Presented pursuant to the GRA Act 2000 c.20. s6

The Government Actuary's Department

Resource Accounts 2004 – 05

LONDON: The Stationery Office
HC 543

26 October 2005
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2004 – 05
(For the Year Ended 31 March 2005)

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Resource Accounts: The Government Actuary's Department

Foreword

Introduction

These Resource Accounts have been prepared and issued by the Government Actuary's Department (GAD). These Accounts have been prepared under a direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000. The Accounts demonstrate the resources that have been used by GAD in delivering GAD's objectives. These Resource Accounts have been prepared in accordance with the guidance set out in HM Treasury's Resource Accounting Manual (RAM) for 2004-05.

The Aim and Objectives of the Department

This document contains the Accounts of GAD for the year 1 April 2004 to 31 March 2005.

The aim of the Department is

> *To provide mainly public sector clients with independent, professional actuarial advice of the highest quality and at a reasonable cost.*

To achieve our aim, the Department works to:

Objective 1 Provide the actuarial advice to Government Departments and other GAD clients in respect of employer-sponsored pension arrangements (particularly the main public service pension schemes) and other employee benefits;

Objective 2 Provide the social security projections, demographic analyses and actuarial advice necessary to underpin Ministerial decision-making in social security and pensions policy and to provide the actuarial advice necessary for the regulation and supervision of financial institutions overseas.

Principal Activities

The Department's provision of actuarial advice falls into four main areas: -

a. Occupational pensions - A reasonable standard of living for the nation's citizens depends on an effective system of occupational and personal pensions provision. The sums involved are large and have an important bearing on the national economy. Public sector pension costs are a major item of expenditure and represent a significant factor in privatisations and in public/private partnerships and in contracting-out of services. Private pension schemes are governed by complex legislation and regulation, with a high level of actuarial involvement. The Department for Work and Pensions (DWP), the Treasury, the Inland Revenue (now HM Revenue & Customs), the Occupational Pensions Regulatory Authority (now the Pensions Regulator), the Pensions Ombudsman, the Pensions Compensation Board, and virtually all other Government Departments and many public sector bodies call on GAD for advice on strategic and policy issues relating to pensions, advice on supervision of private pension schemes, individual cases and assistance on all matters relating to public sector pensions.

b. Social Insurance - A fundamental aspect of the modern state and economy. From its inception GAD has played a major role in establishing sound financial disciplines in this major area of public expenditure. The Government Actuary has statutory obligations to report to Parliament with a comprehensive range of independent reports on the financial impact, both in the short and long-term, of the social security legislation. Under the Social Security Administration Act 1992 there is a requirement for the Government Actuary to prepare a report to accompany any Order concerning the annual uprating of benefits, or changes in contributions, laid before Parliament by the Secretary of State for Work and Pensions. Legislation also demands a five-yearly report on the long-term financial prospects for any National Insurance Fund. A separate report to Parliament is expected on the financial impact of any major new social security legislation, and on the terms for occupational and personal pension schemes contracting out of the State Second Pension.

c. Demography and Statistics - Advice from GAD depends critically on the reliable collection of past and present data and projection of probable future trends. The Demography and Statistics section is the focus of this work, manifested in a comprehensive range of services, including national life tables and regular official national population projections.

d. Insurance Supervision Overseas – The Department continues to advise overseas governments on insurance supervision.

Other Reports

GAD financial targets are published in its 2005 Spring Departmental Report (Cm 6541) along with future expenditure plans covering 2005-06 and 2007-08. This report contains detail about GAD that is additional to that shown in these accounts.

GAD's Departmental report is one of a series of Departmental reports along with the following HM Treasury publications

- Main Estimates 2004-05;
- Supplementary Budget information 2004-05;
- Public Expenditure Statistical Analyses 2005 which present the overall Government expenditure outturn figures and plans for 1999-00 to 2007-08;
- Spending Review 2004 which presents Government Spending plans for 2005-06 to 2007-08

Readers may also wish to refer to the Corporate Brochure, which contain more information about the Department. This document is produced by GAD for our clients and can be found on the GAD website under:

www.gad.gov.uk/Publications/General.htm

Pension Liabilities

The pension liabilities of the Department are discharged through the Principal Civil Service Pension Scheme (PCSPS) administered by the Cabinet Office. See also notes 1.11 and 1.12 to these accounts.

Operating and Financial Review:

Operating Review

Once again, it was a busy year for the Department with demand for our services continuing to develop. We achieved growth across all fee-earning areas of activity and took on more than 175 new client accounts in year. This is lower than previous years but our business continues to grow, with more work being obtained from our existing clients. We completed major pieces of work in our pensions, social security and demographic teams as well as undertaking many smaller items of pensions transfer work. As in previous years we have successfully bid and won in competitive tenders and we believe that we have offered our clients value for money during the year and that our services remain competitively priced.

This year our income increased by 24% on last year compared to last year's increase on 2002-03 of only 3%. A total of 47% of our income was generated from other government Departments (compared to 54% in 2003-04 and 60% in 2002-03), with the balance coming from the wider public sector, the private sector and overseas clients. These figures do not imply a reduction in demand from our central government clients merely a larger increase in work for overseas clients and other public sector bodies. As we continue our successful working relationship with a number of overseas governments, our share of income generated from overseas clients increased by 73% this year. The corresponding increases for the wider public sector and the private sector were a healthy 22% and 31 % respectively. The Department continues to gain business in areas beyond its traditional boundaries – we continue to offer the quality and reliability of advice that our customers value.

At the end of 2004 we made a further revision to our Management Board structure. In line with best practice in government it was felt important to bring Non-Executive directors onto the Management Board. With the changes facing the Department after the Morris Review (see below for more details), the Management Board feels that our fullest attention should be focussed on client relationships and fee-earning capacity. It has therefore been decided to suspend the Establishment and Finance & Strategy Committees for the time being.

Public Sector Pensions remains GAD's predominant area of activity. GAD advised most of the main public service pension schemes, gave general pensions policy advice to H M Treasury and advised government Departments on issues specific to them. 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 structural changes to schemes. We advised extensively on the pensions aspects of PPP and PFI, working with contracting authorities across the public service on specific transactions and helping HM Treasury formulate policy on pensions protections for affected employees.

GAD continued its close relationship with the Department for Work and Pensions and the Inland Revenue (now HM Revenue & Customs) on all financial aspects of the National Insurance Fund benefits and contributions. The Department also remained responsible for the official population projections of the United Kingdom.

Further functions performed included advice to the Department for Constitutional Affairs on the assessment of damages in personal injury and fatal accident cases and to the Employment Tribunals Service on the assessment of loss of pension rights on unfair dismissal. GAD also provided regular certification of the randomness of the monthly premium bond draw (ERNIE).

We are taking a number of positive steps to prepare ourselves to be able to face more competition and to modernise our working practices and strengthen relationships with our clients. In so doing, we believe that GAD can position itself so as to be able to thrive in the new environment following the publication of the Morris Review. This will require strong and clear leadership from the Management Board and the active participation of every member of staff.

More specific details of the operational activities and performance of GAD are provided elsewhere in this report (Principal Activities) and also in the Annual Report and our Corporate Brochure.

Morris Review of the Actuarial Profession

On 8 March 2004, in response to Lord Penrose's report of the Equitable Life inquiry, the Government announced an independent review into the actuarial profession, with a particular focus on considering how best to modernise the profession and see that high standards are delivered in a more open, challenging and accountable professional culture. The role of the Government Actuary's Department formed part of the independent review. The review was conducted by Sir Derek Morris, the former Chairman of the Competition Commission. Work commenced on 1 May 2004 and the final report was published on 14 March 2005.

Overall Sir Derek Morris saw a continuing need for GAD and the role of the Government Actuary and his recommendations for change were approved by the HM Treasury Ministers – it is up to affected government Departments to work together to ensure that any changes serve the public good and continue to deliver value for money.

On public sector pensions and broad comparability there will be no immediate change although the Report recommends that there should be more open competition in this field. GAD will no longer be able to rely on any statutory or administrative requirements for clients to use only GAD as a source of actuarial advice. Changes to regulations will no doubt take time to put through. HM Treasury will advise scheme managers and trustees to seek over time to remove specific mentions of GAD in scheme regulations or rules. We shall be taking every opportunity to make sure that all our clients appreciate GAD's capabilities and range of services and that they recognize the quality of the GAD output and continue to value the attention to addressing the client's needs that we apply to each assignment.

The Morris Review report recommends the re-deployment of all UK government demographers to a central location under the ambit of the Office for National Statistics. This will lead to a transfer of at least 5 members of staff from this Department - we are discussing the date for this transfer with all interested parties.

Other measures recommended include the embedding of actuarial staff in the HM Revenue & Customs and DWP to ensure those Departments will have immediate access to professional actuarial expertise. It remains to be seen if those staff will transfer from GAD. Another recommendation is that the Occupational Pensions Scheme Survey should be dealt with by another body. It is not clear who this might be - we believe that GAD continues to offer an excellent and improving service in this area and would hope to maintain a significant role.

In the Press Notice issued with his Report, Sir Derek Morris said:
"I believe that the proposals which have emerged from my investigation into the Government Actuary's Department and the Government Actuary will provide public sector users of actuarial services with the right framework within which to work; and at the same time will allow the Government Actuary's Department to build on its historical strengths in order to meet its continuing aspirations effectively".

Full text can be found at the GAD website at:

www.gad.gov.uk/Publications/General.htm

Financial Review

The implementation of the new financial accounting, reporting and workflow solution, which went live in April 2003 took a while to embed but it has now started to prove its worth. The draft accounts were produced by mid May in accordance with HM Treasury's faster closing principles and represents a significant improvement on the previous two years. We see no difficulty with achieving the faster closing timetable for the 2005-06 accounts.

Our fee income has increased over the years from £5.9m in 2001-02 to £6.7m in 2002-03 to £6.9m in 2003-04 and £8.6m in 2004-05.

The continuing work of the Client Liaison team has greatly improved our debtor balances. Our aged debt (i.e. over 90 days old), which tends to be the most difficult to collect, has decreased by over 40% for the second year running. Our trade debtors total has decreased by 10%. We still find that some of our clients, including UK government clients, are reluctant to pay within the 30-day payment terms and this continues to cause problems in forecasting and managing our cash flow.

Our capital expenditure relates principally to computer software packages – the main two being the new pensions valuation system and the new in-house salaries package along with new servers for the Electronic Records Management project and enhancements to existing systems. Our normal replacement cycle on assets has accounted for the rest of the capital expenditure in-year. With a three year depreciation policy on desktop computer systems, the charge for depreciation has increased yet again, reflecting the speed with which these items are replaced. This year has also seen a slight increase in the valuation of all our fixed assets, especially furniture items. This is due to the change in revaluation indices published by the Office for National Statistics.

Staff costs are the largest element of our budget, accounting once again for some 67% of total expenditure, with the next most significant item being accommodation charges, which accounted for 20%. Expenditure as a whole has increased by 16%, (17% if non-cash costs are excluded).

The summary table below includes data taken from our accounting schedules and notes contained in these resource accounts:

Table 1 Income and Expenditure on a Resource Basis for the year ended 31 March 2005

	2004-05	**2003-04**
	£000	£000
Expenditure		
Staff costs	6,466	5,686
General administrative costs	2,670	2,294
Movements in work in progress	88	(126)
Non cash costs	377	417
Total Expenditure	**9,601**	**8,271**
Income		
Fees and charges to other government Departments	3,537	3,325
Fees and charges to National Insurance Fund	520	467
Fees and charges to the wider public sector and others	4,515	3,125
Total Income	**8,572**	**6,917**
Balance of expenditure over income	**1,029**	**1,354**
Purchase of fixed assets	366	1,515
Non cash items	(377)	(417)
Adjustment for changes in working capital other than cash	(306)	84
Changes in creditors falling due in more than one year	(384)	(440)
Use of provision	9	8
Net Cash Requirement for the year	**337**	**2,104**

Minister

GAD is one of the Chancellor's Departments, and the Financial Secretary to the Treasury had Ministerial responsibility for the Department during the financial year. The post of Financial Secretary was held by Ruth Kelly until 9 September 2004 and thereafter by Stephen Timms MP. No remuneration is payable by the Department to the Minister or to Special Advisers.

From 9 May 2005, Ivan Lewis MP, in the position of Economic Secretary, became responsible for GAD matters.

Permanent Head of the Department and Management Board

The position of Government Actuary, the permanent head of the Department, is held by Chris Daykin CB, MA, FIA. The following other members of staff comprised the Management Board during the year:

Andrew Johnston MA, FIA	Directing Actuary (Public Sector Pensions)
Andrew Young BSc, FIA	Directing Actuary (Social Insurance, Pensions and Demography) *
Kim Clegg BA, ACMA	Director of Finance & Strategy
Simon Bancroft-Rimmer	Director of Personnel
Jan E Smith	Non-Executive Director**
Graham J Bartlett FCMA	Non-Executive Director**

* From 6 April 2005, Andrew Young left the Management Board after he stepped down from his position as Directing Actuary to become a Senior Consulting Actuary.
** The Non-Executive Directors were invited to join the Management Board of GAD effective from December 2004.

Appointment of the Permanent Head of the Department and the Management Board

The permanent head of the Department was appointed by the Head of the Home Civil Service in 1989. The appointment was made under the general rules for Senior Civil Service Appointments, and the appointment may only be terminated by reference to the Civil Service Management Code. Senior staff members holding the posts of Directing Actuary, are appointed through promotion routines overseen by the Civil Service Commissioners and they would automatically have membership of the Management Board The Director of Finance and Strategy was appointed to the Department through an open recruitment competition.

Governance

There is a structure of Committees and reference groups within GAD reporting to the Management Board. These have clear terms of reference. Information about their duties and responsibilities are given to all members of staff.

Audit Committee

The Audit Committee is chaired by David Parsons. Mr Parsons is a non-executive Member recruited from the Accounting and Finance Team of the Home Office. Jan Smith, Graham Bartlett and Ian Boonin (GAD) are ordinary Committee Members. The Government Actuary, Director of Finance & Strategy, Deputy Government Actuary, the external auditors (NAO) and the Internal Auditor are invited to attend. The Committee's terms of reference clearly point to the support this body provides to the Accounting Officer throughout the year. The Committee normally meets three times a year. During the year Andrew Young was a Member of the Audit Committee, though he has now stepped down from this responsibility (as from 6 April 2005).

Management Board Members Remuneration

None of the Senior Staff listed above are formally members of the Senior Civil Service (SCS). The pay of the Government Actuary (GA) is determined on an annual basis, under agreed arrangements with the Permanent Secretary of HM Treasury, including informal consultation with some of GAD's major clients. The determination of the pay of the remaining Senior Staff has been formally delegated to the GA, and is settled through the annual pay negotiation arrangements for GAD staff. Further details of remuneration are given in the notes to the accounts at Note 2c.

Equal Opportunities and Diversity

GAD is fully committed to providing equal opportunity for all staff, regardless of colour, nationality, ethnic origin, religion, gender, sexual orientation, marital status or trade union affiliation. Our aim is that the Department should reflect a diverse, modern society at all levels and to both bring in and bring on talent. During the year the Department recruited a trainer who is also tasked to improve diversity awareness amongst our staff. Throughout the year, the GAD management team also entered into regular dialogue with the staff side of the recognised union on related staff matters.

Disabled Persons

GAD is fully committed to providing equal opportunities for all staff, and disability is not a bar to recruitment or to advancement in the Department. To further this policy the Department promotes the observance of good practice in the areas of employment particularly relevant to disabled people.

Information for Staff and Communications Policy

GAD keeps all members of staff informed of changes in and affecting the Department. We operate an intranet site that is regularly updated with policy and guidance. Regular email updates of Office Notices and other general Departmental information are also used. A series of working groups operate under the auspices of the Management Board to encourage direct staff input into Departmental decision-making.

Training and Development

GAD has always recognised that people are the most important resource to manage. The Department successfully retained the Investors in People (IiP) award in 2002 and earned re-accreditation again in 2004. The recruitment of an in-house trainer has improved delivery of more focussed management training courses and provided more one-to-one coaching than was previously available.

GAD also sponsors a number of professional exams (including actuarial and accountancy disciplines) and operates a staff-mentoring scheme for trainees.

Payment of Suppliers

The Department is a member of the Better Payment Practice Code. The policy is that all bills should be paid in accordance with credit terms, or where no such terms exist, within 30 days of the receipt of goods or services, or upon the presentation of a valid invoice, whichever is the later. The calculation of payment performance for 2004-05 has been based on continuous monitoring of payments since the start of the year. On this basis, as reported in our Departmental Report, some 89% of payments met the policy criteria. No interest payments were made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998. This performance represents a significant improvement on the figure for 2003-04 of 70% which had arisen from a change in accounting systems causing some delays in payment processing. The main reason for this improvement was the introduction of new procedures which were put in place in 2004-05 to ensure that our invoices are tracked more efficiently from the time they enter the office until they are paid. These procedures have since become embedded in the Payables System. This coupled with the introduction of a new Procurement System in the autumn should lead to further improvements.

Auditor

The Comptroller and Auditor General is the external auditor for GAD's accounts. The auditor's remuneration in 2004-05 was £35,000 (2003-04: £35,000). This does not include any amount for non-audit work (2003-04 £Nil).

Chris Daykin CB MA FIA,
Government Actuary
Accounting Officer DATE 4 October 2005

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the Resource Accounting Manual prepared by Treasury, and in particular to:

a) observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
b) make judgements and estimates on a reasonable basis;
c) state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
d) prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Statement on Internal Control

1. Scope of Responsibility

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

Although GAD is a non-Ministerial Department, regular contact is maintained with Ivan Lewis MP (the Economic Secretary to the Treasury), his predecessor, Stephen Timms MP (Financial Secretary to the Treasury), as well as the previous incumbent, Ruth Kelly MP. He will be made aware of any issues the Department faces relating to the management of risk through regular meetings held between the Government Actuary and the Minister.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Government Actuary's Department for the year ended 31 March 2005 and up to the date of approval of the accounts, and accords with Treasury guidance.

3. Capacity to handle risk

All members of the senior management team are aware of the risk register. It is reviewed by the Risk Assessment Group with items causing concern being passed to the Management Board for consideration. I expect all members of my senior management team to accept responsibility for management of risks in their areas and ensure that information on major risks is communicated to staff in an appropriate and timely manner.

I require all members of my senior management team to identify training needs and guidance required by staff members.

4. The risk and control framework

During 2004-05 the Risk Assessment Group was set up to oversee the detailed management of risks on behalf of the Management Board. The group did not make a substantive report to the Management Board during the year although status briefings were made to members of the Management Board. The risk assessment system is in the process of being developed as the group improves and refines risk control mechanisms for the department.

The Department has established the following processes:

- The Management Board generally meets once a month to consider the plans and overall strategic direction of the Department.
- Strategic aims are considered during an annual Management Board away-day session. The annual Business Plan, with clear aims, objectives and deliverables is developed by means of a bottom-up approach. In this way we ensure that each member of staff can see a direct correlation between their job description and the business plan for the coming year.
- Detailed budgets for expenditure and targets for income are identified during the corporate planning process and then monitored each month through a series of financial reports presented to the Management Board.
- A risk register is maintained by the Risk Assessment Group and items of concern are identified to the Management Board for consideration. During 2004-05, items would first be considered by either the Finance & Strategy or the Establishments Committee before being forwarded to the Management Board. Each risk has a Management Board Member covering the risk who presents information on critical risks to the full Management Board, these are discussed and required actions are agreed by the Management Board and noted in its minutes. They are also copied to the audit teams.
- All new infrastructure projects require a project impact assessment as part of the initiation process and follow the OGC Gateway review process. A major project will also be subject to a Post Implementation Review to ensure that the Department learns from each installation.

In 2003-04 the Management Board carried out a major review of Committees and groups supporting the Management Board. As a result, two new Committees were formed to discuss operational issues. The two Committees (Establishments and Finance & Strategy) each nominate a risk manager and these two individuals, together with nominated risk managers from the existing Technical Committee and Business Systems Group (formerly Computer Policy Committee), form the Risk Assessment Group. Using the Risk Assessment Group allowed risks in all areas of work to be considered and areas for concern reported to the relevant operational Committees and thence to the Management Board. As mentioned in the Operating Review, the Establishment and Finance & Strategy Committees were suspended for the first half of the financial year 2005-06. The work of the Technical Committee and the Business Systems Group continues and the Audit Committee will continue to operate with input from the two non-executive directors.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditor and the executive managers within the Government Actuary's Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board , the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As noted above, the Management Board regularly reviews risks. Responsibilities for management of risk and risk review are allocated in this forum, though information on risks and their management will now be supplied by other groups and Committees in GAD. In addition, the effectiveness of the system of internal control is considered in the following ways:

- An Audit Committee operates, which feeds information to the Management Board. This includes a Non-Executive Chairman from the Home Office. The Audit Committee reviews the priorities for risk assessment in the Department and agrees a timetable for the Internal Auditor who acts independently in providing advice to the Management Board and to the Accounting Officer.
- The Internal Auditor also makes direct recommendations to representatives on the Management Board if he feels that additional audit activity is required on specific topics.
- The Government Actuary's Department Risk Assessment Group meets regularly to discuss risks across the Department
- Senior Management Team Members also contribute to the profession and keep in touch with the latest professional developments by working on Committees and working parties for the Institute and Faculty of Actuaries. Up-to-date knowledge of the latest professional developments is shared through the Technical Committee, which reports to the Management Board.
- Two Non-Executive Members have been appointed to the Management Board, in line with best practice, and with particular regard to the increasing transparency and rigour of the risk management process.

Chris Daykin CB MA FIA,
Government Actuary,
Accounting Officer DATE 4 October2005

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 16 to 39 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 22 to 24.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 11, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 12 to 13 reflects the Department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Government Actuary's Department at 31 March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Sir John Bourn KCB
Comptroller and Auditor General

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

Date: 10 October 2005

SCHEDULE 1

Summary of Resource Outturn

For the year ended 31 March 2005

	2004 - 2005							2003-04
	Estimate			Outturn				
	Gross Expenditure	*A-in-A*	*Net Total*	*Gross Expenditure*	*A-in-A*	*Net Total*	*Net Total Outturn Compared with the Estimate: Saving / (Excess)*	*Prior Year Outturn*
	1	2	3	4	5	6	7	8
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for Resources 1 (see notes 2, 3 &10)	9,898	8,827	1,071	9,601	8,572	1,029	42	1,354
Total Resources	9,898	8,827	1,071	9,601	8,572	1,029	42	1,354
Non-operating Cost Appropriated in Aid	-	-	-	-	-	-	-	-
Net Cash Requirement			**880**			**337**	**543**	**2,104**

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund

	2004-05 Forecast		2004-05 Outturn	
	Income	Receipts	Income	Receipts
	£'000	£'000	£'000	£'000
Non-operating Income (not classified as Appropriated in Aid)				
Other income payable to the Consolidated Fund	-	-	-	1
	-	-	-	1

Explanation of the variation between Estimate and outturn (Net total resources):

The Total Resource Requirement outturn is broadly in line with the estimate.

Explanation of the variation between Estimate Net Cash Requirement and outturn:

The Net Cash Requirement differed to the estimate due to efficiency gains in reducing the work in progress and debtor levels, consequently £130,000.00 of funding in the Estimate was not drawn down.

The notes on pages 22 to 39 form part of these accounts.

Reconciliation of resources to cash requirement

		2004-05 Estimate	2004-05 Outturn		2003-04
		Net Total	*Net Total*	***Net Total Outturn Compared with the Estimate: Saving / (Excess)***	***Prior Year Outturn***
	Note	£'000	£'000	£'000	£'000
Net Total Resources		**1,071**	**1,029**	42	**1,354**
Capital:					
Acquisition of fixed assets	*8,9*	**368**	**366**	2	**1,515**
Investments		-	-	-	**-**
Non-Operating Appropriations in Aid:					
Proceeds of fixed asset disposals		-	-	-	**-**
Accruals adjustments:					
Non-cash items	*3*	**(568)**	**(377)**	(191)	**(417)**
Changes in working capital other than cash	*10*	**-**	**(306)**	306	**84**
Changes in creditors falling due after more than one year	*14*	**-**	**(384)**	384	**(440)**
Use of provision	*15*	**9**	**9**	-	**8**
Net Cash Requirement (Schedule 4)		**880**	**337**	**543**	**2,104**

The notes on pages 22 to 39 form part of these accounts.

SCHEDULE 2
Operating Cost Statement
For the year ended 31 March 2005

	Note	2004-05 £'000	2004-05 £'000	2003-04 £'000	2003-04 £'000
Administration Costs					
Staff Costs	*2*	6,466		5,686	
Other administration costs	*3*	3,047		2,711	
Movement in Work in Progress	*10*	88		(126)	
Gross Administration Costs		**9,601**		**8,271**	
Operating Income	*4*	(8,572)		(6,917)	
Net Administration Costs			**1,029**		**1,354**
Net operating cost			**1,029**		**1,354**
Net resource outturn			**1,029**		**1,354**

Statement of Recognised Gains and Losses
For the Year ended 31 March 2005

	Note	2004-05 £'000	2003-04 £'000
Net gain on revaluation of Tangible Fixed Assets	*6*	8	0
Total recognised gains and losses for the Financial Year		**8**	**0**

The notes on pages 22 to 39 form part of these accounts.

SCHEDULE 3
Balance Sheet
As at 31 March 2005

		31 March 2005		31 March 2004	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	*8*	1,541		1,571	
Intangible assets	*9*	317		139	
			1,858		1,710
Current Assets					
Work-in-Progress	*11*	508		596	
Debtors	*12*	2,077		2,325	
Cash at bank and in hand	*13*	413		87	
		2,998		3,008	
Creditors (Amounts falling due within one year)	*14*	(986)		(690)	
Net Current Assets			2,012		2,318
Total Assets less Current Liabilities			3,870		4,028
Creditors (Amounts falling due after one year)	*14, 17a*		(824)		(440)
Provisions for Liabilities and Charges	*15*		(14)		(22)
			3,032		**3,566**
Taxpayers' Equity					
General fund	*19*		3,019		3,561
Revaluation reserve	*16*		13		5
			3,032		**3,566**

Chris Daykin CB MA FIA,
Government Actuary,
Accounting Officer

DATE 4 October 2005

The notes on pages 22 to 39 form part of these accounts.

SCHEDULE 4

Cash Flow Statement

For the year ended 31 March 2005

	Note	2004-05	2003-04
		£'000	£'000
Net cash inflow/(outflow) from operating activities		**29**	**(589)**
Capital expenditure and financial investment		**(366)**	**(1,515)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's Activities		**-**	**3**
Payments of amounts due to the Consolidated Fund		**-**	**(3)**
Financing	*19*	**663**	**1,443**
Increase/(Decrease) in cash in the period	*13*	**326**	**(661)**

Notes to the Cash Flow Statement

Note i: Reconciliation of operating cost to operating cash flows

	Note	2004-05	2003-04
Net Operating Cost		**1,029**	**1,354**
Adjustments for non-cash transactions	*3*	(377)	(417)
Adjustments for movements in working capital other than cash	*10*	(306)	84
Changes in creditors falling due in more than one year	*14*	(384)	(440)
Adjustments for use of Provision	*15*	9	8
Net cash (inflow)/outflow from operating activities		**(29)**	**589**

Note ii: Analysis of Capital Expenditure and Financial Investment

	Note	2004-05	2003-04
Tangible Fixed asset additions	*8*	137	1,469
Intangible Fixed asset additions	*9*	229	46
Net cash outflow from investing activities		**366**	**1,515**

Note iii: Analysis of Financing and reconciliation to the net cash requirement

	2004-05	2003-04
From the Consolidated Fund (Supply): prior year	-	-
From the Consolidated Fund (Supply): current year	750	2,191
Cash surrender of prior year's unspent supply	(87)	(748)
Net Financing	**663**	**1443**
(Increase)/Decrease in Cash	(326)	661
Net Cash flows other than financing	**337**	**2,104**
Adjust for payments and receipts not related to Supply:	**-**	**-**
Net Cash Requirement for the year (Schedule 1)	**337**	**2,104**

The notes on pages 22 to 39 form part of these accounts.

Amount of grant actually issued to support the net cash requirement = £750,00.00

Explanation for 2003-04 CFERs:

Total CFERs paid to HM Treasury in 2003-04 amounted to £3,249.88. This amount includes £2,307.91 which was physically receipted by HM Treasury in 2004-05.

SCHEDULE 5
Resources by Departmental Aim and Objectives
for the year ended 31 March 2005

	Note	2004-05			2003-04		
		Gross	Income	Net	Gross	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
AIM:							
To provide mainly public sector clients with independent, professional, actuarial advice of the highest quality at a reasonable cost.							
Objective 1							
To provide the actuarial advice to Government Departments and other GAD clients in respect of employer-sponsored pension arrangements (particularly the main pension service schemes) and other employee benefits.		6,472	5,821	651	5,279	4,802	477
Objective 2							
To provide the social security projections, demographic analysis and actuarial advice necessary to underpin Ministerial decision-making in social security and pensions policy.		3,129	2,751	378	2,992	2,115	877
Net Operating Costs	*21*	**9,601**	**8,572**	**1,029**	**8,271**	**6,917**	**1,354**

The notes on pages 22 to 39 form part of these accounts.

NOTES TO THE RESOURCE ACCOUNTS

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. As allowed in the revised Resource Accounting Manual (RAM) 2004-05 the Department uses end year revaluation for modified historic cost accounting purposes.

1.2 Intangible Fixed 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

1.3 Tangible Fixed Assets

Fitting out costs - Leasehold Property

The Department moved into new 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. This property was previously described as Took's Court but has been re-named Finlaison House.

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.

1.4 Depreciation

Depreciation 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:

Computer – Printers and Servers	*4 years*
Computer – Other Hardware	*3 years*
Computer - Software small packages	*4 years*
Major software packages	*8 years*
Actuarial Valuation software	*4 years*
Office Furniture	*10 years*
Fit-out costs for Finlaison House	*20 years*

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

1.5 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the time of the transaction. All currency gains or losses are taken to the Income and Expenditure account. Assets and liabilities at the year-end are translated at rates ruling at the Balance Sheet date. Gains and losses are recorded in Note 3 under Other Costs.

1.6 Leases

GAD has an operating lease in respect of its Finlaison House premises (formerly known as Took's Court). GAD's commitments are disclosed in note 17. There are no finance leases.

1.7 Work-in-Progress

Work-in-Progress 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) and recoverable value. Information as to the value of work-in-progress is collected through the accounts system. Work is billed on completion or at agreed break-points and therefore the work in progress total is the value of incomplete work outstanding at 31 March.

1.8 Operating Income

Operating income is shown net of value added tax and comprises receipts from repayment work, together with income from the sub-letting of spare accommodation in our leasehold property. In general, receipts from government Departments generate around 48% of the appropriations-in-aid, with the remainder coming from the wider public sector and overseas clients (see note 4).

1.9 Administration Expenditure

Administration costs reflect the costs of running GAD, as defined under the Administration Cost Control Regime.

1.10 Capital Charge

A non-cash charge, reflecting the cost of capital utilised by GAD, is included in operating costs and calculated as 3.5 per cent on all assets less liabilities, except for -

- cash balances held within the Paymaster General's Bank account, where the charge is nil; and
- for accounts payable to the Consolidated Fund where the credit is at a nil rate

1.11 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge on the PCSPS. The pension charge shown as an expense is the employer contribution for accruing pensions liability.

1.12 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. In accordance with the Resource Accounting Manual, future provisions have been discounted on an annual basis.

1.13 Value Added Tax

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

2. Staff Numbers and related costs

a) Staff costs

Staff costs consist of:

	2004-05	2003-04
	£'000	£'000
	Total	Total
Wages and Salaries	5,154	4,534
Social security costs	490	431
Other pension costs	822	721
Total	**6,466**	**5,686**

For 2004-05 contributions of £822,156 (2003-04 £720,873) were paid to the PCSPS at rates prescribed by the Treasury on the advice of GAD. These rates were in the range of 12-18.5 per cent of pensionable pay, according to salary level, and are due to be increased in financial year 2005-06.

b) Average Number of persons employed

The average number of whole-time equivalent persons employed (including senior management), during the year was as follows:

Objectives	**2004-05**	**2003-04**
1. To provide the actuarial advice to government Departments and other GAD clients in respect of employer-sponsored pension arrangements (particularly the main pension service schemes) and other employee benefits.	75	69
2. To provide the social security projections, demographic analysis and actuarial advice necessary to underpin Ministerial decision-making in social security and pensions policy.	31	32
Total	**106**	**101**

c) Salary and pension entitlements of Management Board Members

Remuneration Policy

The permanent head of the Department was appointed by the Head of the Home Civil Service in 1989. The appointment was made under the general rules for Senior Civil Service Appointment, and the appointment may be terminated by reference to the Civil Service Management Code. Senior staff members holding the posts of Directing Actuary, are appointed through promotion routines overseen by the Civil Service Commissioners and they would automatically have membership of the Management Board. The Director of Finance and Strategy was appointed to the Department through an open recruitment competition.

None of the Senior Staff mentioned above are formally members of the Senior Civil Service (SCS). The pay of the Government Actuary (GA) is determined on an annual basis, under agreed arrangements with the Permanent Secretary of HM Treasury, including informal consultation with some of GAD's major clients. The determination of the pay of the remaining Senior Staff has been formally delegated to the GA, and is settled through the annual pay negotiation arrangements for GAD staff.

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the Department. These details are shown in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by HM Treasury. These figures have been provided by Cabinet Office.

Name of Officer	Age (i)	Salary including performance pay (ii)	Real increase in pension at age 60 (iii)	Real increase in lump sum at age 60 (iv)	Pension at 31/03/05 (v)	Lump sum at 31/03/05 (vi)	CETV at 31/03/04 (vii)	CETV at 31/03/05 (viii)	Employee contributions and transfers-in (ix)	Real increase in CETV as funded by employer (x)
	Years	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£	£'000
Chris Daykin *Government Actuary*	56	180-185	2.5-5	5-10	75-80	235-240	1,296	1,411	4,600	52
Andrew Johnston *Directing Actuary*	49	130-135	5-10	15-20	45-50	135-140	484	529	4,574	72
Andrew Young *Directing Actuary*	55	130-135	0-2.5	5-10	55-60	165-170	886	969	2,034	33
Kim Clegg *Director Finance & Strategy*	44	50-55	0-2.5	2.5-5	10-15	35-40	151	173	812	11
Simon Bancroft-Rimmer *Director of Personnel*	39	40-45	0-2.5	2.5-5	10-15	30-35	99	116	627	10

No Ministerial Remuneration is paid. In addition to those listed above, the Government Actuary has appointed two non-executive directors (NEDs) who receive no emoluments except for expenses of £500 per day of service plus their travelling expenses. It is expected that the NEDs will provide service to the Department for between 15 and 20 days each year.

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.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No payments of this kind were reported in the accounting period.

Cash Equivalent Transfer Value

Columns (vii) and (viii) of the above table show the member's cash equivalent transfer value accrued at the beginning and end of the reporting period. Column (x) reflects the increase in cash equivalent transfer value effectively funded by the employer. It takes account of 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.

A cash equivalent transfer value 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 cash equivalent transfer value 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 cash equivalent transfer value figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Principal Civil Service Pension Scheme arrangements and for which the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

Cash equivalent transfer values are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, as advised by the actuary to the PCSPS.

The real increase in the value of the CETV

This takes account of the increase in accrued pension due to inflation and contributions paid by the officer, and is calculated using common market valuation factors for the start and end of the period.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (**classic, premium**, and **classic plus**). New entrants after 1 October 2002 must join **premium**.

(i) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(ii) 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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the members' ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(iii) Classic Plus Scheme

This is essentially a variation of **premium**, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

Pensions payable under **classic**, **premium**, and **classic plus** are increased in line with the Retail Prices Index.

The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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. 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).

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

3. Non-staff administration costs

	2004-05	2003-04
	£'000	£'000
Rates and building service costs	585	476
Rent of building	1,319	1,131
Photocopying	12	12
Consultancy	19	15
Actuaries employed on a consultancy basis	-	16
Agency and other temporary staff costs	10	17
Recruitment	57	50
Travel, subsistence and hospitality	121	100
Training	170	138
Subscriptions	58	53
Computer running costs	131	114
Telecommunications	40	38
Stationery and publications	67	101
Other costs	81	33
	2,670	**2,294**
Non cash items:		
Depreciation and amortisation of fixed assets	226	176
Loss on revaluation of fixed assets	-	91
Cost of capital charge	115	112
Auditor's remuneration	35	35
Increase in provision for early retirement costs	1	3
	377	**417**
Total	**3,047**	**2,711**

4. Operating Income (see also Note 1.8)

The Department has a small net resource requirement to cover "core" activities which cannot be ascribed to specific clients. These "core" activities relate principally to population projections (and associated demographic work) and occupational pension scheme surveys. This income and the matching expenditure relates to a subset of Objective 2.

	2004-05				2003-04
	Resource Outturn		Operating Cost Statement		
	Netted off gross expenditure in subhead	Appropriated in Aid	Payable to the Consolidated Fund	Total Income	Total Income
	£'000	£'000	£'000	£'000	£'000
Operating income analysed by classification and activity, is as follows:					
Administration Income					
Receipts from other government departments	4,057	-	-	4,057	3,792
Receipts from the wider public sector and overseas clients	4,515	-	-	4,515	3,125
Total	**8,572**	**-**	**-**	**8,572**	**6,917**

5. Administration Cost Limits

The outturn within the administration costs regime shown against individual administration cost limits is as follows:

	2004-05		2003-04	
	Outturn	Limit	Outturn	Limit
	£'000	£'000	£'000	£'000
Request for resources (Net Limit)	1,029	1,071	1,354	1,625

6. Reconciliation of Net Operating Cost and Net Resource Outturn

	2004-05	2003-04
	£'000	£'000
Net Operating Cost	1,029	1,354
Remove non-supply expenditure and income, including income scored as Consolidated Fund extra receipts (CFERs)		
Operating Income not classified as Appropriations in Aid	-	-
Consolidated Fund standing services	-	-
Adjust for the effects of prior-period adjustments to the current and prior years	-	-
Adjust for the transfer of Estimate cover in respect of transfer of functions	-	-
Net Resource Outturn	**1,029**	**1,354**

7. Analysis of Net Resource Outturn by Estimate Subhead and Reconciliation to Operating Cost Statement

	2004-05								2003-04
	Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net total Outturn compared with Estimate	Net total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for resources									
Providing an actuarial consultancy service	9,601	-	-	9,601	8,572	1,029	1,071	42	271
Resource Outturn	**9,601**	**-**	**-**	**9,601**	**8,572**	**1,029**	**1,071**	**42**	**271**
Reconciliation to operating cost statement	-	-	-	-	-	-	-	-	-
Net operating cost	**9,601**	**-**	**-**	**9,601**	**8,572**	**1,029**	**1,071**	**42**	**271**

8. Tangible Fixed Assets

	Office Furniture and Equipment	Computer Equipment	Leasehold Building	Total 2004-05
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2004	257	302	1,326	1,885
Additions	38	99	-	137
Disposals	-	(71)	-	(71)
Revaluation	10	1	-	11
At 31 March 2005	**305**	**331**	**1,326**	**1,962**
Depreciation				
At 1 April 2004	115	149	50	314
Charged in year	23	86	66	175
Disposals	-	(71)	-	(71)
Revaluation	2	1	-	3
At 31 March 2005	**140**	**165**	**116**	**421**
Net Book Value at 31 March 2005	**165**	**166**	**1,210**	**1,541**
Net book value at 31 March 2004	142	153	1,276	1,571
Asset financing:				
Owned	165	166	1,210	1,541

9. Intangible Fixed Assets

	Computer Software	Total 2004-05
	£'000	£'000
Cost or Valuation		
At 1 April 2004	297	297
Additions	229	229
Disposals	(40)	(40)
Revaluation	1	1
At 31 March 2005	**487**	**487**
Amortisation		
At 1 April 2004	158	158
Charged in year	51	51
Disposals	(40)	(40)
Revaluation	1	1
At 31 March 2005	**170**	**170**
Net Book Value at 31 March 2005	**317**	**317**
Net book value at 31 March 2004	139	139

10. Movements in working capital other than cash

The movements in working capital used in the Reconciliation of resources to cash requirement comprise:

	2004-05	2003-04
	£'000	£'000
Increase/(Decrease) in Work-in-Progress	(88)	126
Increase/(Decrease) in third party credit balances held	-	-
Increase/(Decrease) in Debtors	(248)	152
Decrease/(Increase) in Creditors	30	(194)
Change in working capital	**(306)**	**84**

2003-04 figures are re-stated as the figures stated in last year's accounts included the accommodation creditor balance in the increase in creditor total.

11. Work-in-Progress

	2004-05	2003-04
	£'000	£'000
Value of time worked but not billed	508	596

12. Debtors

	2004-05	2003-04
	£'000	£'000
Trade debtors (i)	1,949	2,186
Deposits and advances	32	29
Prepayments and accrued income	96	110
	2,077	**2,325**

(i) Trade debtors are shown net of a provision for bad debts of £53,121.74 (2003-04 : £34,721.74)

Debtors - Intra Government Balances

	2004-05	2003-04
	£'000	£'000
Balance with Central Government Bodies	912	1,080
Balance with NHS Trusts	78	82
Balance with bodies external to government	1,087	1,163
	2,077	**2,325**

13. Cash at Bank and In Hand

	2004-05	2003-04
	£'000	£'000
Balance at 1 April	87	748
Net change in cash balances	326	(661)
Balance at 31 March 2005	**413**	**87**
The following balances at 31 March 2005 are held at:		
Office of H M Paymaster General plus cash in hand	413	87
	413	**87**
The balance at the 31 March 2005 comprises:		
Amounts issued from the Consolidated Fund for supply but not spent at year end	412	87
Other amounts due to the Consolidated Fund	1	-
	413	**87**

The Office of HM Paymaster General provides a current account banking service. During the year, the Department held a commercial bank account and a small amount of cash in hand (at year end this was £430.41).

The balance of funds held in the commercial bank account on 31 March 2005 was £12,030.48 and this represents third party deposits (refer to Note 22 for further information).

The balance of funds held in the HM Paymaster General account on 31 March 2005 was £412,911.91.

14. Creditors

	2004-05	2003-04
	£'000	£'000
Amounts falling due within one year		
VAT payable	452	578
Trade creditors	33	1
Accruals	3	23
Deposits and Imprests	-	1
Accommodation Creditor	85	-
Consolidated Fund Extra Receipt due to be paid to the Consolidated Fund	1	-
Consolidated Fund Creditor for cash unspent at year end	412	87
	986	**690**
Amounts falling due in more than one year		
Accommodation Creditor	824	440
	1,810	**1,130**

Creditors - Intra Government Balances

(including Amounts falling due in more than one year)	2004-05	2003-04
	£'000	£'000
Balance with Central Government Bodies	866	665
Balance with NHS Trusts	-	-
Balance with bodies external to government	944	465
	1,810	**1,130**

GAD has an agreement with HM Customs & Excise (now HM Revenue and Customs) to pay over only that VAT on invoices paid by clients and to exclude VAT due to them on invoices issued but unpaid by clients.

15. Provision for Liabilities and Charges (see also note 1.12)

The Department's provision for liabilities and charges comprised a provision for early retirement costs as follows:

	2004-05	2003-04
	£'000	£'000
Balance at 1 April	22	27
Increase in provision	1	3
Payments made in year	(9)	(8)
Balance At 31 March 2005	**14**	**22**

16. Revaluation Reserve

	2004-05	2003-04
	£'000	£'000
Balance as at 1 April	5	5
Arising from revaluation during the year	8	-
Balance At 31 March 2005	**13**	**5**

The Revaluation Reserve reflects the unrealised elements of the cumulative balance of indexation and revaluation adjustments.

17a. Commitments under operating leases (also note 14.)

	2004-05	2003-04
	£	£
Land and Buildings		
Lease expiring in more than five years	1,352,279	1,319,297

17b. Capital Commitments

There were no capital commitments as at 31 March 2005, (2003-04: £Nil).

18. Analysis of income payable to the Consolidated Fund. In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund.

	Forecast 2004-05		Outturn 2004-05	
	Income	Receipts	Income	Receipts
	£'000	£'000	£'000	£'000
Excess Cash surrenderable to the Consolidated Fund	-	-	-	1

19. Reconciliation of Net Operating Cost to changes in General Fund

	2004-05		2003-04
	£'000	£'000	£'000
Net operating cost for the year (Schedule 2)		(1,029)	(1,354)
Income not appropriated in aid payable to the Consolidated Fund		-	-
		(1,029)	**(1,354)**
Net Parliamentary funding		663	1,443
Deemed Supply		87	748
Non-cash charges (see Note 3)			
Cost of capital charge	115		
Audit fee	35	150	147
Consolidated Fund creditor for cash unspent		(413)	(87)
Net (Decrease)/Increase in General Fund		**(542)**	**897**
General Fund at 1 April 2004		3,561	2,664
General Fund at 31 March 2005 (Schedule 3)		**3,019**	**3,561**

20. Related Party Transactions

GAD has had a significant number of transactions with other Government Departments and other Central Government bodies. Major clients using the Department's services included the Department for Work and Pensions, the Cabinet Office, the Ministry of Defence, the Home Office, H M Treasury, the Inland Revenue and the Department for Education and Skills.

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 received from the Commission for Social Care Inspection (CSCI) as sub-tenants of the property of Finlaison House. During the year the rent amounted to £365,000. Details of balances outstanding with other government departments are shown in the Debtors and Creditors Notes 12 and 14. This includes an amount due from the CSCI of £166,000.

None of the Management Board Members, key managerial staff or other related parties has undertaken any material transactions with GAD during the year.

21. Notes to Schedule 5

Administration costs have been allocated to objectives, wherever possible, in accordance with the Department's normal management accounting policies, or have been allocated on the basis of staff numbers attributed to objectives.

GAD's capital is employed exclusively for administration purposes: its distribution between objectives is treated in exactly the same way as the related gross administration cost.

22. Third Party Assets

	2004-05
	£'000
Opening balance at 1 April 2004	34
Net receipts (payments)	(22)
Closing balance at 31 March 2005	12

The Department has a custodial role to ensure the safekeeping of client deposits. As at 31 March 2005, these amounted in total to £12,030.48 (31 March 2004: £33,502.58). An analysis of the movements on these accounts is shown in the table above.

23. Entities within the Departmental Boundary

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

24. Post-Balance Sheet Events

(i) Management Board membership changes have been noted above – on 6 April 2005 Andrew Young stepped down from the position of Deputy Government Actuary and relinquished his membership of the Management Board. He is not currently due to be replaced at this level. The duties of the Deputy Government Actuary are currently being undertaken by Andrew Johnston.

(ii) Following the results of the general election, Stephen Timms MP (Financial Secretary to the Treasury) has left HM Treasury and the new Minister with oversight for GAD is Ivan Lewis MP, the Economic Secretary to the Treasury.

25. Financial Instruments

FRS13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of its activities, trading with other government Departments and the way in which it is financed, GAD is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. GAD is not therefore exposed to significant liquidity risks.

Interest rate risk

The Department's financial assets and liabilities are not exposed to interest rate risks.

Interest rate profile

The following two tables show the interest rate and currency profiles of the Department's financial liabilities and assets.

Table 1 - Financial liabilities

					Fixed-rate financial liabilities		Non-interest bearing financial liabilities
	Total	**Floating-rate financial liabilities**	**Fixed-rate financial liabilities**	**Non-interest bearing financial liabilities**	**Weighted-average interest rate**	**Weighted-average period for which rate is fixed**	**Weighted-average period until maturity**
	£'000	£'000	£'000	£'000	%	Years	Years
At 31 March 2005:							
Sterling	14	-	-	14	-	-	1.6
Other	-	-	-	-	-	-	-
Gross financial liabilities	14	-	-	14	-	-	1.6

Table 2 - Financial assets

	Total	Floating-rate financial assets	Fixed-rate financial assets	Non-interest bearing financial assets	Fixed-rate financial assets: Weighted-average interest rate	Fixed-rate financial assets: Weighted-average period for which rate is fixed	Non-interest bearing financial assets: Weighted-average period until maturity
	£'000	£'000	£'000	£'000	%	Years	Years
At 31 March 2005:							
Sterling	413	-	-	413	-	-	Note a)
Other	-	-	-	-	-	-	-
Gross financial assets	413	-	-	413	-	-	-

Note:

a) The Department's non-interest bearing financial assets comprise cash at bank and in hand of £412,911.91.

Foreign currency risk

Fees payable in foreign currency amounted to 6.3% of total turnover in 2004-05. The policy on foreign currency receipts is to account for them at the conversion value on receipt, accepting fluctuations in currency movements and not hedging against these movements. Foreign currency expenditure is minor.

Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2005.

Table 3 - Fair Values

	Book value	Fair value	Basis of fair Valuation
	£'000	£'000	
Primary financial instruments:			
Financial assets:			
Cash at bank	413	413	Note a)
Financial liabilities:			
Provisions	(14)	(14)	Note a)

Notes:

a) Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% a year in real terms.

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