



Government
Actuary's
Department

Annual Report
& Accounts
2014 - 2015

The Government Actuary's Department

Annual Report & Accounts 2014-15

(For the year ended 31 March 2015)

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

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

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Introduction

This document contains the Annual Report and Accounts of the Government Actuary's Department (GAD) for the year 1 April 2014 to 31 March 2015. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FReM) for 2014-15.

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

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

About the Government Actuary's Department

We provide actuarial analysis to governments and organisations in the public sector in the UK and around the world. We have 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.

Most of our staff are based in offices in London with a small operation in Edinburgh.

Management Structure and Governance

Our management structure and governance are described in the Governance Statement (page 30).

Resources managed by GAD

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

On 31 March 2015 we employed 156 full time equivalent staff (average number of persons employed during the year was 151 FTE), of whom 71 are qualified actuaries, 56 are trainee actuaries and 29 are support staff. There were also 7 secondees/agency staff employed on that date.

Strategic Report

Our Vision, Mission and Values

2020 Vision

We aim to ensure that GAD becomes a single, high-performing team that:

- Is recognised throughout government as a high quality source of innovative thinking and specialist advice across many sectors

- Has substantially enhanced its reputation for efficiency and value for money

- Achieves high levels of consistency and standardisation in its operations and business processes

- Is widely recognised for its development of analytical, actuarial and business skills of its people

Mission

To support effective decision-making and robust reporting within government as the first choice provider of actuarial and specialist analysis, advice and assurance.

Values

Agile	Dedicated	Expert	Partnering	Trusted
through technical innovation and flexible working to meet evolving client needs	to delivering timely advice and first class and cost-effective customer service	and focused on quality of analysis to provide robust assurance on decision making	with our clients to understand their business needs and develop solutions that add value for them	to deliver a professional service with integrity

Principal Activities

Pensions Advice

Public sector pension schemes

We provide actuarial analysis to all of the main public service schemes such as those for the civil service, armed forces, police, fire service, teachers and National Health Service. Our advice in this area involves pension schemes covering around five million active members and around twelve million members in total.

The principal work relates to the four-yearly valuations for employer contributions, cost caps and associated factors. We also assist with strategic and policy issues, benefit design and how to recognise the cost of pensions in employer accounts.

We also advise governments and public sector organisations in other countries on their pension arrangements.

Funded pension schemes

We advise a number of funded pension schemes in the wider public sector and the private sector. Commonly, these are schemes which have moved from the public sector, such as schemes in the coal and rail industries.

Pensions policy, regulation and supervision

We provide 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), we also provide support to a number of autonomous bodies such as the Pension Protection Fund and The Pensions Regulator.

Staff Transfers

A specialist team at GAD provides advice on the pension aspects of TUPE transfers of staff from public sector schemes, and internal "machinery of Government" transfers. The terms of such transfers must comply with the Government's policy, called New Fair Deal.

Social Security

The significance of GAD's role in the management of the National Insurance Fund is recognised in legislation by the requirement for regular reports to Parliament by the Government Actuary on the Fund's financial position. These requirements include an annual report concerning the impact on the Fund of the proposed up-rating of benefits or changes in contributions, and a report every five years which estimates the balance of the Fund over the longer term.

Our social security team also provides advice to social security organisations in other countries.

Insurance, Risk, Modelling and Investment

- *Insurance*

We provide actuarial advice to UK government departments, public bodies and local authorities on life, general and health insurance related matters. We assist them in managing their own financial risks and also in developing government policy where this has actuarial or insurance implications.

• *Investment and Risk*

We provide advice on investment aspects of pensions and insurance as well as undertaking specialist projects on the management of risk within UK Government Departments and financial institutions. GAD's specialist team undertakes a wide variety of assignments for public sector bodies on issues such as investment strategy, risk modelling, and project risk management.

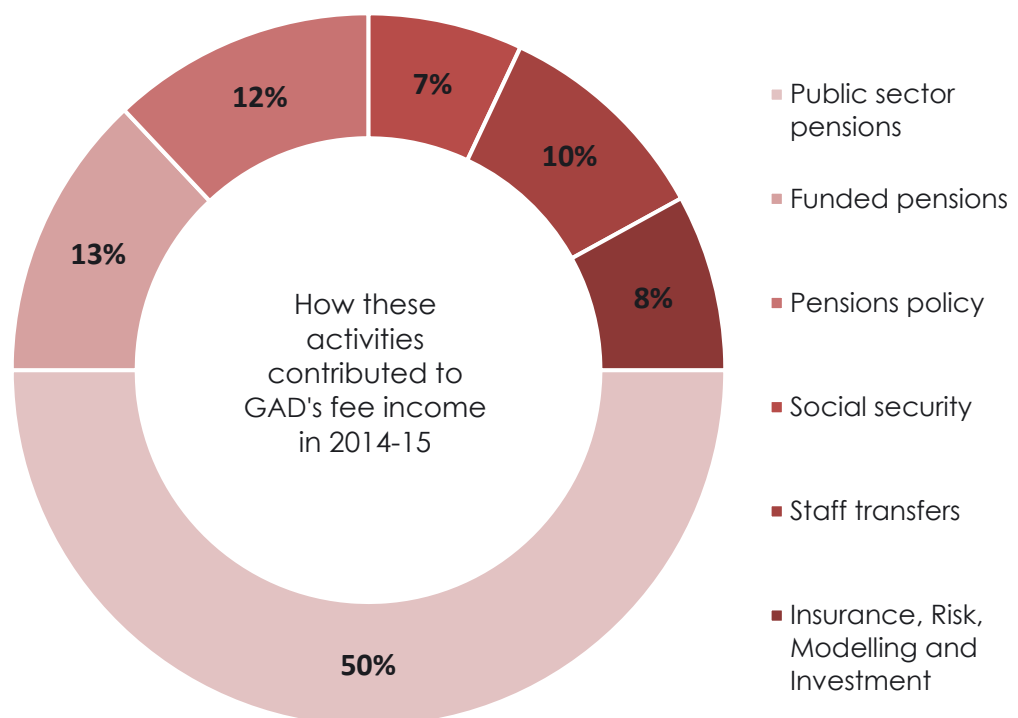
• *Modelling*

We provide advice to the public sector, including governments and organisations in the UK and around the world on financial modelling, demographic modelling and other bespoke modelling services. This includes:

- Expert external assurance on a client's model quality assurance approach, the models themselves, or on specific aspects of the modelling
- Advice and assistance on a model that a 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

We supply 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

Introduction

For 2014-15 our strategy had embedded a set of guiding principles in three areas:

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

which we continued to deliver throughout the year.

Martin Clarke was appointed as the new Government Actuary in August 2014 and was appointed as Accounting Officer from 1 September. From that date we also worked on agreeing a vision for what we believe GAD should be like in 2020 and developing a strategic plan to get us there.

GAD's Strategic Plan 2015-20

We launched our new strategy on 31 March 2015. This event marked both:

- the end of the development stage - with which all of GAD's people had engaged and during which we consulted other stakeholders; and
- the start of the embedding stage - a programme of continuous improvement that will ensure we respond to changes in the external environment and continue to offer high quality and value for money.

The development of the strategy recognised that the uncertainties and challenges that government faces now are likely to persist for the period of the strategy. GAD needs to be ready not just to meet the needs of our core clients, but to find ways of helping government identify and deal with new risks that will arise in an increasingly complex world.

We will continue to provide the same expert quality but we recognise that both we and our clients operate in an environment where more efficiency in how public services are delivered is rightly expected. We will find new and better ways of working, increasing our use of new technologies and improving how we use existing ones. We also want to ensure that the changes we make align with the objectives of the civil service reform programme. As a shared service provider of professional services to government we are particularly supportive of the aim of the reforms to professionalise the civil service.

Our strategy is centred on four "Strategic themes"



Our strategy is centred on four “Strategic themes”, as set out above, to enable us to respond to changes in the external environment and achieve our vision. Management reporting will be anchored in these four themes, forming our “balanced scorecard” to monitor progress and performance.

The strategy document explores the relevant issues for each theme in more detail. You can read the complete strategy document¹ on our website. What follows is a summary of the key objectives by theme.

Clients

Our absolute priority is providing a high level of service to our clients – identifying their requirements and delivering them as effectively and efficiently as possible. This requires us to reflect our values by partnering with our clients and being agile to innovate wherever necessary. We do not exist to make a profit or to grow business for its own sake, but to do the best we can for the taxpayer. We aim to be proactive in acting to secure our existing clients and diversifying our offering to both existing and new clients.

Leadership

People at all levels, across all teams, should have the opportunity to be leaders at GAD. Managers and leaders at all grades should be seen to embrace all elements of GAD values, strategy and objectives. This will help us achieve our vision of becoming a single, high-performing team. Focus will be given to functional leadership, making change happen and leading by example.

People

In order to be successful as a professional services organisation it is essential for GAD to effectively recruit, retain, manage, motivate and develop professional actuaries and those in roles supporting them. This requires strategies, policies and processes aligned to business needs, many of which are already in place. However others will be developed to continuously improve our ability to meet this objective.

Processes

Our operational processes should be organised in order to maximise efficiency throughout the department, reflecting our dedication to carry out the highest quality work for the best value-for-money for our clients. We will focus on organisational structure, IT systems and software, work efficiencies and standardisation procedures.

Annual business plans will cover more detailed targets, Key Performance Indicators (KPIs), budgets and required Management Information (MI) to help us to measure our progress in each of these areas. These plans will focus on the current priorities and objectives which are aligned to this strategy and with which our people's own individual objectives will in turn also be aligned.

At the same time as tracking how well we are doing against the annual business plans, we will also measure our performance with regard to progress towards our longer-term vision as set out in the strategy. This depends on achieving the outcomes we are looking for, much of which can most objectively be measured via client and staff surveys.

¹ <https://www.gov.uk/government/publications/gad-department-strategy-2015-2020>

Management Commentary

GAD's year in numbers

15	public service pension scheme valuations completed during the year	£1.3bn	annual saving to government from pension scheme reforms, supported by the valuations
100	GAD advised on more than 100 separate public sector scheme staff transfer projects	42,000	probation service staff were transferred in one of the largest such projects
65%	GAD's people engagement score compared to 59% across the Civil Service	17	GAD actuaries working on-site alongside our clients
14	insurance, risk and modelling projects completed	£175m	annual saving to government from changes to Pool Re, supported by GAD's advice
46	new business commissions won, including a large project for the NHS Litigation Authority	0%	increase in GAD's fee rates for a third consecutive year
9	Martin Clarke became the 9 th Government Actuary in August 2014 (and will lead GAD through its centenary in 2019)	5	year strategic plan put in place in March 2015 to deliver GAD's 2020 vision

Operating Review

Pensions

Delivery of the pension scheme valuations needed to allow introduction of the new public service pension schemes from 2015 continued to be a major component of our work in 2014-15. We delivered valuations for the first five schemes in 2013-14 and completed another 15 valuations during 2014-15. As well as providing valuations to each of our pension scheme clients, a separate team advised HM Treasury throughout the process.

The need to complete multiple pension scheme valuations in parallel presented unprecedented challenges for GAD, for HMT officials and for the scheme management teams in the employer departments. During 2014-15 GAD contracted PwC to carry out a project lessons learned review. The findings of this review along with further internal assessment are now being used to shape planning for the next cycle of valuations.

The reform of the public service pension schemes makes changes to how the schemes are to be governed. GAD held forums in London and Belfast for scheme officials and members of the new scheme boards to support them with the challenges of the new requirements on governance.

In the pensions area we also:

- advised other government departments and public bodies on pension issues specific to them, including advising economic regulators on their regulated companies' pensions costs
- provided advice on the pension aspects of outsourcing public sector services and of machinery of government changes. Major projects for our specialist team included advising on pensions aspects of the move of local government staff to the new Single Fraud Investigation Service under DWP, the outsourcing of the probation service, and the setting up of Public Health England
- provided private pensions policy advice to DWP on a range of matters, including pension scheme survivor benefits and the abolition of contracting-out.

Pensions Ombudsman Case

Our pensions teams also advised public service schemes on accounting for pension costs and on the various actuarial factors that ultimately determine many members' benefits. The work done on some of these factors several years ago has been in the spotlight since a number of retired firefighters and police officers complained that a failure by GAD to review factors during a period up to 2006 proved detrimental to them. One of these cases - affecting a retired firefighter, Mr Milne - was investigated by the Pensions Ombudsman as a lead case whose outcome would have much wider consequences. In May 2015 the Ombudsman determined the case in favour of the complainant, requiring that his benefits at retirement be re-calculated by the pension scheme and that GAD be liable for loss of interest and any tax liability incurred by the complainant. More details of the case, the arrangements that we have put in place to ensure the timely updating of such factors and the remedy that is being applied more generally to the estimated 34,000 firefighters and police officers affected by this issue are given in a separate section of the Governance Statement on page 37.

Social Security

In July 2014 we completed the Government Actuary's Quinquennial Review², the statutory long-term report on the National Insurance Fund. This report is produced every five years and projects the Fund under a variety of scenarios up to the year 2075. We also provided the annual report to Parliament on the short-term financial implications of changes to National Insurance contributions and benefits, and a report on the actuarially fair rate of increments for those choosing to defer their State Pension.

Overseas governments to whom we provided advice on social security and pensions included Zambia, Nigeria and Rwanda, as well as the Channel Islands and Gibraltar.

Modelling

We provided support to the Pension Protection Fund and to The Pensions Regulator, particularly in the area of modelling. We provided advice to other departments on risk and modelling, particularly on model quality assurance issues and provided input to HM Treasury's Aqua Book³ guidance on analytical models.

Insurance

Our insurance team provided advice to several departments including HM Treasury (HMT), HM Revenue and Customs (HMRC), Department of Energy and Climate Change (DECC) and Department for International Development (DfID). Advising HMT on valuing the guarantees the government provides to Pool Re was one of their significant projects. Pool Re is a mutual reinsurance scheme that covers losses due to terrorism in Great Britain. GAD's advice helped HMT agree a new arrangement with insurers that will mean an extra £175m yearly income to government.

² <https://www.gov.uk/government/publications/government-actuaries-quinquennial-review-of-the-national-insurance-fund-as-at-april-2010>

³ <https://www.gov.uk/government/publications/the-aqua-book-guidance-on-producing-quality-analysis-for-government>

In June 2014 we were appointed as actuarial adviser to the NHS Litigation Authority (NHS LA) following a competitive tender. The NHS LA manages claims made against the NHS in England on behalf of its members. GAD's work includes advising on claims provisions and member's annual contribution.

Other

Our initiative to have GAD actuaries working regularly on-site in the offices of our clients was further developed and has been well received by clients. We have 17 actuaries regularly working in this way. 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 continued to provide regular certification of the randomness of the monthly premium bond draw (ERNIE) managed by National Savings and Investments (NS&I).

We have published online newsletters and technical bulletins throughout the year, all of which are available from our website (www.gov.uk/gad).

Our governance structure is explained in the Governance Statement on page 30.

During 2014-15 there were no complaints about GAD made to the Parliamentary Ombudsman (2013-14: nil). A complaint to the Pensions Ombudsman is detailed in the Governance Statement.

We received 67 freedom of information requests during 2014-15 and 63 responses were made within the 20 day limit set by the Freedom of Information Act 2000.

Directors' Report

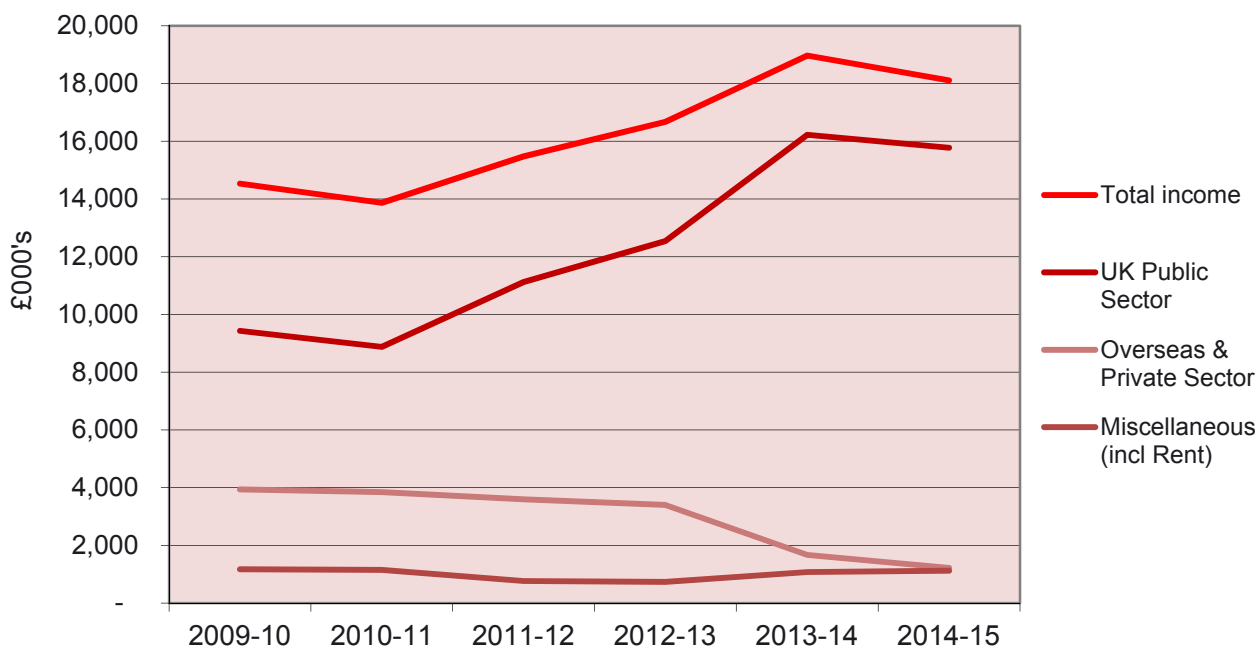
During the year we generated an operating surplus of £1.8m. There was an expected reduction in income following the huge volume of work on the 2012 valuations of all the main public service pension schemes which peaked in 2013-14. However, the reduction in demand for our services was not as large as had been anticipated so we over-performed against the aim of breaking even. When it became apparent that we would generate more income than planned the Management Board agreed to return £1.7m to clients as a downward fee adjustment under a mechanism agreed by HM Treasury.

Income from UK public sector clients remains our main source of revenue. Income peaked in 2013-14 at £16.2m before falling back in 2014-15 to £15.8m, a 3% reduction.

Overseas and private sector work continues to fall. Again, this was expected following our decision, taken in 2012-13, to withdraw from insurance regulation work for overseas clients. Income dropped to £1.2m from £1.6m in 2013-14.

Miscellaneous income remained at just over £1m. This is mainly rent from tenants in Finlaison House where we hold the lease and sub-let space which is surplus to our requirements.

Income



Administration costs in 2014-15 amounted to £16.8m of which staff costs (£12.2m) is the main element. Staff costs in 2014-15 increased by 1.7% and this small increase included the costs of employing 5 extra staff in addition to the general 1% pay increase for staff in post. The cost of employing agency and some other temporary staff is classified under other administration costs in our accounts. These additional staff costs have reduced from £545k in 2013-14 to £382k in 2014-15.

Other administration expenditure reduced by £77k from £4.6m in 2013-14 to £4.5m in 2014-15. We continue to keep expenditure under tight control and seek to achieve value for money by purchasing through Government Framework agreements and using shared service arrangements wherever appropriate. Details of expenditure are shown in notes 2 and 3 of the accounts.

Our capital budget (CDEL) for 2014-15 was £287k of which £203k was utilised. £129k was spent on the replacement of IT hardware and software, including the routine replacement of PCs that had gone beyond their useful life and £74k on the refurbishment of the reception area of Finlaison House and the replacement of furniture and fittings.

Our Supply Estimate had a negative net cash requirement of £20k and we achieved an outturn of £2m cash in 2014-15 so did not receive any voted cash funding. Running and capital costs were met through fee income generated from providing actuarial services. All surplus cash at the year-end will be paid over to the Consolidated Fund.

The Statement of Financial Position shows total assets of £7.9m (2013-14: £7.8m), non-current assets plus current liabilities £3.9m (2013-14: £4.8m), and non-current liabilities £1.8m (2013-14: £2.5m). Liabilities include provisions for an onerous lease, early retirement costs, a Pensions Ombudsman case and injury benefit claim.

Payment of Suppliers

Our aim is to pay suppliers in accordance with government policy, which is currently to pay 80% of undisputed invoices within 5 working days of the receipt of goods or services or the presentation of a valid invoice, whichever is the later. During 2014-15 82% of invoices by value (78% by number) were paid within 5 working days. The equivalent figures for 2013-14 were 64% by both measures. No interest payments were made under the late Payment of Commercial Debts (Interest) Act 1998.

Expenditure on Consultancy, Professional Services, Publicity and Advertising

During 2014-15 we spent £111k (2013-14: £154k) on consultancy and professional services. This included advice on legal issues (£25k - £14k of which was on behalf of clients and recharged to them as disbursements), quality assurance of pension valuation work (£50k) and technical reviews (£34k)

We incurred costs of £382k (2013-14: £545k) on the employment of temporary staff. These were mainly specialist actuarial staff required to meet additional demand from clients.

£17k was incurred on publicity and advertising costs, all of which was for recruitment (2013-14: £33k).

Financial Risk

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

Political and Charitable donations

GAD made no political or charitable donations in 2014-15 (2013-14: £nil).

Financial Outturn

Our financial outturn for 2014-15 is reported in different ways. The accounts show the net resource outturn as a surplus of (£1,817k) against an Estimate of (£279k) net surplus, Resource Departmental Expenditure Limit (DEL) of (£1,173k) surplus against an Estimate of £10k and Capital DEL of £203k against an Estimate of £287k. The tables in SOPS notes 2.1 and 2.2 reconcile these figures.

Core Tables

The Core Tables are required to be included by HM Treasury and are based on the outline guidance issued by HM Treasury. Outturn data is consistent with previous years' published accounts and plan years' information is consistent with the Spending Review settlement.

Table 1 is a summary of the public spending by the Department and this is supplemented by Table 2 which shows the 2014-15 outturn information compared to the original and final budgetary control limits. The variances between the 2014-15 net resource outturn and budget are explained in the comparison of Estimate and Outturn in this Financial Review Section.

Approval for our spending plans for 2015-16 is set out in the Government Actuary's Department Main Estimate 2015-16. The document is available at the HM Treasury website at www.gov.uk/hm-treasury.

Human Resources Team

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

Recruitment and Turnover

Staff numbers have increased over 2014-15.

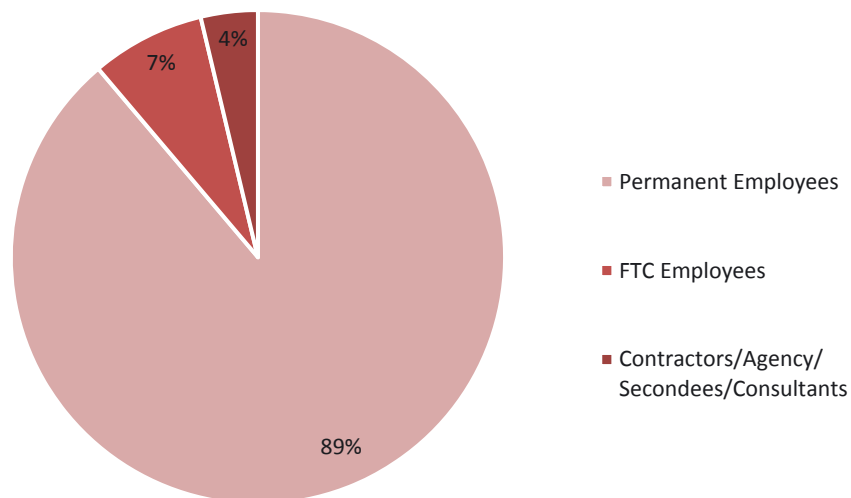
Staff in post as at 31 March 2015

	Staff in Post 31/03/14	Male 31/03/14	Female 31/03/14	Staff in Post 31/03/15	Male 31/03/15	Female 31/03/15
Actuaries ¹	68	49	19	71	45	26
Trainee Actuaries ¹	55	33	22	56	37	19
Support Staff ¹	30	23	7	29	20	9
Secondees/Agency	5	2	3	7	6	1
Total	158	107	51	163	108	55
Of which:						
Leadership Group ²	18	15	3	18	13	5

¹ Permanent and Fixed Term Contract Employees

² Although not formally constituted as a committee, the Leadership Group, which consists of the Management Board, Senior Chief Actuaries, Chief Actuaries and a number of other senior staff, is responsible for setting the tone and direction of the Department.

Given the cyclical nature of pension scheme valuation work and associated revenue, we have revisited our approach to staffing by moving away to a degree from a workforce primarily comprised of permanent civil servants towards utilising more contingent labour, in the form of employees on fixed term contracts and secondees from the private sector. This provides numerical and functional flexibility and should enable us to better manage resources to meet the cyclical nature of client demands. The chart below shows the workforce mix as at 31 March 2015.



The steady state of the actuarial recruitment market coupled with a number of actuarial firms shedding staff and scaling back recruitment has helped keep our employee turnover low at around 12%, which is lower than finance and public sector comparators.

Staff Engagement Survey

Our staff took part in the 2014-15 Civil Service People Survey and we received an overall engagement index rating of 65% (2013-14: 66%) which compares favourably with the Civil Service average of 59% and we were ranked joint 16th out of 101 organisations taking part. Full survey results are published in the Transparency section of our website (www.gov.uk/gad).

A number of actions have been taken to address issues raised by the survey, for example the new Learning and Development Strategy. Other initiatives are included in the Business Plan for 2015-16 and the five year Strategic Plan.

Sickness Absence

The Management Board monitored sickness absence on a monthly basis and in 2014-15 GAD lost an average of 4.9 working days per annum due to sickness absence in comparison to a Civil Service average of 7.4 days and a GAD average of 5.1 days in 2013-14.

Equal Opportunities and Diversity

We are fully committed to providing equal opportunities for all staff, regardless of ethnicity, 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. For example, we advertised for graduate trainee actuaries in a range of media to attract a diverse range of applications.

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

Information for Staff and Communications Policy

We keep all members of staff informed of changes affecting the Department. We operate an intranet site that is regularly updated with policy and guidance. Regular e-mails, Office Notices and updates of other general Departmental information are also used. There are a number of operating committees and working groups to encourage direct staff input into Departmental decision making. During the year a new communication method was introduced with a topical Blog from the Government Actuary being sent to all staff each week.

Learning and Development

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

GAD sources training from external suppliers, such as QA, ActEd and Civil Service Learning, together with internal job training, coaching and mentoring. As well as sponsoring of actuarial exams for actuarial trainees, GAD also sponsors support staff taking different professional exams (e.g. accountancy and HR). A staff mentoring scheme is operated for actuarial trainees. The training provision includes Continuous Professional Development for our professional staff, personal development and leadership and programmes of study leading to professional qualifications at appropriate levels. GAD seeks to develop staff to an appropriate level, so that they can perform as effectively as possible.

Health & Safety Reporting

We are committed to providing a safe and healthy working environment and recognise the importance of our employees' health.

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

During 2014-15:

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

Martin Clarke
Government Actuary
Accounting Officer

DATE: 9 July 2015

Core Tables

Table 1: Public spending

	£'000						
	2009-10 ²	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
Resource DEL							
Administration	677	533	-1,386	-778	-2,338	-1,352	-477
Use of Provisions (DEL)	338	92	452	418	266	179	478
Total Resource DEL	1,015	625	-934	-360	-2,072	-1,173	1
<i>Of which:</i>							
Staff costs	10,349	10,395	10,306	12,101	12,018	12,220	11,629
Purchase of goods and services	4,881	3,801	3,981	3,884	4,491	4,336	4,379
Income from sales of goods and services	-14,534	-13,870	-15,477	-16,674	-18,970	-18,109	-16,320
Depreciation	250	235	196	266	318	320	250
Other	69	64	60	63	71	60	63
Resource AME							
Losses on revaluation	52	95	-	-	23	1	-
Provisions (AME)	233	4,613	-1,210	-1,250	-1,431	-645	-478
Total Resource AME	285	4,708	-1,210	-1,250	-1,408	-644	-478
<i>Of which:</i>							
Depreciation ¹	52	95	-	-	23	1	-
Take up of provisions	571	4,705	-758	-832	-1,165	-466	-
Release of provision	-338	-92	-452	-418	-266	-179	-478
Total Resource Budget	1,300	5,333	-2,144	-1,610	-3,480	-1,817	-477
<i>Of which:</i>							
Depreciation ³	302	330	196	266	341	321	250
Capital DEL							
Administration	223	283	309	154	473	203	150
Total Capital DEL	223	283	309	154	473	203	150
<i>Of which:</i>							
Purchase of assets	223	283	309	154	473	203	150
Capital AME							
Total Capital Budget	223	283	309	154	473	203	150
Total departmental spending³	1,221	5,286	-2,031	-1,722	-3,348	-1,935	-577
<i>of which:⁴</i>							
Total DEL	988	673	-821	-472	-1,917	-1,291	-99
Total AME	233	4,613	-1,210	-1,250	-1,431	-644	-478

¹ Loss on revaluation

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

³ Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

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

Table 2: Public Spending Control

	£'000		
	2014-15 Outturn	2014-15 Original Budgetary Control Limits	2014-15 Final Budgetary Control Limits
Spending in Departmental Expenditure Limits			
Administration			
Gross Expenditure	16,757	16,192	16,192
Gross Income	-18,109	-16,558	-16,558
Net Resource	-1,352	-366	-366
Gross Capital	203	287	287
Spending in Annually Managed Expenditure			
Gross Programme Resource	-465	87	87
Total Resource Budget	-1,817	-279	-279
Total Capital Budget	203	287	287
Less: Depreciation	321	337	407
Total Departmental Spending	-1,935	-329	-399

Table 3: Capital Employed

	£'000						
<i>Assets and Liabilities on the Statement of Financial Position at end of year:</i>	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Assets							
Non-Current Assets	1,181	1,125	1,268	1,217	1,471	1,441	1,393
of which:							
Intangible	244	252	260	241	201	121	119
Tangible	937	873	1,008	976	1,270	1,320	1,274
of which:							
Re-Fit of Building	773	649	650	609	927	977	957
IT Hardware	88	124	258	277	244	258	253
Office Furniture	76	100	100	90	99	85	64
Current assets	3,950	4,808	5,492	5,543	6,299	6,427	6,556
Liabilities							
Payables (< 1 Year)	1,713	1,685	3,178	3,106	2,801	3,778	3,854
Payables (> 1 Year)	1,380	1,282	1,182	1,080	974	866	755
Provisions	997	5,610	4,400	3,150	1,719	1,074	882
Total Capital employed	1,041	(2,644)	(2,000)	(576)	2,276	2,150	2,458

Table 4: Administration budget

£'000

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
Administration	677	533	-1,386	-778	-2,338	-1,352	-477
Use of Provisions (DEL)	338	92	452	418	266	179	478
Total administration budget	1,015	625	-934	-360	-2,072	-1,173	1
<i>Of which:</i>							
Staff costs	10,349	10,395	10,306	12,101	12,018	12,220	11,629
Purchase of goods and services	4,881	3,801	3,981	3,884	4,491	4,336	4,379
Income from sales of goods and services	-14,534	-13,870	-15,477	-16,674	-18,970	-18,109	-16,320
Depreciation	250	235	196	266	318	320	250
Other resource	69	64	60	63	71	60	63

Table 5: Staff Numbers

Numbers of staff employed

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
Summary							
Payroll Staff	132	132	129	140	147	151	151
Non-payroll staff	2	2	-	-	9	9	3
Of which							
Contingent labour	2	2	-	-	9	9	3
Consultants	-	-	-	-	-	-	-

All staff numbers are based on a full time equivalent basis

Sustainability Reporting

Commentary on Sustainability Performance

We are committed to integrating sustainability across our operations to support the UK Government Sustainability Development Strategy. As a small department with less than 250 staff it is not mandatory for GAD to report in accordance with HM Treasury Public Sector Annual Reports: Sustainability Reporting. But as a matter of good practice, we are reporting voluntarily, following the guidance where practical to do so.

Summary of Performance

Our objectives & targets are based on the Greening Government Commitments (GGCs). These targets concentrate on Climate Change Management, Waste Reduction and Natural Resources (water) protection. GAD sets yearly targets for each GGC measure and these 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.

A dashboard system is used which enables us to report sustainability information accurately and in a timely manner.

Greenhouse gas emissions

		Baseline 2009-10	2012-13	2013-14	2014-15
Non-financial Indicators (CO ₂ e)	Scope 1 and 2 emissions ¹	248	216	266	199
	Scope 3 emissions (indirect – official business travel)	33	42	22	16
	Total emissions	281	258	288	215
Other Non-financial Indicators	Number of domestic flights	93	42	61	70
Related Energy Consumption (KWh) ²	Electricity	373,921	314,141	378,999	318,126
	Gas	247,799	249,951	333,010	146,097
Financial Indicators (£)	Expenditure on energy	51,667	42,045	53,799	41,389
	CRC License expenditure	-	1,290	1,290	1,290
	CRC emissions allowance	-	4,704	5,220	6,396
	CRC Phase 2 registration	-	-	950	-
	Expenditure on official business travel	66,135	77,817	42,551	32,273

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

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

Targets and narrative

The GGCs are that by 2015 the Government will:

- Reduce greenhouse gas emissions by 25% from a 2009-10 baseline and all ministerial HQs to publish online real time energy use information
- Reduce domestic business travel flights by 20% by 2015 from 2009-10 baseline.

The building heating & cooling is supplied through an air handling unit system and during the winter period the boilers were left on continuously to provide a sufficient level of heating to all floors, resulting in additional gas consumption, this has been counteracted by turning off the boilers over the summer months.

The number of domestic flights is 24% lower than the 2009-10 baseline but the number has increased from last year owing to more frequent travel between our London and Edinburgh offices.

Waste

		Baseline ³ 2010-11	2012-13	2013-14	2014-15
Non- Financial Indicators (tonnes)	Non-Recycled	7	0	1	0
	Total Reused/Recycled	15	9	50	17
	Composted	-	2	2	2
	Energy recovery	-	1	1	1
	Total waste	22	12	54	20
Financial Indicators (£)	Total disposal cost	8,162	8,366	14,194	6,716

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

Targets and narrative

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

- We will introduce "closed loop" recycled paper in 2015.
- Ensure that ICT equipment is re-used (within government, the public sector or wider society) or responsibly recycled.

Our non-recycled waste has reduced significantly since multiple recycling streams have been introduced to the building.

Our policy and practice, is to recycle all redundant ICT equipment that cannot be re-used using approved Waste Electrical and Electronic (WEEE) brokers.

Finite resource consumption: PAPER

	Baseline 2009-10	2012-13	2013-14	2014-15
Non- Financial Indicators (A4 Reams)	1,610	1,400	1,715	1,242

Targets and narrative

The GGC is that by 2015 the Government will achieve a 10% cut in paper use. Up to and including 2014-15 we achieved a 23% reduction against the 2009-10 baseline.

Paper files are no longer our definitive form of record following the introduction of a new Electronic Records Management policy in 2014-15.

Finite resource consumption: WATER

		Baseline 2009-10	2012-13	2013-14	2014-15
Non- Financial Indicators (m ³)	Water consumption	1,010	844	779	738
	m ³ per FTE	7.70	6.00	4.90	4.70
Financial Indicators (£)	Water supply and disposal costs	2,030	1,922	1,847	1,885

Targets and narrative

The GGC is that by 2015 the Government will reduce water consumption from a 2009–10 baseline, with reports on water use against best practice benchmarks (i.e. 4m³ per FTE).

Water consumption has reduced by 27% from baseline but exceeds the best practice benchmark.

Procurement

The GGC is to ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain. This includes embedding efficient procurement practices and improving and publishing data on supply chain impact.

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

We promote sustainability in procurement by:

- Working closely with our suppliers – particularly in the areas of catering, cleaning and stationery to improve sustainable processes
- Buying less environmentally damaging products and services
- Complying with environmental legislation and regulatory requirements
- Including relevant environmental conditions or criteria in specification and tender documents, and evaluating supplier offers accordingly

- Raising awareness of environmental issues within GAD, and amongst suppliers and contractors.

Biodiversity and adaptation plans

We are not required to have a biodiversity plan as our site is in a city centre and a street front building.

Climate Change adaptation

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

Martin Clarke
Government Actuary
Accounting Officer

DATE: 9 July 2015

Remuneration Report

Remuneration Policy

Trevor Llanwarne was GAD's Accounting Officer from 1 May 2008 until his retirement on 31 August 2014. His successor Martin Clarke was appointed as Government Actuary on 1 August 2014 but did not formally take over the responsibility of Accounting Officer until 1 September 2014. The position is appointed through an open competition run by HM Treasury and the appointment is made following the general rules for Senior Civil Service Appointments initially for a period of five years. 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.

Trevor Llanwarne received a bonus of £8,750 for his performance from 1 April 2014 to his retirement date. Due to the nature of the performance appraisal system for the Government Actuary, bonuses are paid in the year following the year for which performance has been assessed. As performance pay is awarded in arrears, the amount payable to Martin Clarke, for performance during the 2014-15 financial year is not yet known and will, therefore, be disclosed in the 2015-16 accounts.

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 2014-15

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 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury and are subject to audit.

Included in the table is the remuneration of the Non-Executive Board Members (NEBMs) the Government Actuary's Department has appointed to the Management Board and the Audit Committee. The NEBMs receive no emoluments except for fees of £500 per day of service plus their travelling expenses (Note 2 contains further details).

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Martin Clarke(2) Government Actuary (from 1 September 2014)	120-125 (180-185 full year equivalent)	-	-	-	-	-	46	-	165-170	-
Trevor Llanwarne(2) Government Actuary (until 31 August 2014)	80-85 (195-200 full year equivalent)	195-200	5-10	15-20	-	-	-	74	90-95	285-290
George Russell Deputy Government Actuary and Head of Actuarial Operations	145-150	140-145	0-5	0-5	-	-	54	35	200-205	175-180
Colin Wilson Deputy Government Actuary and Head of Technical	140-145	140-145	0-5	0-5	-	-	53	53	195-200	195-200
Kevin Down(3) Director of Finance	60-65 (65-70 full year equivalent)	60-65 (65-70 full year equivalent)	0-5	0-5	-	-	13	7	75-80	70-75 (75-80 FYE)
Paul Vinall Interim Director of Human Resources (from 17 March 2014 to 15 March 2015)	60-65	0-5 (60-65 full year equivalent)	-	-	-	-	26	1	85-90	0-5 (60-65 FYE)
Wendy Dabinett Director of Human Resource (from 9 March 2015)	0-5 (70-75 full year equivalent)	-	-	-	-	-	2	-	5-10	-
Sandra Bell Interim Actuarial Director (to 31 March 2014)	-	100-105 (105-110 full year equivalent)	-	0-5	-	-	-	26	-	130-135 (135-140 FYE)
Ken Kneller Interim Actuarial Director (to 31 March 2014)	-	130-135	-	0-5	-	-	-	20	-	150-155
Susan Vivian Interim Actuarial Director (to 31 March 2014)	-	110-115	-	0-5	-	-	-	28	-	140-145
Simon Bancroft-Rimmer Director of Human Resources (to 15 September 2013)	-	15-20	-	0-5	-	-	-	1	-	15-20
Nick Bean Interim Director of Human Resources (to 2 March 2014)	-	60-65	-	0-5	-	-	-	15	-	75-80
Alex Jablonowski(4) Non-executive Board Member	5-10	5-10	-	-	-	-	-	-	5-10	5-10
Angela Marshall(4) Non-executive Board Member (From 4 September 2013)	5-10	0-5	-	-	-	-	-	-	5-10	0-5
Louise Redmond(4) Non-executive Board Member (From 9 September 2013)	10-15	5-10	-	-	-	-	-	-	10-15	5-10

Jane May(4) Non-executive Board Member (until 17 September 2013)	-	5-10	-	-	-	-	-	-	-	5-10
			2014-15						2013-14	
Band of highest paid director's total remuneration (£000)			180-185			Band of highest paid director's total remuneration (£000)			210-215	
Median total remuneration			£50,030			Median total Remuneration			£51,280	
Ratio			3.6			Ratio			4.1	

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
2. See third paragraph on page 23.
3. Kevin Down works part-time. His full time equivalent salary is in the range £65K-£70K
4. All the Non-executive Directors are paid the same daily fee rate. Variation in remuneration is based on hours claimed.

Salary

'Salary' includes gross salary, 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. This is based on the full-time equivalent staff at 31 March 2015 on an annualised basis.

The banded remuneration of the highest-paid director in GAD in the financial year 2014-15 was £180k-£185k (2013-14: £210k-£215k). This was 3.6 times the median remuneration of the workforce, which was £50,030 (2013-14, 4.1 times the median of £51,280).

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

The remuneration includes salary and non-consolidated performance-related pay but does not include employer pension contributions and the cash equivalent transfer value of pensions.

Benefits in Kind

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

Bonuses

Bonuses are based on performance levels which are assessed as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported for the Government Actuary in 2014-15 relate to performance in 2014-15 and the comparative bonuses reported for 2013-14 relate to the performance in 2013-14.

Board Members' interests

No directorships or other significant interests which may have caused a conflict were held by Board Members.

Pension Benefits¹

	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15	CETV at 31/03/14	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Martin Clarke ² <i>Government Actuary</i>	5-10	2.5-5.0	115	70	32
Trevor Llanwarne ³ <i>Government Actuary</i>	25-30	0-2.5	462	450	0
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	45-50	2.5-5.0	782	699	41
Colin Wilson <i>Deputy Government Actuary and Head of Technical</i>	20-25	2.5-5.0	305	252	28
Kevin Down <i>Director of Finance</i>	20-25 Plus lump sum of 60-65	0-2.5 Plus lump sum of 0-2.5	343	318	7
Paul Vinall ⁴ <i>Director of Human Resources</i>	5-10	0-2.5	91	70	12
Wendy Dabinett ⁵ <i>Director of Human Resources</i>	0-5	0-2.5	1	0	1

1. Some board members may incur Annual Allowance tax charges as a result of pension accrual during the accounting period.
2. Martin Clarke became a member of the Management Board on 1 August 2014.
3. Trevor Llanwarne opted out of the pension scheme on 31 March 2014 and ceased to be a member of the Management Board on 31 August 2014.
4. Paul Vinall joined the Management Board on 17 March 2014 and ceased to be a member on 15 March 2015.
5. Wendy Dabinett became a member of the Management Board on 9 March 2015.

The Figures above, including the opening and closing CETVs reflect these members' periods of Management Board membership

Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. 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: www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

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 2014-15 (£180,000-£185,000 in 2013-14).

Off-payroll arrangements

During 2014-15, there were no off-payroll appointments for more than £220 per day and lasting longer than six months (2013-14: nil).

Martin Clarke

Government Actuary

Accounting Officer

Date: 9 July 2015

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

Auditor

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2014-15 was £60,000 (2013-14: £60,000). No fees, either actual or notional, were incurred for non-audit work (2013-14: £nil).

The Accounting Officer confirms that:

- as far as he is aware, there is no relevant audit information of which our auditor is 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 auditor is aware of that information.

Martin Clarke

Government Actuary

Accounting Officer

Date: 9 July 2015

Governance Statement

Governance Framework

The Government Actuary's Department, which was first established in 1919, is a non-ministerial department responsible for providing actuarial advice to public sector clients. Ministerial responsibility lies with the Financial Secretary to the Treasury, David Gauke MP.

I, Martin Clarke have been the Government Actuary since August 2014 and Accounting Officer since September 2014, succeeding Trevor Llanwarne. I have a number of statutory duties in connection with public sector pensions and social security, and am also the department chief executive and Accounting Officer of GAD in which capacity I am accountable to the Permanent Secretary of HM Treasury.

Governance Committees

Management Board

The Management Board comprises five executive members, including me, and three non-executive members. It is the main decision-making body and supports me in providing leadership to GAD, framing the overall strategy for GAD and exercising oversight over the performance of the department including its identification and management of risks.

Membership of the Management Board as at 31 March 2015 was as follows:

Executive board members

Martin Clarke	Government Actuary
George Russell	Deputy Government Actuary and Head of Actuarial Operations
Colin Wilson	Deputy Government Actuary and Head of Technical
Kevin Down	Director of Finance
Wendy Dabinett	Director of Human Resources

Non-executive board members

Alex Jablonowski	a senior banker by background, latterly as Chief Executive, International Banking at Barclays; has broad experience across the private and public sectors particularly on major change and IT projects; current non-executive roles held on boards and audit committees include UK Supreme Court, MOD Defence Support Group, Valuations Office Agency, Maritime and Coastguard Agency and Wilton Park; previously held similar roles at House of Commons, ONS, and Companies House amongst others; has been a NED at GAD since 2009, chairs GAD's Audit and Risk Assurance Committee and chaired the September 2014 Board meeting.
Angela Marshall	an accountant and a management consultant; has worked extensively in both the public and private sectors in both executive (including Chief Internal Auditor and Finance Director) and management consultancy roles; since setting up her own company, has spent the last 20 years working across government in senior advisory and non-executive roles;

	currently holds roles at the Science & Technology Facilities Council, the Valuation Office Agency and South Yorkshire Passenger Transport Executive; has been a NED at GAD since September 2013.
Louise Redmond	a specialist in organisation development, culture and governance; currently leads in these areas for Risk Culture Insights; previous executive roles include Human Resources Director at the Bank of England and founder director of the Governance Services subsidiary of Law Debenture; has worked with corporate boards in Financial Services, such as investment and asset management companies and insurers on many aspects of board governance, director effectiveness and managing risk culture; has been a NED at GAD since September 2013 and has chaired GAD's Board meetings since October 2014.

The previous practice of including three senior members of the actuarial staff as Board members for a term of 15 months as a development initiative ended on 31 March 2014. Trevor Llanwarne was chair of and a member of the Management Board until 31 August 2014 and Paul Vinall, Director of Human Resources was a member until 15 March 2015. Wendy Dabinett joined the Board on 9 March 2015 when she was appointed Director of Human Resources. From September 2014, Board meetings have been chaired by a non-executive member and it is planned to recruit for a permanent chair role when the next non-executive vacancy arises towards the end of 2015.

During 2014-15, the Management Board met 11 times with attendance as follows:

Martin Clarke	7 / 7	Alex Jablonowski	11 / 11
Trevor Llanwarne	4 / 4	Angela Marshall	11 / 11
George Russell	11 / 11	Louise Redmond	11 / 11
Colin Wilson	10 / 11		
Kevin Down	11 / 11		
Paul Vinall	10 / 10		
Wendy Dabinett	1 / 1		

The board focused on these areas during 2014-15:

- *Strategy* – overseeing the development of GAD's business strategy for 2015-2020 and agreeing new strategies for business development and learning and development for GAD's people;
- *Risk management* – setting GAD's risk appetite and challenging and advising on risk management, with specific focus on risks related to GAD's statutory duties and the delivery of public service pension scheme valuations;
- *Business planning and financial management* – agreeing GAD's business plan, associated KPIs, and revised performance information for board monitoring and steering. Agreeing GAD's budgets and client fee rates and monitoring outcomes to deliver to financial controls.

Audit and Risk Assurance Committee

GAD has an Audit and Risk Assurance Committee comprising the three non-executive members of the Management Board. The Committee supports me in my responsibilities for issues of risk, governance, financial controls and associated assurance. It is chaired by Alex Jablonowski and meets at least quarterly. At each meeting the Committee meets initially with the External Auditor and Internal Auditors, and the meeting is then joined by me and the Director of Finance.

During 2014/15, the Audit and Risk Assurance Committee met 4 times with attendance as follows:

Alex Jablonowski	4 / 4	Martin Clarke	3 / 3
Angela Marshall	4 / 4	Trevor Llanwarne	1 / 1
Louise Redmond	4 / 4	Kevin Down	4 / 4
		Internal Audit	4 / 4
		External Audit	4 / 4

During 2014/15 the Committee approved Internal Audit plans then reviewed the findings of the audits carried out and followed up on any actions recommended, considered external audit plans and audit findings, reviewed the risk register, reviewed GAD's supplementary estimate request and approved this Governance Statement.

Other Committees

Executive Committee

An Executive Committee (ExCo) was established in September 2014 comprising the executive members of the Management Board and one Senior Chief Actuary. The committee meets weekly (principally on an informal basis, but with one formal session each month) to consider operational and management issues.

Support Operations Committee

The Support Operations Committee (SOC), chaired by the Director of Finance, deals with operational and policy issues in the areas of Accommodation, Information Technology, Human Resources, Environmental, Security and Information Assurance. The Security Group and IT user group report to the SOC.

GAD Change Board

The GAD Change Board (GCB) was established in November 2014 to provide programme management oversight to significant projects and change activity. The GCB's remit is to:

- Ensure that change within the department is managed well
- Challenge the robustness of plans for change and track progress
- Help facilitate the resources necessary to complete and deliver projects
- Ensure a good standard of communication throughout the department
- Assess risks to delivery and remedial action plans and
- Report progress to the Executive and to Management Board.

The GCB comprises selected executives and senior actuaries and is advised by an external programme manager.

Technical Committee

Professional and technical matters are overseen by the Head of Technical who reports directly to me. In performing this role he is assisted by the Technical Committee (and sub-committees covering different technical areas) whose purpose is to develop and maintain appropriate technical and professional practices across GAD. The Technical Committee consists of the Head of Technical, me, the Deputy Government Actuary (Operations), the Head of Research, the Chief Actuaries and the chairs of the eight Technical sub-committees. It is chaired by the Head of Technical and reports to Management Board.

Although not formally constituted as a committee, the Leadership Group, which consists of the Management Board, Senior Chief Actuaries, Chief Actuaries and a number of other senior staff, is responsible for setting the tone and direction of the Department.

Board member's interests

No directorships or other significant interests that may have caused a conflict with their management responsibilities were held by Management Board members. Opportunity is provided to disclose conflicts at every meeting.

The Board's performance

The Board undertook an assessment of its own effectiveness in February 2015. Changes had already been made to how the board operates in September 2014. The review was therefore positioned as an assessment of the Board's current effectiveness and what further changes were needed to be made to the Board's Terms of Reference. The actions agreed from the review were:

- To put more emphasis in the revised Terms of Reference on the shared responsibility the Board has for GAD's business strategy and performance. The Board had previously been positioned as having only an advisory role to the Government Actuary
- To develop objectives for the Board's performance that are independent of GAD's business objectives
- To revise the annual schedule of Board meetings and include one meeting a year where the Board reviews its own objectives and performance
- To implement in the Board's annual work planning the outputs of reviews of management information and risk management in GAD that are underway and
- To implement a structured programme of Board-specific induction for new members.

Corporate Governance Code

The principles of the code apply across government but the approaches set out in the code are designed for ministerial departments. Non-ministerial departments, like GAD, are encouraged to adapt the detailed provisions to suit their own circumstances.

The Management Board has assessed GAD's corporate governance against the Code and agreed which measures in the code are relevant to a department of GAD's size and can be implemented in a cost-effective way.

Risk Management

The Management Board reviewed the strategic risks of the Department during the year and agreed an enterprise risk management framework that is closely aligned with the 2015 – 2020 strategy and the annual business plans.

We are a relatively low risk organisation, but the advice we provide impacts on decisions which can have significant financial consequences and be relatively high risk given their political profile. Risk management is therefore integrated as far as possible into the normal process of managing the business and the advice that we provide, but with clear responsibilities.

It is our 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:

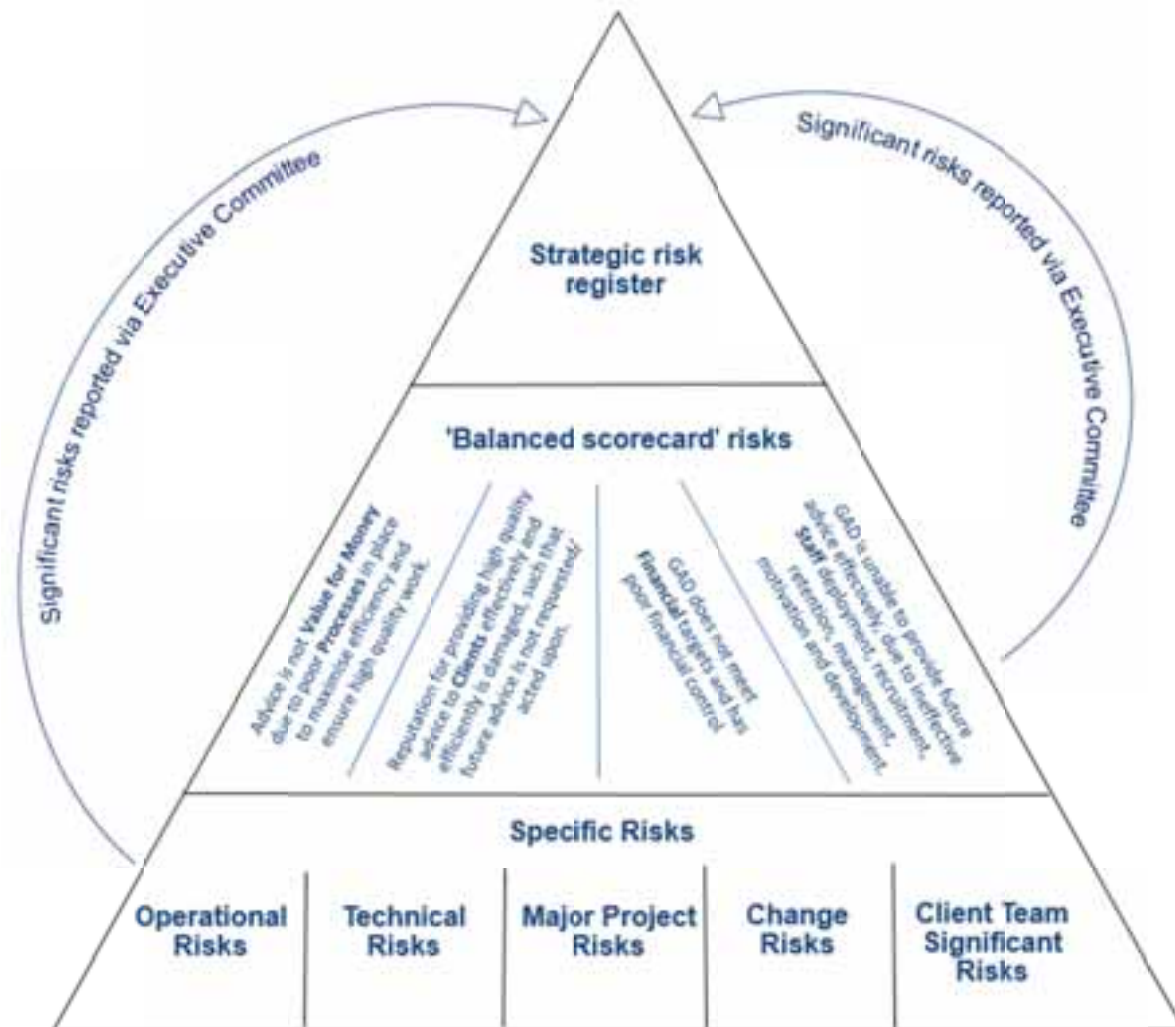
- Implement effective risk management as a key element of good governance;
- Consider risk as an integral part of corporate and business planning and service delivery;
- Encourage considered and responsible risk taking as a legitimate response to opportunity and uncertainty;
- Achieve better outcomes for GAD through a realistic assessment of the challenges faced, improved decision-making and targeted risk mitigation and control;
- Engender, reinforce and replicate good practice in risk management; and
- Avoid taking unnecessary risks which might threaten the future of the Department.

The strategic risks identified by the Management Board have been grouped into the four strategic themes (see page 6).

- 1) Advice is not value for money due to poor **Processes** in place, with specific risks arising from failure to: appropriately scope projects, communicate the scope to the team responsible, manage the project effectively, deploy resources efficiently, work consistently across teams, adopt adequate internal or technical guidance, or assess risks inherent in new business projects.
- 2) GAD's reputation for providing high quality advice to **Clients** effectively and efficiently is damaged such that future advice is not requested or acted upon, with specific risks arising from failure to: deliver high quality advice, deliver client advice on time, develop innovative solutions and knowledge, work efficiently and to budget, use appropriate software, maintain strong client relationships or manage complaints appropriately.
- 3) GAD is unable to provide future advice effectively due to ineffective **People** policy, with specific risks arising from failure to: recruit an appropriate mix of staff, manage resource requirements and allocate them appropriately, attract and retain staff, or engage appropriately with staff.
- 4) GAD does not meet **Financial** targets or has poor financial control, with specific risks arising from failure to: meet expected budgets, capture revenue for work carried out and invoice on time, action revenue opportunities, or monitor and take action on debtors.

Our risk management processes operate at three levels. Operational risks are managed within the relevant business units, with a number of corresponding risk registers being used as management

tools. Overall ratings and significant individual risks are escalated to the Executive Committee where they are grouped into the relevant quadrant of the balanced scorecard alongside a number of key risk indicators which are produced as part of the regular management information. A member of the executive has oversight responsibility for the risk management processes for each quadrant, alongside operational management.



The most significant risks are escalated to Management Board alongside the risk assessments in each of the four areas listed above. In addition to consideration of this information, Management Board aims to perform a deep dive into each area in turn at successive meetings.

The Audit and Risk Assurance Committee is responsible for ensuring that the risk management process works effectively. It also agrees the three-year rolling internal audit plan and explores in more detail individual risks where necessary.

During the course of the year the most significant risks have related to the following areas:

- 2012 valuations – This project involved actuarial valuations for 24 public service pension schemes, each under their own engagement terms with different clients within government and the devolved administrations, together with associated advice to HM Treasury. The major risks related to work not being delivered on time, inaccurate valuation results or criticism by stakeholders of the valuation methodology or the consistency of its application. These risks were managed through an appropriate project management structure with a specific risk register and regular reporting to

each Management Board meeting. The project was successfully completed. In addition a review was commissioned from PwC to consider any lessons that could be learned for the future.

- Pensions Ombudsman case – During the year GAD has been liaising with the Pensions Ombudsman in respect of a complaint concerning the lump sum paid to a firefighter on his retirement in 2005 as detailed in the following paragraphs. The resulting reputational risk to the department has required careful handling. Again a team was put together to ensure the necessary work and communications were undertaken and regular reports were provided to Management Board.

Other Assurance

Internal Audit and external reviews during the year have covered the following areas (IA unless otherwise stated):

- Finance key controls – substantial assurance
- HR key controls – substantial assurance
- Security policy framework annual assurance – substantial assurance
- Project budgeting methodology – moderate assurance
- Actuaries conflicts of interest – substantial assurance
- Facilities management and green issues – moderate assurance
- PwC review of lessons learned from 2012 valuations project (see above)
- Deloitte review of process for setting public sector scheme factors and recording all responsibilities and dates of review in a factors database, which concluded that the processes are reasonable but made a number of recommendations regarding additional transparency around the processes, all of which have been implemented.

The Head of Internal Audit's Annual Report gave a substantial assurance, which he defines as “the framework of governance, risk management and control is adequate and effective”. Where weaknesses in controls have been identified we have agreed to implement the actions recommended by Internal Audit.

The assurance from Internal Audit is supplemented by the Deloitte and PwC reviews noted above and by a formal system of assurance statements from all senior executive managers which cover the full year, including the period before my appointment.

In accordance with plans developed following the Macpherson review of quality assurance of government models, GAD maintains an up-to-date list of its business critical models, which is available on our website. For these purposes a model is defined as a set of calculations / assumptions / mathematical manipulations that supports a decision and is defined as business critical if it plays such a role in decision-making that an error could have a significant reputational, economic or legal impact.

The Board has considered the quality of Management Information and data presented to them and was content with the generality. The routine monthly Management Information has been overhauled for 2015-16 using a balanced scorecard approach to align with the KPIs in the Business Plan.

Pensions Ombudsman Case

On 15 May 2015 the Pensions Ombudsman published his determination in a case concerning the lump sum paid to a firefighter on his retirement. The case was a lead complaint and has relevance to many firefighters and police officers who retired in the early 2000s.

Commutation

Commutation is the exchange of part, or all, of an annual pension for a cash lump sum at retirement. Commutation factors set the rate at which this exchange is made. For example, a factor of 15 means that a person receives a cash sum at retirement of £15 for every £1 of annual pension given up.

The order governing the Firemen's Pension Scheme 1992 (the Fire Scheme) and regulations governing the Police Pension Scheme 1987 (the Police Scheme) contain similar provisions relating to commutation, each requiring that the lump sum is calculated as the actuarial equivalent of the annual pension exchanged.

The commutation factors under the Fire and Police Schemes are reviewed from time to time in accordance with their governing legislation. These reviews take account of factors affecting the actuarial equivalent value, such as changes in the discount rate used to value the benefits and the future life expectancy of retirees.

The determination made by the Pensions Ombudsman concerns historic commutation factors in the Fire Scheme and the responsibilities for maintaining and updating them. The Ombudsman's findings also have relevance to the Police Scheme given the similar commutation provisions which apply.

Background

As a large number of similar complaints had been received by the Pensions Ombudsman, he chose to consider a single case as a lead complaint. The complaint chosen was made by Mr W Milne, who retired from the Fire Scheme in November 2005. On his retirement, Mr Milne was offered the commutation terms that were in force at that time - terms which had been in force for retirements since 27 July 1998.

Both schemes' commutation factors were next reviewed in 2006. GAD provided a new table of factors on 22 August 2006 for the Fire Scheme and on 1 December 2006 for the Police Scheme. At the time, the factors were not implemented immediately but, following a High Court judgment in 2009 that also clarified the statutory duty of GAD in these circumstances, the revised commutation factors were backdated in the Fire and Police schemes to 22 August 2006 and 1 December 2006 respectively.

Although no analysis was available of mortality experience within the Fire or Police schemes, studies published in the early 2000s showed the life expectancy of the UK population as a whole was increasing. It could be expected that allowing for this in the commutation factors would lead to improved terms, as the annual pension given up was expected to be paid for longer and was therefore more valuable.

The focus of Mr Milne's complaint was that GAD ought to have reviewed the commutation factors earlier than 2006 and that, had it done so, more beneficial terms would have applied giving him a higher cash sum on retirement or a higher residual pension for the same amount of lump sum.

At the 1998 review, GAD had recommended that the commutation factors should be reviewed in three years' time. However, no review took place in 2001.

The Pensions Ombudsman's determination

The Pensions Ombudsman concluded that, since GAD had a statutory responsibility to maintain and review the commutation factors, it should have done so proactively rather than await instruction from the relevant government department. The failure to do so, he concluded, amounted to maladministration. The Pensions Ombudsman therefore upheld the complaint.

The determination found that "an opportunity to review the commutation factors was lost in 2001-2 and then again between 2002 and 2004". The Ombudsman ordered that a new commutation factor should be prepared for Mr Milne, as if a factor review had been carried out in December 2004, with a payment made from the pension scheme to Mr Milne to reflect the recalculated commutation lump sum. He also directed that GAD should pay simple interest on the back-dated payment and, if it should be necessary, reimburse to Mr Milne for any tax liability arising from the additional lump sum.

Next steps

The Ombudsman noted that, whilst his findings in the Determination are limited to Mr Milne's complaint, the principles are the same for other retired firefighters and police officers. To avoid further cases having to be heard, he expressed the hope that Government would make arrangements for payments to be made to others affected, reflecting the more beneficial terms that would have applied had commutation factors been reviewed and, where appropriate, revised at the appropriate times. He did not suggest how the costs should be divided up but acknowledged that the basis he determined for Mr Milne's case may not be an appropriate basis for other cases.

GAD has prepared tables for use in the calculation of redress, based on a best reconstruction of the commutation factors which would have applied if factors had been reviewed and revised at 1 December 2001 and at 1 December 2004. The mortality and related assumptions used in the development of these tables have been reviewed by an independent firm of consulting actuaries who have confirmed that the assumptions fall within the range that GAD might reasonably have chosen if it had prepared revised commutation factors at these dates. These tables have been passed to the relevant government bodies and those bodies have created provisions in their 2014-15 accounts to recognise the liability for payments which will be made.

We estimate that there were around 34,000 firefighters and police officers who retired between 1st December 2001 and the effective dates in 2006 when the updated commutation factors became operative. The pension scheme managers will be identifying these members with a view to calculating and applying the redress due to them. The total net cost which will now be incurred by Government is estimated to be £711m excluding grossing up for tax incurred on the additional lump sum payments. These amounts appear as provisions in the accounts of The Home Office, Department for Communities and Local Government, and GAD. The tax relating to the additional lump sums of £474m is included in HM Treasury's accounts, but does not result in an overall cost to Government as it is owed to HM Revenue and Customs. GAD's provision covers the interest and tax payments due in the case of Mr Milne and totals £25,600.

Steps taken to ensure proper processes are in place

As Government Actuary I take GAD's statutory and professional responsibilities extremely seriously and fully appreciate the significance of the past delays in updating actuarial factors addressed by the legal proceedings described above.

The systems and processes that led to these legal proceedings were those in force more than ten years ago. GAD has undergone significant change in leadership and management in the meantime. Following the High Court judgment in 2009, GAD invested considerable time, effort and resources in improving our systems, processes and information management in connection with the proper discharge of our statutory duties and professional responsibilities.

Since my appointment as Government Actuary in 2014 I have placed the highest priority on continuing and extending these efforts. The key specific steps we have taken in recent years to

ensure that our statutory duties are discharged in accordance with legislation and professional requirements are described below:

Knowing and monitoring our statutory responsibilities Following the High Court judgment in 2009, we undertook a review of all statutory references to GAD or its staff in relation to our engagements to carry out work on public service pension schemes. Most of the references relate to actuarial factors, but other statutory requirements were also covered (for example in connection with actuarial valuations). Relevant references were shared and agreed with the departments responsible to ensure that all references were identified.

Our letters of engagement with the relevant departments include descriptions of the obligations, both on GAD and on the department, to keep these statutory references up to date and identify any changes. For example, departments are required to notify GAD of any changes in the governing legislation for pension schemes. A further review of the relevant statutory references will be carried out following the introduction of the new schemes in April 2015.

A central database was subsequently set up of all actuarial factors for pension schemes advised by GAD. This records key information including the statutory responsibilities of GAD and the department, the date of the last review and the expected date of the next review. Regular quarterly reports on the status of all actuarial factors are provided to GAD's Management Board.

Processes for reviewing pension scheme actuarial factors Our Technical Committee has developed internal guidance on the process, timing and conduct of factor reviews. This guidance aims to ensure consistency of approach across GAD. It takes into account the relevant actuarial professional standards and acknowledges that it may be necessary for GAD to seek specific legal advice, for example on the timing of factor implementation.

A significant element of GAD's process for future factor reviews is that we will notify the relevant government departments in writing whenever an event occurs which triggers a review. This notification will set out the timescales for GAD to provide updated factors. It will also clarify that where GAD has legal responsibility for setting factors:

- the updated factors will have immediate effect once we provide them
- GAD will be solely responsible for determining the timing of factor production.

It should be noted that departments remain responsible for implementing factors provided by GAD, via their pension scheme administrators. While this process is not directly within GAD's control, we will assist departments by giving as much advance notice as possible of the timing of factor provision. Regular Technical Committee meetings are held, generally at two to three week intervals, at which there is a standing item to consider the status of factor reviews across GAD and to look at external events that might trigger the need for factor reviews.

Further assurance on pension scheme actuarial factors An external review of the appropriateness of GAD's factor processes was carried out in December 2014 by an independent actuarial consultancy. This review provided assurance that there are robust structures and processes in place to help ensure that GAD's responsibilities are met. It also made some recommendations for refinements which have been implemented. The latest Internal Audit report in April 2014 provided 'Substantial Assurance' on the effectiveness of the implementation of GAD's factor monitoring and review processes. All agreed actions to address the detailed findings of this report have been completed.

Martin Clarke
Government Actuary
Accounting Officer

Date: 9 July 2015

Government Actuary's Department 2014-15

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 2015 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 Strategic Report, Directors' Report and Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 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 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 14 July 2015

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

Government Actuary's Department: annual accounts for the year ended 31 March 2015

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

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

Statement of Parliamentary Supply

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

Summary of Resource and Capital Outturn 2014-15

£000	SoPS Note	2014-15			2013-14
		Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
		Voted	Voted		Total
Departmental Expenditure Limit					
- Resource	2.1	10	(1,173)	1,183	(2,072)
- Capital	2.2	287	203	84	473
Total		297	(970)	1,267	(1,599)
Annually Managed Expenditure					
- Resource	2.1	(289)	(644)	355	(1,408)
- Capital		-	-	-	-
Total Budget		8	(1,614)	1,622	(3,007)
Non-budget		-	-	-	-
Total		8	(1,614)	1,622	(3,007)
Total Resource		(279)	(1,817)	1,538	(3,480)
Total Capital		287	203	84	473
Total		8	(1,614)	1,622	(3,007)

Net cash requirement 2014-15

£000	SoPS Note	2014-15			2013-14
		Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
	4	20	(2,091)	2,111	(821)

Administration Costs 2014-15

£000	SoPS Note	2014-15			2013-14
		Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
	3.2	(366)	(1,352)	986	(2,338)

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

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

SOPS1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

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

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

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

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

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in national accounts and IFRS-based accounts, but there are a number of differences. A reconciliation of the department's outturn as recorded in the SOPS compared to IFRS based SOCNE is provided in SOPS 3.1

SOPS1.2a Receipts in excess of HM Treasury agreement

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

SOPS1.2b Provisions – Administration and Programme expenditure

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

DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply was differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2.

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

£000	2014-15										2013-14 Outturn
	Outturn						Estimate				
	Administration			Programme			Total	Net Total	Net total compared to estimate saving/ (excess)	Net total compared to estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net					
Spending in Departmental Expenditure Limit											
Voted: Administration	16,757	(18,109)	(1,352)	-	-	-	(1,352)	(366)	986	986	(2,338)
Voted: Use of Provision	179	-	179	-	-	-	179	376	197	197	266
	16,936	(18,109)	(1,173)	-	-	-	(1,173)	10	1,183	1,183	(2,072)
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure											
Voted: Losses on Revaluation	-	-	-	1	-	1	1	87	86	86	23
Voted: Provisions	-	-	-	(645)	-	(645)	(645)	(376)	269	269	(1,431)
	-	-	-	(644)	-	(644)	(644)	(289)	355	355	(1,408)
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
Total	16,936	(18,109)	(1,173)	(644)	-	(644)	(1,817)	(279)	1,538	1,538	(3,480)

SOPS2.2 Analysis of net capital outturn

£000	2014-15						2013-14 Outturn
	Outturn			Estimate		Net total compared to Estimate, adjusted for virements	
	Gross	Income	Net	Net	Net total compared to Estimate		
Spending in Departmental Expenditure Limit							
Voted:	203	-	203	287	84	84	473
Non-voted:	-	-	-	-	-	-	-
Annually Managed Expenditure							
Voted:	-	-	-	-	-	-	-
Non-voted:	-	-	-	-	-	-	-
Total	203	-	203	287	84	84	473

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

	SoPS Note	2014-15 Outturn £000	2013-14 Outturn £000
Total Resource Outturn in Statement of Parliamentary Supply	2	(1,817)	(3,480)
<hr/>			
Net Operating Costs in Statement of Comprehensive Net Expenditure		(1,817)	(3,480)
<hr/>			

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

	2014-15 £000	2013-14 £000
Estimate – Administration costs limit	10	(1,040)
Outturn – Gross costs	16,936	16,898
Outturn – Gross income	(18,109)	(18,970)
<hr/>		
Outturn – Net costs	(1,173)	(2,072)
<hr/>		
Reconciliation to operating costs:		
Less: provisions utilised (transfer from programme)	(179)	(266)
<hr/>		
Administration Net Operating Cost	(1,352)	(2,338)
<hr/>		

SOPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate	Outturn	Net total outturn compared with Estimate: saving /(excess) £000
		£000	£000	£000
Resource Outturn	2.1	(279)	(1,817)	1,538
Capital Outturn	2.2	287	203	84
Accruals to cash adjustments:				
Depreciation and Revaluation		(407)	(321)	(86)
New provisions and adjustments to previous provisions		-	466	(466)
Other non-cash items		(62)	(60)	(2)
Adjustments for movements in working balances:				
Increase/(decrease) in work in progress		-	(40)	40
Increase/(decrease) in receivables		-	(1,111)	1,111
(Increase)/decrease in payables		105	410	(305)
Use of provisions		376	179	197
Net cash requirement		20	(2,091)	2,111

SOPS5. Income payable to the Consolidated Fund

Analysis of income payable to the Consolidated Fund

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

	Outturn 2014-15 £000		Outturn 2013-14 £000	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Excess cash surrendered to the Consolidated Fund	-	-	-	9
Excess cash surrenderable to the Consolidated Fund	-	2,091	-	812
Total amount payable to the Consolidated Fund	-	2,091	-	821

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

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

				2014-15 £000	2013-14 £000
	Note	Staff Costs	Other costs	Income	
Administration costs:					
Staff costs	2	12,220	-	-	12,220 12,018
Other costs	3	-	4,537	-	4,537 4,614
Income	4	-	-	(18,109)	(18,109) (18,970)
Programme expenditure:					
Staff costs	2	-	-	-	-
Other costs	3	-	(465)	-	(465) (1,142)
Operating Income	4	-	-	-	-
Net Operating Costs		12,220	4,072	(18,109)	(1,817) (3,480)
Net Operating Costs for the year ended 31 March 2015 and 31 March 2014		12,220	4,072	(18,109)	(1,817) (3,480)
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
- revaluation of property, plant & equipment	5			(88)	(133)
- revaluation of intangibles	6			-	-
Total comprehensive expenditure for the year ended 31 March 2015 and 31 March 2014				(1,905)	(3,613)

Statement of Financial Position

as at 31 March 2015

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

		2015 £000	2014 £000
Note			
Non-current assets:			
Property, plant and equipment	5	1,320	1,270
Intangible assets	6	121	201
Total non-current assets		1,441	1,471
Current assets			
Work in Progress	10	440	480
Trade and other receivables	11	3,896	5,007
Cash and cash equivalents	12	2,091	812
Total current assets		6,427	6,299
Total assets		7,868	7,770
Current liabilities			
Trade and other payables	13	(3,778)	(2,801)
Provisions (due within one year)	14	(190)	(177)
Non-current assets plus/less net current assets/liabilities		3,900	4,792
Non-current liabilities			
Trade and other payables	13	(866)	(974)
Provisions (due after one year)	14	(884)	(1,542)
Total non-current liabilities		(1,750)	(2,516)
Assets less liabilities		2,150	2,276
Taxpayers' equity and other reserves:			
General fund		1,837	2,051
Revaluation reserve		313	225
Total equity		2,150	2,276

Martin Clarke
Government Actuary,
Accounting Officer

Date: 9 July 2015

Statement of Cash Flows

for the year ended 31 March 2015

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

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net operating surplus		1,817	3,480
Adjustments for non-cash transactions	3	(85)	(753)
Decrease/(Increase) in trade and other receivables	11	1,111	(1,130)
Decrease/(Increase) in work in progress	10	40	(29)
(Decrease)/Increase in trade payables	13	(302)	137
(Decrease) in trade payables falling due in more than one year	13	(108)	(106)
Use of Provisions	14	(179)	(266)
Net cash inflow from operating activities		2,294	1,333
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(197)	(381)
Purchase of intangible assets	6	(6)	(131)
Net cash outflow from investing activities		(203)	(512)
Cash flows from financing activities			
From the Consolidated Fund (Deemed Supply) – current year		-	-
From the Consolidated Fund (Supply) – prior year		-	-
Net financing		-	-
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		2,091	821
Payments of amounts due to the Consolidated Fund			
Actual		(812)	(1,224)
Deemed		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		1,279	(403)
Cash and cash equivalents at the beginning of the period	12	812	1,215
Cash and cash equivalents at the end of the period	12	2,091	812

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

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

	Note	General Fund £000	Revaluation Reserve £000	Total Taxpayers' equity £000
Balance at 1 April 2013		(668)	92	(576)
Net Parliamentary Funding drawn down		-	-	-
Net Parliamentary Funding – deemed		-	-	-
Supply (payable) adjustment		(812)	-	(812)
Excess cash surrendered to the Consolidated Fund		(9)	-	(9)
Consolidated Fund Extra Receipt payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the Year		3,480	-	3,480
Net gain on:				
Revaluation Reserve		-	133	133
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	3	60	-	60
Balance at 1 April 2014		2,051	225	2,276
Net Parliamentary Funding drawn down		-	-	-
Net Parliamentary Funding – deemed		-	-	-
Supply (payable) adjustment		(2,091)	-	(2,091)
Consolidated Fund Extra Receipt payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the Year		1,817	-	1,817
Net gain on:				
Revaluation Reserve		-	88	88
Non-Cash Adjustments:				
Non-cash charges – auditor's remuneration	3	60	-	60
Balance at 31 March 2015		1,837	313	2,150

Annual Report & Accounts 2014-15

Notes to the Departmental Annual Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Government Actuary's Department (GAD) for the purpose of giving a true and fair view has been selected. The particular policies adopted by GAD are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

1.1 Accounting convention

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

1.2 Basis of consolidation

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

1.2a Administration and programme expenditure

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

1.2b Pensions

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

1.2c Contingent liabilities

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

1.2d Property, Plant and Equipment

Fit out costs - Leasehold Property

The Department moved into leasehold premises on 24 July 2003. The fit-out costs were capitalised in the financial year 2003-04 and are being 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

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

1.2e Intangible Assets

Computer software

Computer software and its associated consultancy costs having a minimum value of £1,000 are capitalised. The cost of such software is amortised over its expected useful life. An item less than £1,000 may be capitalised if it significantly enhances a previously capitalised asset and is easily identifiable.

1.2f Depreciation and amortisation

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

Leasehold improvements	10 – 20 years
Information Technology	3 – 6 years
Furniture & Fittings	10 years
Intangible Assets	3 – 8 years

The depreciation period of newly acquired assets under Information Technology is extended from 3 – 4 years at 31 March 2014 to 3 – 6 years at 31 March 2015. Based on the current asset level, the maximum impact (assuming all assets under Information Technology are given a maximum depreciation period of 6 years) upon the non-current assets will be an increase of £38,000 and a corresponding decrease of £38,000 in depreciation.

1.2g Revaluation and Impairment

All assets valuations are based on the Department's estimate of their current valuation, taking into account appropriate indices. The valuation exercise is carried out once a year. Any impairment incurred will be taken as expenditure in the accounts and write-off in the corresponding assets.

1.2h 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.

1.2i Leases

GAD has an operating lease in respect of its Finlaison House premises and a contract for its Edinburgh Office with a minimum of one year's term (until 28 November 2017). Part of the Finlaison House building is sub-leased at a rent level below the rent GAD is contractually required to pay. Rental income is adjusted for inflation. Rent free periods are accounted for on a cash basis. GAD's commitments are disclosed in note 8.

Accommodation lease of Finlaison House

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

1.2j Work-in-Progress

Work-in-Progress (WIP) is valued at the lower of cost (including appropriate overheads, multiplied by the number of rechargeable hours booked through the time recording system and not already charged to clients) or recoverable value. Information as to the value of work-in-progress is collected through the accounts system. Work is generally billed monthly, or in some cases on completion or at agreed break-points and therefore the work in progress total is the value of incomplete work outstanding at 31 March 2015.

1.2k 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.

1.2l Provisions

i. Onerous Lease

The department has a 20 year leasehold contract on the building it has occupied since 2003. A provision has been made for the second floor which has been let at a rent level below the rent GAD is contractually required to pay. The fourth floor is expected to be occupied by GAD at the end of the current tenant's lease term in June 2015. 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. According to HM Treasury Public Expenditure System circular PES (2014) 09, discount rates for general provisions are published which relate to the timing of the cash flows: 2.2% (long-term rate – exceeding 10 years), -1.05% (medium-term rate – after 5 and up to and including 10 years) and -1.5% (short-term rate – between 0 and up to and including 5 years).

ii. Provisions for Early Departure Costs

GAD is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the

Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments. Future provisions are not discounted as the difference is immaterial.

iii. Pensions Ombudsman case

Following a ruling from the Pensions Ombudsman, a provision was set up for the liability to pay a retired firefighter relevant interest and tax liability on the accrued pensions. Full details are disclosed in Note 14.

iv. 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 1.3%, set by HM Treasury in Public Expenditure System circular PES (2014) 09.

1.2m Value Added Tax

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

1.2n 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 16.

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.

1.2o 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).

1.2p Segmental Reporting

Under the definitions of IFRS 8, GAD is an entity with a single reportable segment. GAD's financial planning and internal reporting is based on GAD being one single entity. The function of "chief operating decision maker", as defined by IFRS 8 is exercised by the Management Board. Financial information required by the Board to make decisions about planning, resource allocation and fee-setting as well as monitoring performance is reported on a GAD-wide basis. Accordingly, GAD complies with the entity-wide reporting requirements of IFRS 8, specifically income information about products and services, geographical areas and major customers (note 4). There are no non-current assets that need to be reported on a geographical basis.

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

GAD has reviewed accounting standards in issue but not yet effective, to determine the possible impact that initial application of the new standard will have on the department's financial statements. The following sections of the FReM have been amended and are mandatory for GAD's accounting period beginning 1 April 2015 or later periods, which GAD will adopt:

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

IFRS 13: Fair Value Measurement, which provides consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise). The Standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. Assets which are held for their service potential (i.e. operational assets) and are in use should be measured at current value in existing use. Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use as above if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale.

IAS 36: Impairment of assets on recoverable amount disclosures (amendment), which seeks to address the implications of references to IFRS 13 'Fair Value Measurement', modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. It clarifies the scope of certain disclosures and removes burdensome and unintended disclosures requirements without reducing the relevance and understandability of the financial information. It is to be considered by HM Treasury with the expectation that it will be applied when IFRS 13 is introduced in the FReM.

IFRS 15: Revenue from contracts with customers, the IASB issued IFRS 15 in May 2014 with an effective date for periods on or after the 1st January 2017. The disclosure objective of the new Standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The introduction of IFRS 15 is subject to analysis and review by HM Treasury and the other Relevant Authorities.

IFRS 9: Financial Instruments, Classification and Measurement, the objective of the new Standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date of financial instruments. IFRS 9 applies a single classification and measurement approach to all types of financial assets; at amortised cost or at fair value through either OCI or residually through Profit or Loss. The introduction of IFRS 9 is subject to analysis and review by HM Treasury and the other Relevant Authorities.

IAS 17: Leases. The current proposals include the elimination of the current operating lease categorisation for virtually all leases. Instead, assets and liabilities will be recognised on a 'right of use' basis. Two possible exemptions are anticipated, one being for short leases (less than 1 year) and the second being for small value assets. HM Treasury has continued to analyse this process including the project update and consideration of practical implications.

IAS 1: Disclosure Initiative (amendment). These amendments encourage professional judgement to be used in determining what information to disclose in financial statements and where and in what order information is presented in the financial disclosures. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation (amendment). This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.

1.3 Accounting estimates and judgements

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

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

2. Staff numbers and related costs

Staff costs comprise:

Administration			2014-15	2013-14
	Permanently employed staff	Others *	£000	£000
			Total	Total
Wages and salaries	8,476	838	9,314	9,253
Social security costs	866	87	953	936
Other pension costs	1,797	156	1,953	1,829
Total costs	11,139	1,081	12,220	12,018

* Includes non-executive board members

Of the total, £nil has been charged in capital (2013-14: £nil).

Of the total, £nil has been charged to the programme budget (2013-14: £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 Scheme was valued as at 31 March 2012. Details can be found at <http://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations>.

For 2014-15, employer's contributions of £1,922,805 were payable to the PCSPS (2013-14: £1,801,000) at one of four rates in the range 16.7 to 24.3 per cent (2013-14: 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 2014-15 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. Employer's contributions of £30,195 (2013-14 £28,000) 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. The employer also matches 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:

			2014-15	2013-14
	Permanently employed staff	Temporary staff	Total	Total
Total	138	13	151	147

2.1 Reporting of Civil Service other compensation schemes - exit packages

2014-15	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Total number of exit packages by type	0	0	0
Total resource cost £000	0	0	0
2013-14	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Total number of exit packages by type	0	2	2
Total resource cost £000	0	287	287

The number of ill-health retirement in 2014-15 was £nil (2013-14: £nil). The cost of ill-health retirement in 2014-15 was £nil (2013-14: £nil).

3. Other Administration Costs

	Note	Administration	Programme	2014-15 £000	2013-14 £000
Operating lease: Rent of building		1,803	-	1,803	1,762
Office equipment		6	-	6	6
Rates and building service costs		721	-	721	665
Computer running costs		382	-	382	343
Recruitment		145	-	145	244
Training		250	-	250	184
Consultancy		111	-	111	154
Agency and other temporary staff costs					
Travel, subsistence and hospitality		382	-	382	545
Subscriptions		56	-	56	79
Telecommunications		94	-	94	89
Other costs		45	-	45	49
Photocopying		94	-	94	33
Stationery and publications		19	-	19	20
Internal Audit Fees		29	-	29	26
		20	-	20	26
Non-cash items:					
Provision for accommodation					
Provision for injury benefits	14	-	(525)	(525)	(1,203)
Provision for pension liability	14	-	33	33	38
Depreciation and amortisation of fixed assets	14	-	26	26	-
	5,6	320	-	320	318
Loss on revaluation of fixed assets					
Loss on disposal of fixed assets	5,6	-	1	1	23
Auditor's remuneration	5,6	-	-	-	11
Other costs		60	-	60	60
		-	-	-	-
Total		4,537	(465)	4,072	3,472

4. Income

	2014-15	2013-14
	£000	£000
	Total	Total
Government Departments	13,302	14,492
Of which receipts from: <i>Sub Tenants</i>	1,117	1,075
<i>National Insurance Fund</i>	800	622
Wider public sector, private sector and overseas	4,807	4,478
	18,109	18,970
Income by geographical locations		
Within the UK *	17,603	18,140
Attributed to all foreign countries	506	830
	18,109	18,970
Income by types of work carried out		
UK policy advice	2,848	3,912
Staff transfers	1,556	2,463
UK public service pensions	9,712	9,336
Other actuarial work	2,872	2,184
Rent and miscellaneous	1,121	1,075
	18,109	18,970

* Income from one client was £1,454,000 (8% of total income), (2013-14: £1,742,000)

5. Property, plant and equipment

Current year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2014	1,676	582	235	2,493
Additions	71	123	3	197
Disposals	-	(74)	(4)	(78)
Revaluations	164	6	(2)	168
At 31 March 2015	1,911	637	232	2,780
Depreciation				
At 1 April 2014	749	338	136	1,223
Charged in year	105	112	16	233
Disposals	-	(74)	(4)	(78)
Revaluations	80	3	(1)	82
At 31 March 2015	934	379	147	1,460
Carrying amount at 31 March 2015	977	258	85	1,320
Carrying amount at 31 March 2014	927	244	99	1,270
Prior year				
Prior year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2013	1,184	562	227	1,973
Additions	251	90	40	381
Disposals	-	(55)	(15)	(70)
Revaluations	241	(15)	(17)	209
At 31 March 2014	1,676	582	235	2,493
Depreciation				
At 1 April 2013	575	285	137	997
Charged in year	66	105	22	193
Disposals	-	(45)	(15)	(60)
Revaluations	108	(7)	(8)	93
At 31 March 2014	749	338	136	1,223
Carrying amount at 31 March 2014	927	244	99	1,270
Carrying amount at 31 March 2013	609	277	90	976

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

6. Intangible assets

Intangible assets comprise of computer software

Current year	Total £000
Cost or valuation	
At 1 April 2014	689
Additions	6
Disposals	(1)
Revaluations	5
At 31 March 2015	699
Amortisation	
At 1 April 2014	488
Charged in year	87
Disposals	(1)
Revaluation	4
At 31 March 2015	578
Carrying amount at 31 March 2015	121
Carrying amount at 31 March 2014	201
Prior year	
Cost or valuation	
At 1 April 2013	664
Additions	92
Disposals	(49)
Revaluations	(18)
At 31 March 2014	689
Amortisation	
At 1 April 2013	423
Charged in year	125
Disposals	(48)
Revaluation	(12)
At 31 March 2014	488
Carrying amount at 31 March 2014	201
Carrying amount at 31 March 2013	241

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

7. Impairments

GAD did not incur any impairment costs during 2014-15 (2013-14: £nil).

8. Capital and other commitments

8.1 Capital commitments

GAD had no capital commitments at 31 March 2015 (2013-14: £nil).

8.2 Commitments under leases

8.2 Operating leases

Operating leases (as at 31 March)

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

	2014-15 £000	2013-14 £000
Obligations under operating leases comprise:		
Buildings (rent of office building):		
Not later than one year	1,730	1,688
Later than one year and not later than five years	7,363	7,183
Later than five years	6,526	8,436
Edinburgh Office lease:		
Not later than one year	18	18
Later than one year and not later than five years	-	-
Office equipment*:		
Not later than one year	1	8
Later than one year and not later than five years	3	4
Later than five years	-	-
	15,641	17,337
Subtenants' lease**:		
Not later than one year	(662)	(566)
Later than one year and not later than five years	-	-

* Office equipment comprises printers (2013-14 only), water coolers (2013-14 only) and franking machines.

** Subtenants' lease comprises rental income from Higher Education Funding Council for England, Ministry of Defence (2013-14 only) and Single Source Regulations Office (2014-15 only).

9. Financial Instruments

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

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

9.1 Credit Risk

The maximum credit risk the department was exposed to at 31 March 2015 was £3,453,000 (trade receivables and accrued income value).

An aged debtor analysis as at 31 March 2015 is as follows:

	31 March 2015
	£000
Under 30 days	2,937
Over 1 month and under 6 months	420
Over 6 months and under 12 months	20
Over 12 months	76

9.2 Liquidity Risk

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

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

Total amount owing analysed by when it falls due:

	1 year	2-5 years	over 5 years	Total
	£000	£000	£000	£000
Creditors	3,431	-	-	3,431
Total	3,431	-	-	3,431

9.3 Market Risk

The main market risk GAD is exposed to is foreign currency from overseas customers, which amounted to £nil of debtor value as at 31 March 2015. As the amount of foreign currency debt is not considered to be material in terms of the total value of turnover, GAD does not employ any sensitivity analysis.

10. Work in Progress

	2014-15 £000	2013-14 £000
Value of time worked but not billed	440	480
	440	480

11. Trade receivables and other current assets

	2014-15 £000	2013-14 £000
Amounts falling due within one year:		
Trade receivables	1,676	2,328
Accrued income	1,777	2,335
Deposits and advances	34	38
Other receivables	24	1
Prepayments	385	305
	3,896	5,007

There are no amounts falling due after more than 1 year (2013-14- £nil).

11.1 Intra-Government Balances

	2014-15 £000	2013-14 £000
Amounts falling due within one year:		
Balances with other central government bodies	2,399	3,363
Balances with local authorities	3	-
Balances with NHS bodies	38	119
Balances with public corporations and trading funds	-	50
Sub-total: intra-government balances	2,440	3,532
Balances with bodies external to government	1,456	1,475
Total trade receivables at 31 March	3,896	5,007

12. Cash and cash equivalents

	2014-15 £000	2013-14 £000
Balance at 1 April	812	1,215
Net change in cash and cash equivalent balances	1,279	(403)
Balance at 31 March	2,091	812
The following balances at 31 March were held at:		
Government Banking Service (GBS)	2,091	812
Balance at 31 March	2,091	812

13. Trade payables and other current liabilities

	2014-15 £000	2013-14 £000
Amounts falling due within one year:		
VAT	1,206	1,354
Other taxation and social security	-	7
Trade payables	1	13
Other payables	42	-
Accommodation creditor	106	103
Accruals and deferred income	133	266
Employee benefits (annual leave carried forward)	199	246
Consolidated Fund Creditor for cash unspent at year end	2,091	812
Consolidated Fund Creditor for cash unspent – prior year	-	-
	3,778	2,801
Amounts falling due after more than one year:		
Accommodation creditor	866	974
	866	974
Total	4,644	3,775

13.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after one year	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
Balances with other central government bodies	3,325	2,183	-	-
Balances with local authorities	-	-	-	-
Balances with NHS bodies	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	3,325	2,183	-	-
Balances with bodies external to government	453	618	866	974
Total trade payables at 31 March	3,778	2,801	866	974

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

14. Provisions for liabilities and charges

	Onerous Lease	Early departure costs	Pensions Ombudsman case	Others	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2014	1,262	153	-	304	1,719
Provided in the year	-	-	26	21	47
Provisions not required written back	(525)	-	-	(1)	(526)
Provisions utilised in the year	(78)	(85)	-	(16)	(179)
Unwinding of discount	-	-	-	13	13
Balance at 31 March 2015	659	68	26	321	1,074

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

Analysis of expected timing of discounted flows

	Onerous Lease	Early departure costs	Pensions Ombudsman case	Other	Total
	£000	£000	£000	£000	£000
Falling due in the next year (to 31 March 2016)	80	68	26	16	190
Between 2016-17 and 2019-20	326	-	-	60	386
Between 2020-21 and 2024-25	253	-	-	65	318
Thereafter	-	-	-	180	180
Balance at 31 March 2015	659	68	26	321	1,074

14.1 Accommodation

The department has a 20 year leasehold contract on the building it has occupied since 2003. A provision has been made for the second floor which has been let at a rent level below the rent GAD is contractually required to pay. The fourth floor is expected to be occupied by GAD at the end of the current tenant's lease term in June 2015. 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. According to HM Treasury Public Expenditure System circular PES (2014) 09, discount rates for general provisions are published which relate to the timing of the cash flows: 2.2% (long-term rate – exceeding 10 years), -1.05% (medium-term rate – after 5 and up to and including 10 years) and -1.5% (short-term rate – between 0 and up to and including 5 years).

14.2 Early departure costs

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

14.3 Pensions Ombudsman case

Following a complaint from a retired firefighter, the Pensions Ombudsman found GAD guilty of maladministration in failing to review commutation factors from 1998 to 2006 applicable to the lump sum the person was entitled to receive when he retired in November 2005. The Pensions Ombudsman directed that his lump sum be recalculated as if GAD had reviewed the factors in December 2004. If the re-calculated lump sum is higher than the sum he received on retirement the difference will be paid by his pension scheme. However, the Pensions Ombudsman directed that GAD should pay simple interest on the difference and, should he incur a tax liability, GAD should pay an equivalent sum to him.

14.4 Other 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.

15. Contingent liabilities disclosed under IAS 37

As at 31 March 2015, GAD had no contingent liability (2013-14: £50,000)

16. Losses and special payments

No reportable losses or special payments were incurred during 2014-15 (2013-14: £nil).

17. Related-parties transactions

GAD has had a significant number of transactions with government departments and other central government bodies.

Major government clients using the Department's services included the Ministry of Defence, the Department of Health, Department for Work and Pensions, the Cabinet Office, the Home Office, HM Treasury, Department for Communities and Local Government, the Ministry of Justice, the Department for Business and Innovation and HM Revenue & Customs.

A summary of Operating Income from Government and non-government bodies is shown at note 4. Note that receipts from other government departments include rent and facilities management charges received from the Ministry of Defence and Higher Education Funding Council for England (from March 2008) as sub-tenants in Finlaison House.

In 2014-15, the total net income from these sub-tenants was £1,117,000.

18. Third-party assets

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

	2013-14
	£000
Opening balance at 1 April 2013	3
Net changes	(3)
Closing balance at 31 March 2014	-
	2014-15
	£000
Opening balance at 1 April 2014	-
Net changes	-
Closing balance at 31 March 2015	-

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

19. Entities within the departmental boundary

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

20. Events after the reporting period date

On 15 May 2015 the Pensions Ombudsman issued his final determination on a complaint against GAD. A provision of £25,600 has been made for amounts GAD is liable for as a result of this determination. A full disclosure note is included in GAD's Governance Statement.

21. Date of Authorisation of Accounts

The accounts have been authorised for issue by the Accounting Officer on the same date as the C&AG's Audit Certificate.

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