standard has not yet been adopted in the EU but is expected to be in force before its effective date of 1 January 2013. The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. As this standard is still to be reviewed by HM Treasury the impact on the Government Actuary's Department is still to be determined.

No other standards or amendments published but not in force are expected to have any impact on GAD's Annual Accounts.

1.12 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the Department or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled. Further information can be found on the HM Treasury website: www.hm-treasury.gov.uk. Losses and special payments are disclosed in Note 20.

Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover had the Department not been bearing its own risks.

1.13 Employee benefits for annual leave carried forward

Annual leave that has been earned by employees but not taken at the year end is recognised in the financial statements within current liabilities (accrual of salary).

2. Net outturn

2.1 Analysis of net resource outturn at 31 March 2012

£000	2011-12								2010-11 Outturn	
	Outturn						Estimate			
	Administration			Programme			Total	Net Total	Net total compared to estimate - saving/ (excess)	Total
	Gross	Income	Net	Gross	Income	Net				
Spending in Departmental Expenditure Limit										
Voted: Administration	14,091	(15,477)	(1,386)	-	-	-	(1,386)	(421)	965	533
Voted: Use of Provision	452	-	452	-	-	-	452	452	-	92
Non-voted:	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure										
Voted: Losses on Revaluation	-	-	-	-	-	-	-	119	119	95
Voted: Provisions	-	-	-	(1,210)	-	(1,210)	(1,210)	(452)	758	4,613
Non-voted:	-	-	-	-	-	-	-	-	-	-
Resource Outturn	14,543	(15,477)	(934)	(1,210)	-	(1,210)	(2,144)	(302)	1,842	5,333

2.2 Analysis of net capital outturn

£000	2011-12					2010-11 Outturn
	Outturn			Estimate		
	Gross	Income	Net	Net	Net total compared to estimate - saving/ (excess)	Total
Spending in Departmental Expenditure Limit						
Voted: Administration	309	-	309	336	27	284
Voted: Use of Provision	-	-	-	-	-	-
Non-voted:	-	-	-	-	-	-
Annually Managed Expenditure						
Voted: Losses on Revaluation	-	-	-	-	-	-
Voted: Provisions	-	-	-	-	-	-
Non-voted:	-	-	-	-	-	-
Total	309	-	309	336	27	284

3. Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2011-12 £000 Outturn	2010-11 £000 Outturn
Total Resource Outturn in Statement of Parliamentary Supply	2	(2,144)	5,333
Net Operating Costs in Statement of Comprehensive Net Expenditure		(2,144)	5,333

3.2 Outturn against final Administration Budget and Administration net operating cost

	2011-12 £000	2010-11 £000
Estimate – Administration costs limit	31	655
Outturn – Gross costs	14,543	14,495
Outturn – Gross income	(15,477)	(13,870)
Outturn – net costs	(934)	625
Reconciliation to operating costs:		
Less: provisions utilised (transfer from programme)	(452)	(92)
Administration net operating cost	(1,386)	533

4. Reconciliation of Statement of Cash Flows to Net Cash Requirement

	Note	2011-12 £000	2010-11 £000
Net cash inflow/(outflow) from operating activities	from statement of cash flow	1,899	(1,200)
Net cash outflow from investing activities		(309)	(283)
Net cash requirement		1,590	(1,483)
From the Consolidated Fund (Supply) – current year		120	1,987
Less: Net flows relating to the Contingencies Fund		-	(110)
Amounts paid to Consolidated Fund		(394)	(44)
Increase in cash		1,316	350

5. Income payable to the Consolidated Fund

Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn 2011-12 £000		Outturn 2010-11 £000	
	Income	Receipts	Income	Receipts
Operating income outside the ambit of the Estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	1,710	-	394
Total income payable to the Consolidated Fund	-	1,710	-	394

6. Staff numbers and related costs

Staff costs comprise:

Administration			2011-12 £000	2010-11 £000
	Total	Permanently employed staff	Others *	Total
Wages and salaries	7,857	7,837	20	8,010
Social security costs	798	797	1	770
Other pension costs	1,651	1,651	-	1,666
Sub Total	10,306	10,285	21	10,446
Less recoveries in respect of outward secondments	-	-	-	(51)
Total net costs	10,306	10,285	21	10,395

* All non-executive directors.

Of the total, £nil relates to Programme costs (2010-11: £nil).

Of the total, £nil has been charged in capital (2010-11: £nil).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but GAD is unable to identify its share of the underlying assets and liabilities. The former Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2007. Details can be found in the Annual Accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

For 2011-12, employers' contributions of £1,651,000 were payable to the PCSPS (2010-11: £1,666,000) at one of four rates in the range 16.7 to 24.3 per cent (2010-11: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,880 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

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

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

		2011-12	2010-11
Total	Permanently employed staff		Total
129	129		132

6.1 Reporting of Civil Service other compensation schemes - exit packages

There were no exit packages awarded to any staff in GAD in 2011-12 (2010-11 – none).

7. Other Administration Costs

	Note	Administration	Programme	2011-12 £000	2010-11 £000
Operating lease: Rent of building		1,308	-	1,308	1,556
Office equipment		10	-	10	8
Rates and building service costs		715	-	715	708
Computer running costs		467	-	467	437
Training		195	-	195	272
Consultancy		189	-	189	169
Travel, subsistence and hospitality		158	-	158	89
Recruitment		146	-	146	142
Agency and other temporary staff costs		88	-	88	348
Subscriptions		88	-	88	104
Telecommunications		56	-	56	68
Stationery and publications		45	-	45	39
Photocopying		26	-	26	16
Internal Audit Fees		21	-	21	29
Other costs*		20	-	20	44
Non cash items:					
Provision for accommodation lease	17	-	(627)	(627)	4,788
Provision for injury benefits	17	-	(167)	(167)	(83)
Provision for Early Retirement	17	-	36	36	-
Depreciation and amortisation of fixed assets	9,10	196	-	196	235
Loss on revaluation of fixed assets	9,10	-	-	-	95
Loss on disposal of fixed assets	9,10	1	-	1	9
Auditors' remuneration	10	59	-	59	55
Other costs*		(3)	-	(3)	-
		3,785	(758)	3,027	9,128

* Other costs include a correction of an historic error on the balance of the sales ledger (£39,000) and an historic error on the fixed asset register (£3,000), both negative amounts (reducing the overall cost).

8. Income

Administration		2011-12 £000	2010-11 ** £000
		Total	Total
Government Departments		10,238	8,708
Of which receipts from:	Sub Tenants	766	1,149
	National Insurance Fund	583	705
Wider public sector, private sector and overseas		5,239	5,162
		15,477	13,870
Income by geographical locations -			
Within the UK		13,420	11,378
Attributed to all foreign countries *		2,057	2,492
		15,477	13,870
Income by types of work carried out –			
UK policy advice		2,020	2,384
Staff transfers		2,307	1,912
UK public service pensions		5,606	4,405
Other actuarial work		4,808	3,966
Rent and miscellaneous		736	1,203
		15,477	13,870

* Income from one particular client was £885,000 (5.6% of total income) (2010-11: £1,487,000)

** Excluding movement in work in progress in 2010/11

Of the total, £nil relates to programme income (2010-11: £nil)

9. Property, plant and equipment

Current year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2011	1,063	276	201	1,540
Additions	30	181	19	230
Disposals	(1)	(12)	(12)	(25)
Revaluations	46	-	3	49
At 31 March 2012	1,138	445	211	1,794
Depreciation				
At 1 April 2011	414	152	101	667
Charged in year	54	48	20	122
Disposals	-	(13)	(11)	(24)
Revaluations	20	-	1	21
At 31 March 2012	488	187	111	786
Carrying amount at 31 March 2012	650	258	100	1,008
Carrying amount at 31 March 2011	649	124	100	873
Prior year				
	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2010	1,168	202	184	1,554
Additions	-	93	51	144
Disposals	-	-	(35)	(35)
Revaluations	(105)	(19)	1	(123)
At 31 March 2011	1,063	276	201	1,540
Depreciation				
At 1 April 2010	395	114	108	617
Charged in year	60	45	19	124
Disposals	-	-	(26)	(26)
Revaluations	(41)	(7)	-	(48)
At 31 March 2011	414	152	101	667
Carrying amount at 31 March 2011	649	124	100	873
Carrying amount at 31 March 2010	773	88	76	937

All assets are owned by GAD in both the current and prior year

10. Intangible assets

Intangible assets comprise of computer software

Current year	Total £000
Cost or valuation	
At 1 April 2011	640
Additions	79
Disposals	(127)
Revaluations	-
At 31 March 2012	592
Amortisation	
At 1 April 2011	388
Charged in year	74
Disposals	(130)
Revaluation	-
At 31 March 2012	332
Carrying amount at 31 March 2012	260
Carrying amount at 31 March 2011	252
Prior year	
Cost or valuation	
At 1 April 2010	549
Additions	139
Disposals	-
Revaluations	(48)
At 31 March 2011	640
Amortisation	
At 1 April 2010	305
Charged in year	111
Disposals	-
Revaluation	(28)
At 31 March 2011	388
Carrying amount at 31 March 2011	252
Carrying amount at 31 March 2010	244

All assets are owned by GAD in both the current and prior year

11. Financial Instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size.

All the financial assets and liabilities of GAD are held at fair value as due to the short term nature of the financial assets and liabilities held book values are equivalent to the fair value.

11.1 Credit Risk

The maximum credit risk the department is exposed to at 31 March 2012 was £3,105,260 (trade receivables and accrued income value). Third party deposits held from clients at 31 March 2012 were £7,044, which will normally be offset against the invoices billed to them.

An aged debtor analysis as at 31 March 2012 is as follows:

	31 March 2012
Under 30 days	£000
Over 1 month and under 6 months	2,822
Over 7 months and under 12 months	283
Over 12 months	-
	-

11.2 Liquidity Risk

Apart from a small Parliamentary vote, GAD met its payments mainly with its cash receipts from invoices issued. GAD is required to return cash in the bank account at the year end to the Treasury but is allowed to call on the Contingencies Fund to meet any cash shortfalls during the financial year.

The Department managed liquidity risk by regularly monitoring cash flows and reducing outstanding debts.

Total amount owing analysed by when they fall due:

	1 year	2-5 years	over 5 years	Total
	£000	£000	£000	£000
Creditors	2,840	-	-	2,840
Total	2,840	-	-	2,840

11.3 Market Risk

The main market risk GAD is exposed to is foreign currency from overseas customers, which amounted to £38,000 of debtor value as at 31 March 2012. As the amount of foreign currency debt is not considered to be material in terms of the total value of turnover, GAD does not employ any sensitivity analysis.

12. Impairments

GAD did not incur any impairment costs in 2011-12.

13. Work in Progress

	2011-12 £000	2010-11 £000
Value of time worked but not billed	379	758
	379	758

14. Trade receivables and other current assets

	2011-12 £000	2010-11 £000
Amounts falling due within one year:		
Trade receivables	1,549	1,912
Accrued income	1,556	1,261
Deposits and advances	37	41
Other receivables	3	138
Prepayments	258	307
	3,403	3,659

14.1 Intra-Government Balances

	2011-12 £000	2010-11 £000
Amounts falling due within one year:		
Balances with other central government bodies	1,513	1,553
Balances with local authorities	9	7
Balances with NHS trusts	50	67
Balances with public corporations and trading funds	-	2
Sub-total: intra-government balances	1,572	1,629
Balances with bodies external to government	1,831	2,030
Total trade receivables at 31 March	3,403	3,659

15. Cash and cash equivalents

	2011-12 £000	2010-11 £000
Balance at 1 April	394	44
Net change in cash and cash equivalent balances	1,316	350
Balance at 31 March	1,710	394
The following balances at 31 March were held at:		
Government Banking Service (GBS)	1,710	394
Balance at 31 March	1,710	394

During the year, the Department held a commercial bank account for third party deposits (Note 22).

Reconciliation of Net Cash Requirement to increase in cash

	2011-12 £000	2010-11 £000
Net cash requirement	1,590	(1,483)
From the Consolidated Fund (Supply) – current year	120	1,987
From the Consolidated Fund – prior year	-	-
From the Contingencies Fund Loan	-	2,400
Payments to the Contingencies Fund Loan - prior year	-	(2,510)
Amounts due to the Consolidated Fund received and not paid over	-	-
Payments of amounts to the Consolidated Fund	(394)	(44)
Increase in cash	1,316	350

16. Trade payables and other current liabilities

	2011-12 £000	2010-11 £000
Amounts falling due within one year:		
VAT	954	707
Other taxation and social security	-	-
Trade payables	-	-
Accommodation creditor	98	96
Accruals and deferred income	176	250
Employee benefits (annual leave carried forward)	240	238
Contingencies Fund Loan	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	1,710	394
Consolidated Fund Creditor for cash unspent at year end	-	-
Consolidated Fund Creditor for cash unspent – prior year	-	-
	3,178	1,685
Amounts falling due after more than one year:		
Accommodation creditor	1,182	1,282
	1,182	1,282
Total	4,360	2,967

16.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after one year	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
Balances with other central government bodies	2,921	1,512	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	2,921	1,512	-	-
Balances with bodies external to government	257	173	1,182	1,282
Total trade payables at 31 March	3,178	1,685	1,182	1,282

GAD has an agreement with HMRC to pay over only that VAT on invoices paid by clients and to exclude VAT due to them on invoices issued but unpaid by clients.

17. Provisions for liabilities and charges

	Onerous Lease	Early departure costs	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2011	4,788	358	464	5,610
Provided in the year	-	36	44	80
Provisions not required written back	(732)	-	(236)	(968)
Provisions utilised in the year	(334)	(77)	(41)	(452)
Unwinding of discount	105	-	25	130
Balance at 31 March 2012	3,827	317	256	4,400

	Onerous Lease	Early departure costs	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2010	-	426	571	997
Provided in the year	4,788	-	-	4,788
Provisions not required written back	-	-	(109)	(109)
Provisions utilised in the year	-	(68)	(24)	(92)
Unwinding of discount	-	-	26	26
Balance at 31 March 2011	4,788	358	464	5,610

Analysis of expected timing of discounted flows

	Onerous Lease	Early departure costs	Other	Total
	£000	£000	£000	£000
Falling due in the next year (to 31 March 2013)	279	82	15	376
Between 2013-14 and 2016-17	1,419	235	53	1,707
Between 2017-18 and 2021-22	1,797	-	54	1,851
Thereafter	332	-	134	466
Balance at 31 March 2012	3,827	317	256	4,400

17.1 Accommodation

The department is obligated to meet a 20 year's leasehold contract on the building it has occupied since 2003. A provision has been made for the expected departure of the current tenant (MOD) in June 2014 (third floor) and June 2015 (fourth floor). The Human Tissue Authority (HTA) vacated the second floor in March 2011 and this has subsequently been let on the open market at a rent level below the rent GAD is contractually required to pay. The provision is based on expected lease terms, length of lease, rent levels, rent reviews and rent free periods based on current market conditions for this type of rental property as advised by the Government Property Service (GPS) and independent property agents. The provision is discounted at the rate of 2.8%. The onerous lease provision covers 3 floors of Finlaison House.

17.2 Early departure costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between

early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

17.3 Other financial commitments

The only other provision is an Injury Benefits Allowance. An ex GAD employee was awarded an injury allowance during 2009-10 under the Civil Service Injury Benefits Scheme. As a result GAD is responsible for making injury benefit payments.

18. Commitments under leases

18.1 Operating leases (as at 31 March)

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the payments fall due.

	2011-12 £000	2010-11 £000
Obligations under operating leases comprise:		
Buildings (rent of office building)		
Not later than one year	1,607	1,567
Later than one year and not later than five years	6,838	6,671
Later than five year	12,116	13,889
Scottish Office lease		
Not later than one year	3	10
Later than one year and not later than five years	-	-
Other (Office equipment *)		
Not later than one year	9	10
Later than one year and not later than five years	13	3
Later than five year	-	-
	20,586	22,150
Subtenants lease **		
Not later than one year	528	515
Later than one year and not later than five years	-	-

* Office equipment comprises photocopiers and franking machines.

** Subtenant lease comprises rental income from subletting to MoD only

18.2 Capital commitments

GAD had no capital commitments at 31 March 2012 (2010-11: £nil).

19. Contingent liabilities disclosed under IAS 37

As at 31 March 2012, GAD has a contingent liability to meet the costs of legal advice in respect of a Pensions Ombudsman case. The Treasury Solicitor's Department advise that these costs could be up to £33,000 (31 March 2011: £nil).

20. Losses and special payments

A compensation payment of £20,000 was made during 2011-12. No other losses or special payments were incurred.

21. Related-parties transactions

GAD has had a significant number of transactions with government departments and other central government bodies. Major government clients using the Department's services included the Department of Health, Department for Work and Pensions, the Cabinet Office, the Ministry of Defence, the Home Office, HM Treasury, Department for Communities and Local Government, Department for Business, Innovation and Skills and HM Revenue & Customs.

A summary of Operating Income from government and non-government bodies is shown at Note 8.

Receipts from other government departments include rent and associated charges from the Ministry of Defence as sub-tenants in Finlaison House. In 2011-12 the total net income from these sub-tenants was some £755,000.

22. Third-party assets

The Department has a custodial role to ensure the safekeeping of client monies in a small number of cases where GAD has requested a deposit prior to undertaking work. An analysis of the movements in these accounts is shown in the table below.

	2011-12 £000
Opening balance at 1 April 2011	10
Net changes	(3)
Closing balance at 31 March 2012	7

23. Entities within the departmental boundary

No entities, other than GAD itself, fall within the Departmental Boundary.

24. Post Statement of Financial Position Events

GAD has carried out a strategic review of overseas work and decided to withdraw from work for overseas insurance regulators during 2012-13.

On 21 June 2012, the tenants on the second floor of Finlaison House went into Administration and the Administrators are seeking to exit the lease by deed of surrender. This means the space will be vacant whilst GAD seeks new tenants. Had this event taken place prior to 31 March 2012 the onerous lease provision would have been increased by £300,000 to account for the estimated cost of the vacant space for an additional period.

25. Date of Authorisation of Accounts

This set of financial statements is authorised for issue on 28 June 2012.



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