
The Government Actuary's Department

Annual Report & Accounts 2012-13

(For the year ended 31 March 2013)

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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 to be printed by the House of Commons 11 July 2013

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ISBN: 9780102985788

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2571110 07/13 31065 19585

Printed on paper containing 75% recycled fibre content minimum.

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Introduction

This document contains the Annual Report and Accounts of the Government Actuary's Department (GAD) for the year 1 April 2012 to 31 March 2013. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FReM) for 2012-13.

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 2012-13;
- Supplementary Estimates 2012-13; and
- Spending Review 2010 which presents Government Spending plans for 2011-12 to 2014-15.

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

About the Government Actuary's Department

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

GAD is a non-Ministerial Department and its funding is 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 31).

Resources managed by GAD

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

On 31 March 2013 GAD employed 145 staff (average number of persons employed during the year was 140), of whom 66 are qualified actuaries, 46 are trainee actuaries and 33 are support staff.

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

Pensions Policy, Regulation and Supervision

GAD is a source of 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.

Staff Transfers

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

Other Advice

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 2012-13 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 2013.

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

Insurance

GAD's insurance actuaries provide public sector clients in the UK with advice on issues from general, life and health insurance. Examples of the advice we can provide are:

- > Finding solutions for risks that the private sector won't insure, such as high impact low probability events.
- > Managing risks that are self-insured.
- > Valuing liabilities and pricing insurance risks.
- > Reviewing compulsory insurance arrangements to ensure appropriate cover and value for money.
- > Understanding wider welfare and economic impacts.

In April 2012, following a strategic review of our overseas work, GAD decided to withdraw from working for overseas insurance regulators during 2012-13. We continued to deliver advice to these clients throughout the year whilst managing the winding down of the work. All such activity ceased on 31 March 2013 other than for Cyprus which terminates by 31 March 2014.

Investment and Risk

GAD advises on the identification and control of financial and investment risks inherent in the structuring of financial institutions and the provision of benefits and services by government.

Recent work includes:

- > 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; and
- > Advice to government on the financial risks and uncertainties, and possible mitigations, of supporting various pension schemes.

Modelling

GAD provides actuarial modelling and analysis for clients, with 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.

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

2012-13 was the second year of a three year strategic plan, put in place in September 2011. The current three year plan replaced the plan which successfully delivered the Department's strategy from 2008 to 2011.

The Aims, Commitments and Values of our strategy are set out on page 3.

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

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

Client and new client principles

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

People and people behaviour principles

Engagement of our staff is essential in delivering our strategy. At senior level our strategy strengthens this engagement by involving Chief Actuaries in the management of the Department. In December 2012 three Chief Actuaries completed a term of 15 months on GAD's Management Board as our first Interim Actuarial Directors (IADs). Three more Chief Actuaries joined the Management Board in their place from January 2013. The IADs are involved in the strategic management of the Department and this gives them a wider experience of business life.

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.

Management Commentary

Operating Review

Governance Structure

Our governance structure is explained in the Governance Report on page 31.

Client Services

An online client survey was conducted in August 2012, and client review interviews were undertaken 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 being significantly better in some cases than those in the 2011 survey. For instance around 84% of responders now rate us at least 8 out of 10 for being Highly Valued – an increase of 8 percentage points over 2011. This indicator has improved in every year since we first surveyed our clients in this way in 2008.

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.

Public sector pensions is GAD's predominant area of activity and during 2012-13 GAD advised all of the main public service pension schemes, including the Principal Civil Service Scheme who appointed us in April 2012, on actuarial aspects of their operation. This work included the annual task of accounting for pension costs, and continuing demands for advice on public service pensions reform.

In the second half of the year the focus of our pensions teams moved to planning and preparing to deliver up to 24 public service pension scheme valuations by the end of 2013. As well as delivering valuations to each of our pension scheme clients, we are separately advising HM Treasury throughout the process. We are managing the valuations as one large project and have set up a strong project governance structure to ensure we deliver to our clients all that they require and a technically consistent approach across the schemes. This standardisation will help ensure we deliver the correct results in an efficient way. In March 2013 we invited tenders from actuarial firms to provide independent Quality Assurance of our work on the pension scheme valuations.

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. 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 modelling of the single tier state pension, and of the proposals for changing state pension age. In January 2013 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 began work in 2012 on the next Quinquennial Review, the longer-term report by the Government Actuary on the National Insurance Fund, which is targeted for issue in 2013-14. GAD also continued to provide regular certification of the randomness of the monthly premium bond draw (ERNIE) managed by National Savings and Investments (NS&I).

We gave increased support to the Pension Protection Fund and to The Pensions Regulator, particularly in the area of modelling. GAD provided significant input to HM Treasury's review of the Quality Assurance of analytical models across Government (the 'Macpherson report') and to the subsequent discussions on implementing the report's recommendations.

Following a strategic review of our international work, in April 2012 GAD announced its decision to withdraw from providing advice to overseas insurance regulators. We provided service to these clients throughout the year whilst managing the winding down of their work. GAD continued to advise UK Government on relevant insurance matters and we established a new team to provide that advice.

The review of our international work concluded that we could advise overseas governments and associated public sector entities on certain social security programmes and pension plans, provided that work was a good match with our core work for UK Government. During the year we advised, for example, Saudi Arabia, Zambia, Ghana and Rwanda, as well as the Channel Islands and the Isle of Man.

In autumn 2012 we started an initiative to have GAD actuaries working regularly "on-site", in the offices of major Government departments. 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.

We have published online newsletters and technical bulletins throughout the year.

Financial Review

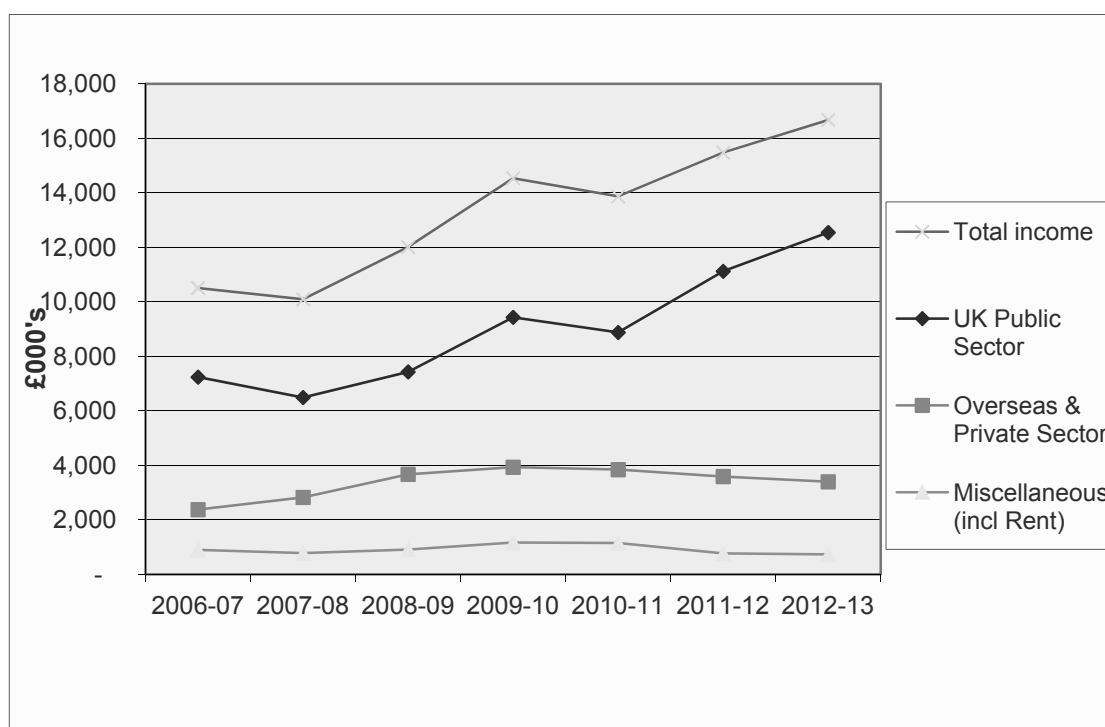
Demand for GAD's services remained high in 2012-13, resulting in record income of £16.7m, up 8% on the previous year. However expenditure was also higher which meant that although GAD generated a healthy operating surplus of £1.61m, it was lower than 2011-12 (£2.14m).

In April 2012 GAD took the decision to withdraw from insurance regulation work for overseas clients. There was significant uncertainty over the timing of when the work would stop for each of the clients during 2012-13 and also over the potential redundancy costs for staff who could not be redeployed to other roles within GAD.

Due to this uncertainty GAD requested a reserve claim in a Supplementary Supply Estimate to ensure the Resource Departmental Expenditure Limit (RDEL) would not be breached. After this had been agreed GAD's largest overseas client requested a large amount of additional work before GAD's final withdrawal on 31 March 2013 which meant that instead of income reducing it actually increased – by 42% from £0.9m in 2011-12 to £1.3m for that client. This, along with redundancy costs being reduced through the redeployment of staff, means that the reserve claim was not required and the cash provided to fund it is being returned to the Consolidated Fund as part of GAD's surplus cash at the year end.

The biggest growth in income came from the UK public sector which was up 12.6% from £11.1m in 2011-12 to £12.5m mainly due to GAD's work on the reform of all the major public service pension schemes. Miscellaneous income was marginally down, from £0.8m 2011-12 to £0.7m, due to un-let space in Finlaison House.

The graph below shows historical changes in income.



Expenditure was £15m of which staff costs, totalling £12.1m, is by far the main element. Staff costs were significantly higher than 2011-12 (£10.3m) because it was necessary to recruit extra qualified and trainee actuaries to meet client demands. In addition, the one off costs (£0.7m) of the redundancy program for the overseas insurance team are included in staff costs.

GAD aims to reduce other expenditure where practical and, if expenditure is essential, seeks to achieve value for money with purchasing being through Government Procurement Service framework agreements wherever possible. Details of expenditure are shown in notes 6 and 7 of the accounts.

GAD spent £154k over the past year on capital investment against a budget of £166k set in the Capital Departmental Expenditure Limit (CDEL), 50% less than the previous year's funding as agreed in the 2010 Spending Review. This covered the normal replacement cycle of IT hardware and furniture plus some minor building refurbishments.

GAD received £905k voted cash funding in 2012-13, primarily to meet the expected costs of the redundancy payments and capital expenditure. All other costs are met through fee income GAD generates from providing actuarial services to clients. As surplus cash was generated through income the redundancy and capital costs were met through income and the funding formed part of GAD's surplus cash at the year-end which will be paid over to the consolidated fund.

The Statement of Financial Position shows total assets of £6.8m (2011-12: £6.8m), current liabilities of £3.4m (2011-12: £3.2m), and non-current liabilities of £4.0m (2011-12: £5.2m). 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 2012-13 is based on continuous monitoring of payments since the start of the year. On this basis 98% of GAD's payments were paid within 30 days and 78% within 10 days. The equivalent 10 day target figures for 2010-11 and 2011-12 were 73% and 79% respectively. No interest payments were made under the late Payment of Commercial Debts (Interest) Act 1998.

Expenditure on Consultancy and Professional Services

During 2012-13 GAD spent £181k (2011-12: £189k) on consultancy and professional services. This included advice on legal issues (£164k – mainly on behalf of clients and recharged to them as disbursements), property lease contracts (£11k) and welfare and employment issues (£6k).

GAD incurred £192k (2011-12: £88k) on the employment of temporary staff. These were all specialist actuarial staff required to meet additional demand from clients.

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 11 to 11.3 of the accounts.

Political and Charitable donations

GAD made no political or charitable donations in 2012-13 (2011-12: £nil).

Financial Outturn

GAD's financial outturn for 2012-13 is reported in different ways. The accounts show the net resource outturn as a surplus of (£1,610k) against an Estimate of (£50k) net surplus, Resource Departmental Expenditure Limit (DEL) of (£360k) surplus against an Estimate of £970k net cost and Capital DEL of £154k against an Estimate of £166k. The tables in Notes 2 and 3 reconcile these figures.

Core Tables

Table 1: Public spending

	£'000						
	2008-09	2009-10 ²	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
Resource DEL							
Administration	-473	677	533	-1,386	-778	-850	-366
Use of Provisions (DEL)	-	338	92	452	418	210	376
Total Resource DEL	-473	1,015	625	-934	-360	-640	10
<i>Of which:</i>							
Staff costs	8,075	10,349	10,395	10,306	12,101	11,455	11,685
Purchase of goods and services	3,152	4,881	3,801	3,981	3,884	4,006	4,571
Income from sales of goods and services	-12,014	-14,534	-13,870	-15,477	-16,674	-16,411	-16,558
Depreciation	252	250	235	196	266	250	250
Other	62	69	64	60	63	60	62
Resource AME							
Losses on revaluation	19	52	95	-	-	96	87
Provisions (AME)	764	233	4,613	-1,210	-1,250	-210	-376
Total Resource AME	783	285	4,708	-1,210	-1,250	-114	-289
<i>Of which:</i>							
Staff costs	-	-	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-	-	-
Depreciation ¹	19	52	95	-	-	96	87
Take up of provisions	764	571	4,705	-758	-832	-	-
Release of provision	-	-338	-92	-452	-418	-210	-376
Total Resource Budget	310	1,300	5,333	-2,144	-1,610	-754	-279
<i>Of which:</i>							
Depreciation	271	302	330	196	266	346	337
Capital DEL							
Administration	178	223	283	309	154	126	287

Total Capital DEL	178	223	283	309	154	126	287
<i>Of which:</i>							
Purchase of assets	178	223	283	309	154	126	287
Income from sales of assets	-	-	-	-	-	-	-
Capital AME	-	-	-	-	-	-	-
Total Capital Budget	178	223	283	309	154	126	287
Total departmental spending³	217	1,221	5,286	-2,031	-1,722	-974	-329
<i>of which:</i>							
Total DEL	-295	1,238	908	-625	-206	-514	297
Total AME	783	285	4,708	-1,210	-1,250	-114	-289

¹ Loss on revaluation

² 2009-10 DEL outturn is restated.

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.

Table 2: Public Spending Control

	2012-13 Outturn	2012-13 Original Budgetary Control Limits	2012-13 Final Budgetary Control Limits
Spending in Departmental Expenditure Limits £'000			
Administration			
Gross Expenditure	15,896	15,421	16,800
Gross Income	-16,674	-15,561	-16,250
Net Resource	-778	-140	550
Gross Capital	154	166	166
Spending in Annually Managed Expenditure £'000			
Gross Programme Resource	-832	107	-600
Total Resource Budget	-1,610	-33	-50
Total Capital Budget	154	166	166
Less: Depreciation	266	250	270
Total Departmental Spending	-1,722	-117	-154

Table 3: Capital Employed

£'000

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	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	1,513	1,181	1,125	1,268	1,217	1,132	1,264
<i>of which:</i>							
Intangible	196	244	252	260	241	223	454
Tangible	1,317	937	873	1,008	976	909	810
<i>of which:</i>							
Re-Fit of Building	1,121	773	649	650	609	579	550
IT Hardware	97	88	124	258	277	250	187
Office Furniture	99	76	100	100	90	80	73
Current assets	3,791	3,950	4,808	5,492	5,543	5,820	6,111
Liabilities							
Payables (< 1 Year)	1,034	1,713	1,685	3,178	3,106	3,241	3,403
Payables (> 1 Year)	1,475	1,380	1,282	1,182	1,080	974	866
Provisions	764	997	5,610	4,400	3,150	2,887	2,421
Total Capital employed	2,031	1,041	(2,644)	(2,000)	(576)	(150)	685

Table 4: Administration budget

£'000

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
Administration	-473	677	533	-1,386	-778	-850	-366
Use of Provisions (DEL)	-	338	92	452	418	210	376
Total administration budget	-473	1,015	625	-934	-360	-640	10
<i>Of which:</i>							
Staff costs	8,075	10,349	10,395	10,306	12,101	11,455	11,685
Purchase of goods and services	3,152	4,881	3,801	3,981	3,884	4,006	4,571
Income from sales of goods and services	-12,014	-14,534	-13,870	-15,477	-16,674	-16,411	-16,558
Depreciation	252	250	235	196	266	250	250
Other resource	62	69	64	60	63	60	62

Table 5: Staff Numbers

	Numbers of staff employed						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
Summary							
Civil Service Full Time equivalents	107	132	132	129	140	145	145

Human Resources Review

The HR team has continued a programme of revision and reform of HR policy and procedures including the actuarial and non-actuarial study leave policies, sick absence and flexible working policies. GAD is working with the Next Generation HR teams to identify appropriate efficiencies in recruitment, resourcing, policy work and learning and development.

Recruitment and Turnover

Staff in Post as at 31 March 2013

	Staff in Post 31/03/2012	Leavers	Joiners	Qualified	Staff in Post 31/03/2013
Actuaries	59	-5	7	5	66
Trainee Actuaries	40	-7	18	-5	46
Support Staff	31	-4	6	-	33
Total	130	-16	31	-	145*

* The average number of persons employed during the year was 140 (2011-12: 129)

Staff recruited during 2012-13

	Male	Female
Actuaries	7	-
Trainee Actuaries	13	5
Support staff	3	3
Total	23	8

The Civil Service Commissioners' Recruitment Compliance Monitoring process identified that GAD's recruitment policy and guidance needed updating and full recruitment records had not been retained. On that basis they were unable to confirm whether GAD's recruitment is carried out on the basis of fair and open competition with selection on merit, and in accordance with the Civil Service Recruitment Principles.

Following the Commissioners' audit, GAD's recruitment policy and guidance have been updated in line with the Commissioners' recommendations and full records of recruitment activity are being maintained. We are confident we will fully meet the Commissioners' requirements when we are next reviewed in Summer 2013.

Expenditure on Temporary Staff

GAD engages a small number of communication specialists on an ad-hoc basis who are paid a daily fee for giving presentations to staff involved in transfers to new employers under the Fair Deal. Their fees in 2012-13 amounted to £20,700 (2011-12: £23,500). There is also a panel of actuaries who are available on temporary contracts which GAD can draw on when there is high client demand. Their fees in 2012-13 amounted to £192,000 (2011-12: £88,000).

Sick Absence

The Management Board monitors sick absence on a monthly basis against the published sick absence policy. The average sick absence per head in 2012-13 was 6.09 days (2011-12: 4.55 days). We have a small number of long term sickness absence cases that have had an impact on these figures.

Equal Opportunities and Diversity

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

Disabled Persons

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

Information for Staff and Communications Policy

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

Learning and Development

GAD has long recognised that people are its most important resource and that training and development are crucial to the Department's continued success. GAD sources training from external suppliers together with internal job training, coaching and mentoring. 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 Continuing Professional Development (CPD) for our professional staff, personal development and leadership and programmes of study leading to professional qualifications at appropriate levels. GAD seeks to develop staff to an appropriate level, so that they can perform as effectively as possible.

Social and Community Issues

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

Health & Safety Reporting

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

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

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

Day to day H&S matters for the office space GAD leases in Edinburgh are managed by the Scottish Legal Aid Board. GAD has confirmed SLAB have appropriate policies and procedures in place.

During 2012-13:

- No HSE reportable accidents occurred during 2012-13;
- A fire risk assessment of Finlaison House was carried out in December 2012 to audit GAD's legal compliance against the Regulatory Reform (Fire Safety) Order 2005;
- Following the installation of LED lights to replace existing light fittings, staff either completed a Display Screen Equipment (DSE) self-assessment form or a DSE assessment was completed by an assessor.
- GAD continued to maintain a positive relationship with Prospect, the recognised trade union, on all aspects of H&S by – liaising with the safety representative on safety issues, carrying out H&S building tours, helping to raise awareness of H&S and securing greater involvement from staff on all health and safety matters arising;
- All new starters to the Department received a health & safety induction informing them of the Department's health & safety arrangements and procedures and a DSE assessment of their workstation;
- A statutory 5 year inspection and testing of all fixed electrical installations was completed. Portable appliance testing was also completed against the recommended schedule of testing.

Sustainability Reporting

Commentary on Sustainability Performance

The Department is committed to integrating sustainability across its operations to support the UK Government Sustainability Development Strategy. As a small department with less than 250 staff it isn't 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 & targets are based on the Greening Government Commitments: Operations and Procurement (GGCOPs). These targets concentrate on Climate Change Management, Waste Reduction and Natural Resources (water) protection. The targets set out how GAD plans to deliver reductions in CO₂ emissions from building energy use through efficient use of accommodation and IT, how waste will be diverted away from landfill via methods based on the waste hierarchy principle and to manage the consumption of water.

Area	2012 – 13* Performance	2011 – 12* Performance
Scope 1&2 Carbon Dioxide (CO ₂) emissions	216.3 tCO ₂ e	191.3 tCO ₂ e
Scope 3 Carbon Dioxide (CO ₂) emissions	42.0 tCO ₂ e	39.1 tCO ₂ e
CRC license expenditure	£1,290	£1,290
CRC emissions allowance	£4,704	N/A
Electricity consumption	314,141 kWh	287,575 kWh
Gas consumption	249,951 kWh	192,239 kWh
Total energy consumption	564,092 kWh	479,814 kWh
Electricity expenditure	£30,614	£27,752
Gas expenditure	£11,431	£8,371
Total energy expenditure	£42,046	£36,123
Water consumption	1,083m ³	880m ³
Water expenditure	£2,281	£1,859
Waste – Landfill	0	3.4 tonnes
Waste – Energy Recovery	0.7 tonnes	N/A
Waste – Recycled	8.8 tonnes	14 tonnes
Waste – Composted	1.9 tonnes	1.2 tonnes
Total waste	11.4 tonnes	18.6 tonnes
Waste expenditure	£8,366	£7,055

** Part of the building was unoccupied during 2011-12 and 2012-13. The figures relate to the parts of the building occupied by GAD and vacant space, which is treated as being occupied by GAD. Figures exclude parts of the building occupied by GAD's tenants.*

Greenhouse Gas Emissions

Scope 1&2 CO₂ emissions increased by 13% in 2012-13 compared to 2011-12 levels. This increase was as a result of extended use of the boilers for heating during the cold winter spell. The building is multi-occupied and consumption performance data is based on GAD's occupied floor space as a proportion of the total building space.

GAD made changes to its ICT infrastructure by installing virtual servers to allow the number of physical servers to be reduced from 27 to 8. Printers & photocopiers were reduced by the installation of 4 multi-functional devices. Both these changes allowed for a reduction in electricity from ICT systems. LED lighting was installed into a small area of GAD's floor space for a trial period. Installation of LED lighting

across the whole of GAD's floor space was completed in May 2013. This should allow for a reduction in electricity consumption through office lighting.

Scope 3 CO₂ emissions from business travel increased by 7.6% from 2011-12 levels. This was due to an increase in travel for overseas insurance clients. This work has now been concluded so GAD expects to see a reduction in its scope 3 CO₂ emissions.

Waste

Our office waste typically comprises of paper, cardboard, food and drink and its packaging. GAD has reduced the amount of waste sent to landfill to zero as result of the introduction of recycling points and removing all desk bins. GAD reduced its overall waste levels by 7.2 tonnes against 2011-12 levels, with 77% of the waste being recycled, 17% being sent for composting and 6% sent for energy recovery.

Use of Resources

Water use is limited to drinking, hygiene (toilets & shower etc) and cleaning. Figures for both years are based on the best data available provided by the water supplier. For 2012-13 GAD had a water consumption of 7.7m³ per full time equivalent representing a 15% increase from 2011-12 water consumption of 6.7m³ per full time equivalent. This increase resulted from a burst water pipe in the basement of Finlaison House during non-operational hours.

GAD has a target to reduce water consumption per full time equivalent to between 4m³ and 6m³ by 2015. To achieve this GAD plans to have a survey of its building water systems conducted by Aqaufund to identify any areas where savings to water consumption can be made. GAD will also continue to ensure a robust maintenance system is in place to identify and repair leaks and to ensure pipework and fittings are secure and in good condition.

Sustainable Procurement

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

Environmental Management System

In 2012 GAD's Environmental Management System (EMS) was re-accredited to the ISO14001 standard. GAD can:

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

Auditor

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2012-13 was £60,000 (2011-12: £59,000). No fees, either actual or notional, were incurred for non-audit work (2011-12: £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: 1 July 2013

Remuneration Report

Remuneration Policy

The current head of the Department was appointed through an open competition run by HM Treasury and has been in the post since 1 May 2008. The appointment was made following the general rules for Senior Civil Service Appointments and was initially for a period of five years which has been extended an extra year until 30 April 2014. 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 a very good year for the Department, the Government Actuary was entitled under his contract to a bonus of £40-45,000. However, in line with Civil Service practice he has agreed for this to be reduced to a bonus of £17,500 relating to the performance year to 31 March 2013. Further, in order to put himself in the same net position as the generality of staff with a standard bonus, he has determined the remaining net bonus after relevant deductions will be paid to charity (Cancer Research UK and Help for Heroes) and for a departmental celebration. The standard bonus is to be confirmed and is expected to be around £850 gross.

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 2012-13

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 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury and are subject to audit.

Included in the table is the remuneration of the Non-Executive Directors (NEDs) the Government Actuary's Department has appointed to the Management Board and the Audit Committee. The NEDs receive no emoluments except for fees of £500 per day of service plus their travelling expenses (Note 6 contains further details). Also included are non-executive positions, Interim Actuarial Directors. These roles were introduced in 2011 and are filled by Chief Actuaries who head various actuarial teams. The initial appointments were for 15 months and ended on 31st December 2012 when the current holders stood down and were replaced by three different Chief Actuaries.

	2012-13				2011-12		
	Salary £000	Bonus Payments £000	Benefits in Kind		Salary £000	Bonus Payments £000	Benefits in Kind
Trevor Llanwarne * <i>Government Actuary</i>	190-195	15-20	-	Trevor Llanwarne * <i>Government Actuary</i>	190-195	15-20	-
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	140-145	0-5	-	George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	140-145	0-5	-
Colin Wilson <i>Deputy Government Actuary and Head of Technical</i>	140-145	0-5	-	Colin Wilson <i>Deputy Government Actuary and Head of Technical (from 1 April)</i>	140-145	0-5	-
				William Rayner** <i>Client Relations and Development Director (until 9 November)</i>	85-90 (140-145 full year equivalent)	0-5	-
Ian Boonin <i>Interim Actuarial Director (until 31 December)</i>	95-100 (130-135 full year equivalent)	0-5	-	Ian Boonin <i>Interim Actuarial Director (from 1 October)</i>	65-70 (130-135 full year equivalent)	0-5	-
Dermot Grenham*** <i>Interim Actuarial Director (until 31 December)</i>	65-70 (110-115 full year equivalent)	0-5	-	Dermot Grenham*** <i>Interim Actuarial Director (from 1 October)</i>	90-95 (110-115 full year equivalent)	0-5	-
Stephen Humphrey <i>Interim Actuarial Director (until 31 December)</i>	95-100 (130-135 full year equivalent)	0-5	-	Stephen Humphrey <i>Interim Actuarial Director (from 1 October)</i>	65-70 (130-135 full year equivalent)	0-5	-
Sandra Bell**** <i>Interim Actuarial Director (from 1 January)</i>	25-30 (105-110 full year equivalent)	0-5	-				
Ken Kneller <i>Interim Actuarial Director (from 1 January)</i>	35-40 (130-135 full year equivalent)	0-5	-				
Susan Vivian***** <i>Interim Actuarial Director (from 1 January)</i>	30-35 (105-110 full year equivalent)	0-5	-				
Kevin Down <i>Director of Finance</i>	65-70	0-5	-	Kevin Down <i>Director of Finance</i>	65-70	0-5	-
Simon Bancroft-Rimmer***** <i>Director of Personnel</i>	10-15	0-5	-	Simon Bancroft-Rimmer <i>Director of Personnel</i>	45-50	0-5	-
Nick Bean <i>Interim Director of Personnel</i>	15-20 (60-65 full year equivalent)	-	-				
Hansa Bharadia <i>Interim Director of Personnel</i>	25-30 (60-65 full year equivalent)	-	-				
Jane May ***** <i>Non-executive Director</i>	10-15	-	-	Jane May <i>Non-executive Director</i>	10-15	-	-
Alex Jablonowski ***** <i>Non-executive Director</i>	5-10	-	-	Alex Jablonowski <i>Non-executive Director</i>	5-10	-	-
Band of highest paid employee's total remuneration (£000)		210-215		Band of highest paid employee's total remuneration (£000)		210-215	
Median total remuneration		£50,865		Median total remuneration		£45,600	
Ratio		4.2		Ratio		4.6	

*

See third paragraph on page 23.

**

William Rayner ceased to be a member of the Management Board in November 2011 due to moving to a new role in the Department.

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

Sandra Bell works part time. Her full time equivalent salary is in the range £105K-£110K

Sue Vivian works part-time for some of the year. Her full time equivalent salary is in the range £105K-£110K

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

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

Salary

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

Pay Multiples

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

The banded remuneration of the highest-paid director in GAD in the financial year 2012-13 was £210K-£215K (2011-12 was £210K-£215K). This was 4.2 times the median remuneration of the workforce, which was £50,865 (2011-12, 4.6 times the median of £45,600).

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

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

Benefits in Kind

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

Bonuses

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

Board Members' interests

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

Alex	House of Commons	NED and Chair of Audit Committee
Jablonowski	Defence Support Group	Non-Executive Chair
	Supreme Court	NED and Audit Committee member
	Maritime and Coastguard Agency	NED and Audit Committee member
	Valuation Office Agency	NED and Audit Committee member
	Wilton Park	NED and Audit Committee member
	UK Statistics Authority	Audit Committee member
	London Veterans Advisory Policy Committee	Member
	Dynamyx Limited	Chair
	High Performance Leadership Limited	Chair
	City Fencing Club	Chair
	HCA Regulation Committee	NED
	Office of National Statistics	Member of 2012 Census Programme Board and Web Data Access Programme Board

Jane May	Information Commissioner's Office	NED and Audit Committee member
	Equitable Life Compensation Scheme	Panel member
	Independent Review Panel	
	Royal Berkshire NHS Foundation Trust	NED
	Vehicle and Operator Services Agency	NED
	Homes and Communities Agency (HCA)	NED

Pension Benefits

	Accrued pension at pension age as at 31/3/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV
	£000	£000	£000	£000	£000
Trevor Llanwarne <i>Government Actuary</i>	20-25	2.5-5.0	359	271	57
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	40-45	2.5-5.0	627	543	48
Colin Wilson <i>Deputy Government Actuary and Head of Technical</i>	15-20	2.5-5.0	203	152	29
Ian Boonin ² <i>Interim Actuarial Director</i>	20-25 Plus lump sum of 70-75	0-2.5 Plus lump sum of 2.5-5.0	429	394	14
Dermot Grenham ² <i>Interim Actuarial Director</i>	5-10	0-2.5	97	74	14
Stephen Humphrey ² <i>Interim Actuarial Director</i>	25-30 Plus lump sum of 85-90	0-2.5 Plus lump sum of 2.5-5.0	466	432	10
Sandra Bell ³ <i>Interim Actuarial Director</i>	10-15	0-2.5	176	166	7
Ken Kneller ³ <i>Interim Actuarial Director</i>	20-25 Plus lump sum of 70-75	0-2.5 Plus lump sum of 0-2.5	381	374	4
Susan Vivian ³ <i>Interim Actuarial Director</i>	15-20	0-2.5	238	227	3
Kevin Down <i>Director of Finance</i>	15-20 Plus lump sum of 55-60	0-2.5 Plus lump sum of 0-2.5	294	273	6
Simon Bancroft-Rimmer <i>Director of Personnel</i>	20-25 Plus lump sum of 60-65	0-2.5 Plus lump sum of 0-2.5	333	313	3
Nick Bean ⁴ <i>Interim Director of Personnel</i>	2.5-5.0 Plus preserved award of 15-20 Plus preserved lump sum of 45-50	0-2.5	324	319	4
Hansa Bharadia ⁵ <i>Interim Director of Personnel</i>	0-2.5 Plus preserved award of 0-2.5	0-2.5	29	20	8

1. Some board members may incur Annual Allowance tax charges as a result of pension accrual during the accounting period. No allowance has been made for any consequential benefit reductions that may arise if these

members opt to meet their liability to pay this Annual Allowance charge, or any charges incurred in previous tax years, through a reduction of their pension benefits.

2. Ian Boonin, Dermot Grenham and Stephen Humphrey ceased to be members of the Management Board on 31 December 2012. The figures above reflect the period when they were members of the Management Board.
3. Sandra Bell, Ken Kneller and Susan Vivian became members of the Management Board on 1 January 2013. The figures above reflect the period when they were members of the Management Board.
4. Nick Bean became member of the Management Board on 1 December 2012. The figures above reflect the period when he was member of the Management Board.
5. Hansa Bharadia became member of the Management Board on 1 May 2012 and ceased to be member on 30 November 2012. The figures above reflect the period when she was member of the Management Board.

Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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

No compensation was paid for loss of office in 2012-13 (£nil in 2011-12).

Trevor Llanwarne

Government Actuary

Accounting Officer

Date: 1 July 2013

Statement of Accounting Officer's Responsibilities

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

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

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

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

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Government Actuary's Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Government Actuary's Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Governance Statement

GAD is a non-Ministerial Department and is one of the Chancellor's Departments. The Economic Secretary to the Treasury, Sajid Javid MP, has Ministerial responsibility for the Department since September 2012. Prior to that the Financial Secretary to the Treasury, Mark Hoban 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.

GAD has established the following governance arrangements:

- The Management Board usually meets each month (except for August). The Board focuses on the overall strategic management of the Department. It ensures the appropriate management of the risks that face the Department and takes decisions on key high level issues. Day-to-day operational issues are delegated to the Head of Actuarial Operations, the Support Operations Committee and the Technical Committee. The Board includes two Non-Executive Directors.
- An Audit Committee, chaired by a Non-Executive Director meets at least quarterly and reports directly to the Accounting Officer and the Management Board. The chair provides an annual report on the work of the Audit Committee to the Accounting Officer.
- The Leadership Group consists of the Management Board, Chief Actuaries and Senior Consulting Actuaries and is responsible for setting the tone and direction of the Department.
- The Support Operations Committee (SOC), chaired by the Director of Finance, deals with administrative operational issues. The Director of Finance is also responsible for Accommodation, Environmental, Information Technology, Security and Information Assurance issues, reporting directly to the Accounting Officer. The Information Security Forum and IT user group report to the SOC.
- Professional and technical matters are overseen by the Technical Director who reports directly to the Accounting Officer.
- The Head of Actuarial Operations oversees the resourcing of the actuarial teams and the delivery of advice to clients, reporting directly to the Accounting Officer.
- The Human Resources Director is responsible for people issues, reporting directly to the Accounting Officer.

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 carried out an assessment of 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 no value.

During 2011-12 the Management Board agreed its remit which includes a set of operating principles (see next page). The first review of the Board's effectiveness under this remit was carried out during 2012-13.

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
Nick Bean	Director of Human Resources (from December 2012)
Hansa Bharadia	Director of Human Resources (to November 2012)
Ian Boonin	Interim Actuarial Director (to December 2012)
Dermot Grenham	Interim Actuarial Director (to December 2012)
Steve Humphrey	Interim Actuarial Director (to December 2012)
Sandra Bell	Interim Actuarial Director (from January 2013)
Ken Kneller	Interim Actuarial Director (from January 2013)
Sue Vivian	Interim Actuarial Director (from January 2013)
Alex Jablonowski	Non-Executive Director
Jane May	Non-Executive Director

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

On 1 November 2012, Colin Wilson was appointed as a second Deputy Government Actuary.

During the year Simon Bancroft-Rimmer was absent from work from April to December and since then he was undertaking Part-time work.

Attendance at Management Board meetings in 2012-13

Number of meetings	11
Number of meetings attended by:	
Trevor Llanwarne	11/11
George Russell	11/11
Colin Wilson	11/11
Kevin Down	10/11
Hansa Bharadia	5/7
Nick Bean	4/4
Ian Boonin	8/8
Dermot Grenham	6/8
Steve Humphrey	8/8
Sandra Bell	3/3
Ken Kneller	3/3
Sue Vivian	3/3
Alex Jablonowski	11/11
Jane May	11/11

Audit Committee

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

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 fraud and whistleblowing policies, reviewing GAD's supplementary estimate request and approving this Governance Statement

The chair's report said the committee "is pleased to note the continuing good work of Internal Audit and resulting substantial assurance".

Attendance at Audit Committee meetings in 2012-13

Number of meetings: 5

Number of meetings attended by:

Alex Jablonowski (Chair) (NED)	5/5
Jane May (NED)	5/5
Other Attendees	
Accounting Officer	5/5
Director of Finance	4/5
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.

2012-13 Review

GAD sources its Internal Audit through a shared service provided by the Department for Communities and Local Government. 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 losses, special payments and fraud controls, compliance with internal standards for actuarial work, PAYE, IT key controls, compliance with the Security Policy Framework and a review of the processes in the staff transfers team.

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

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

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 2012-13 or in previous financial years.

GAD has reviewed its quality assurance framework for business critical models following the review of quality of assurance of government models (the Macpherson review). This confirmed that GAD already has in place an appropriate QA framework and meets most of the additional best practice items identified in the review concerning culture, capacity and capability, and controls. Plans have been developed to address the remaining best practice items in accordance with the review's recommendations. A list of GAD's business critical models was made publicly available as part of the review's output and will be maintained on an ongoing basis.

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 20 of this report.

Business Continuity Plans were revised and tested.

GAD staff took part in the 2012 Civil Service People Survey and GAD received an overall engagement index rating of 63% which compares favourably with the Civil Service average of 58% and was equal 23rd of the 97 organisations taking part. This is lower than 2011 but reflects disruption caused by the withdrawal from overseas insurance work (>10% of the business). We are targeting to improve again in 2013 and taking actions to do this. Full survey results are published in the Transparency section of our website (www.gad.gov.uk).

Trevor Llanwarne
Government Actuary
Accounting Officer

DATE: 1 July 2013

Government Actuary's Department 2012-13

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 2013 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 to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against 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 2013 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 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date 9 July 2013

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

2012-13 Government Actuary's Department Annual Accounts

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

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

Statement of Parliamentary Supply

Summary Resource Outturn 2012-13

£000	Note	2012-13			2011-12
		Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
		Voted	Voted		Total
Departmental Expenditure Limit					
- Resource	2	970	(360)	1,330	(934)
- Capital	2	166	154	12	309
Total		1,136	(206)	1,342	(625)
Annually Managed Expenditure					
- Resource	2	(1,020)	(1,250)	230	(1,210)
- Capital		-	-	-	-
Total Budget		116	(1,456)	1,572	(1,835)
Non-budget					
- Resource		-	-	-	-
Total		116	(1,456)	1,572	(1,835)
Total Resource		(50)	(1,610)	1,560	(2,144)
Total Capital		166	154	12	309
Total		116	(1,456)	1,572	(1,835)

Net cash requirement 2012-13

	Note	2012-13			2011-12
		Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
	4	905	(310)	1,215	(1,590)

Administration Costs 2012-13

	Note	2012-13		2011-12
		Estimate	Outturn	Outturn
	3	970	(778)	(1,386)

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

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2013

					2012-13 £000	2011-12 £000
	Note	Staff Costs	Other costs	Income		
Administration costs:						
Staff costs	6	12,101	-	-	12,101	10,306
Other administration costs	7	-	3,795	-	3,795	3,785
Operating income	8	-	-	(16,674)	(16,674)	(15,477)
Programme expenditure:						
Staff costs	6	-	-	-	-	-
Other administration costs	7	-	(832)	-	(832)	(758)
Operating income	8	-	-	-	-	-
Totals		12,101	2,963	(16,674)	(1,610)	(2,144)
Net Operating Cost for the year ended 31 March 2013		12,101	2,963	(16,674)	(1,610)	(2,144)

Other Comprehensive Net Expenditure

	Note	2012-13 £000	2011-12 £000
Net (gain)/loss on:			
- revaluation of property, plant & equipment	9	(48)	(28)
- revaluation of Intangibles	10	(16)	-
Total comprehensive expenditure for the year ended 31 March 2013		(1,674)	(2,172)

Statement of Financial Position

As at 31 March 2013

£000		2013	2012
	Note	31 March	31 March
Non-current assets:			
Property, plant and equipment	9	976	1,008
Intangible assets	10	241	260
Total non-current assets		1,217	1,268
Current assets			
Work in Progress	13	451	379
Trade and other receivables	14	3,877	3,403
Cash and cash equivalents	15	1,215	1,710
Total current assets		5,543	5,492
Total assets		6,760	6,760
Current liabilities			
Trade and other payables	16	(3,106)	(3,178)
Provisions (due within one year)	17	(265)	(376)
Non-current assets plus/less net current assets/liabilities		3,389	3,206
Non-current liabilities			
Trade and other payables	16	(1,080)	(1,182)
Provisions (due after one year)	17	(2,885)	(4,024)
Total non-current liabilities		(3,965)	(5,206)
Assets less liabilities		(576)	(2,000)
Taxpayers' equity and other reserves:			
General fund		(668)	(2,028)
Revaluation reserve		92	28
Total equity		(576)	(2,000)

Trevor Llanwarne
Government Actuary,
Accounting Officer

Date: 1 July 2013

Statement of Cash Flows

For the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Net operating surplus/(cost)		1,610	2,144
Adjustments for non-cash transactions	7	(503)	(505)
(Increase)/Decrease in trade and other receivables	14	(474)	256
(Increase)/Decrease in work in progress	13	(72)	379
Increase/(Decrease) in trade payables	16	384	177
Increase/(Decrease) in trade payables falling due in more than one year	16	(102)	(100)
Use of Provisions	17	(418)	(452)
		425	1,899
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(92)	(230)
Purchase of intangible assets	10	(23)	(79)
		(115)	(309)
Cash flows from financing activities			
From the Consolidated Fund (Deemed Supply) – current year	4	905	120
From the Consolidated Fund (Supply) – prior year		-	-
		905	120
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		1,215	1,710
Payments of amounts due to the Consolidated Fund – Actual		(805)	(394)
Deemed		(905)	-
		(495)	1,316
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
		(495)	1,316
Cash and cash equivalents at the beginning of the period	15	1,710	394
Cash and cash equivalents at the end of the period	15	1,215	1,710

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

	Note	General Fund £000	Revaluation Reserve £000	Total Taxpayers' Equity £000
Balance at 31 March 2011		(2,641)	-	(2,641)
Net Parliamentary Funding drawn down		120	-	120
Net Parliamentary Funding – deemed		-	-	-
Supply payable /(receivable) adjustment	16	(1,710)	-	(1,710)
CFERs payable to the Consolidated Fund	16	-	-	-
Comprehensive Net Expenditure for the Year		2,144	-	2,144
Net (gain)/loss on revaluation of property, plant & equipment		-	28	28
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	7	59	-	59
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	16	(1,215)	-	(1,215)
CFERs payable to the Consolidated Fund	16	-	-	-
Comprehensive Net Expenditure for the Year		1,610	-	1,610
Net (gain)/loss on revaluation of property, plant & equipment	9,10	-	64	64
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	7	60	-	60
Balance at 31 March 2013		(668)	92	(576)

The notes on pages 44-63 form part of these accounts.

Annual Report & Accounts 2012-13

Notes to the Departmental Annual Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 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.

1.1a Administration expenditure

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

1.1b 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.

1.1c 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.

1.2 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 assets is £1,000. Similar assets purchased in the same month will be grouped for the purpose of assessing whether they meet the capitalisation threshold. Computer equipment with values less than £1,000 are capitalised if they significantly enhance a previously capitalised asset and are easily identifiable. Office Furniture does not have a minimum level of capitalisation, provided that the small value items are similar to those of the larger purchases.

1.3 Intangible Assets

Computer software

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

1.4 Depreciation and amortisation

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

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

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

1.5 Foreign Currency Transactions

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

1.6 Leases

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

Accommodation lease of Finlaison House

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

1.7 Work-in-Progress

Work-in-Progress (WIP) is valued at the lower of cost (including appropriate overheads, multiplied by the number of rechargeable hours booked through the time recording system and not already charged to clients) or recoverable value. 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 2013.

1.8 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.

1.9 Provisions

a. 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 (2012) 15, 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), -1.8% (medium-term rate – after 5 and up to and including 10 years) and -1% (short-term rate – between 0 and up to and including 5 years). It was previously discounted at 2.8%.

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.

b. Provisions for Early Departure Costs

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

c. Other provisions

There are two other provisions:

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 2.35%, set by HM Treasury in Public Expenditure System circular PES (2012) 16.

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. It is expected the provision will be taken up by 31st March 2014.

1.10 Value Added Tax

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

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

The following sections of the FReM have been amended and are mandatory for GAD's accounting period beginning 1 April 2012 or later periods, which GAD will adopt:

IAS 1 – Presentation of financial statements (Other Comprehensive Income, OCI), requires items of OCI to be grouped on the basis of whether they might at some point be reclassified from OCI to profit or where they will not. All OCI of GAD will not be reclassified to profit. The application of the IAS 1 amendments interpreted (for terminology) and adapted (requiring a single Statement of Comprehensive Net Expenditure rather than separate Other Comprehensive Expenditure) for the public sector context is effective from 1 April 2013.

IFRS 9 – Financial Instruments, which is still subject to consultation, addresses classification and measurement issues, impairments and hedge accounting. There are likely to be elements of the final proposals that will require further review by HM Treasury and the other relevant authorities before due process and consultation.

IFRS 13 - Fair Value Measurement, which provides consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS. The application is subject to further review by HM Treasury and the other Relevant Authorities following proposals put to the FRAB in December 2012.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets, where the cash flows to be discounted, entities should use the discount rates set by HM Treasury as promulgated in PES papers. GAD has been following this standard for all discounted provisions.

1.12 Losses and special payments

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

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

1.13 Employee benefits for annual leave carried forward

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

1.14 Segmental Reporting

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

2. Net outturn

2.1 Analysis of net resource outturn at 31 March 2013

£000	2012-13										2011-12 Outturn
	Outturn							Virements	Estimate		
	Administration			Programme			Total		Net Total	Net total compared to estimate - saving/ (excess)	Total
	Gross	Income	Net	Gross	Income	Net					
Spending in Departmental Expenditure Limit											
Voted: Administration	15,896	(16,674)	(778)	-	-	-	(778)	-	550	1,328	(1,386)
Voted: Use of Provision	418	-	418	-	-	-	418	-	420	2	452
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure											
Voted: Losses on Revaluation	-	-	-	-	-	-	-	-	-	-	-
Voted: Provisions	-	-	-	(1,250)	-	(1,250)	(1,250)	-	(1,020)	230	(1,210)
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
Resource Outturn	16,314	(16,674)	(360)	(1,250)	-	(1,250)	(1,610)	-	(50)	1,560	(2,144)

2.2 Analysis of net capital outturn

£000	2012-13					2011-12 Outturn
	Outturn			Estimate		
	Gross	Income	Net	Net	Net total compared to estimate - saving/ (excess)	
Spending in Departmental Expenditure Limit						
Voted: Administration	154	-	154	166	12	309
Voted: Use of Provision	-	-	-	-	-	-
Non-voted:	-	-	-	-	-	-
Annually Managed Expenditure						
Voted: Losses on Revaluation	-	-	-	-	-	-
Voted: Provisions	-	-	-	-	-	-
Non-voted:	-	-	-	-	-	-
Total	154	-	154	166	12	309

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

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2012-13 £000 Outturn	2011-12 £000 Outturn
Total Resource Outturn in Statement of Parliamentary Supply	2	(1,610)	(2,144)
		<hr/>	
Net Operating Costs in Statement of Comprehensive Net Expenditure		(1,610)	(2,144)
		<hr/>	

3.2 Outturn against final Administration Budget and Administration net operating cost

	2012-13 £000	2011-12 £000	
Estimate – Administration costs limit	970	31	
Outturn – Gross costs	16,314	14,543	
Outturn – Gross income	(16,674)	(15,477)	
		<hr/>	
Outturn – net costs	(360)	(934)	
		<hr/>	
Reconciliation to operating costs:			
Less: provisions utilised (transfer from programme)	(418)	(452)	
		<hr/>	
Administration net operating cost	(778)	(1,386)	
		<hr/>	

4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	2.1	50	1,610	1,560
Capital Outturn	2.2	(166)	(154)	12
Accruals to cash adjustments:				
Depreciation		270	266	(4)
New provisions and adjustments to previous provisions		(600)	(832)	(232)
Other non-cash items		61	63	2
Adjustments to reflect movements in working balances:				
(Increase)/decrease in stock		-	(72)	(72)
(Increase)/decrease in debtors		-	(474)	(474)
Increase/(decrease) in creditors		(100)	321	421
Use of provisions		(420)	(418)	2
Net cash requirement		(905)	310	1,215

5. Income payable to the Consolidated Fund

Analysis of income payable to the Consolidated Fund

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

	Outturn 2012-13 £000		Outturn 2011-12 £000	
	Income	Receipts	Income	Receipts
Operating income outside the ambit of the Estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	1,215	-	1,710
Total income payable to the Consolidated Fund	-	1,215	-	1,710

6. Staff numbers and related costs

Staff costs comprise:

Administration			2012-13	2011-12
	Total	Permanently employed staff	£000 Others *	£000 Total
Wages and salaries	9,329	9,003	326	7,857
Social security costs	952	919	33	798
Other pension costs	1,820	1,783	37	1,651
Sub Total	12,101	11,705	396	10,306
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs	12,101	11,705	396	10,306

* Includes non-executive directors.

Of the total, £nil relates to programme costs (2011-12: £nil).

Of the total, £nil has been charged in capital (2011-12: £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 2012-13, employers' contributions of £1,796,000 were payable to the PCSPS (2011-12: £1,646,000) at one of four rates in the range 16.7 to 24.3 per cent (2011-12: 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 2012-13 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £24,000 (2011-12: £5,000) 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:

			2012-13	2011-12
	Total	Permanently employed staff	Temporary Staff	Total
Total	140	134	6	129

6.1 Reporting of Civil Service other compensation schemes - exit packages

2012-13			
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	1	2	3
£25,000 - £50,000	1	2	3
£50,000 - £100,000	2	-	2
£100,000- £150,000	2	1	3
£150,000- £200,000	-	-	-
£200,000-£250,000	-	-	-
£250,000-£300,000	-	-	-
Total number of exit packages by type	6	5	11
Total resource cost £000	476	255	731

2011-12			
Exit package	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Total number of exit packages by type	-	-	-
Total resource cost £000	-	-	-

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 2012-13 is nil (2011-12: nil). The cost of ill-health retirement in 2012-13 is £nil (2011-12: £nil).

7. Other Administration Costs

	Note	Administration	Programme	2012-13 £000	2011-12 £000
Operating lease: Rent of building		1,396	-	1,396	1,308
Office equipment		7	-	7	10
Rates and building service costs		682	-	682	715
Computer running costs		271	-	271	467
Recruitment		164	-	164	146
Training		168	-	168	195
Consultancy		181	-	181	189
Agency and other temporary staff costs		192	-	192	88
Travel, subsistence and hospitality		145	-	145	158
Subscriptions		102	-	102	88
Telecommunications		48	-	48	56
Other costs		32	-	32	20
Photocopying		27	-	27	26
Stationery and publications		23	-	23	45
Internal Audit Fees		28	-	28	21
Non cash items:					
Provision for accommodation lease	17	-	(963)	(963)	(627)
Provision for injury benefits	17	-	41	41	(167)
Provision for early retirement	17	-	-	-	36
Provision for redundancy	17	-	90	90	-
Depreciation and amortisation of fixed assets	10, 11	266	-	266	196
Loss on revaluation of fixed assets	10, 11	-	-	-	-
Loss on disposal of fixed assets	10, 11	3	-	3	1
Auditors' remuneration		60	-	60	59
Other costs*		-	-	-	(3)
		3,795	(832)	2,963	3,027

8. Income

Administration	2012-13 £000	2011-12 £000
	Total	Total
Government Departments	10,720	10,238
Of which receipts from:		
Sub Tenants	731	766
National Insurance Fund	989	583
Wider public sector, private sector and overseas	5,954	5,239
	16,674	15,477
Income by geographical locations -		
Within the UK	14,527	13,420
Attributed to all foreign countries *	2,147	2,057
	16,674	15,477
Income by types of work carried out:		
UK policy advice	2,607	2,020
Staff transfers	3,059	2,307
UK public service pensions	5,689	5,606
Other actuarial work	4,588	4,808
Rent and miscellaneous	731	736
	16,674	15,477

* Income from one client was £1,257,000 (7.5% of total income) (2011-12 £885,000).

Of the total, £nil relates to programme income (2011-12: £nil)

9. Property, plant and equipment

Current year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 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 2012	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
Prior year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2011	1,063	276	201	1,540
Additions	30	181	19	230
Disposals	(1)	(12)	(12)	(25)
Revaluations	46	-	3	49
At 31 March 2012	1,138	445	211	1,794
Depreciation				
At 1 April 2011	414	152	101	667
Charged in year	54	48	20	122
Disposals	-	(13)	(11)	(24)
Revaluations	20	-	1	21
At 31 March 2012	488	187	111	786
Carrying amount at 31 March 2012	650	258	100	1,008
Carrying amount at 31 March 2011	649	124	100	873

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

10. Intangible assets

Intangible assets comprise of computer software

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

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

11. Financial Instruments

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

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

11.1 Credit Risk

The maximum credit risk the department is exposed to at 31 March 2013 was £3,568,000 (trade receivables and accrued income value). Third party deposits held from clients at 31 March 2013 were £2,780 which will normally be offset against the invoices billed to them.

An aged debtor analysis as at 31 March 2013 is as follows:

	31 March 2013
	£000
Under 30 days	3,305
Over 1 month and under 6 months	263
Over 7 months and under 12 months	-
Over 12 months	-

11.2 Liquidity Risk

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

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

Total amount owing analysed by when they fall due:

	1 year	2-5 years	over 5 years	Total
	£000	£000	£000	£000
Creditors	2,793	-	-	2,793
Total	2,793	-	-	2,793

11.3 Market Risk

The main market risk GAD is exposed to is foreign currency from overseas customers, which amounted to £33,000 of debtor value as at 31 March 2013. As the amount of foreign currency debt is not considered to be material in terms of the total value of turnover, GAD does not employ any sensitivity analysis.

12. Impairments

GAD did not incur any impairment costs in 2012-13.

13. Work in Progress

	2012-13 £000	2011-12 £000
Value of time worked but not billed	451	379
	451	379

14. Trade receivables, financial and other current assets

	2012-13 £000	2011-12 £000
Amounts falling due within one year:		
Trade receivables	1,748	1,549
Accrued income	1,820	1,556
Deposits and advances	44	37
Other receivables	2	3
Prepayments	263	258
	3,877	3,403

14.1 Intra-Government Balances

	2012-13 £000	2011-12 £000
Amounts falling due within one year:		
Balances with other central government bodies	2,422	1,513
Balances with local authorities	1	9
Balances with NHS trusts	215	50
Balances with public corporations and trading funds	30	-
Sub-total: intra-government balances	2,668	1,572
Balances with bodies external to government	1,209	1,831
Total trade receivables at 31 March	3,877	3,403

15. Cash and cash equivalents

	2012-13	2011-12
	£000	£000
Balance at 1 April	1,710	394
Net change in cash and cash equivalent balances	(495)	1,316
Balance at 31 March	1,215	1,710
The following balances at 31 March were held at:		
Government Banking Service (GBS)	1,215	1,710
Balance at 31 March	1,215	1,710

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

16. Trade payables and other current liabilities

	2012-13 £000	2011-12 £000
Amounts falling due within one year:		
VAT	1,010	954
Other taxation and social security	-	-
Trade payables	10	-
Accommodation creditor	101	98
Accruals and deferred income	558	176
Employee benefits (annual leave carried forward)	212	240
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	-	-
Consolidated Fund Creditor for cash unspent at year end	1,215	1,710
Consolidated Fund Creditor for cash unspent – prior year	-	-
	3,106	3,178
Amounts falling due after more than one year:		
Accommodation creditor	1,080	1,182
	1,080	1,182
Total	4,186	4,360

16.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after one year	
	2012-13 £000	2011-12 £000	2012-13 £000	2011-12 £000
Balances with other central government bodies	2,242	2,673	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	2,242	2,673	-	-
Balances with bodies external to government	864	505	1,080	1,182
Total trade payables at 31 March	3,106	3,178	1,080	1,182

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

17. Provisions for liabilities and charges

	Onerous Lease £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

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

Analysis of expected timing of discounted flows

	Onerous Lease £000	Early departure costs £000	Other £000	Total £000
Falling due in the next year (to 31 March 2014)	78	82	105	265
Between 2014-15 and 2017-18	1,254	154	55	1,463
Between 2018-19 and 2022-23	1,210	-	58	1,268
Thereafter	-	-	154	154
Balance at 31 March 2013	2,542	236	372	3,150

17.1 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 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 (2012) 15, new discount rates for general provisions are 2.2%, -1.8% and -1% depending on the timing of the cash flows (previously discounted at 2.8%).

17.2 Early departure costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

17.3 Other financial commitments

"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. It is expected the provision will be taken up by 31st March 2014.

18. Commitments under leases

18.1 Operating leases (as at 31 March)

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

	2012-13 £000	2011-12 £000
Obligations under operating leases comprise:		
<hr/>		
Buildings (rent of London office building)		
Not later than one year	1,647	1,607
Later than one year and not later than five years	7,009	6,838
Later than five year	10,299	12,116
<hr/>		
Edinburgh Office lease		
Not later than one year	3	3
Later than one year and not later than five years	-	-
<hr/>		
Other (Office equipment *)		
Not later than one year	9	9
Later than one year and not later than five years	12	13
Later than five year	1	-
<hr/>		
	18,980	20,586
<hr/>		
Subtenants lease **		
Not later than one year	795	528
Later than one year and not later than five years	-	-
<hr/>		

* Office equipment comprises printers, photocopiers (2011-12), franking machines and water coolers.

** Subtenant lease comprises rental income from subletting to Ministry of Defence and Higher Education Funding Council for England.

18.2 Capital commitments

GAD had no capital commitments at 31 March 2013 (2011-12: £nil).

19. Contingent liabilities disclosed under IAS 37

As at 31 March 2013, 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 £45,000 (2011-12: £33,000).

20. Losses and special payments

A book loss of £147,000 was incurred during 2012-13 (2011-12: £20,000).

21. Related-parties transactions

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

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

Receipts from other government departments include rent and associated charges from the Ministry of Defence (from March 2008) as sub-tenants in Finlaison House. In 2012-13 the total net income from these sub-tenants was some £731,000. HEFCE moved in to the second floor of Finlaison House on 1 April 2013 and GAD will receive rent and associated charges in future.

22. Third-party assets

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

	<u>2012-13</u> <u>£000</u>
Opening balance at 1 April 2012	7
Net changes	(4)
Closing balance at 31 March 2013	<u>3</u>

23. Entities within the departmental boundary

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

24. Post Statement of Financial Position Events

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

25. Date of Authorisation of Accounts

This set of financial statements is authorised for issue on 9 July 2013.



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ISBN 978-0-10-298578-8



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