
The Government Actuary's Department

Annual Report & Accounts 2013-14

(For the year ended 31 March 2014)

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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

Ordered by the House of Commons to be printed on 30 June 2014



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This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at enquiries@gad.gov.uk

Print ISBN 9781474107914

Web ISBN 9781474107921

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID 26061417 41355 06/14

Printed on paper containing 75% recycled fibre content minimum

Contents	Page
Introduction	2
Strategic Report	3
Core tables	15
Sustainability Reporting	21
Remuneration Report	26
Statement of Accounting Officer's Responsibilities	34
Governance Statement	35
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	41
Accounts - Main Tables	
Statement of Parliamentary Supply	44
Statement of Comprehensive Net Expenditure	49
Statement of Financial Position	50
Statement of Cash Flows	51
Statement of Changes in Taxpayers Equity	52
Notes to the Accounts	53

Introduction

This document contains the Annual Report and Accounts of the Government Actuary's Department (GAD) for the year 1 April 2013 to 31 March 2014. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FReM) for 2013-14.

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 2013-14;
- Supplementary Estimates 2013-14; 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.gov.uk/gad

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 budgeted to be entirely met from the fees charged to clients. As a non-profit organisation, the fees charged over the year are set only to cover the cost of running the Department.

Most of GAD's staff are based in offices in London with a small operation in Edinburgh.

Management Structure and Governance

GAD's management structure and governance are described in the Governance Statement (page 35).

Resources managed by GAD

Apart from a leased office, office furniture and an IT network as shown in notes 5 and 6 to the accounts the only resource managed by GAD is the staff.

On 31 March 2014 GAD employed 153 staff (average number of persons employed during the year was 147), of whom 68 are qualified actuaries, 55 are trainee actuaries and 30 are support staff. There were also 5 secondees/agency staff employed on that date.

Strategic Report

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 (i.e. clients and colleagues of equivalent pay/grade) in Government Departments generally.

Principal Activities

Pensions Advice

Public Sector Pensions

GAD provides actuarial analysis to 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 around five million active members and around twelve million members in total. The principal work relates to the four-yearly valuations for employer contributions, cost caps and associated factors. However, we also assist with strategic and policy issues, benefit design and how to recognise the cost of pensions in employer accounts.

Pensions Policy, Regulation and Supervision

GAD provides actuarial analysis 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 and The Pensions Regulator.

Funded pension schemes

GAD advises a number of funded occupational pension schemes in the wider public sector and the private sector. Commonly, these are schemes which have moved from the public sector.

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 policy (now called New Fair Deal).

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 2013-14 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 2014. The major quinquennial review has been worked on during the year and is due for publication this summer.

In addition, in recent years, GAD has advised a range of countries and jurisdictions on their social security arrangements, spanning Europe, Africa and the Middle East.

Insurance, Risk, Modelling and Investment

After pulling out of international insurance regulatory work at the end of 2012-13, we have set up and been building a dedicated resource to serve actuarial opportunities in insurance, risk and modelling as below:

Insurance

GAD provides actuarial advice to UK government departments and local authorities on life, general and health insurance related matters. We assist them in managing their own financial risks and also in developing government policy where this has actuarial or insurance implications. Specific examples of the type of work that we do include:

- > Finding solutions for risks that the private sector won't insure, such as high impact low probability events.
- > Managing risks that are self-insured by government departments.
- > Valuing departments' liabilities and pricing their insurance risks.
- > Providing quality assurance and peer review of actuarial work that departments have commissioned from external consultants.

Investment and Risk

The team's work includes advice on investment aspects of pensions and insurance as well as specialist projects on the management of risk within UK Government Departments and financial institutions.

GAD's specialist team undertakes a wide variety of assignments for public sector bodies on issues such as investment strategy, risk modelling, and project risk management. Acknowledging and understanding the inherent uncertainty in future events is an essential part of any decision making.

Recent work includes:

- > Advice to government agencies in relation to their risk policies and framework.
- > Assistance to government agencies in the measurement of their financial position and risk.
- > Investment strategy for government supported pension arrangements.
- > Advice to government on the financial risks and uncertainties, and possible mitigations, of supporting various pension schemes.

Modelling

For nearly a century, GAD has provided actuarial modelling and analysis to the public sector, including governments and organisations in the UK and around the world. We have unrivalled experience and expertise in providing advice to these organisations on financial modelling, demographic modelling and other bespoke modelling services. GAD provides three service options:

- > Providing expert external assurance on the client's model quality assurance approach, the models themselves, or on specific aspects of the modelling.
- > Providing advice and assistance on a model that the client wishes to develop internally.
- > Providing a full modelling service, from initial consideration of model design right through to producing and interpreting results and making recommendations.

The quality assurance role has benefitted from a sudden increase in interest following the Macpherson Review on model quality assurance.

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 to assess the present value of future losses or expenses in personal injury and fatal accident cases.

Strategy

2013-14 was the final year of a strategic plan, put in place in September 2011. A new strategic plan for GAD will be finalised after Martin Clarke replaces Trevor Llanwarne as Government Actuary later this year. The Aims, Commitments and Values of our strategy are set out on page 3.

Our strategy established 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. Our strategy has delivered the following:

- We retained all major clients, with increased client survey satisfaction scores year on year.
- We successfully expanded our service offering - exceeding our targets for income from non-core areas of modelling, risk, long-term care and insurance.

People and people behaviour principles

GAD is a people business offering professional services to a diversity of organisations and a diversity of contacts at those organisations. As with other professional service organisations (law firms, accountancy firms etc), we must recruit and retain a diversity of top quality individuals – with physical diversity and personality types. Engagement of all our staff is therefore essential in delivering our strategy. Feedback from staff, including through the Civil Service People Survey, is used to prioritise issues of concern and identify solutions. GAD's employee engagement index score of 66% in the 2013 survey was towards the top 10% of Government organisations, which was also reflected in our lower than average absence and turnover rates.

There are regular staff briefings and opportunities for professional development for qualified actuaries, for actuarial students, and for non-actuarial staff.

Department operation principles

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 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.

Strategic focus in 2013-14

GAD's Leadership Group, comprised of the Management Board plus the Chief Actuaries, reviewed the strategic focus of the Department and, as well as delivering the key 2012 valuations, made the pursuit of new work opportunities a priority. The reasons for this focus are:

- Diversification: so GAD's sustainability is not too dependent on core public sector pensions work.
- Reputation: to maintain visibility and continue to be proactive in providing solutions for government.
- Momentum: to demonstrate that we continue to retain thought leadership across a range of areas.
- Workflow management: to help iron-out peaks and troughs in our expected future workflow.
- Shared service provider: to deliver more services from within government to taxpayers' benefit.

This focus has been a major success with work coming in on probation officers, Long-Term Care and NHS Litigation Authority to name just a few.

Management Commentary

Operating Review

Our governance structure is explained in the Governance Statement on page 35.

Public sector pensions is GAD's predominant area of activity and during 2013-14 this area of work was dominated by the task of delivering the actuarial valuations necessary to allow introduction of the new pension schemes from 2015. The 2012 valuations, for 24 pension schemes, are required by the Public Service Pensions Act 2013. As well as delivering valuations to each of our pension scheme clients, we separately advised HM Treasury throughout the process. The need to complete multiple pension scheme valuations in parallel presented unprecedented challenges for GAD, for HMT officials and for the scheme management teams in the employer departments.

We managed the valuations at GAD both as one large project and 24 individual projects. Additional staff were recruited during the year to work on the valuations, mostly on short-term contracts or on secondment from private sector actuarial firms.

GAD delivered the valuation results as required for the first 5 schemes in February 2014, including the schemes for NHS workers, Teachers, Civil Servants, Police and Firefighters. Work continues to deliver the remaining valuations as required.

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, including advising on the revised Fair Deal arrangements announced in October 2013. 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 state pensions and to HMRC on income drawdown. In January 2014 the Government Actuary provided his annual report to Parliament on the short-term financial implications of changes to National Insurance contributions and benefits. We also made considerable progress on the next Quinquennial Review, the longer-term report by the Government Actuary on the National Insurance Fund, which will be published in 2014. GAD 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 support to the Pension Protection Fund and to The Pensions Regulator, particularly in the area of modelling. We provided advice to other departments on risk and modelling, particularly on model quality assurance issues arising from HM Treasury's review of the Quality Assurance of analytical models across Government (the 'Macpherson report'). We provided important input to the sections of HMT's 'Managing Public Money' publication covering risk and the use of financial models.

We completed our withdrawal from overseas insurance work, begun in 2012. Our UK insurance team provided advice to several departments including HMT, HMRC, DECC and DEFRA and to DfID for several overseas projects. We continued to advise overseas governments on social security and pensions, including for example, Saudi Arabia, Zambia, Ghana and Rwanda, as well as the Channel Islands and the Isle of Man.

We extended an initiative begun in 2012 to have GAD actuaries working regularly "on-site", in the offices of our clients. We now have 16 actuaries regularly working on-site with clients. They are available to give face to face advice not only to existing clients but to others in the department; strengthening existing relationships, and building new relationships and contacts.

The Government Actuary provided confidential support to HM Treasury before Budget Day on the proposed pension changes. The Department has also been engaged with the Department of Health on matters relating to the Government's changes to Long-Term Care.

An online client survey was conducted in August 2013, and client review interviews were undertaken during the year to hear directly from a sample of 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 showing a fourth consecutive year of improvement. These improvements have come about from an absolute commitment by all concerned to service in the public interest, to quality and to professionalism. We have already taken steps to respond to isolated individual concerns raised in the responses, which showed that we need to continue to focus on further improving our responsiveness and on ensuring that we tell our clients regularly how our work for them is progressing. We publish full results from each Client Survey on our website: <https://www.gov.uk/government/publications/gad-client-survey>

We have published online newsletters and technical bulletins throughout the year, all of which are available from our website (www.gov.uk/gad). We moved GAD's internet presence to the central gov.uk website in November 2013.

During 2013-14 there were no complaints about GAD made to the Parliamentary Ombudsman (2012-13: nil).

GAD received 44 freedom of information requests during 2013-14 and 39 responses were made within the 20 day limit set by the Freedom of Information Act 2000.

Financial Review

Demand for GAD services reached record levels in 2013-14, driven by the valuations of all the main public service pension schemes. This resulted in a new record income level being achieved of £19.0m which is 13.8% higher than the previous year's level (2012-13 £16.7m). GAD has not increased hourly fee rates since April 2012 so this increase represents additional activity by GAD and not fee rate inflation. During the year it became probable that GAD would generate more income than we had planned for so, under a mechanism agreed with the Treasury, GAD returned £1.25m to clients as a downwards fee adjustment.

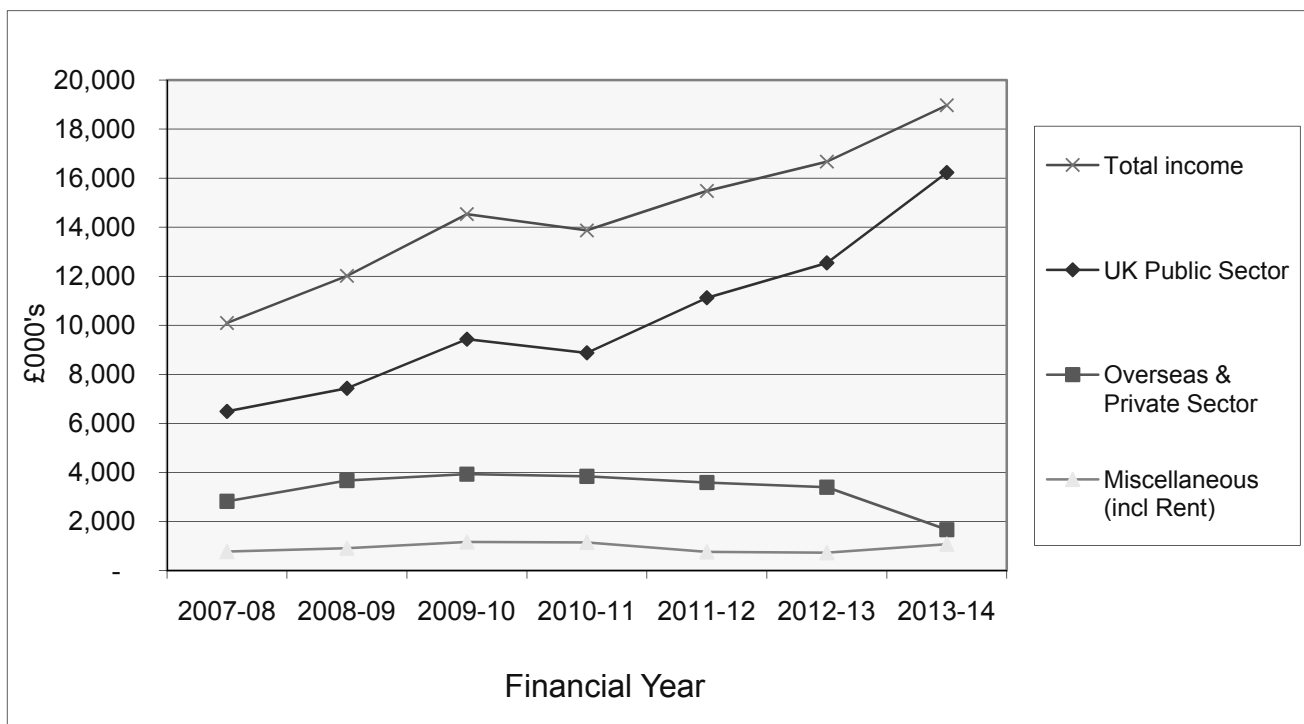
In order to deliver this higher volume of work it was necessary to recruit extra qualified and trainee actuaries on a temporary basis which contributed to expenditure increasing by £736k in 2013-14. The accounts report an operating surplus of £3.48m. In addition to the surplus from actuarial activities there was also a reduction of £1.1m in programme expenditure as GAD was able to reduce the provision previously set up to cover potential losses of rent from tenants having been successful in finding new replacement tenants on a long term basis.

The graph below shows historic changes to income and demonstrates GAD has gone from a £10m p.a. organisation to almost £20m during the tenure of the current Government Actuary. Excluding rent, income has doubled from £9m to £18m.

The graph shows income from UK public sector clients continues to grow, being up 29.3% from £12.5m in 2012-13 to £16.2m. This includes the scale of the project to value 24 public service pension schemes.

As reported in last year's annual report and accounts GAD withdrew from insurance regulation work for overseas clients from April 2013, with the exception of Cyprus which continued until 31 March 2014. As an expected result of ceasing overseas insurance work the value of work for overseas and private sector clients has dropped by 50.9% from £3.4m in 2012-13 to £1.6m.

Miscellaneous income increased in 2013-14 from £731k in 2012-13 to £1.1m as a result of GAD finding new tenants to fill vacant space in Finlaison House.



Administration costs in 2013-14 amounted to £16.6m of which staff costs (£12m) is by far the main element. Staff costs were again high in 2013-14 as it was necessary to recruit additional qualified and trainee actuaries to meet our client demand. Reported staff costs in 2013-14 do not appear higher than 2012-13 (£12.1m) because last year's costs included the salaries of staff in the overseas insurance team plus the one-off cost to fund the redundancy program to facilitate the withdrawal from that work. In addition the cost of employing agency and some other temporary staff is classified under other administration costs in the accounts. These additional staff costs were £545k (2012-13: £192k).

There were two exit packages included in the 2013-14 salary costs and details are recorded in Note 2.1 of the accounts.

Other administration expenditure increased by just over £800k from £3.8m in 2012-13 to £4.6m. In addition to the temporary staff costs noted above this is largely due to the associated running costs of the increased staff numbers, e.g. recruitment and training. GAD continues to keep expenditure under tight control and seeks to achieve value for money by purchasing through Government Framework agreements and using shared services arrangements wherever appropriate. Details of expenditure are shown in notes 2 and 3 of the accounts.

GAD vired £400k of running costs budget (RDEL) into capital (CDEL) in the 2014 Supplementary Estimate round increasing the capital budget to £526K. £291k of this additional capital was used to carry out a small refurbishment of Finlaison House which was a little overdue as we are now more than half-way through the 20 year lease. £182k was spent on the replacement of IT hardware and software, including the replacement of PCs that had gone beyond their useful life.

GAD had a negative net cash requirement in 2013-14 and did not receive any voted cash funding. Running and capital costs were met through fee income generated from providing actuarial services. All surplus cash at the year-end will be paid over to the Consolidated Fund.

The statement of Financial Position shows total assets of £7.8m (2012-13: £6.8m), non-current assets plus current liabilities £4.8m (2012-13: £3.4m), and non-current liabilities £2.5m (2012-13: £4.0m). Liabilities include provisions for an onerous lease, early retirement costs, injury benefit claim and redundancy costs.

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 2013-14 is based on continuous monitoring of payments since the start of the year. On this basis 96.7% of GAD's payments were paid within 30 days and 81% within 10 days. The equivalent 10 day figures for 2011-12 and 2012-13 were 79% and 78% respectively. No interest payments were made under the late Payment of Commercial Debts (Interest) Act 1998.

Expenditure on Consultancy, Professional Services, Publicity and Advertising

During 2013-14 GAD spent £154k (2012-13: £181k) on consultancy and professional services. This included advice on legal issues (£91k - £55k of which on behalf of clients and recharged to them as disbursements), quality assurance of pension valuation work (£60k) and welfare and employment issues (£3k).

GAD incurred £545k (2012-13: £192k) on the employment of temporary staff. These were mainly specialist actuarial staff required to meet additional demand from clients.

£33k was incurred on publicity and advertising costs, all of which was for recruitment (2012-13:£5k).

Financial Risk

GAD had only very limited exposure to financial instruments which play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. More detail is given in Notes 9 to 9.3 of the accounts.

Political and Charitable donations

GAD made no political or charitable donations in 2013-14 (2012-13: £nil).

Financial Outturn

GAD's financial outturn for 2013-14 is reported in different ways. The accounts show the net resource outturn as a surplus of (£3,480k) against an Estimate of (£1,010k) net surplus, Resource Departmental Expenditure Limit (DEL) of (£2,072k) surplus against an Estimate of (£1,040k) surplus and Capital DEL of £473k against an Estimate of £526k. The tables in SOPS notes 2.1 and 2.2 reconcile these figures.

Core Tables

The Core Tables are required to be included by HM Treasury and are based on the outline guidance issued by HM Treasury.

Outturn data is consistent with previous years' published accounts and plan years' information is consistent with the Spending Review settlement.

Table 1 is a summary of the public spending by the Department and this is supplemented by Table 2 which shows the 2013-14 outturn information compared to the original and final budgetary control limits. The variances between the 2013-14 net resource outturn and budget are explained in the comparison of Estimate and Outturn in this Financial Review Section.

The staff numbers in Table 5 are consistent with the numbers disclosed in Note 2.

Approval for our spending plans for 2014-15 are set out in the Government Actuary's Department Main Estimate 2014-15. The document is available at the HM Treasury website at www.gov.uk/hm-treasury

Human Resources Review

The HR team has continued to update GAD HR policies in line with products being developed and refined by Civil Service Employment policy including a new performance management system. GAD HR continues to monitor the evolving Civil Service Next Generation HR offer, looking for opportunities to draw upon central HR expertise as and when required.

Recruitment and Turnover

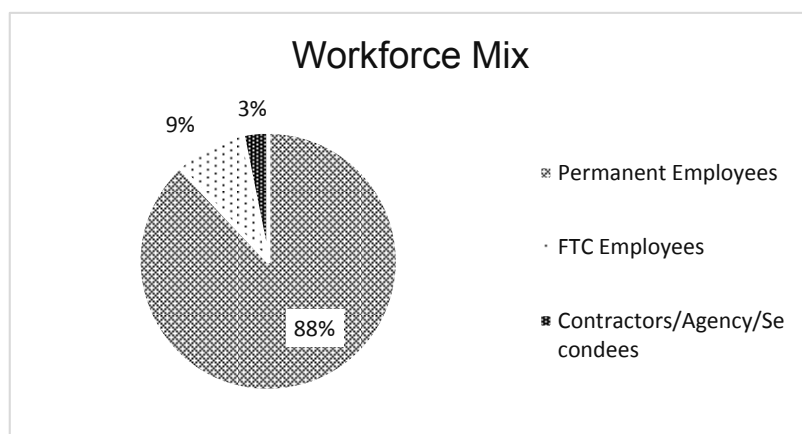
Staff numbers have increased over 2013-14 as workload and revenue has increased.

Staff in Post as at 31 March 2014

	Staff in Post 31/03/2013	Male 31/03/2013	Female 31/03/2013	Staff in Post 31/03/2014	Male 31/03/2014	Female 31/03/2014
Actuaries*	66	45	21	68	49	19
Trainee Actuaries *	46	28	18	55	33	22
Support Staff *	33	23	10	30	23	7
Secondees/Agency	3	2	1	5	2	3
Total	148	98	50	158	107	51

* Permanent and Fixed Term Contract Employees

Given the cyclic nature of pension scheme valuation work and associated revenue, GAD has revisited its approach to staffing by moving away to a degree from a workforce primarily comprised of permanent Civil Servants towards utilising more contingent labour, in the form of employees on fixed term contracts and secondees from the private sector. This provides numerical and functional flexibility and should enable GAD to better manage resources to meet the cyclical nature of client demands. The chart below shows the workforce mix as at April 2014.



The steady state of the actuarial recruitment market coupled with a number of actuarial firms shedding staff and scaling back recruitment has helped keep GAD employee turnover low at around 10%, which is considerably lower than finance and public sector comparators.

Sick Absence

The Management Board monitored sick absence on a monthly basis and in 2013-14 GAD lost an average of 5.1 working days per annum due to sickness absence in comparison to a Civil Service average of 7.9 days and a GAD average of 6.1 days in 2012-13.

Equal Opportunities and Diversity

GAD is fully committed to providing equal opportunity for all staff, regardless of ethnic, 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. As part of our graduate trainee actuary programme attraction strategy we have also advertised the opportunities in a range of media to attract a diverse range of applicants.

Throughout the year, the GAD management team entered into regular dialogue with the recognised trade union on matters affecting staff, informing and consulting them as required.

Information for Staff and Communications Policy

GAD keeps all members of staff informed of changes 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 and working groups to encourage direct staff input into Departmental decision making. In 2013-14 GAD formed a Solutions Group to help identify responses to the findings in the staff survey.

Learning and Development

GAD has long recognised that people are its most important resource and that Learning and Development (L&D) is crucial to the Department's continued success. The L&D strategy was updated to reflect the continuing commitment of GAD to L&D.

In 2013-14 GAD spent an average of £1,252 per employee on L&D. GAD sources training from external suppliers, such as ActEd and Civil Service Learning, together with internal job training, coaching and mentoring. As well as sponsoring of actuarial exams for actuarial trainees, GAD also sponsors support staff taking different professional exams (e.g. accountancy and HR). A staff mentoring scheme is operated for actuarial trainees. The training provision includes Continuous Professional Development 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.

Health & Safety Reporting

GAD is committed to providing a safe and healthy working environment and recognises the importance of its employees' health.

GAD staff are primarily office based, so the main risks arise within the office environment and staff working practices. We have procedures in place to ensure a safe working environment is maintained.

During 2013-14:

- No reportable accidents occurred;
- All new starters to the department received an induction covering the department's H&S policy and procedures and a Display Screen Equipment (DSE) Assessment of their workstation;
- A water risk assessment of the building was carried out to check compliance against the *Legionnaires Disease: The Control of Legionella Bacteria in Water Systems* approved code of practice;
- Risk Assessments were carried out for expectant mothers and new mothers returning to work.
- Discussions continued with the safety representative from Prospect (the recognised trade union in GAD) on all aspects of health and safety;
- All statutory H&S inspections and testing were carried out. These included fire evacuation drills, fire alarm and fire extinguisher testing, water systems monitoring and lift inspections;
- An audit of GAD's H&S management system was carried out against ISO8001 standard for H&S management systems;
- GAD requested all its employees carry out a DSE self-assessment after the department introduced new LED lighting to replace old style florescent tube lighting which was inefficient;
- Construction (Design and Management) Regulations 2007 were applied during accommodation refurbishment work recently carried out. A CDM co-ordinator was appointed to manage all health and safety issues whilst the work was in progress.

Trevor Llanwarne
Government Actuary
Accounting Officer

DATE: 20 June 2014

Core Tables

Table 1: Public spending

	£'000						
	2009-10 ²	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
Resource DEL							
Administration	677	533	-1,386	-778	-2,338	-366	-478
Use of Provisions (DEL)	338	92	452	418	266	376	478
Total Resource DEL	1,015	625	-934	-360	-2,072	10	-
<i>Of which:</i>							
Staff costs	10,349	10,395	10,306	12,101	12,018	11,685	11,629
Purchase of goods and services	4,881	3,801	3,981	3,884	4,491	4,571	4,378
Income from sales of goods and services	-14,534	-13,870	-15,477	-16,674	-18,970	-16,558	-16,320
Depreciation	250	235	196	266	318	250	250
Other	69	64	60	63	71	62	63
Resource AME							
Losses on revaluation	52	95	-	-	23	87	-
Provisions (AME)	233	4,613	-1,210	-1,250	-1,431	-376	-478
Total Resource AME	285	4,708	-1,210	-1,250	-1,408	-289	-478
<i>Of which:</i>							
Staff costs	-	-	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-	-	-
Depreciation ¹	52	95	-	-	23	87	-
Take up of provisions	571	4,705	-758	-832	-1,165	-	-
Release of provision	-338	-92	-452	-418	-266	-376	-478
Total Resource Budget	1,300	5,333	-2,144	-1,610	-3,480	-279	-478
<i>Of which:</i>							
Depreciation ³	302	330	196	266	341	337	250
Capital DEL							
Administration	223	283	309	154	473	287	150

Total Capital DEL	223	283	309	154	473	287	150
<i>Of which:</i>							
Purchase of assets	223	283	309	154	473	287	150
Income from sales of assets	-	-	-	-	-	-	-
Capital AME							
<i>Of which:</i>							
Total Capital Budget	223	283	309	154	473	287	150
Total departmental spending³	1,221	5,286	-2,031	-1,722	-3,348	-329	-578
<i>of which:⁴</i>							
Total DEL	988	673	-821	-472	-1,917	47	-100
Total AME	233	4,613	-1,210	-1,250	-1,431	-376	-478

¹ Loss on revaluation

² 2009-10 DEL outturn is restated due to classification changes resulting from the Treasury's Clear Line of Sight project.

³ 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.

⁴ The breakdown between DEL and AME of Total Departmental Spending has been reclassified to reflect the exclusion of depreciation costs.

Table 2: Public Spending Control

	2013-14 Outturn	2013-14 Original Budgetary Control Limits	2013-14 Final Budgetary Control Limits
Spending in Departmental Expenditure Limits £ '000			
Administration			
Gross Expenditure	16,632	15,561	16,994
Gross Income	-18,970	-16,411	-18,300
Net Resource	-2,338	-850	-1306
Gross Capital	473	126	526
Spending in Annually Managed Expenditure £ '000			
Gross Programme Resource	-1,142	96	296
Total Resource Budget	-3,480	-754	-1010
Total Capital Budget	473	126	526
Less: Depreciation	341	250	330
Total Departmental Spending	-3,348	-878	-814

Table 3: Capital Employed**£'000**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
<i>Assets and Liabilities on the Statement of Financial Position at end of year:</i>							
Assets							
Non Current Assets	1,181	1,125	1,268	1,217	1,471	1,700	1,900
<i>of which:</i>							
Intangible	244	252	260	241	201	400	500
Tangible	937	873	1,008	976	1,270	1,300	1,400
<i>of which:</i>							
Re-Fit of Building	773	649	650	609	927	949	1,022
IT Hardware	88	124	258	277	244	250	269
Office Furniture	76	100	100	90	99	101	109
Current assets	3,950	4,808	5,492	5,543	6,299	7,118	8,043
Liabilities							
Payables (< 1 Year)	1,713	1,685	3,178	3,106	2,801	3,241	3,403
Payables (> 1 Year)	1,380	1,282	1,182	1,080	974	974	866
Provisions	997	5,610	4,400	3,150	1,719	1,453	1,200
Total Capital employed	1,041	(2,644)	(2,000)	(576)	2,276	3,150	4,474

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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
Administration	677	533	-1,386	-778	-2,338	-366	-478
Use of Provisions (DEL)	338	92	452	418	266	376	478
Total administration budget	1,015	625	-934	-360	-2,072	10	-
<i>Of which:</i>							
Staff costs	10,349	10,395	10,306	12,101	12,018	11,685	11,629
Purchase of goods and services	4,881	3,801	3,981	3,884	4,491	4,571	4,378
Income from sales of goods and services	-14,534	-13,870	-15,477	-16,674	-18,970	-16,558	-16,320
Depreciation	250	235	196	266	318	250	250
Other resource	69	64	60	63	71	62	63

Table 5: Staff Numbers

	Numbers of staff employed						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
Summary							
Payroll Staff	132	132	129	140	147	147	147
Non-payroll staff	2	2	-	-	9	9	3
Of which							
Contingent labour	2	2	-	-	9	9	3
Consultants	-	-	-	-	-	-	-

All staff numbers are based on a full time equivalent basis

Sustainability Reporting

Commentary on Sustainability Performance

The Department is committed to integrating sustainability across its operations to support the UK Government Sustainable Development Strategy. The scope of the report is the Department's performance against the Greening Government Commitments (CGC) which will run to 2015 with a 2009-10 baseline wherever possible. As a small department with less than 250 staff it is not mandatory for GAD to 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 and targets outlined below are based on GGC and concentrate on Climate Change Management, Waste Reduction and Natural Resources (water) protection.

A dashboard system has been introduced which enables GAD to report sustainability information accurately and in a timely manner. This dashboard is presented to GAD's Audit and Risk Assurance Committee on a quarterly basis.

Greenhouse gas emissions

		Baseline 2009-10	2011-12	2012-13	2013-14
Non-financial Indicators (tCO ₂ e)	Scope 1 and 2 emissions ¹	248	191	216	266
	Scope 3 emissions (indirect – official business travel)	33	39	42	22
	Total emissions	281	230	258	288
Other Non-financial Indicators	Number of domestic flights	93	65	42	61
Related Energy Consumption (KWh) ²	Electricity	373,921	287,575	314,141	378,999
	Gas	247,799	192,239	249,951	333,010
Financial Indicators (£)	Expenditure on energy	51,667	36,123	42,045	53,799
	CRC License expenditure	-	1,290	1,290	1,290
	CRC emissions allowance	-	-	4,704	5,220
	CRC Phase 2 registration	-	-	-	950
	Expenditure on official business travel	66,135	66,501	77,817	42,551

¹ CO₂ emissions figures are taken from the Cabinet Office electronic Property Information Mapping Service (ePIMS) database

² The figures for energy consumption are based on GAD's occupied floor space as a proportion of the total building space as the building is multi occupied and sub-metering is not available.

Targets and narrative

The GGC are that by 2015, the Government will:

- Reduce greenhouse gas emissions by 25%.
- Reduce domestic business travel flights by 20%.

GAD's energy consumption has significantly increased and is 14% above the baseline mainly due to our accommodation now being fully occupied on all floors during the reporting year. In previous years the building had areas of vacant space which allowed GAD to turn off lighting, heating and cooling in the unoccupied areas of the building. The building heating and cooling is supplied through an air handling unit system and due to the system now operating throughout the building this has accounted for additional gas consumption. GAD also had a significant increase in staff numbers in 2013-14 and the additional workstations necessary has also meant an increase in electricity consumption.

The number of domestic flights has reduced by 34% from the 2009/10 baseline.

Other actions include:

- Procurement and installation of new, more eco-friendly dishwashers, fridges & microwave ovens in our kitchens.
- Full installation of LED lighting across the whole of GAD's floor space.
- Removal of kettles and water coolers from tea point areas following the procurement and installation of a zip tap instant boiling and cold water system.

Waste

		Baseline 2010-11 ³	2011-12	2012-13	2013-14
Non- Financial Indicators (tonnes)	Non-Recycled	7	3	0	1
	Total Reused/Recycled	15	14	9	50
	Composted	-	1	2	2
	Energy recovery	-	1	1	1
	Total waste	22	19	12	54
Financial Indicators (£)	Total disposal cost	8,162	7,815	8,366	14,194

³ The baseline year used is 2010-11 as figures for 2009-10 were not available.

Targets and narrative

The GGC are that by 2015 the Government will reduce waste generated by 25% from a 2009-10 baseline:

- Government will go to market with a requirement for "closed loop" recycled paper in 2011, subject to approval from the Government's Procurement Executive Board.
- Ensure that redundant ICT equipment is re-used (within government, the public sector or wider society) or responsibly recycled.

GAD's total waste reduced by 45% from the baseline year of 2010-11 up to and including 2012-13. In 2013-14 GAD carried out several projects that generated a significant amount of waste for disposal. This included:

- Fluorescent tube light fittings as a result of the change to LED lighting.

- Redundant actuarial books sent for reuse to other organisation as a result of rationalising the GAD library area.
- End of life PC's sent for recycling.
- Office partitioning & building demolition waste, including carpet tiles, as part of the refurbishment of GAD's accommodation.

It is expected that GAD's waste levels for 2014-15 will reduce in line with the GGC target.

Our policy and practice, is to recycle all redundant ICT equipment using approved Waste Electrical and Electronic (WEEE) brokers.

Finite resource consumption: PAPER

	Baseline 2009-10	2011-12	2012-13	2013-14
Non- Financial Indicators (A4 Reams)	1,610	1,595	1,400	1,715

Targets and narrative

The GGC are that by 2015 the Government will achieve a 10% reduction in paper usage. At the close of 2012-13 GAD had achieved a 13% reduction compared against the 2009-10 baseline. However, in 2013-14 the number of reams of paper used increased by 315 from 2012-13 levels. This increase can be attributed to a significant increase in staff numbers carrying out increased volumes of work.

Initiatives to reduce unnecessary printing have been introduced such as the increased use of electronic transmission and retention of documents, and the introduction of multi-functional printing (MFD) devices which allow for printing jobs to be cancelled from the MFD.

Finite resource consumption: WATER

		Baseline 2009-10	2011-12	2012-13*	2013-14
Non- Financial Indicators (m ³)	Water consumption	1,010	880	844	779
	m ³ per FTE	7.70	6.80	6.00	4.90
Financial Indicators (£)	Water supply and disposal costs	2,030	1,859	1,922	1,847

*2012-13 water consumption restated.

Targets and narrative

The GGC are that by 2015 the Government will reduce water consumption with reports on water use against best practice benchmarks (i.e. 4m³ per FTE).

Water consumption has reduced by 23% compared against the 2009 baseline.

Consumption of water in GAD has reduced each year since 2009. New taps in kitchens plus the upgrading of toilet systems in 2013-14 as part of our accommodation refurbishment will contribute to further reductions in our water usage. In addition the installation of new, more eco-friendly, dishwashers into our kitchens will also reduce water consumption and chemical usage.

Kettles and water coolers have been removed from tea-points and zip tap instant boiling and cold water system have been installed to improve water efficiency.

Procurement

The GGC aim is for government to buy more sustainable and efficient products and engage with its suppliers to understand and reduce the impact of its supply chain.

GAD's overall procurement strategy includes using the framework contracts under the Crown Commercial Service (CSS) and we are subject to the Sustainability Policy which it operates. This year we have made increasing use of frameworks and centrally managed contracts where suppliers have agreed to abide by the GPU sustainability policy.

GAD promotes sustainability in procurement by:

- Working with its suppliers – particularly in the areas of catering, cleaning and stationery to improve sustainable processes.
- Buying less environmentally damaging products and services.
- Complying with environmental legislation and regulatory requirements.
- Including relevant environmental conditions or criteria in specification and tender documents, and evaluating supplier offers accordingly.
- Raising awareness of environmental issues within GAD, and amongst suppliers and contractors.

GAD ensured that when it procured its new PC's during the year that a Government Framework was used and that the successful supplier was able to meet all our requirements for sustainability.

Biodiversity and adaption plans

GAD is not required to have a biodiversity plan as the site in question is in a city centre and a street front building.

Climate Change adaption

GAD is committed to limiting the extent to which it contributes to climate change. Reduction measures are designed to do this by reducing carbon dioxide emissions from energy use and transport. To support us in this we have engaged with the Facilities Management provider, MITIE Technical Facilities Management to ensure that their use of facilities reflects energy conservation and lighting reduction during off-peak hours.

Auditor

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2013-14 was £60,000 (2012-13: £60,000). No fees, either actual or notional, were incurred for non-audit work (2012-13: £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: 20 June 2014

Remuneration Report

Remuneration Policy

The current head of the Department, Trevor Llanwarne, 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, initially for a period of five years and subsequently extended until August 2014 when the new Government Actuary will take up post. Martin Clarke was selected as the next Government Actuary following an open competition run by HM Treasury. The appointment may only be terminated in accordance with the Civil Service Management Code.

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 another very successful year for the Department, the Government Actuary was entitled under his contract to a bonus of £45,000. However, to observe the Civil Service cap would mean he would be paid £17,500 relating to the performance year to 31 March 2014 and this has been authorised by the Permanent Secretary for HM Treasury.

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 2013-14

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 2013-14 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 Board Members (NEBMs) the Government Actuary's Department has appointed to the Management Board and the Audit Committee. The NEBMs receive no emoluments except for fees of £500 per day of service plus their travelling expenses (Note 2 contains further details). Also included are non-executive positions, Interim Actuarial Directors. These roles were introduced in 2011 and have been filled by Chief Actuaries who head various actuarial teams within the department. The appointments were for 15 month periods and the current holders appointments terminated on 31st March 2014.

Total (£'000)	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Trevor Llanwarne* <i>Government Actuary</i>	195-200	190-195	15-20	15-20	-	-	74	78	285-290	285-290
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	140-145	140-145	0-5	0-5	-	-	35	66	175-180	210-215
Colin Wilson <i>Deputy Government Actuary and Head of Technical</i>	140-145	140-145	0-5	0-5	-	-	53	56	195-200	200-205
Ian Boonin <i>Interim Actuarial Director (until 31 December 2012)</i>	-	95-100 (130-135 full year equivalent)	-	0-5	-	-	-	-	-	95-100
Dermot Grenham** <i>Interim Actuarial Director (until 31 December 2012)</i>	-	65-70 (110-115 full year equivalent)	-	0-5	-	-	-	-	-	65-70 (110-115 FYE)
Stephen Humphrey <i>Interim Actuarial Director (until 31 December 2012)</i>	-	95-100 (130-135 full year equivalent)	-	0-5	-	-	-	-	-	95-100 (130-135 FYE)
Sandra Bell*** <i>Interim Actuarial Director (from 1 January 2013)</i>	100-105 (105-110 full year equivalent)	25-30 (105-110 full year equivalent)	0-5	0-5	-	-	26	5	130-135 (135-140 FYE)	30-35 (110-115 FYE)
Ken Kneller <i>Interim Actuarial Director (from 1 January 2013)</i>	130-135	35-40 (130-135 full year equivalent)	0-5	0-5	-	-	20	6	150-155	40-45 (140-145 FYE)
Susan Vivian <i>Interim Actuarial Director (from 1 January 2013)</i>	110-115	30-35 (105-110 full year equivalent)	0-5	0-5	-	-	28	7	140-145	40-45 (115-120 FYE)
Kevin Down**** <i>Director of Finance</i>	60-65 (65-70 full year equivalent)	65-70	0-5	0-5	-	-	7	10	70-75 (75-80 FYE)	75-80
Simon Bancroft-Rimmer***** <i>Director of Human Resources (1 July 2002 to 15 September 2013)</i>	15-20	10-15	0-5	0-5	-	-	1	5	15-20	15-20
Nick Bean <i>Interim Director of Human Resources (3 November 2012 to 2 March 2014)</i>	60-65	15-20 (60-65 full year equivalent)	0-5	-	-	-	15	4	75-80	20-25 (65-70 FYE)
Hansa Bharadia <i>Interim Director of Human Resources (8 May 2012 to 30 November 2012)</i>	-	25-30 (60-65 Full year equivalent)	-	-	-	-	-	-	-	25-30 (60-65 FYE)
Paul Vinall <i>Director of Human Resources (from 17 March 2014)</i>	0-5 (60-65 full year equivalent)	-	-	-	-	-	1	-	0-5 (60-65 FYE)	-

Jane May***** Non-executive Board Member (until 17 September 2013)	5-10	10-15	-	-	-	-	-	-	5-10	10-15	
Alex Jablonowski***** Non-executive Board Member	5-10	5-10	-	-	-	-	-	-	5-10	5-10	
Angela Marshall***** Non-executive Board Member (From 4 September 2013)	0-5	-	-	-	-	-	-	-	0-5	-	
Louise Redmond***** Non-executive Board Member (From 9 September 2013)	5-10	-	-	-	-	-	-	-	5-10	-	
			2013-14					2012-13			
Band of highest paid director's total remuneration (£000)			210-215					Band of highest paid director's total remuneration (£000)			
Median total remuneration			£51,280					Median total remuneration			
Ratio			4.1					Ratio			
								4.2			

* See third paragraph on page 26

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

*** Sandra Bell worked part time for some of the year. Her full time equivalent salary is in the range £105K-£110K

**** Kevin Down works part-time. His full time equivalent salary is in the range £65K-£70K

***** Simon Bancroft-Rimmer worked part-time. His full time salary was in the range £60K-£65K

***** All the Non-executive Directors are paid the same daily fee rate. Variation in remuneration is based on hours claimed.

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 2013-14 was £210k-£215k (2012-13: £210k-£215k). This was 4.1 times the median remuneration of the workforce, which was £51,280 (2012-13, 4.2 times the median of £50,865).

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

The remuneration includes salary and non-consolidated performance-related pay 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 which are assessed 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 2013-14 relate to performance in 2013-14 and the comparative bonuses reported for 2012-13 relate to the performance in 2012-13.

Board Members' interests

No directorships or other significant interests which may have caused a conflict were held by Board Members. The NEBMs hold the following other appointments:

Member	Organisation	Role
Alex Jablonowski	Defence Support Group	Non-executive Chair
	Supreme Court	Non-Executive Director and member of Audit Committee
	Maritime and Coastguard Agency	Non-Executive Director and member of Audit Committee
	Valuation Office Agency	Non-Executive Director and member of Audit Committee
	Wilton Park	Non-Executive Director and member of Audit Committee
	Dynamyx Limited	Chair
	High Performance Leadership Ltd	Chair
	City Fencing Club	Chair
	UK Statistics Authority	Audit Committee member
	London Veterans Advisory Policy Committee	Member
	Office of National Statistics	Member of 2012 Census

		Programme Board and Web Data Access Programme Board
Jane May	HCA Regulation Committee Equitable Life Compensation Scheme Independent Review Panel Royal Berkshire NHS Foundation Trust Vehicle and Operator Services Agency Homes and Communities Agency (HCA) Board	Non-Executive Director Independent panel member Non-Executive Director Non-Executive Director Non-Executive Director
Angela Marshall	Big Lottery Fund Science & Technology Facilities Council Valuation Office Agency South Yorkshire Passenger Transport Executive	Non-Executive Member - Audit & Risk Committee Non-Executive Member - Audit & Risk Committee Non-Executive Member - Audit & Risk Committee Non-Executive Member - Audit & Risk Committee
Louise Redmond	Law Debenture Corporation plc Council of Cranfield University City HR Association Limited Risk Culture Insights Limited Birkbeck College, University of London	Director of Governance Services (to 30/9/2013), then Associate Independent Member Director Director Research Associate

Pension Benefits¹

	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV
	£000	£000	£000	£000	£000
Trevor Llanwarne <i>Government Actuary</i>	25-30	2.5-5.0	450	359	55
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	40-45	0-2.5	699	627	25
Colin Wilson <i>Deputy Government Actuary and Head of Technical</i>	20-25	2.5-5.0	252	203	27
Sandra Bell ² <i>Interim Actuarial Director</i>	15-20	0-2.5	222	190	13
Ken Kneller <i>Interim Actuarial Director</i>	25-30 Plus lump sum of 75-80	0-2.5 Plus lump sum of 2.5-5	422	381	11
Susan Vivian <i>Interim Actuarial Director</i>	15-20	0-2.5	279	238	19
Kevin Down <i>Director of Finance</i>	20-25 Plus lump sum of 60-65	0-2.5 Plus lump sum of 0-2.5	318	294	3
Simon Bancroft-Rimmer ³ <i>Director of Human Resources</i>	20-25 Plus lump sum of 60-65	0-2.5 Plus lump sum of 0-2.5	348	333	1
Nick Bean ⁴ <i>Interim Director of Human Resources</i>	0-5 Plus preserved award of 15-20 Plus preserved lump sum of 50-55	0-2.5	358	324	10
Paul Vinall ⁵ <i>Director of Human Resources</i>	5-10	0-2.5	70	69	0

1. Some board members may incur Annual Allowance tax charges as a result of pension accrual during the accounting period.
2. Sandra Bell's working hours increased from 90% to 100% of full time employment from 30 September 2013.
3. Simon Bancroft-Rimmer ceased to be a member of the Management Board on 15 September 2013.
4. Nick Bean ceased to be a member of the Management Board on 2 March 2014.
5. Paul Vinall became a member of the Management Board on 17 March 2014.

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 salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with 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 Values

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

Real increase in CETV

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

Compensation for loss of office

Simon Bancroft-Rimmer left under Voluntary Redundancy terms on 15 September 2013. The cost to the department for compensation for loss of employment amounted to £180,000-£185,000.

During 2013-14, there were no off-payroll appointments for more than £220 per day and lasting longer than six months (2012-13: nil).

Trevor Llanwarne

Government Actuary

Accounting Officer

Date: 20 June 2014

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 resource 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, application of resources, changes in taxpayers' equity 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 a non-Ministerial Department and is one of the Chancellor's Departments and as such does not have a Minister at Cabinet level. The Exchequer Secretary to the Treasury, David Gauke MP, has Ministerial responsibility for the Department since October 2013. Prior to that the Economic Secretary to the Treasury, Sajid Javid MP, was responsible. 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 and he is due to leave GAD when his contract ends on 31 August 2014. Following an open competition run by HM Treasury, Martin Clarke has been selected as his successor for a five year period from summer 2014.

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 three Non-Executive Board Members.
- > An Audit Committee, chaired by a Non-Executive Board Member 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, Senior Chief Actuaries, Chief Actuaries and a number of other senior staff 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, Environmental, Information Technology, Security and Information Assurance issues, reporting directly to the Accounting Officer. The Security Group 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.

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 Management Board has assessed GAD's compliance with the Code, including deciding which measures in the Code are relevant and practical for GAD. The approach we have taken is to disregard items that are clearly not appropriate to a small non-ministerial department (e.g. to have a Board chaired by the Secretary of State). GAD's Management Board has agreed not to comply with other items where they would impose extra cost for little or no value.

During 2011-12 the Management Board agreed its remit which includes the following set of operating principles. The first review of the Board's effectiveness under this remit was carried out during 2012-13. A

mini review is scheduled to be carried out in summer 2014 but a full review will be deferred until the new Government Actuary is in post.

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
Colin Wilson	Deputy Government Actuary & Head of Technical
Kevin Down	Director of Finance and Support Operations
Simon Bancroft-Rimmer	Director of Human Resources (to September 2013)
Nick Bean	Director of Human Resources (to February 2014)
Paul Vinall	Director of Human Resources (from March 2014)
Sandra Bell	Interim Actuarial Director
Ken Kneller	Interim Actuarial Director
Sue Vivian	Interim Actuarial Director
Alex Jablonowski	Non-Executive Board Member
Jane May	Non-Executive Board Member (to September 2013)
Louise Redmond	Non-Executive Board Member (from September 2013)
Angela Marshall	Non-Executive Board Member (from October 2013)

As part of GAD's strategy and with the principles of streamlining, creating career opportunities and improving representation, the Management Board's composition has included three Interim Actuarial Directors (IADs), drawn from the GAD leadership group who serve a term of 15 months on the Board.

During the year Simon Bancroft-Rimmer was undertaking part-time work from home following a period of sick absence. He left GAD on Voluntary Early Severance terms in September 2013.

Attendance at Management Board meetings in 2013-14

Number of meetings	11
Number of meetings attended by:	
Trevor Llanwarne	11/11
George Russell	11/11
Colin Wilson	11/11
Kevin Down	11/11
Simon Bancroft-Rimmer	0/5
Nick Bean	8/10
Paul Vinall	1/1
Sandra Bell	9/11
Ken Kneller	9/11
Sue Vivian	10/11
Alex Jablonowski	10/11
Jane May	5/5
Angela Marshall	6/6
Louise Redmond	5/7

Audit Committee

GAD's Audit Committee has three posts which are filled by the Non-Executive Board Members. It is chaired by Alex Jablonowski. The Government Actuary, Director of Finance, External Auditors and Internal Auditors are invited to attend the Committee, which meets at least quarterly.

The Chair's annual report detailed the items covered by the Committee which included approving Internal Audit plans then reviewing the findings of the audits carried out and following up on any actions

recommended, considering external audit plans and audit findings, reviewing the risk register, reviewing GAD's supplementary estimate request and approving this Governance Statement.

Attendance at Audit Committee meetings in 2013-14

Number of meetings: 5

Number of meetings attended by:

Alex Jablonowski (Chair)	5/5
Jane May	2/2
Angela Marshall	3/3
Louise Redmond	2/3

Other Attendees:

Accounting Officer	4/5
Director of Finance	5/5
Internal Audit	4/5
External Audit	5/5

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. These are considered monthly by the Management Board.

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. These are considered by the Support Operations Committee with a full formal review carried out every six months.

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.

2013-14 Review

During the year, significant attention was given by the Management Board to the following: 2012 valuations, long-term sustainability, complaints, no overseas insurance. At the year-end the position was considered to be a better overall position than at the beginning of the year due principally to successful progress on valuation work and no new serious issues emerging, Specific items of interest are set out below.

GAD sources its Internal Audit through XDIAS, the cross-departmental shared service provider. An Audit Charter is in place 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 Finance key controls, HR key controls, Information Assurance Maturity Model, Security Policy Framework compliance, post-Macpherson assurance and Factors assurance.

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.

Whilst not initiated by GAD, further assurance is obtained through a number of compliance audits carried out on the HR function by the Civil Service Commissioners, MyCSP and HMRC.

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.

The biggest governance issue in 2013-14 was ensuring the valuations of the main public service pension schemes was carried out successfully i.e. completed to the timetable agreed with stakeholders whilst ensuring the approach, assumptions and results for each scheme were correct, comparable and consistent. GAD also appointed an actuarial consultancy, Hymans Robertson, to provide independent quality assurance of the valuations work and the 2014-15 Internal Audit programme includes a 'lessons learnt' review of the project management.

GAD delivered the valuation results as required for the first 5 schemes in February 2014, including the schemes for NHS workers, Teachers, Civil Servants, Police and Firefighters. Work continues to deliver the remaining valuations as required

In accordance with plans developed following the Macpherson review of quality assurance of government models, GAD introduced new guidance for model SROs (Senior Responsible Owners) of business critical models. The aim of this was to introduce the remaining best practice items identified in the review to GAD's existing processes. As part of its governance processes GAD maintains an up-to-date list of its business critical models, which is available on our website. For these purposes a model is defined as a set of calculations / assumptions / mathematical manipulations that supports a decision and is defined as business critical if it plays such a role in decision-making that an error could have a significant reputational, economic or legal impact.

An Internal Audit review provided Full Assurance that:

- > There is visible leadership at the top of GAD in creating a culture that expects high quality QA
- > GAD has appropriate capacity and capability where specialist staff have sufficient time built-in within their roles and responsibilities for QA and are able to draw on expertise and experience across government and beyond
- > There are adequate controls in place, including a clear governance framework
- > Processes ensure that business critical models have clear documentation and there is a clear approach for handover of responsibility where the model SRO needs to change for any reason

A review of the actuarial factors that GAD has a role in setting was completed. The review resulted in a complete list of factors being agreed with GAD's clients and compiled into a database which captures the statutory references (i.e. who is legally responsible for reviewing and setting it) and review dates to ensure factors are reviewed as and when required. It is also a requirement that factors are reviewed whenever new information becomes available that indicates they may need to be changed. Internal guidance was issued to clarify the circumstances in which such a review should occur.

During the year the withdrawal from overseas insurance regulatory work was completed smoothly and work for the final client, Cyprus, ceased by 31 March 2014.

There were no incidents of fraud or bribery during the year.

GAD handles large amounts of data which may contain personal information about individuals. The Department 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.

The Security Group met regularly and continued to use the Information Assurance Maturity Model to demonstrate GAD's compliance with the mandatory measures of the Government's Data Handling Review. GAD has not suffered any protected personal data-related incidents during 2013-14 or in previous financial years.

The Management Board have considered the quality of Management Information and data presented to the Management Board and were content with the generality.

GAD is committed to conducting its activities in an environmentally responsible manner and the Environmental Management System (EMS) was re-accredited to the ISO14001 standard. More information on GAD's sustainability performance is available on page 21 of this report.

Business continuity arrangements were revised and tested.

GAD staff took part in the 2013 Civil Service People Survey and GAD received an overall engagement index rating of 66% (2012: 63%) which compares favourably with the Civil Service average of 58% and is towards the top 10% of organisations taking part. Full survey results are published in the Transparency section of our website (www.gov.uk/gad).

Trevor Llanwarne
Government Actuary
Accounting Officer

DATE: 20 June 2014

Government Actuary's Department 2013-14**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 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 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 Department's circumstances 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 and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted 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 2014 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 financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2014 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 Strategic Report and the Management Commentary Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the 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.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 24 June 2014

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

Government Actuary's Department: annual accounts as at 31 March 2014

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

- a Statement of Parliamentary Supply
- b Notes to the Department Annual Accounts (Statement of Parliamentary Supply)
- c Statement of Comprehensive Net Expenditure
- d Statement of Financial Position
- e Statement of Cash Flows
- f Statement of Changes in Taxpayers' Equity
- g Notes to the Department Annual Accounts

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Department to prepare a Statement of Parliamentary Supply and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

Summary of Resource and Capital Outturn 2013-14

£000	SoPS Note	2013-14		2012-13	
		Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
		Voted	Voted		Total
Departmental Expenditure Limit					
- Resource	2.1	(1,040)	(2,072)	1,032	(360)
- Capital	2.2	526	473	53	154
Total		(514)	(1,599)	1,085	(206)
Annually Managed Expenditure					
- Resource	2.1	30	(1,408)	1,438	(1,250)
- Capital		-	-	-	-
Total Budget		(484)	(3,007)	2,523	(1,456)
Non-budget					
- Resource		-	-	-	-
Total		(484)	(3,007)	2,523	(1,456)
Total Resource		(1,010)	(3,480)	2,470	(1,610)
Total Capital		526	473	53	154
Total		(484)	(3,007)	2,523	(1,456)

Net cash requirement 2013-14

	SoPS Note	2013-14			2012-13
		Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
	4	(521)	(821)	300	(310)

Administration Costs 2013-14

	SoPS Note	2013-14			2012-13
		Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
	3.2	(1,040)	(2,338)	1,298	(778)

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. Explanations of variances between Estimate and Outturn are given in SOPS Note 2 and in the Management Commentary.

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- Ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- Support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

SOPS1.2a Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. The situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review; and (iii) income received above netting-off agreements.

SOPS1.2b Provisions – Administration and Programme expenditure

Provisions are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply was different from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2.

SOPS2. Net outturn**SOPS 2.1 Analysis of net resource outturn by section**

£000	2013-14										2012-13 Outturn
	Outturn						Estimate			Total	
	Administration			Programme			Total	Net total compared to estimate	Net total compared to estimate, adjusted for virements		
	Gross	Income	Net	Gross	Income	Net					
Spending in Departmental Expenditure Limit											
Voted: Administration	16,632	(18,970)	(2,338)	-	-	-	(2,338)	(1,306)	1,032	1,032	(778)
Voted: Use of Provision	266	-	266	-	-	-	266	266	-	-	418
	16,898	(18,970)	(2,072)	-	-	-	(2,072)	(1,040)	1,032	1,032	(360)
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure											
Voted: Losses on Revaluation	-	-	-	23	-	23	23	96	73	73	-
Voted: Provisions	-	-	-	(1,431)	-	(1,431)	(1,431)	(66)	1,365	1,365	(1,250)
	-	-	-	(1,408)	-	(1,408)	(1,408)	30	1,438	1,438	(1,250)
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
Total	16,898	(18,970)	(2,072)	(1,408)	-	(1,408)	(3,480)	(1,010)	2,470	2,470	(1,610)

SOPS2.2 Analysis of net capital outturn

£000	2013-14						2012-13 Outturn
	Outturn			Estimate		Net total compared to estimate, adjusted for virements	
	Gross	Income	Net	Net	Net total compared to estimate		
Spending in Departmental Expenditure Limit							
Voted:	473	-	473	526	53	53	154
Non-voted:	-	-	-	-	-	-	-
Annually Managed Expenditure							
Voted:	-	-	-	-	-	-	-
Non-voted:	-	-	-	-	-	-	-
Total	473	-	473	526	53	53	154

SOPS3. Reconciliation of outturn to net operating cost and against Administration Budget**SOPS3.1 Reconciliation of net resource outturn to net operating cost**

	SoPS Note	2013-14 £000 Outturn	2012-13 £000 Outturn
Total Resource Outturn in Statement of Parliamentary Supply	2.1	(3,480)	(1,610)
<hr/>			
Net Operating Costs in Statement of Comprehensive Net Expenditure		(3,480)	(1,610)
<hr/>			

SOPS3.2 Outturn against final Administration Budget and Administration net operating cost

		2013-14 £000	2012-13 £000
Estimate – Administration costs limit	2.1	(1,040)	970
Outturn – Gross costs		16,898	16,314
Outturn – Gross income		(18,970)	(16,674)
<hr/>			
Outturn – Net costs		(2,072)	(360)
<hr/>			
Reconciliation to operating costs:			
Less: provisions utilised (transfer from programme)		(266)	(418)
<hr/>			
Administration Net Operating Cost		(2,338)	(778)
<hr/>			

SOPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	2.1	(1,010)	(3,480)	2,470
Capital Outturn	2.2	526	473	53
Accruals to cash adjustments:				
Depreciation		(426)	(352)	(74)
New provisions and adjustments to previous provisions		(200)	1,165	(1,365)
Other non-cash items		(60)	(60)	-
Adjustments to reflect movements in working balances:				
(Increase)/decrease in work in progress		255	29	226
(Increase)/decrease in receivables		245	1,130	(885)
Increase/(decrease) in payables		(117)	8	(125)
Use of provisions		266	266	-
Net cash requirement		(521)	(821)	300

SOPS5. 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 2013-14 £000		Outturn 2012-13 £000	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Excess cash surrendered to the Consolidated Fund	-	9	-	-
Excess cash surrenderable to the Consolidated Fund	-	812	-	1,215
Total amount payable to the Consolidated Fund	-	821	-	1,215

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

				2013-14 £000	2012-13 £000
	Note	Staff Costs	Other costs	Income	
Administration costs:					
Staff costs	2	12,018	-	-	12,018 12,101
Other costs	3	-	4,614	-	4,614 3,795
Income	4	-	-	(18,970)	(18,970) (16,674)
Programme expenditure:					
Staff costs	2	-	-	-	-
Other costs	3	-	(1,142)	-	(1,142) (832)
Income	4	-	-	-	-
Net Operating Costs		12,018	3,472	(18,970)	(3,480) (1,610)
Net Operating Costs for the year ended 31 March 2014		12,018	3,472	(18,970)	(3,480) (1,610)
<u>Other Comprehensive Net Expenditure</u>					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
- revaluation of property, plant & equipment	5			(133)	(48)
- revaluation of intangibles	6			-	(16)
Total comprehensive expenditure for the year ended 31 March 2014				(3,613)	(1,674)

Statement of Financial Position

as at 31 March 2014

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		2014 £000	2013 £000
Note			
Non-current assets:			
Property, plant and equipment	5	1,270	976
Intangible assets	6	201	241
Total non-current assets		1,471	1,217
Current assets			
Work in Progress	10	480	451
Trade and other receivables	11	5,007	3,877
Cash and cash equivalents	12	812	1,215
Total current assets		6,299	5,543
Total assets		7,770	6,760
Current liabilities			
Trade and other payables	13	(2,801)	(3,106)
Provisions (due within one year)	14	(177)	(265)
Non-current assets plus/less net current assets/liabilities		4,792	3,389
Non-current liabilities			
Trade and other payables	13	(974)	(1,080)
Provisions (due after one year)	14	(1,542)	(2,885)
Total non-current liabilities		(2,516)	(3,965)
Assets less liabilities		2,276	(576)
Taxpayers' equity and other reserves:			
General fund		2,051	(668)
Revaluation reserve		225	92
Total equity		2,276	(576)

Trevor Llanwarne
Government Actuary,
Accounting Officer

Date: 20 June 2014

Statement of Cash Flows

for the year ended 31 March 2014

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Departments' future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net operating surplus/(cost)		3,480	1,610
Adjustments for non-cash transactions	3	(753)	(503)
(Increase)/Decrease in trade and other receivables	11	(1,130)	(474)
(Increase)/Decrease in work in progress	10	(29)	(72)
Increase/(Decrease) in trade payables	13	137	384
Increase/(Decrease) in trade payables falling due in more than one year	13	(106)	(102)
Use of Provisions	14	(266)	(418)
		1,333	425
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(381)	(92)
Purchase of intangible assets	6	(131)	(23)
		(512)	(115)
Cash flows from financing activities			
From the Consolidated Fund (Deemed Supply) – current year		-	905
From the Consolidated Fund (Supply) – prior year		-	-
Advances from Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-
		-	905
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		821	1,215
Payments of amounts due to the Consolidated Fund			
Actual		(1,224)	(805)
Deemed		-	(905)
		(403)	(495)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
		(403)	(495)
Cash and cash equivalents at the beginning of the period	12	1,215	1,710
Cash and cash equivalents at the end of the period	12	812	1,215

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

This statement shows the movement in the year on the different reserves held by the Department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	Note	General Fund £000	Revaluation Reserve £000	Total Taxpayers' equity £000
Balance at 31 March 2012		(2,028)	28	(2,000)
Net Parliamentary Funding drawn down		-	-	-
Net Parliamentary Funding – deemed		905	-	905
Supply (payable) / receivable adjustment		(1,215)	-	(1,215)
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the Year		1,610	-	1,610
Net gain/(loss) on:				
revaluation of property, plant & equipment		-	64	64
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	3	60	-	60
Balance at 31 March 2013		(668)	92	(576)
Net Parliamentary Funding drawn down		-	-	-
Net Parliamentary Funding – deemed		-	-	-
Supply (payable) / receivable adjustment		(812)	-	(812)
Excess cash surrendered to the Consolidated Fund		(9)	-	(9)
Comprehensive Net Expenditure for the Year		3,480	-	3,480
Net gain/(loss) on:				
revaluation of property, plant & equipment		-	133	133
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	3	60	-	60
Balance at 31 March 2014		2,051	225	2,276

Annual Report & Accounts 2013-14

Notes to the Departmental Annual Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 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. The accounts are prepared in £ Sterling to the nearest thousand.

1.2 Basis of consolidation

A description of the accounting policies for all material items are as follows:

1.2a Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in FReM by HM Treasury.

1.2b 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.

1.2c 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. 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.

1.2d Property, Plant and Equipment

Fit 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.

1.2e 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.

1.2f 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	3 – 8 years

1.2g 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.

1.2h Leases

GAD has an operating lease in respect of its Finlaison House premises and a contract for its Edinburgh Office with a minimum of one year's term (until 28 November 2017). GAD's commitments are disclosed in note 8.

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

1.2i 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 2014.

1.2j Operating Income

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

1.2k Provisions

i. Onerous Lease

The department has 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 in June 2014 (third floor) and June 2015 (fourth floor). The second floor was vacated in March 2011 and this has subsequently been let at a rent level below the rent GAD is contractually required to pay. A new tenant has taken up the vacated space during 2012-13. 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 onerous lease provision covers 3 floors of Finlaison House. According to HM Treasury Public Expenditure System circular PES (2013) 07, new discount rates for general provisions are published which relate to the timing of the cash flows: 2.2% (long-term rate – exceeding 10 years), -0.65% (medium-term rate – after 5 and up to and including 10 years) and -1.9% (short-term rate – between 0 and up to and including 5 years).

Key sources of estimation uncertainty:

In addition to the factors set out above, the provision was 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.

ii. 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.

iii. Other provisions

There is only one other provision:

Injury Benefit Provision - Under the Civil Service Injury Benefit Scheme (CSIBS), GAD is responsible for making injury benefit payments to a former employee. The payments funded by the provision are discounted at the pensions discount rate (the discount rate in excess of CPI inflation) of 1.8%, set by HM Treasury in Public Expenditure System circular PES (2013) 07.

1.2l Value Added Tax

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

1.2m 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.

1.2n 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).

1.2o 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 the Management Board. Financial information required by the Board to make decisions about planning, resource allocation and fee-setting as well as monitoring 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 4). There are no non-current assets that need to be reported on a geographical basis.

1.2p Impending application of newly issued accounting standards not yet effective

GAD provides disclosure that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the department's financial statements. The following sections of the FReM have been amended and are mandatory for GAD's accounting period beginning 1 April 2014 or later periods, which GAD will adopt:

IFRS 10, 11 and 12 - Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities, issued by IASB and amendments to the FReM were proposed during 2013-14 to maintain the adaptation to current group accounting standards in respect of the departmental consolidation boundary; and to apply the principles of IAS 28 to departments only for investments in Associates and Joint Ventures classified outside of the public sector by the ONS. IAS 27 'Separate Financial Instruments' was amended which relates to the production of separate financial statements. GAD has no other entities within the Departmental Boundary.

IFRS 13 - Fair Value Measurement, which provides consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS. HM Treasury indicated that IFRS 13 is to apply prospectively to entities from 1 April 2015. Early adoption is not permitted.

IAS 32 'Financial Instruments: Presentation amendment – Offsetting financial assets and liabilities' and IFRS 9 'Financial Instruments', were amended and pending to be effective. As financial instruments do not play a significant role in GAD, it is unlikely there is a material effect in GAD's financial statements.

1.3 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions about the reported amounts of assets, liabilities, income and expenditure that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out areas involving a higher degree of judgement, complexity, assumptions and estimation techniques, such as note 1.2f (depreciation and amortisation), note 1.2i (work in progress) and note 1.2k (provisions).

2. Staff numbers and related costs

Staff costs comprise:

Administration	2013-14 £000			2012-13 £000
	Total	Permanently employed staff	Others *	Total
Wages and salaries	9,253	8,569	684	9,329
Social security costs	936	861	75	952
Other pension costs	1,829	1,757	72	1,820
Sub Total	12,018	11,187	831	12,101
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs	12,018	11,187	831	12,101

* Includes non-executive board members

Of the total, £nil has been charged in capital (2012-13: £nil).

Of the total, £nil has been charged to the programme budget (2012-13: £nil).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and generally, government departments are unable to identify their share of the underlying assets and liabilities. Due to its role as Scheme Actuary, GAD would be able to identify its share but has not done so in line with normal practice. The former Scheme Actuary (Aon Hewitt Limited) valued the scheme as at 31 March 2007. Details can be found in the review of Accruing Superannuation Liability Charge www.civilservice.gov.uk/pensions

For 2013-14, employers' contributions of £1,801,000 were payable to the PCSPS (2012-13: £1,796,000) at one of four rates in the range 16.7 to 24.3 per cent (2012-13: 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 2013-14 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 £28,000 (2012-13 £24,000) 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:

	2013-14			2012-13
	Total	Permanently employed staff	Temporary staff	Total
Total	147	135	12	140
	147	135	12	140

2.1 Reporting of Civil Service other compensation schemes - exit packages

2013-14			
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	-	-
£50,000 - £100,000	-	-	-
£100,000- £150,000	-	1	1
£150,000- £200,000	-	1	1
£200,000-£250,000	-	-	-
£250,000-£300,000	-	-	-
Total number of exit packages by type	0	2	2
Total resource cost £000	0	287	287

2012-13			
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Total number of exit packages by type	6	5	11
Total resource cost £000	476	255	731

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

The number of ill-health retirement in 2013-14 is £nil (2012-13: £nil). The cost of ill-health retirement in 2013-14 is £nil (2012-13: £nil).

3. Other Administration Costs

	Note	Administration	Programme	2013-14 £000	2012-13 £000
Operating lease: Rent of building		1,762	-	1,762	1,396
Office equipment		6	-	6	7
Rates and building service costs		665	-	665	682
Agency and other temporary staff costs		545	-	545	192
Computer running costs		343	-	343	271
Recruitment		244	-	244	164
Training		184	-	184	168
Consultancy		154	-	154	181
Subscriptions		89	-	89	102
Travel, subsistence and hospitality		79	-	79	145
Telecommunications		49	-	49	48
Other costs		33	-	33	32
Internal Audit Fees		26	-	26	28
Stationery and publications		26	-	26	23
Photocopying		20	-	20	27
Non-cash items:					
Provision for accommodation lease	14	-	(1,203)	(1,203)	(963)
Provision for injury benefits	14	-	38	38	41
Provision for redundancy	14	-	-	-	90
Depreciation and amortisation of fixed assets		318	-	318	266
Loss on revaluation of fixed assets	5,6	-	23	23	-
Loss on disposal of fixed assets	5,6	11	-	11	3
Auditors' remuneration	5,6	60	-	60	60
Other costs		-	-	-	-
Total		4,614	(1,142)	3,472	2,963

4. Income

	2013-14 £000	2012-13 £000
	Total	Total
Government Departments	14,492	10,720
Of which receipts from:		
Sub Tenants	1,075	731
National Insurance Fund	622	989
Wider public sector, private sector and overseas	4,478	5,954
	18,970	16,674
Income by geographical locations -		
Within the UK *	18,140	14,527
Attributed to all foreign countries	830	2,147
	18,970	16,674
Income by types of work carried out:		
UK policy advice	3,912	2,607
Staff transfers	2,463	3,059
UK public service pensions	9,336	5,689
Other actuarial work	2,184	4,588
Rent and miscellaneous	1,075	731
	18,970	16,674

* Income from one client was £ 1,742,000 (9% of total income) (2012-13: £1,257,000)

5. Property, plant and equipment

Current year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2013	1,184	562	227	1,973
Additions	251	90	40	381
Disposals	-	(55)	(15)	(70)
Revaluations	241	(15)	(17)	209
At 31 March 2014	1,676	582	235	2,493
Depreciation				
At 1 April 2013	575	285	137	997
Charged in year	66	105	22	193
Disposals	-	(45)	(15)	(60)
Revaluations	108	(7)	(8)	93
At 31 March 2014	749	338	136	1,223
Carrying amount at 31 March 2014	927	244	99	1,270
Carrying amount at 31 March 2013	609	277	90	976
Prior year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2012	1,138	445	211	1,794
Additions	-	86	6	92
Disposals	-	(23)	(2)	(25)
Revaluations	46	54	12	112
At 31 March 2013	1,184	562	227	1,973
Depreciation				
At 1 April 2011	488	187	111	786
Charged in year	60	90	19	169
Disposals	-	(20)	(2)	(22)
Revaluations	27	28	9	64
At 31 March 2013	575	285	137	997
Carrying amount at 31 March 2013	609	277	90	976
Carrying amount at 31 March 2012	650	258	100	1,008

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

6. Intangible assets

Intangible assets comprise of computer software

Current year	Total £000
Cost or valuation	
At 1 April 2013	664
Additions	92
Disposals	(49)
Revaluations	(18)
At 31 March 2014	689
Amortisation	
At 1 April 2013	423
Charged in year	125
Disposals	(48)
Revaluation	(12)
At 31 March 2014	488
Carrying amount at 31 March 2014	201
Carrying amount at 31 March 2013	241
Prior year	
Cost or valuation	
At 1 April 2012	592
Additions	62
Disposals	(44)
Revaluations	54
At 31 March 2013	664
Amortisation	
At 1 April 2012	332
Charged in year	97
Disposals	(44)
Revaluation	38
At 31 March 2013	423
Carrying amount at 31 March 2013	241
Carrying amount at 31 March 2012	260

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

7. Impairments

GAD did not incur any impairment costs during 2013-14 (2012-13: £nil).

8. Capital and other commitments

8.1 Capital commitments

GAD had no capital commitments at 31 March 2014 (2012-13: £nil).

8.2 Commitments under leases

8.2 Operating leases

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.

	2013-14 £000	2012-13 £000
Obligations under operating leases comprise:		
<hr/>		
Buildings (rent of office building)		
Not later than one year	1,688	1,647
Later than one year and not later than five years	7,183	7,009
Later than five year	8,436	10,299
<hr/>		
Edinburgh Office lease		
Not later than one year	18	3
Later than one year and not later than five years	-	-
<hr/>		
Other (Office equipment *)		
Not later than one year	8	9
Later than one year and not later than five years	4	12
Later than five year	-	1
<hr/>		
	17,337	18,980
<hr/>		
Subtenants lease **		
Not later than one year	(566)	(795)
Later than one year and not later than five years	-	-
<hr/>		

* Office equipment comprises printers, water coolers and franking machines.

** Subtenant lease comprises rental income from subletting to MoD and HEFCE

9. 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.

9.1 Credit Risk

The maximum credit risk the department is exposed to at 31 March 2014 was £4,693,000 (trade receivables and accrued income value).

An aged debtor analysis as at 31 March 2014 is as follows:

	31 March 2014
	£000
Under 30 days	4,173
Over 1 month and under 6 months	475
Over 6 months and under 12 months	34
Over 12 months	11

9.2 Liquidity Risk

Apart from a small Parliamentary vote, GAD funded its payments with 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 managing 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	2,434	-	-	2,434
Total	2,434	-	-	2,434

9.3 Market Risk

The main market risk GAD is exposed to is foreign currency from overseas customers, which amounted to £9,847 of debtor value as at 31 March 2014. 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.

10. Work in Progress

	2013-14 £000	2012-13 £000
Value of time worked but not billed	480	451
	480	451

11. Trade receivables and other current assets

	2013-14 £000	2012-13 £000
Amounts falling due within one year:		
Trade receivables	2,328	1,748
Accrued income	2,335	1,820
Deposits and advances	38	44
Other receivables	1	2
Prepayments	305	263
	5,007	3,877

There are no amount falling due greater than 1 year (2012-13 - £nil).

11.1 Intra-Government Balances

	2013-14 £000	2012-13 £000
Amounts falling due within one year:		
Balances with other central government bodies	3,363	2,422
Balances with local authorities	-	1
Balances with NHS trusts	119	215
Balances with public corporations and trading funds	50	30
Sub-total: intra-government balances	3,532	2,668
Balances with bodies external to government	1,475	1,209
Total trade receivables at 31 March	5,007	3,877

12. Cash and cash equivalents

	2013-14 £000	2012-13 £000
Balance at 1 April	1,215	1,710
Net change in cash and cash equivalent balances	(403)	(495)
Balance at 31 March	812	1,215
The following balances at 31 March were held at:		
Government Banking Service (GBS)	812	1,215
Balance at 31 March	812	1,215

During the year, the Department closed its commercial bank account for third party deposits (Note 18).

13. Trade payables and other current liabilities

	2013-14 £000	2012-13 £000
Amounts falling due within one year:		
VAT	1,354	1,010
Other taxation and social security	7	-
Trade payables	13	10
Accommodation creditor	103	101
Accruals and deferred income	266	558
Employee benefits (annual leave carried forward)	246	212
Consolidated Fund Creditor for cash unspent at year end	812	1,215
Consolidated Fund Creditor for cash unspent – prior year	-	-
	2,801	3,106
Amounts falling due after more than one year:		
Accommodation creditor	974	1,080
	974	1,080
Total	3,775	4,186

13.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after one year	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
Balances with other central government bodies	2,183	2,242	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	2,183	2,242	-	-
Balances with bodies external to government	618	864	974	1,080
Total trade payables at 31 March	2,801	3,106	974	1,080

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

14. Provisions for liabilities and charges

	Onerous Lease £000	Early departure costs £000	Other £000	Total £000
Balance at 1 April 2013	2,542	236	372	3,150
Provided in the year	-	-	27	27
Provisions not required written back	(1,203)	-	-	(1,203)
Provisions utilised in the year	(77)	(83)	(106)	(266)
Unwinding of discount	-	-	11	11
Balance at 31 March 2014	1,262	153	304	1,719

	Onerous Lease £000	Early departure costs £000	Other £000	Total £000
Balance at 1 April 2012	3,827	317	256	4,400
Provided in the year	-	-	119	119
Provisions not required written back	(1,070)	-	-	(1,070)
Provisions utilised in the year	(322)	(81)	(15)	(418)
Unwinding of discount	107	-	12	119
Balance at 31 March 2013	2,542	236	372	3,150

Analysis of expected timing of discounted flows

	Onerous Lease £000	Early departure costs £000	Other £000	Total £000
Falling due in the next year due (to 31 st March 2015)	78	83	16	177
Between 2015-16 and 2018-19	618	70	58	746
Between 2019-20 and 2023-24	566	-	63	629
Thereafter	-	-	167	167
Balance at 31 March 2014	1,262	153	304	1,719

14.1 Accommodation

The department has 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 in June 2015 (fourth floor). The second floor was vacated in March 2011 and this has subsequently been let at a rent level below the rent GAD is contractually required to pay. One tenant exited the third floor on 30 June 2014 and there is a new tenant to take it on from 1 July 2014. A new tenant has taken up the vacated space during 2013-14. 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 onerous lease provision covers 3 floors of Finlaison House. According to HM Treasury Public Expenditure System circular PES (2013) 07, new discount rates for general provisions are 2.2%, -0.65% and -1.9% (long-term, medium-term and short-term respectively) depending on the timing of the cash flows.

14.2 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.

14.3 Other financial commitments

“Other” consists of two provisions:

Injury Benefit Provision - 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.

Redundancy Provision - Following GAD's decision to withdraw from overseas insurance regulation work a number of staff were made redundant. The majority of the redundancy payments were made during 2012-13. A provision (£90,000) was made in 2012-13 for the remaining redundancy costs resulting from the exercise. The provision was utilised at 31st March 2014.

15. Contingent liabilities disclosed under IAS 37

As at 31 March 2014, 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 £50,000 (2012-13: £45,000).

16. Losses and special payments

No reportable losses or special payments were incurred during 2013-14 (2012-13: £147,000).

17. 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 Ministry of Defence, the Department of Health, Department for Work and Pensions, the Cabinet Office, 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 4.

Note that receipts from other government departments include rent and facilities management charges from the Ministry of Defence and HEFCE as sub-tenants in Finlaison House. In 2013-14 the total net income from these sub-tenants was £1,075,000

No Minister, Board member, key manager or other related parties has undertaken any material transaction with the Department during the year.

18. 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.

	2013-14
	£000
Opening balance at 1 April 2013	3
Net changes	(3)
Closing balance at 31 March 2014	-

During the year, the Department closed its commercial bank account for third party deposits.

19. Entities within the departmental boundary

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

20. Events after the reporting period date

No event was recorded after the Statement of Financial Position Date which affects the true and fair view of the accounts.

21. Date of Authorisation of Accounts

This set of financial statements is authorised for issue on 30 June 2014.

ISBN 978-1-4741-0791-4



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