



**Government  
Actuary's  
Department**

Annual Report  
& Accounts  
2015 - 2016

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# **The Government Actuary's Department**

## **Annual Report & Accounts 2015-16**

**(For the year ended 31 March 2016)**

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

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

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# 1. The Performance Report

## Overview

### Executive Summary

This was the first year of our new five year strategy, preparing the Department for the 2020 vision. During the year, we focused on providing a high level of service to our clients, ensuring that we met their expectations whilst also ensuring best value for money for the taxpayer. Our vision is to be a single, high-performing team, and during the year we ensured that effective leadership promoted our values and objectives. We reviewed our policies and processes, to ensure we recruit, retain, motivate and develop our staff – the foundation of a successful professional services organisation. This success was recognised with our Civil Service people survey engagement score of 65%, compared to 58% across the wider civil service.

We managed our performance through monitoring detailed targets, Key Performance Indicators (KPIs), and budgets. Financially, we made improvements by minimising both non recoverable Work in Progress (WIP) and WIP remaining uninvoiced. Overall revenue was in line with budget, but costs were contained, resulting in us exceeding all our financial targets.

We won 46 new work commissions, 20 of which were for non-pensions work. This included a new large project for the World Bank. We provide actuarial analysis for Government Departments and public bodies requiring actuarial input to policy development. However, our skills are also required in relation to increasing insurance, investment, risk and modelling work. With a strong client focus, this was recognised by 93% of our clients scoring our work as 'highly valued'.

Our performance during the year is explained in more detail in the Executive's Report and the Performance and Operating Review.

### Purpose and activities of 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.

### Principal Activities

#### 1 Pensions Advice

##### *Advice to Government*

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.

We have a statutory role in the management of the UK National Insurance Fund. This includes requirements 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 summarises projections of the estimated balance in the fund over the longer term. We also provide advice to social security organisations in other countries.

### *Public service 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 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.

### *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" (MoG) transfers. The terms of such transfers must comply with the Government's policy, called New Fair Deal.

## **2 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.

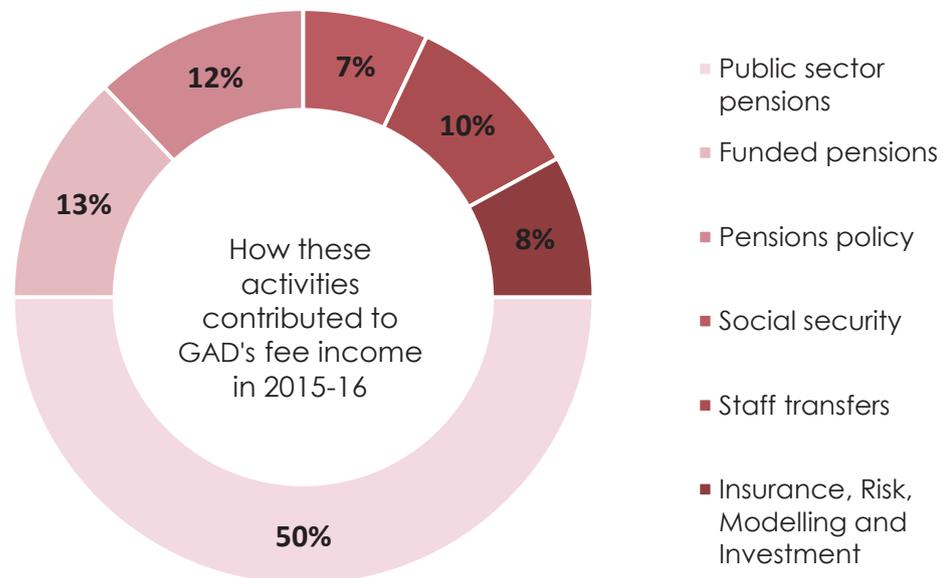
### *Modelling*

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; and
- Providing a full modelling service, from initial consideration of model design right through to producing and interpreting results and making recommendations.

### 3 Demography and Statistics

We supply demographic advice to the Office for National Statistics; provide National Savings and Investments with a verification of the statistical randomness of the premium bond system (ERNIE); and provide 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.



### Going Concern Assessment

In common with other Government Departments, the future financing of the Department's liabilities is to be met by the Supply process and the application of future income, both to be approved annually by Parliament. Accordingly, it is appropriate to adopt a going concern basis for the preparation of these financial statements.

### Key Organisational Risks

The strategic risks identified by the Management Board are grouped into the four strategic themes:

- 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.

Within the Governance Statement, we explain how we manage the strategic risks of the organisation, through a management process operating at three levels. The Risk Register is regularly reviewed at Board meetings.

The performance of the Department is measured through the production of Balanced Scorecard Key Performance Indicators (KPIs). The KPIs are produced on a monthly basis, and are presented at Board meeting for review, discussion and action.

## Performance Analysis

### Departmental mission, vision and strategy

#### 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; and

- 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

## Strategy

2015-16 was the first year of our five-year strategy that seeks to steer the Department towards our vision for 2020. This strategy is centred on four strategic themes as set out below:



The strategy document explores the relevant issues for each theme in more detail. You can read the complete document<sup>1</sup> 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 of procedures.

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

## Performance and operating review

Our 2015-16 Business Plan covered 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.

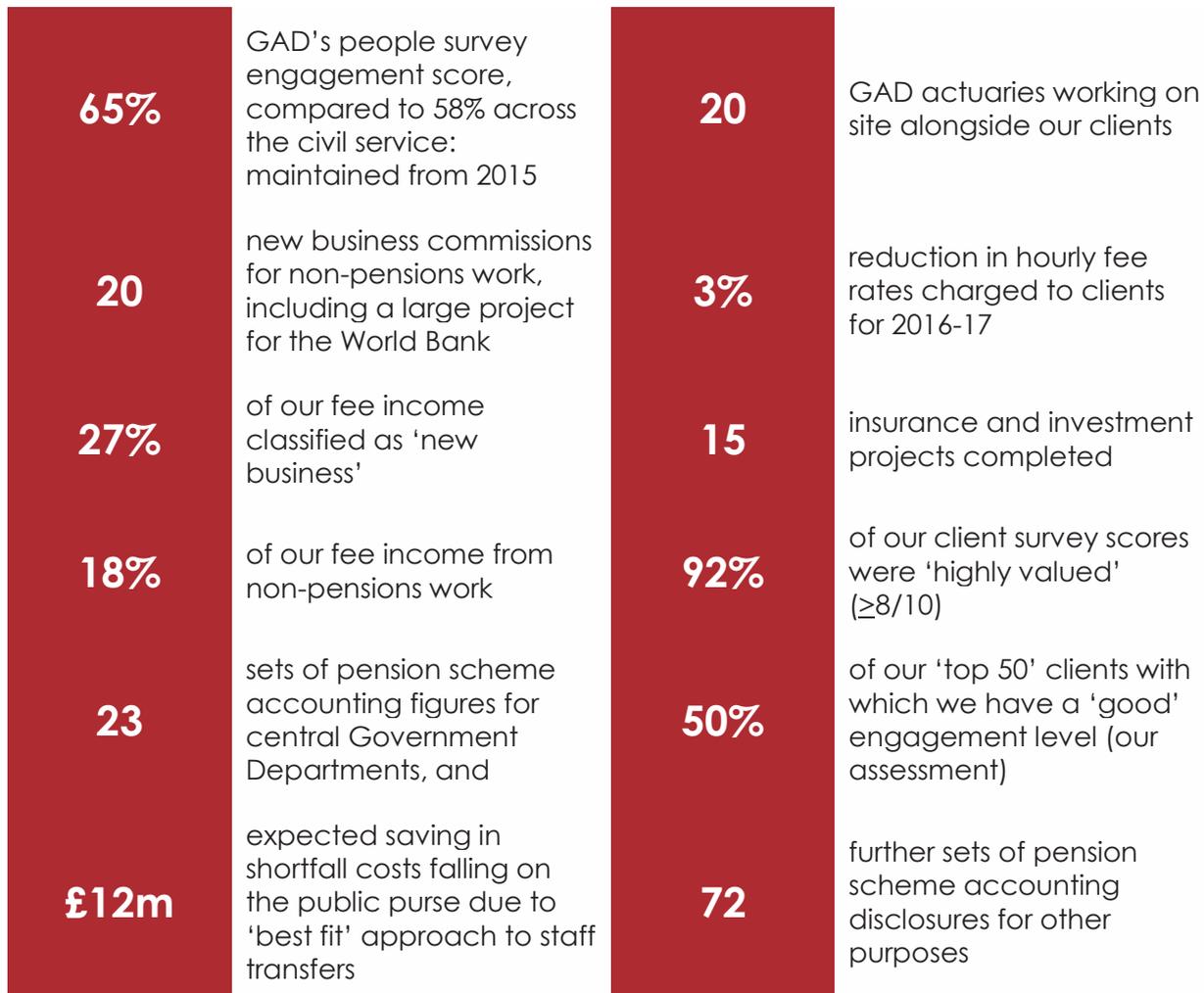
Our initiatives, which are set with the best interests of clients at heart, must inevitably run in parallel with "business as usual". The challenge to achieve both these aims with no relaxation in the high standards of quality that we already achieve in our services requires great leadership from all areas of the Department. In delivering our initiatives we aim to adopt best practice change management approaches. We must also act and behave with integrity, demonstrate behaviours in accordance with our "ADEPT" values and maintain constructive dialogue throughout.

Our performance during 2015-16 is summarised for our finances and against each strategic theme below:

- **Financial** Our financial management of the business has been enhanced with improved management information and with reduced non recoverable Work in Progress (WIP) and unbilled WIP. Revenue has been in line with budget but, with lower costs than budgeted, we have exceeded all our financial targets.
- **Clients** We have given even more focus during the year to developing our relationships with our clients, a very high proportion of whom regard our work as "highly valued". We have deliberately invested more time in raising our profile within Government and exploring new business opportunities. There have been a number of significant new business wins and we very nearly reached what was an ambitious new business revenue target. We have made good progress in preparing for the 2016 valuations of the public service pension schemes, a major co-ordination exercise involving many different clients across Government.
- **Leadership** We began to rationalise the structure of the client-facing teams and created functional lead roles to increase executive capacity on cross-departmental initiatives and make the organisational structure reflect a greater ambition for standardisation and innovation.
- **People** Significant progress has been made with improving our HR processes and, in particular, enhancing the performance management system. Staff survey results, which were once again very encouraging compared to our civil service benchmarks, have provided useful insights into areas such as Learning and Development for future attention. Our plans for 2016-17 include further focus in this area.
- **Processes** Progress has been made in developing all the processes we targeted in 2015-16, including project planning, risk management and the establishment of the Actuarial Services Team. By concentrating our routine processing, especially in connection with valuation work, into a core central team we aim to make significant gains in terms of quality, consistency and efficiency.

## Analysis and explanation of the development and performance of GAD

### GAD's year in numbers



## Operating Review

### *Pensions*

Following completion of the actuarial valuations for most of the public service schemes over the previous two years, 2015-16 saw the introduction of the reformed unfunded schemes. Much of our work in this area over the year has been in supporting scheme sponsors with implementation. This has included provision of actuarial factors, guidance on the detailed operation of the schemes and supporting new governance arrangements. Regular activities have continued including providing figures for inclusion in public service pension scheme accounts, for cashflow forecasts and to feed into the Parliamentary supply estimates process.

We are close to completing a dry run rehearsal of how we would carry out a review of the actuarial valuations of the Local Government Pension Scheme as at 31 March 2013, as if section 13 of the Public Service Pensions Act 2013 had been in force at that date.

We have also:

- advised other Government Departments and public bodies on pension issues specific to them,

including advising economic regulators on their regulated companies' pensions costs; and

- provided advice on the pension aspects of outsourcing public sector services and of Machinery of Government changes. Major projects for our specialist staff transfer team included advising on the pensions aspects of the move of local government staff to the new Single Fraud Investigation Service under DWP and the setting up of Public Health England.

### *Advice to Government*

In response to commentary from the UK Government that it aspires to formulate many aspects of policy on pensions and social security in a more joined-up manner, some GAD teams have been consolidated to provide a more comprehensive approach to advice and analysis for the relevant policy professionals. Specifically, we have provided:

- Policy advice on both public service and private sector pensions;
- Advice on any potential reform of taxation of pensions; and
- The Government Actuary's annual report to the UK Parliament on the implications of changes to National Insurance contributions and benefits.

We have also provided advice to a number of overseas Governments on social security and pensions.

### *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 started working with the Government Internal Audit Agency to provide this service more widely.

A key project during the year has been developing a model to project student loan repayments in support of Her Majesty's Government (HMG's) plans to sell tranches of these loans. This project involved working closely with UK Government Investments (formerly the Shareholder Executive) and other key stakeholders, resulting in a model that will be used by UK Government Investments to assess the value of student loan portfolios and shared with potential investors as part of the sale process.

### *Insurance*

Our insurance and investment 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).

Significant projects include:

- Actuarial adviser to the NHS Litigation Authority (NHS LA). 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 members' annual contributions; and
- Support to the World Bank on Disaster Risk Financing and Insurance (DRFI). GAD and the World Bank are collaborating on evaluating a range of programmes to provide quantitative results based on five country-specific case studies. We are seeking to understand whether forward-looking impact appraisals can help effectively target support for disaster risk activities. The results will help better target and prioritize future investments from national governments and international donors in sovereign DRFI programmes.

### *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 20 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](http://www.gov.uk/gad)).

Our governance structure is explained in the Governance Statement on page 22.

We received 78 freedom of information requests during 2015-16 and 74 responses were made within the 20 day limit set by the Freedom of Information Act 2000.

### *Resources managed by GAD*

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

On 31 March 2016 we employed 159 full time equivalent staff, of whom 74 are qualified actuaries, 44 are trainee actuaries, 14 are actuarial technicians and 27 are support staff. There were also 9 secondees/agency staff employed on that date.

## Sustainable development

### Commentary on Sustainability Performance

We are committed to integrating sustainability across our operations to support the UK Government Sustainable 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.

Since 2009 we have met the international standard (ISO 14001:2004) for our Environmental Management System (EMS). The EMS is a management toolkit that enable us to document procedures and continuously monitor progress in environmental performance through regular measurements, reviews and audits. We were re-certified in 2016.

### Summary of Performance

Our objectives and targets are based on the Greening Government Commitments (GGCs). These targets concentrate on Climate Change Management, Waste Reduction and Natural Resources (water) protection. We set yearly targets for each GGC measure and these targets set out how we plan to deliver reductions in CO<sub>2</sub> 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.

In June 2015 we took occupancy of the 4<sup>th</sup> floor of Finlaison House, following a sub-tenant moving out. This increased our floor space by around 21%. Sustainability reporting information is produced by the apportionment of data based upon floor space utilisation. Hence, this resulted in a disproportionate, one-off increase in our sustainability reporting numbers for the year.

### Greenhouse gas emissions

		<b>Baseline 2009-10</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Non-financial Indicators (CO <sub>2</sub> e)	Scope 1 and 2 emissions <sup>1</sup>	248	266	199	226
	Scope 3 emissions (indirect – official business travel)	33	22	16	9
	Total emissions	281	288	215	235
Other Non-financial Indicators	Number of domestic flights	93	61	70	59
Related Energy Consumption (KWh) <sup>2</sup>	Electricity	373,921	378,999	318,126	361,001
	Gas	247,799	333,010	146,097	127,072
Financial Indicators (£)	Expenditure on energy	51,667	53,799	41,389	46,149
	CRC License expenditure	-	1,290	1,290	1,290

CRC emissions allowance	-	5,220	6,396	5,797
CRC Phase 2 registration	-	950	-	-
Expenditure on official business travel	66,135	45,848	33,590	30,813

<sup>1</sup> CO<sub>2</sub> emissions figures are taken from the Cabinet Office electronic Property Information Mapping Service (ePIMS) database

<sup>2</sup> 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; and
- 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. Gas consumption has been reduced, due to the warmer winter months, and turning off the boilers in the summer months.

As part of our carbon management approach we have worked with our energy supplier to ensure that the electricity we use is matched by an equivalent amount from a low-carbon source of generation. This further demonstrates how we are committed to keeping up with global best practice in carbon management.

Total energy consumption has increased due to occupancy of additional floor space.

The number of domestic flights is 37% lower than the 2009-10 baseline.

### Waste

		Baseline <sup>3</sup> 2010-11	2013-14	2014-15	2015-16
Non- Financial Indicators (tonnes)	Non-Recycled	7	1	0	0
	Total Reused/Recycled	15	50	17	21
	Composted	-	2	2	3
	Energy recovery	-	1	1	1
	Total waste	22	54	20	25
Financial Indicators (£)	Total disposal cost	8,162	14,194	6,716	8,000

<sup>3</sup> 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:

- "Closed loop" recycled paper is now in use in GAD; and
- 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.

Total waste generation in 2015-16 increased due to occupancy of additional floor space, and the fact that this was apportioned to all building occupiers on the basis of floor space utilisation.

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

#### Finite resource consumption: PAPER

	Baseline 2009-10	2013-14	2014-15	2015-16
Non- Financial Indicators (A4 Reams)	1,610	1,715	1,242	931

### Targets and narrative

The GGC is that by 2015 the Government will achieve a 10% cut in paper use. Up to and including 2015-16 we achieved a 42% reduction against the 2009-10 baseline. We have also introduced "Closed Loop" recycled paper to GAD.

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	2013-14	2014-15	2015-16
Non- Financial Indicators (m <sup>3</sup> )	Water consumption	1,010	779	738	955
	m <sup>3</sup> per FTE	7.70	4.90	4.70	5.90
Financial Indicators (£)	Water supply and disposal costs	2,030	1,847	1,885	2,383

### 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. 4m<sup>3</sup> per FTE).

Water consumption has reduced by 5% from baseline but exceeds the best practice benchmark.

Total water consumption apportioned to GAD has increased due to occupancy of additional floor space.

### *Procurement*

The GGC is to ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain.

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;
- Using a Furniture Clearing House to acquire and donate second hand furniture between Public Sector Departments;
- 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; and
- 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: 24 June 2016

## 2. The Accountability Report

### Corporate Governance Report

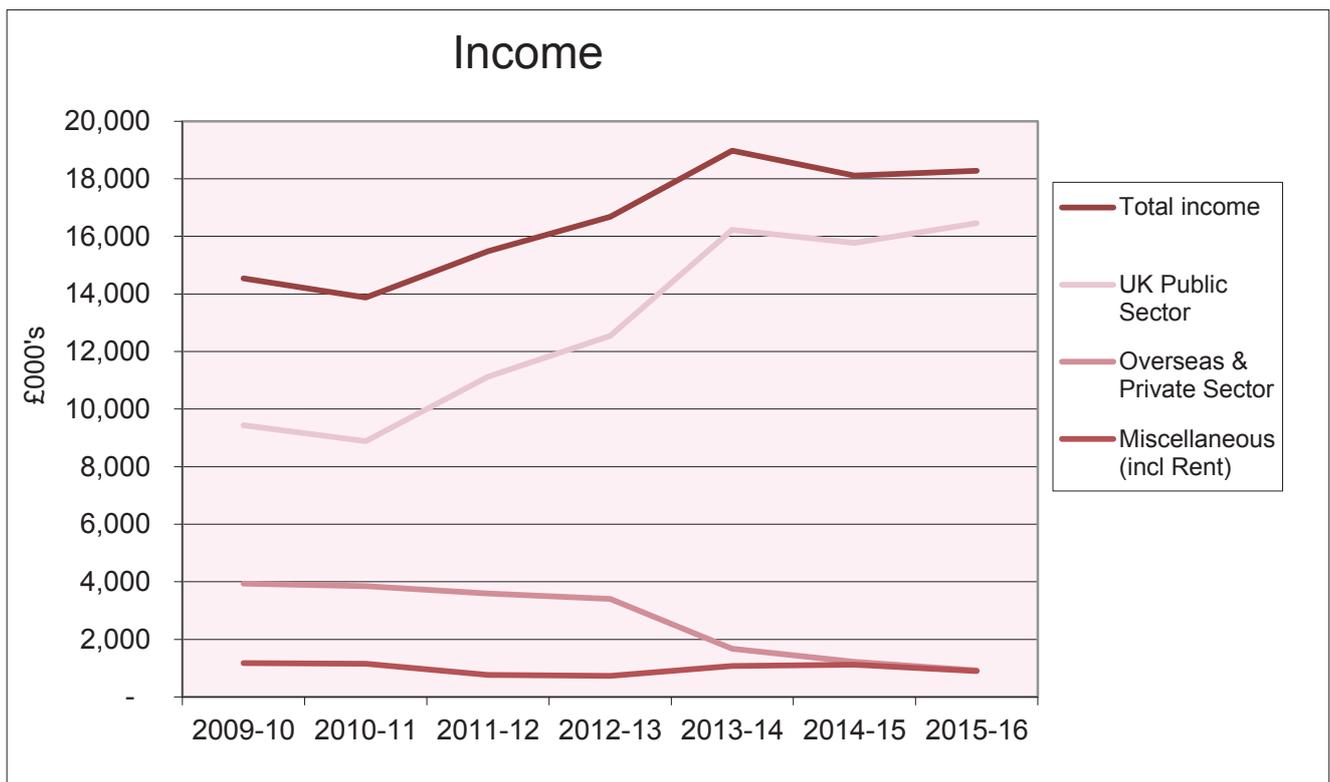
#### Executive's Report

During the year we generated an operating surplus of £1.3m. Income increased from £18.1m in 2014-15 to £18.3m in 2015-16. Of which, fee income (income from actuarial services) increased by £400k from £17m to £17.4m. However, during the previous financial year of 2014-15, we returned £1.7m to clients under a mechanism agreed by HM Treasury. Taking this adjustment into consideration, fee income has reduced by £1.3m. This was expected due to the cyclical nature of demand for our services with 2015-16 falling between the periods when the bulk of the work on public service pension scheme valuations is carried out.

Income from UK public sector clients remains our main source of revenue. Income increased by 4.4% from £15.8m in 2014-15 to £16.5m in 2015-16.

Overseas and private sector work continues to fall. This is in line with our strategic focus on UK public sector. Income in these two sectors combined dropped to £920k from £1.2m in 2014-15.

Miscellaneous income was £900k, reduced from just over £1.1m in 2014-15. This is due to the tenants in one of the floors of Finlaison House vacating and GAD occupying the space.



Administration costs in 2015-16 amounted to £17.1m of which staff costs (£12.4m) is the main element. Staff costs in 2015-16 increased by 1.4% and this small increase is due to the general 1% pay increase for staff in post and a change in grading mix. The cost of employing agency and some other temporary staff is classified under other administration costs in our accounts. These additional staff costs have increased from £382k in 2014-15 to £517k in 2015-16.

Other administration expenditure increased from £4.1m in 2014-15 to £4.6m in 2015-16. 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 Note 3.

Our capital budget (CDEL) for 2015-16 was £150k of which £133k was utilised. £97k was spent on the replacement of IT hardware and software, and £36k on the furniture and fittings in Finlaison House.

Our Supply Estimate had a negative net cash requirement of £123k and we achieved an outturn of £720k cash in 2015-16, as such we did not receive any voted cash funding and returned all surplus cash at year end to the Consolidated Fund. Running and capital costs were met through fee income generated from providing actuarial services.

The Statement of Financial Position shows total assets of £7.3m (2014-15: £7.9m), non-current assets plus current liabilities £4.3m (2014-15: £3.9m), and non-current liabilities £1.4m (2014-15: £1.8m). Liabilities include provisions for an onerous lease, a compensation payment and an 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 2015-16 89% of invoices by value (86% by number) were paid within 5 working days. The equivalent figures for 2014-15 were 82% of invoices by value (78% by number). No interest payments were made under the late Payment of Commercial Debts (Interest) Act 1998.

### *Expenditure on Consultancy, Professional Services, Publicity and Advertising*

During 2015-16 we spent £47k (2014-15: £111k) on consultancy and professional services.

We incurred costs of £517k (2014-15: £382k) on the employment of temporary staff. These were mainly specialist actuarial staff required to meet additional demand from clients. We aim to have a small proportion of staff on temporary and fixed term contracts to provide flexibility to meet fluctuating demand.

£13k was incurred on publicity and advertising costs, all of which was for recruitment (2014-15: £17k).

### *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.

### *Political and Charitable donations*

GAD made no political or charitable donations in 2015-16 (2014-15: £nil).

### *Financial Outturn*

Our financial outturn for 2015-16 is reported in different ways. The accounts show the net resource outturn as a surplus of (£1,281k) against an Estimate of (£185k) net surplus, resource Departmental Expenditure Limit (DEL) of (£990k) surplus against an Estimate of £2k and capital DEL of £133k against an Estimate of £150k. The tables in SOPS Notes 1.1, 1.2 and 2 reconcile these figures.

### 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. A new performance management system was introduced during this year and rolled-out at face-to-face training sessions. GAD is currently developing a Talent Management Programme and a Reward & Recognition Strategy to ensure that GAD is representative of the Civil Service and the actuarial profession as a whole.

### Recruitment and Turnover

Staff numbers have increased during 2015-16.

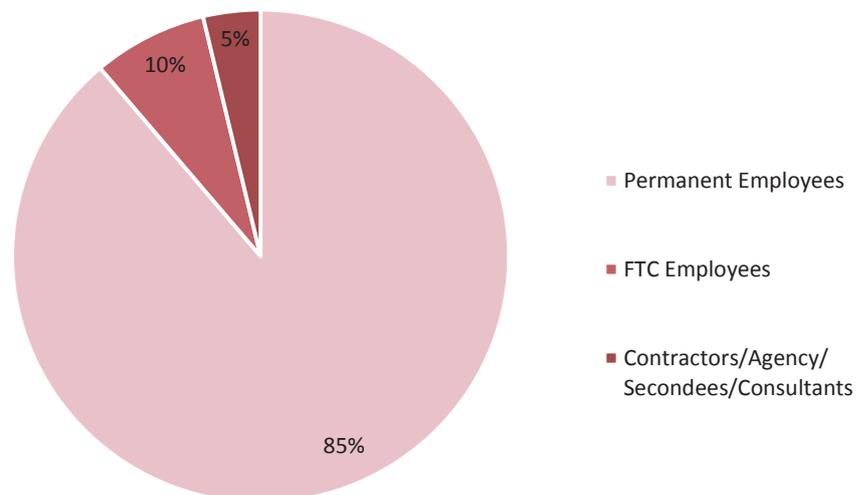
### Staff in post as at 31 March 2016

	Staff in Post 31/03/15	Male 31/03/15	Female 31/03/15	Staff in Post 31/03/16	Male 31/03/16	Female 31/03/16
Actuaries <sup>1</sup>	71	45	26	74	46	28
Trainee Actuaries <sup>1</sup>	56	37	19	44	29	15
Actuarial Technicians	-	-	-	14	10	4
Support Staff <sup>1</sup>	29	20	9	27	19	8
Secondees/Agency	7	6	1	9	7	2
<b>Total</b>	<b>163</b>	<b>108</b>	<b>55</b>	<b>168</b>	<b>111</b>	<b>57</b>
Of which:						
Leadership Group <sup>2</sup>	18	13	5	13	10	3

<sup>1</sup> Permanent and Fixed Term Contract Employees

<sup>2</sup> 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 following chart shows the workforce mix as at 31 March 2016.



GAD's staff turnover has remained static this year at 12% but recruitment activity has increased with the introduction of the Actuarial Services Team.

### *Staff Engagement Survey*

Our staff took part in the 2015 Civil Service People Survey and we received an overall engagement index rating of 65% (2014-15: 65%) which compares favourably with the Civil Service average of 58% and we were ranked joint 18th out of 96 organisations taking part. Full survey results are published in the Transparency section of our website ([www.gov.uk/gad](http://www.gov.uk/gad)).

A number of actions have been taken to address issues raised by the survey, for example all GAD staff were invited to attend focus group sessions in January 2016 to discuss and give feedback on the survey results. Other initiatives are included in the Business Plan for 2016-17 and the five year Strategic Plan.

### *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 and actuarial technicians 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. A topical Blog from the Government Actuary is also 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 and GAD's learning and development offering will be reviewed in 2016 as part of the Talent Management Strategy.

We source training from external suppliers, such as QA, ActEd and Civil Service Learning, together with internal job training, coaching and mentoring. As well as sponsorship 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.

### *Personal Data*

There were no personal data incidents during the year which required disclosure.

### *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 2015-16:

- 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;
- 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; and
- 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.

## 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 2015-16 was £60,000 (2014-15: £60,000). No fees, either actual or notional, were incurred for non-audit work (2014-15: £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.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and that I take personal responsibility for it and the judgements required for determining that it is fair, balanced and understandable.

## Governance Statement

### Governance Framework

The Government Actuary's Department, which was 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. 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 six 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 2016 was:

#### Executive Board members

Martin Clarke	Government Actuary
Colin Wilson	Deputy Government Actuary
Sue Vivian	Head of Public Service Pensions
Tim Gardner	Chief Operating Officer
Kevin Down	Director of Finance
Wendy Dabinett	Director of Human Resources

George Russell took on a new role as Senior Chief Actuary leading GAD's office in Scotland and stood down from the Management Board in May 2015.

Sue Vivian was appointed to the Board in the role of Head of Public Service Pensions in May 2015.

Tim Gardner joined GAD as Chief Operating Officer in September 2015 and left in May 2016.

#### Non-Executive Board Members

Geoffrey Podger	Currently Senior Visiting Research Fellow at the Centre for Risk Management, King's College, London and also acts in a number of non-executive roles and undertakes consultancy work. In his previous public service career, he successively managed four regulatory agencies in the UK, the European Union and New Zealand. He has also worked in three UK Departments. Geoffrey was awarded the CB in 2003. He has been Chair of the Management Board of the Government Actuary's Department since November 2015.
Angela Marshall	An accountant and a management consultant who 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. She currently holds roles at the Science & Technology Facilities Council, the Valuation Office Agency and South Yorkshire Passenger Transport Executive. She has been a non-executive Board Member at GAD since September 2013 and Chair of the Audit Risk and Assurance Committee since 2016.
Louise Redmond	A specialist in organisation development, culture and governance, she 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. She 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. She has been a non-executive Board Member at GAD since September 2013.

Alex Jablonowski left the Board in December 2015 having served GAD since 2009. Geoffrey Podger was appointed as Board Chair, effective from its meeting in November 2015. Before this, meetings were chaired by Louise Redmond.

During 2015-16, the Management Board met 9 times with attendance as follows:

Martin Clarke	9 / 9	Tim Gardner	4 / 6
George Russell	1 / 1	Angela Marshall	8 / 9
Colin Wilson	8 / 9	Louise Redmond	9 / 9
Sue Vivian	5 / 8	Alex Jablonowski	5 / 6
Kevin Down	9 / 9	Geoffrey Podger	5 / 5
Wendy Dabinett	7 / 9		

### **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 a non-executive Board member: Alex Jablonowski was chair until December 2015 and was succeeded by Angela Marshall from March 2016.

The Committee meets at least quarterly. As required, 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 2015-16, the Audit and Risk Assurance Committee met 5 times with attendance as follows:

Alex Jablonowski	3 / 3	Martin Clarke	5 / 5
Geoffrey Podger	3 / 3	Kevin Down	5 / 5
Angela Marshall	5 / 5	Internal Audit	5 / 5
Louise Redmond	5 / 5	External Audit	5 / 5

During the year 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), comprising the executive members of the Management Board and Functional Leads meets weekly, principally on an informal basis, with one formal meeting each month, to consider operational and management issues.

### *Support Operations Committee*

The Support Operations Committee (SOC), chaired on a rotation basis by the Heads of the Support Teams, deals with operational and policy issues in the areas of Accommodation, Information Technology, Human Resources, Finance, Environmental, Security and Information Assurance. The Security Group reports 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.

### *Technical Committee*

Professional and technical matters are overseen by the Head of Technical who reports to the Deputy Government Actuary. 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, 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 the 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 governance and performance

The Board undertook a facilitated half-day workshop in July 2015 and developed the following objectives for the board.

- The Board will work collectively to promote GAD within a wider stakeholder audience, actions to include; identifying, recording and following up leaders; making stakeholder management an item on the agenda at points through the year; developing a GAD "story" which can be used by Board members to engage stakeholders;
- The Board will develop, foster and encourage a high performance culture by spending time on performance management, talent management and succession planning. The Board will also monitor evidence of performance management becoming embedded in GAD;
- By periodically discussing the political and business environment, economic trends, demographics etc, the Board will spend time periodically reviewing the horizon and thereby develop a more proactive approach to risk management;
- The Board will show leadership by demonstrating the importance of rigorous financial management; and
- The Board will make effective and appropriate decisions and a list of items that must be agreed by the Board will be developed.

In September 2015 the Board agreed the following schedule of reserved matters.

### Governance

- The Board's objectives, its Terms of Reference, and this schedule of reserved matters;
- Evaluation of the Board's effectiveness;
- Establishment and dissolution of Board sub-committees and changes to their Terms of Reference;
- The annual report and audited financial statements; and
- The appointment of GAD's internal auditors.

### Strategy and plans

- GAD's vision, mission and values;
- GAD's 5-year strategy;
- GAD's annual business plan; and
- Major change programmes to ensure alignment with strategic objectives.

### Finances

- GAD's annual budget and mid-year reforecasts;
- GAD's main and supplementary estimates;
- GAD's professional fee rates; and
- All non-routine expenditure over £50,000.

### People

- Any substantial organisational restructuring;
- Any substantial changes to the number of GAD employees; and

- Any substantial departure in GAD's people policies from Civil Service Reform best practice.

### Risk and reputation

- GAD's risk management policy and risk appetite; and
- Any matter other than those above that is of significant financial or reputational risk to GAD.

## 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

We are a relatively small 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.

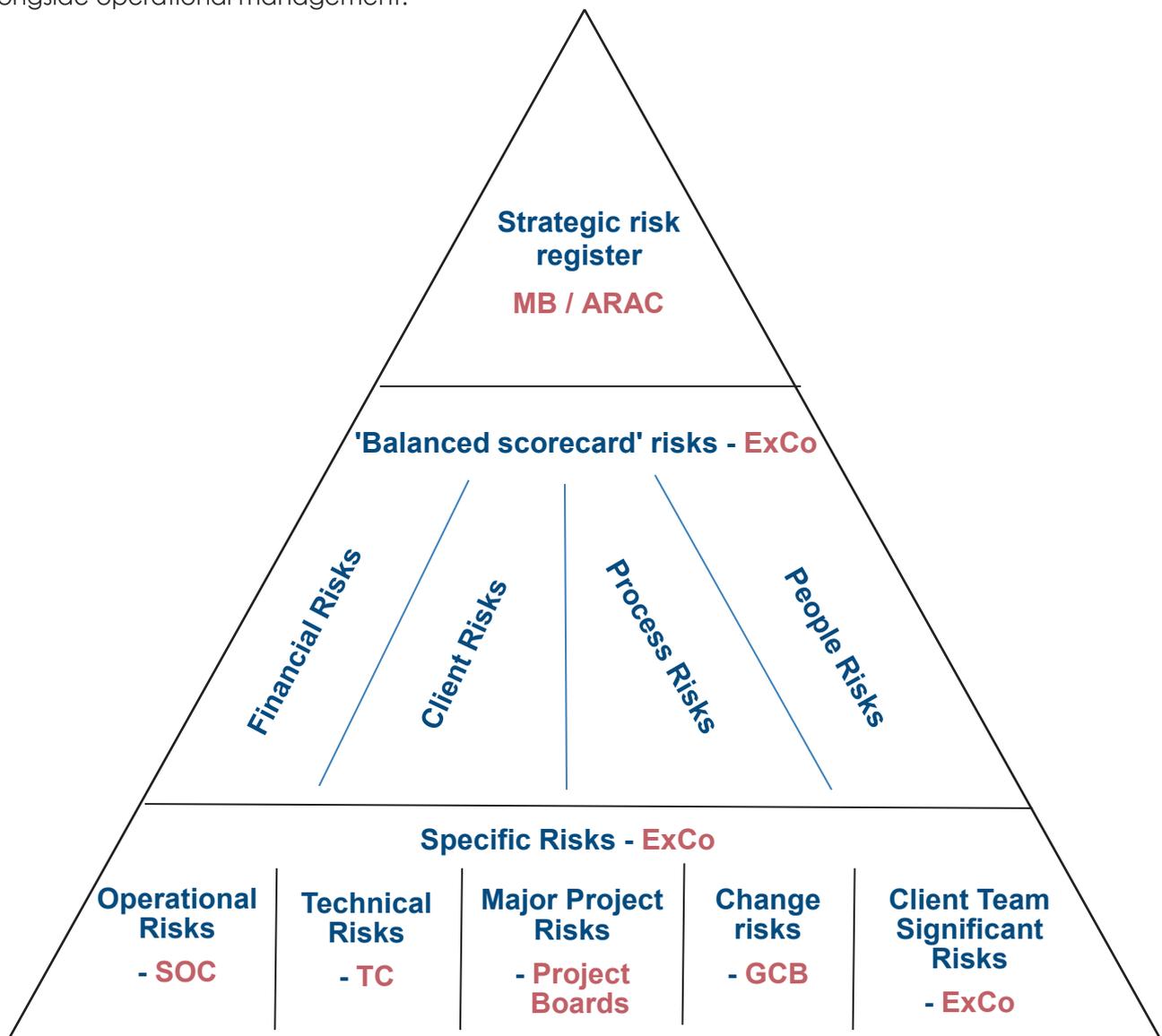
The Management Board reviewed the strategic risks of the Department during the year and agreed an enterprise risk management framework that is closely aligned with the 2015 – 2020 strategy and the annual business plans.

The strategic risks identified by the Management Board are grouped into the four strategic themes.

- 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. Internal Audit reports were received and reviewed by ARAC.

During the course of the year there was one significant incident concerning the alleged misuse of GAD's IT equipment by a member of staff. No evidence of any compromise of sensitive data was found but an urgent review by Internal Audit identified a number of control weaknesses that created an elevated level of risk. Additional staff with expertise in control processes have been brought in to the IT team and an overhaul of policies and procedures has been undertaken. Internal Audit returned to carry out a follow up review in April 2016. This follow up review noted that significant progress had been made in relation to the implementation of critical recommendations. However, further work was needed to ensure fully robust controls were operational.

### Other Assurance

The Head of Internal Audit's Annual Report gave a moderate assurance for the year as a whole. Where weaknesses in controls have been identified we have agreed to implement the actions recommended by Internal Audit.

Internal Audit reviews during the year have covered the following areas:

- Finance key controls – substantial assurance;
- HR key controls – moderate assurance;
- IT Controls - unsatisfactory assurance (as noted above);
- Quality Assurance Scheme – substantial assurance; and
- Actuarial Software controls – software support – limited, security and version control – limited, in house expertise – moderate, and internal controls for detecting errors - Substantial.

The assurance from Internal Audit is supplemented by a formal system of assurance statements from senior executive managers. These statements, supported by other internal controls, require managers to give evidence to support their assurance that they and their teams comply with departmental policies and procedures.

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 was overhauled at the start of 2015-16 using a balanced scorecard approach to align with the KPIs in the Business Plan.

## 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 administrative cost budgets. The variances between the 2015-16 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 2016-17 is set out in the Government Actuary's Department Main Estimate 2016-17. The document is available at the HM Treasury website at [www.gov.uk/hm-treasury](http://www.gov.uk/hm-treasury).

### Table 1: Public Spending

	£'000								
	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Plans	2017-18 Plans	2018-19 Plans	2019-20 Plans
<b>Resource DEL</b>									
Administration	-1,386	-778	-2,338	-1,352	-1,167	-198	-199	-199	-199
Use of Provisions (DEL)	452	418	266	179	177	200	200	200	200
<b>Total Resource DEL</b>	<b>-934</b>	<b>-360</b>	<b>-2,072</b>	<b>-1,173</b>	<b>-990</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
<i>Of which:</i>									
Staff costs	10,306	12,101	12,018	12,220	12,391	13,679	13,430	13,029	12,658
Purchase of goods and services	3,981	3,884	4,491	4,336	4,522	4,783	4,302	4,394	4,490
Income from sales of goods and services	-15,477	-16,674	-18,970	-18,109	-18,279	-18,840	-18,432	-18,124	-17,850
Depreciation 1	196	266	318	320	316	320	640	640	640
Other resource	60	63	71	60	60	60	61	62	63
<b>Resource AME</b>									
Losses on Revaluation	-	-	23	1	-	-	-	-	-
Provisions (AME)	-1,210	-1,250	-1,431	-645	-291	-200	-200	-200	-200
<b>Total Resource AME</b>	<b>-1,210</b>	<b>-1,250</b>	<b>-1,408</b>	<b>-644</b>	<b>-291</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>
<i>Of which:</i>									
Purchase of goods and services	-	-	-	-	-	-	-	-	-
Depreciation 1	-	-	23	1	-	-	-	-	-
Take up of provisions	-758	-832	-1,165	-466	-114	-	-	-	-
Release of provision	-452	-418	-266	-179	-177	-200	-200	-200	-200
<b>Total Resource Budget</b>	<b>-2,144</b>	<b>-1,610</b>	<b>-3,480</b>	<b>-1,817</b>	<b>-1,281</b>	<b>-198</b>	<b>-199</b>	<b>-199</b>	<b>-199</b>
<i>Of which:</i>									
Depreciation 1	196	266	341	321	316	320	640	640	640
<b>Capital DEL</b>									
Administration	309	154	473	203	133	200	200	200	200
<b>Total Capital DEL</b>	<b>309</b>	<b>154</b>	<b>473</b>	<b>203</b>	<b>133</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<i>Of which:</i>									
Purchase of assets	309	154	473	203	133	200	200	200	200

**Capital AME**

Of which:

**Total Capital Budget**

<b>309</b>	<b>154</b>	<b>473</b>	<b>203</b>	<b>133</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
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<b>Total departmental spending</b> <sup>3</sup>	-2,031	-1,722	-3,348	-1,935	-1,464	-318	-639	-639	-639
Of which:									
Total DEL	-821	-472	-1,917	-1,291	-1,173	-118	-439	-439	-439
Total AME	-1,210	-1,250	-1,431	-644	-291	-200	-200	-200	-200

<sup>1</sup> Includes impairments<sup>2</sup> Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items<sup>3</sup> Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.**Table 2: Administration budget**

£'000

	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Plans	2017-18 Plans	2018-19 Plans	2019-20 Plans
<b>Resource DEL</b>									
Administration	-1,386	-778	-2,338	-1,352	-1,167	-198	-199	-199	-199
Use of Provisions (DEL)	452	418	266	179	177	200	200	200	200
<b>Total administration budget</b>	<b>-934</b>	<b>-360</b>	<b>-2,072</b>	<b>-1,173</b>	<b>-990</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
Of which:									
Staff costs	10,306	12,101	12,018	12,220	12,391	13,679	13,430	13,029	12,658
Purchase of goods and services	3,981	3,884	4,491	4,336	4,522	4,783	4,302	4,394	4,490
Income from sales of goods and services	-15,477	-16,674	-18,970	-18,109	-18,279	-18,840	-18,432	-18,124	-17,850
Depreciation	196	266	318	320	316	320	640	640	640
Other resource	60	63	71	60	60	60	61	62	63

## Remuneration and staff report

### Remuneration Policy

The current head of the Department, 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.

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. Martin Clarke was awarded a bonus of £17,500 relating to the performance year to 31 March 2016 which was authorised by the Permanent Secretary for HM Treasury to be paid in financial year 2016-17.

### 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](http://www.civilservicecommission.org.uk).

### Disclosure of salary, pension and compensation information for 2015-16

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 2015-16 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.

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) <sup>1</sup>		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Martin Clarke Government Actuary (from 1 August 2014)	185-190	120-125 (180-185 full year equivalent)	15-20	-	-	-	71	46	270-275	165-170
Trevor Llanwarne Government Actuary (until 31 August 2014)	-	80-85 (195-200 full year equivalent)	-	5-10	-	-	-	-	-	90-95
George Russell Deputy Government Actuary and Head of Actuarial Operations (until 31 May 2015)	20-25 (145-150 full year equivalent)	145-150	-	0-5	-	-	31	54	55-60	200-205
Colin Wilson Deputy Government Actuary	140-145	140-145	0-5	0-5	-	-	56	53	200-205	195-200
Susan Vivian Head of Public Service Pensions (from 1 June 2015)	110-115 (130-135 full year equivalent)	-	0-5	-	-	-	69	-	185-190	-
Kevin Down(2) Director of Finance	60-65 (65-70 full time equivalent)	60-65 (65-70 full time equivalent)	0-5	0-5	-	-	30	13	90-95	75-80
Wendy Dabinett Director of Human Resources (from 9 March 2015)	70-75	0-5 (70-75 full year equivalent)	0-5	-	-	-	11	2	85-90	5-10
Tim Gardner Chief Operating Officer (from 21 September 2015)	60-65 (120-125 full year equivalent)	-	-	-	-	-	23	-	85-90	-
Paul Vinall Interim Director of Human Resources (from 17 March 2014 to 15 March 2015)	-	60-65	-	-	-	-	-	26	-	85-90
Alex Jablonowski Non-executive Board Member (Until 31 December 2015)	0-5	5-10	-	-	-	-	-	-	0-5	5-10
Angela Marshall Non-executive Board Member (From 4 September 2013)	5-10	5-10	-	-	-	-	-	-	5-10	5-10
Louise Redmond Non-executive Board Member (From 9 September 2013)	5-10	10-15	-	-	-	-	-	-	5-10	10-15
Geoffrey Podger Non-executive Board Member (From 1 November 2015)	0-5	-	-	-	-	-	-	-	0-5	-

	2015-16		2014-15
<b>Band of highest paid director's total remuneration (£000)</b>	200-205	<b>Band of highest paid director's total remuneration (£000)</b>	180-185
<b>Median total Remuneration</b>	£50,500	<b>Median total Remuneration</b>	£50,030
<b>Ratio</b>	4.0	<b>Ratio</b>	3.6

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. Kevin Down worked part-time until 29 February 2016.

## 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 2016 on an annualised basis.

The banded remuneration of the highest-paid director in GAD in the financial year 2015-16 was £200k-£205k (2014-15: £180k-£185k). This was 4.0 times the median remuneration of the workforce, which was £50,500 (2014-15, 3.6 times the median of £50,030). The range of salary was from £20k-£25k to £200k-£205k.

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.

## 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 bonus reported for the current Government Actuary in 2015-16 relates to performance in 2014-15. There is no comparative bonus to report.

## Board Members' interests

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

## Pension Benefits

	Accrued pension at pension age as at 31/03/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/16	CETV at 31/03/15	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Martin Clarke <i>Government Actuary</i>	10-15	2.5-5.0	192	115	53
George Russell <i>Deputy Government Actuary and Head of Actuarial Operations</i>	50-55	0-2.5	822	782	25
Colin Wilson <i>Deputy Government Actuary</i>	25-30	2.5-5.0	374	305	29
Susan Vivian <i>Head of Public Service Pensions (from 1 June 2015)</i>	25-30	2.5-5.0	421	337	56
Kevin Down <i>Director of Finance</i>	20-25 Plus lump sum of 65-70	0-2.5 Plus lump sum of 0-2.5	393	343	15
Wendy Dabinett <i>Director of Human Resources</i>	Partnership Pension Scheme Benefits				
Tim Gardner <i>Chief Operating Officer (from 21 September 2015)</i>	10-15	0-2.5	112	94	10

Some board members may incur annual allowance tax charges as a result of pension accrual during the accounting period. No allowance has been made for consequential benefit reduction that may arise if these members elect to meet this tax liability, or similar ones from previous years, through a reduction to their pension benefits.

The Figures above, including the opening and closing CETVs reflect these members' periods of Management Board membership. Following GAD advice, the factors used to calculate CETVs were revised during the year. CETVs have been calculated in accordance with the factors effective at the relevant date.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in

the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal retirement age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus and nuvos and all other members of alpha. 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website: [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## 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 2015-16 (nil in 2014-15).

## Off-payroll arrangements

As at 31 March 2016, the Department had no off payroll engagements for more than £220 per day with a duration of more than 6 months. During the year two off payroll engagements reached a six month duration. Neither of these off payroll engagements related to Board appointments.

## Sickness Absence

The Management Board monitored sickness absence on a monthly basis and in 2015-16 GAD lost an average of 4.8 working days per annum due to sickness absence in comparison to a Civil Service average of 6.3 days and a GAD average of 4.9 days in 2014-15.

The contents of the Remuneration Report are subject to audit.

## Staff Disclosures

### Staff numbers and related costs

Staff costs comprise:

Administration	Permanently employed staff	Others *	2015-16	2014-15
			£000	£000
			Total	Total
Wages and salaries	8,885	504	9,389	9,314
Social security costs	910	50	960	953
Other pension costs	1,944	98	2,042	1,953
<b>Total costs</b>	<b>11,739</b>	<b>652</b>	<b>12,391</b>	<b>12,220</b>

\* Includes non-Executive Board members

Of the total, £nil has been charged in capital (2014-15: £nil).

Of the total, £nil has been charged to the programme budget (2014-15: £nil).

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded multi-employer defined benefit schemes 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 Schemes were valued as at 31 March 2012. Details can be found at <http://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations>.

For 2015-16, employer's contributions of £1,922,805 were payable to the civil service pension schemes (2014-15: £1,801,000) at one of four rates in the range 20.0 to 24.5 per cent (2014-15: 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 2015-16 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 (2014-15 £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 full time equivalent persons employed during the year was as follows:

	2015-16		2014-15
	Permanently employed staff	Temporary staff	Total
Total	136	10	146
			151

## Parliamentary Accountability and Audit Reporting

### Statement of Parliamentary Supply for the year ended 31 March 2016

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 2015-16

£000	SoPS Note	2015-16			2014-15
		Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
		Voted	Voted		Total
<b>Departmental Expenditure Limit</b>					
- Resource	1.1	2	(990)	992	(1,173)
- Capital	1.2	150	133	17	203
<b>Total</b>		152	(857)	1,009	(970)
<b>Annually Managed Expenditure</b>					
- Resource	1.1	(187)	(291)	104	(644)
- Capital	1.2	-	-	-	-
<b>Total Budget</b>		(35)	(1,148)	1,113	(1,614)
<b>Non-budget</b>		-	-	-	-
<b>Total</b>		(35)	(1,148)	1,113	(1,614)
Total Resource		(185)	(1,281)	1,096	(1,817)
Total Capital		150	133	17	203
<b>Total</b>		(35)	(1,148)	1,113	(1,614)

#### Net cash requirement 2015-16

£000	SoPS Note	2015-16			2014-15
		Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
	2	(123)	(720)	597	(2,091)

#### Administration Costs 2015-16

£000	SoPS Note	2015-16			2014-15
		Estimate	Outturn	Outturn compared with estimate: saving/ (excess)	Outturn
		(187)	(1,167)	980	(1,352)

Explanations of variances between Estimate and Outturn are given in SOPS Note 1.1 and in the Analysis and explanation of the development and performance of GAD.

## Notes to the Statement of Parliamentary Supply

### SOPS1 Net outturn

#### SOPS 1.1 Analysis of net resource outturn by section

£000	2015-16										2014-15 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					
<b>Spending in Departmental Expenditure Limit</b>											
Voted:											
Administration	17,112	(18,279)	(1,167)	-	-	-	(1,167)	(187)	980	980	(1,352)
Voted: Use of Provision	177	-	177	-	-	-	177	189	12	12	179
	17,289	(18,279)	(990)	-	-	-	(990)	2	992	992	(1,173)
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
<b>Annually Managed Expenditure</b>											
Voted: Losses on Revaluation	-	-	-	-	-	-	-	-	-	-	1
Voted: Provisions	-	-	-	(291)	-	(291)	(291)	(187)	104	104	(645)
	-	-	-	(291)	-	(291)	(291)	(187)	104	104	(644)
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17,289</b>	<b>(18,279)</b>	<b>(990)</b>	<b>(291)</b>	<b>-</b>	<b>(291)</b>	<b>(1,281)</b>	<b>(185)</b>	<b>1,096</b>	<b>1,096</b>	<b>(1,817)</b>

Expenditure for the year was in line with expectations and within all control totals. During the year we generated an operating surplus of approaching £1.3m. Income increased from £18.1m in 2014-15 to £18.3m in 2015-16. Of which, fee income (income from actuarial services) increased by £400k from £17m to £17.4m.

Income from UK public sector clients remains our main source of revenue. Income increased by 4.4% from £15.8m in 2014-15 to £16.5m in 2015-16.

**SOPS1.2 Analysis of net capital outturn**

	2015-16					2014-15	
	Outturn			Estimate		Outturn	
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	
<b>£000</b>							
<b>Spending in Departmental Expenditure Limit</b>							
Voted:	133	-	133	150	17	17	203
Non-voted:	-	-	-	-	-	-	-
<b>Annually Managed Expenditure</b>							
Voted:	-	-	-	-	-	-	-
Non-voted:	-	-	-	-	-	-	-
<b>Total</b>	<b>133</b>	<b>-</b>	<b>133</b>	<b>150</b>	<b>17</b>	<b>17</b>	<b>203</b>

Capital expenditure for the year was £133k, compared to a budget of £150k, and was in line with expectations.

**SOPS2. Reconciliation of Net Resource Outturn to Net Cash Requirement**

	Estimate	Outturn	Net total outturn compared with Estimate: saving /(excess) £000
	£000	£000	£000
<b>Resource Outturn</b>	(185)	(1,281)	1,096
<b>Capital Outturn</b>	150	133	17
<b>Accruals to cash adjustments:</b>			
Depreciation and Revaluation	(320)	(316)	(4)
New provisions and adjustments to previous provisions	(2)	114	(116)
Other non-cash items	(60)	(60)	-
Adjustments for movements in working balances:			
Increase/(decrease) in work in progress	-	95	(95)
Increase/(decrease) in receivables	-	704	(704)
(Increase)/decrease in payables	105	(286)	391
Use of provisions	189	177	12
<b>Net cash requirement</b>	<b>(123)</b>	<b>(720)</b>	<b>597</b>

**SOPS3. 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 2015-16		Outturn 2014-15	
	Income	Receipts	Income	Receipts
Excess cash surrendered to the Consolidated Fund	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	720	-	2,091
<b>Total amount payable to the Consolidated Fund</b>	-	720	-	2,091

## Parliamentary Accountability Disclosures

### Remote Contingent Liability Disclosures

As at 31 March 2016, GAD had no remote contingent liabilities (2014-15: £50,000). This has been audited.

### Fees and Charges

The Government Actuary's Department generates operating income (shown net of value added tax) through the provision of actuarial services provided, and also through income generated from the sub-letting of spare accommodation within our leasehold property.

### Regularity of Expenditure

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.

Following the Pensions Ombudsman's ruling, a special payment of £26k was made with HM Treasury approval.

These disclosures have been audited.

### Long Term Expenditure Plans

The Government Actuary's Department has agreed indicative baseline funding agreed until 2019-20. Further detail is provided within the Core Departmental Tables. However, in summary, the Department is expected to recover its costs, generating a small surplus of £199k. The capital budget for future years is £200k. This disclosure is not subject to audit.

Martin Clarke  
**Government Actuary**  
Accounting Officer

Date: 24 June 2016

## 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 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, 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, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports as having being 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 Performance and Accountability Report 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 / report.

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 2016 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 2016 and of its net income 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 Staff Report and the Parliamentary Accountability Disclosures to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures 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: 27 June 2016

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

### 3. The Financial Statements

The Financial Statements for the Government Actuary's Department comprise:

- a Statement of Comprehensive Income
- b Statement of Financial Position
- c Statement of Cash Flows
- d Statement of Changes in Taxpayers' Equity
- e Notes to the Departmental Annual Accounts

## Statement of Comprehensive Income

### for the year ended 31 March 2016

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

		2015-16 £000	2014-15 £000
	<b>Note</b>		
Income from actuarial services	4	(17,381)	(16,992)
Other operating income	4	(898)	(1,117)
Total operating income		(18,279)	(18,109)
Staff costs	2	12,391	12,220
Depreciation charges	3	316	320
Provision expense	3	(114)	(466)
Other operating expenditure	3	4,405	4,218
Total operating expenditure		16,998	16,292
<b>Net income for the year</b>		(1,281)	(1,817)
<b>Other Comprehensive Net Income</b>			
<b>Items that will not be reclassified to net operating costs:</b>			
Net (gain)/loss on:			
- revaluation of property, plant & equipment	5	(136)	(88)
- revaluation of intangibles	6	-	-
<b>Total comprehensive income for the year ended 31 March 2016 and 31 March 2015</b>		<b>(1,417)</b>	<b>(1,905)</b>

## Statement of Financial Position

as at 31 March 2016

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.

		2016 £000	2015 £000
Note			
<b>Non-current assets:</b>			
Property, plant and equipment	5	1,295	1,320
Intangible assets	6	98	121
<b>Total non-current assets</b>		<b>1,393</b>	<b>1,441</b>
<b>Current assets</b>			
Work in Progress	10	535	440
Trade and other receivables	11	4,601	3,896
Cash and cash equivalents	12	720	2,091
Total current assets		5,856	6,427
<b>Total assets</b>		<b>7,249</b>	<b>7,868</b>
<b>Current liabilities</b>			
Trade and other payables	13	(2,803)	(3,778)
Provisions (due within one year)	14	(115)	(190)
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>4,331</b>	<b>3,900</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	(756)	(866)
Provisions (due after one year)	14	(668)	(884)
<b>Total non-current liabilities</b>		<b>(1,424)</b>	<b>(1,750)</b>
<b>Assets less liabilities</b>		<b>2,907</b>	<b>2,150</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		2,458	1,837
Revaluation reserve		449	313
<b>Total equity</b>		<b>2,907</b>	<b>2,150</b>

Martin Clarke  
**Government Actuary**  
 Accounting Officer

Date: 24 June 2016

## Statement of Cash Flows

### for the year ended 31 March 2016

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting year. 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 Department's future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Note	2015-16 £000	2014-15 £000
<b>Cash flows from operating activities</b>			
Net operating surplus		1,281	1,817
Adjustments for non-cash transactions	3	262	(85)
Decrease/(Increase) in trade and other receivables	11	(704)	1,111
Decrease/(Increase) in work in progress	10	(95)	40
(Decrease)/Increase in trade payables	13	396	(302)
(Decrease) in trade payables falling due in more than one year	13	(110)	(108)
Use of Provisions	14	(177)	(179)
<b>Net cash inflow from operating activities</b>		<b>853</b>	<b>2,294</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(91)	(197)
Purchase of intangible assets	6	(42)	(6)
<b>Net cash outflow from investing activities</b>		<b>(133)</b>	<b>(203)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Deemed Supply) – current year		-	-
From the Consolidated Fund (Supply) – prior year		-	-
<b>Net financing</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>720</b>	<b>2,091</b>
Payments of amounts due to the Consolidated Fund			
Actual		(2,091)	(812)
Deemed		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(1,371)</b>	<b>1,279</b>
<b>Cash and cash equivalents at the beginning of the year</b>	12	<b>2,091</b>	<b>812</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>720</b>	<b>2,091</b>

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

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
<b>Balance at 1 April 2014</b>		<b>2,051</b>	<b>225</b>	<b>2,276</b>
Net Parliamentary Funding drawn down		-	-	-
Net Parliamentary Funding – deemed		-	-	-
Supply (payable) adjustment		(2,091)	-	(2,091)
Excess cash surrendered to the Consolidated Fund		-	-	-
Consolidated Fund Extra Receipt payable to the Consolidated Fund		1,817	-	1,817
Comprehensive Net Expenditure for the year				
Net gain on: Revaluation Reserve		-	88	88
<b>Non-Cash Adjustments:</b>				
Non-cash charges – auditor's remuneration	3	60	-	60
<b>Balance at 1 April 2015</b>		<b>1,837</b>	<b>313</b>	<b>2,150</b>
Net Parliamentary Funding drawn down		-	-	-
Net Parliamentary Funding – deemed		-	-	-
Supply (payable) adjustment		(720)	-	(720)
Consolidated Fund Extra Receipt payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the Year		1,281	-	1,281
Net gain on: Revaluation Reserve		-	136	136
<b>Non-Cash Adjustments:</b>				
Non-cash charges – auditor's remuneration	3	60	-	60
<b>Balance at 31 March 2016</b>		<b>2,458</b>	<b>449</b>	<b>2,907</b>

## Notes to the Departmental Annual Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 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 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

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servant and Other Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal retirement age of 65. 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

### **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 a 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 Income. 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-let 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 2016.

## 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 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 (2015) 08, discount rates for general provisions are published which relate to the timing of the cash flows: -0.8% (long-term rate – exceeding 10 years), -1% (medium-term rate – after 5 and up to and including 10 years) and -1.55% (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.

### **iii. Pensions Ombudsman case**

Following a ruling from the Pensions Ombudsman, a provision was set up for the liability to pay a retired firefighter interest on an additional pension lump sum plus any tax due. Full details are disclosed in Note 14.3.

### **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 1.37%, set by HM Treasury in Public Expenditure System circular PES (2015) 08.

#### **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](http://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 Cash and cash equivalents**

Cash in the Statement of Financial Position comprises cash at bank and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash, less any outstanding bank overdrafts.

#### **1.2r 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 FR&M have been amended and are mandatory for GAD's accounting period beginning 1 April 2016 or later periods, which GAD will adopt:

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.

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.

### 1.3 Accounting estimates and judgements

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

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

## 2. Staff Costs

Staff costs comprise:

	2015-16 £000 Total	2014-15 £000 Total
<b>Administration</b>		
Wages and salaries	9,389	9,314
Social security costs	960	953
Other pension costs	2,042	1,953
<b>Total costs</b>	<b>12,391</b>	<b>12,220</b>

\* Includes non-Executive Board members

Please see the Staff Disclosure commentary within the Accountability Report for further staff number and cost disclosures.

### 3. Other Administration Costs

	Note	Administration	Programme	2015-16 £000	2014-15 £000
Operating lease: Rent of building		1,810	-	1,810	1,803
Office equipment		1	-	1	6
Rates and building service costs		771	-	771	721
Computer running costs		411	-	411	382
Recruitment		118	-	118	145
Training		274	-	274	250
Consultancy		47	-	47	111
Agency and other temporary staff costs		517	-	517	382
Travel, subsistence and hospitality		54	-	54	56
Subscriptions		94	-	94	94
Telecommunications		48	-	48	45
Other costs		123	-	123	94
Photocopying		19	-	19	19
Stationery and publications		13	-	13	29
Internal Audit Fees		45	-	45	20
<b>Non-cash items:</b>					
Provision for accommodation	14	-	(124)	(124)	(525)
Provision for injury benefits	14	-	4	4	33
Provision for pension liability	14	-	6	6	26
Depreciation and amortisation of fixed assets	5,6	316	-	316	320
Loss of revaluation of fixed assets	5,6	-	-	-	1
Loss on disposal of fixed assets	5,6	-	-	-	-
Auditor's remuneration		60	-	60	60
Other costs		-	-	-	-
		<b>4,721</b>	<b>(114)</b>	<b>4,607</b>	<b>4,072</b>

## 4. Income

	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>£000</b>
	<b>Total</b>	<b>Total</b>
Government Departments	13,504	13,302
<i>Of which receipts from:</i>		
<i>Sub Tenants</i>	898	1,117
<i>National Insurance Fund</i>	567	800
Wider public sector, private sector and overseas	4,775	4,807
	<b>18,279</b>	<b>18,109</b>
Income by geographical locations		
Within the UK *	17,823	17,603
Attributed to all foreign countries	456	506
	<b>18,279</b>	<b>18,109</b>
Income by types of work carried out		
UK policy advice	5,065	2,848
Staff transfers	2,572	1,556
UK public service pensions	6,773	9,712
Other actuarial work	2,969	2,872
Rent and miscellaneous	900	1,121
	<b>18,279</b>	<b>18,109</b>

\* Income from one client was £1,562,000 (8.8% of total income), (2014-15: £1,454,000)

## 5. Property, plant and equipment

Current year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2015	1,911	637	232	2,780
Additions	32	54	5	91
Disposals	-	(42)	(7)	(49)
Revaluations	290	1	2	293
<b>At 31 March 2016</b>	<b>2,233</b>	<b>650</b>	<b>232</b>	<b>3,115</b>
<b>Depreciation</b>				
At 1 April 2015	934	379	147	1,460
Charged in year	121	115	14	250
Disposals	-	(42)	(7)	(49)
Revaluations	157	1	1	159
<b>At 31 March 2016</b>	<b>1,212</b>	<b>453</b>	<b>155</b>	<b>1,820</b>
<b>Carrying amount at 31 March 2016</b>	<b>1,021</b>	<b>197</b>	<b>77</b>	<b>1,295</b>
<b>Carrying amount at 31 March 2015</b>	<b>977</b>	<b>258</b>	<b>85</b>	<b>1,320</b>
<b>Prior year</b>				
Prior year	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2014	1,676	582	235	2,493
Additions	71	123	3	197
Disposals	-	(74)	(4)	(78)
Revaluations	164	6	(2)	168
<b>At 31 March 2015</b>	<b>1,911</b>	<b>637</b>	<b>232</b>	<b>2,780</b>
<b>Depreciation</b>				
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
<b>At 31 March 2015</b>	<b>934</b>	<b>379</b>	<b>147</b>	<b>1,460</b>
<b>Carrying amount at 31 March 2015</b>	<b>977</b>	<b>258</b>	<b>85</b>	<b>1,320</b>
<b>Carrying amount at 31 March 2014</b>	<b>927</b>	<b>244</b>	<b>99</b>	<b>1,270</b>

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

## 6. Intangible assets

Intangible assets comprise of computer software

<b>Current year</b>	<b>Total £000</b>
<b>Cost or valuation</b>	
At 1 April 2015	699
Additions	42
Disposals	-
Revaluations	2
<b>At 31 March 2016</b>	<b>743</b>
<b>Amortisation</b>	
At 1 April 2015	578
Charged in year	66
Disposals	-
Revaluation	1
<b>At 31 March 2016</b>	<b>645</b>
<b>Carrying amount at 31 March 2016</b>	<b>98</b>
<b>Carrying amount at 31 March 2015</b>	<b>121</b>
<b>Prior year</b>	
<b>Cost or valuation</b>	
At 1 April 2014	689
Additions	6
Disposals	(1)
Revaluations	5
<b>At 31 March 2015</b>	<b>699</b>
<b>Amortisation</b>	
At 1 April 2014	488
Charged in year	87
Disposals	(1)
Revaluation	4
<b>At 31 March 2015</b>	<b>578</b>
<b>Carrying amount at 31 March 2015</b>	<b>121</b>
<b>Carrying amount at 31 March 2014</b>	<b>201</b>

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

## 7. Impairments

GAD did not incur any impairment costs during 2015-16 (2014-15: £nil).

## 8. Capital and other commitments

### 8.1 Capital commitments

GAD had no capital commitments at 31 March 2016 (2014-15: £nil).

### 8.2 Commitments under 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.

	2015-16 £000	2014-15 £000
<b>Obligations under operating leases comprise:</b>		
Buildings (rent of office building):		
Not later than one year	1,773	1,730
Later than one year and not later than five years	7,547	7,363
Later than five years	4,569	6,526
Edinburgh Office lease:		
Not later than one year	4	18
Later than one year and not later than five years	-	-
Office equipment*:		
Not later than one year	1	1
Later than one year and not later than five years	2	3
Later than five years	-	-
	<b>13,896</b>	<b>15,641</b>
Subtenants' lease**:		
Not later than one year	(622)	(662)
Later than one year and not later than five years	-	-

\* Office equipment comprises franking machines only.

\*\* Subtenants' lease comprises rental income from Higher Education Funding Council for England and the Ministry of Defence.

## 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 2016 was £4,233,000 (trade receivables and accrued income value).

An aged debtor analysis as at 31 March 2016 is as follows:

	31 March 2016
Under 30 days	£000
Over 1 month and under 6 months	3,798
Over 6 months and under 12 months	428
Over 12 months	7
	-

### 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	2,465	-	-	2,465
<b>Total</b>	<b>2,465</b>	<b>-</b>	<b>-</b>	<b>2,465</b>

### 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 2016. 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

	2015-16 £000	2014-15 £000
Value of time worked but not billed	535	440
	535	440

## 11. Trade receivables and other current assets

	<b>2015-16</b> <b>£000</b>	<b>2014-15</b> <b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	2,705	1,676
Accrued income	1,528	1,777
Deposits and advances	36	34
Other receivables	2	24
Prepayments	330	385
	<b>4,601</b>	<b>3,896</b>

There are no amounts falling due after more than one year (2014-15- £nil).

## 12. Cash and cash equivalents

	<b>2015-16</b> <b>£000</b>	<b>2014-15</b> <b>£000</b>
Balance at 1 April	2,091	812
Net change in cash and cash equivalent balances	(1,371)	1,279
Balance at 31 March	<b>720</b>	<b>2,091</b>
The following balances at 31 March were held at:		
Government Banking Service (GBS)	720	2,091
Balance at 31 March	<b>720</b>	<b>2,091</b>

### 13. Trade payables and other current liabilities

	2015-16 £000	2014-15 £000
<b>Amounts falling due within one year:</b>		
VAT	1,314	1,206
Other taxation and social security	303	-
Trade payables	1	1
Other payables	1	42
Accommodation creditor	109	106
Accruals and deferred income	127	133
Employee benefits (annual leave carried forward)	228	199
Consolidated Fund Creditor for cash unspent at year end	720	2,091
Consolidated Fund Creditor for cash unspent – prior year	-	-
	<b>2,803</b>	<b>3,778</b>
<b>Amounts falling due after more than one year:</b>		
Accommodation creditor	756	866
	<b>756</b>	<b>866</b>
<b>Total</b>	<b>3,559</b>	<b>4,644</b>

## 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 2015	659	68	26	321	1,074
Provided in the year	-	6	-	-	6
Provisions not required written back	(124)	-	-	(7)	(131)
Provisions utilised in the year	(81)	(74)	(6)	(16)	(177)
Unwinding of discount	-	-	-	11	11
<b>Balance at 31 March 2016</b>	<b>454</b>	<b>-</b>	<b>20</b>	<b>309</b>	<b>783</b>

	Onerous Lease	Early departure costs	Pensions Ombudsman case	Other	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
<b>Balance at 31 March 2015</b>	<b>659</b>	<b>68</b>	<b>26</b>	<b>321</b>	<b>1,074</b>

### 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 2017)	79	-	20	16	115
Between 2017-18 and 2020-21	375	-	-	59	434
Between 2021-22 and 2025-26	-	-	-	65	65
Thereafter	-	-	-	169	169
<b>Balance at 31 March 2016</b>	<b>454</b>	<b>-</b>	<b>20</b>	<b>309</b>	<b>783</b>

### 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 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 (2015) 08, discount rates for general

provisions are published which relate to the timing of the cash flows: -0.8% (long-term rate – exceeding 10 years), -1% (medium-term rate – after 5 and up to and including 10 years) and -1.55% (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. The provision was fully utilised during 2015-16.

#### **14.3 Pensions Ombudsman case**

Following a complaint from a retired firefighter, the Pensions Ombudsman found GAD had failed 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. The remaining provision is in respect of his potential tax liability.

#### **14.4 Other Provisions**

Injury Benefit Provision – A former GAD employee was awarded an injury benefit 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 2016, GAD had no contingent liability (2014-15: £50,000).

### **16. Losses and special payments**

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. Following the Pensions Ombudsman's ruling, a special payment of £26k was made with HM Treasury approval (2014-15: £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, Scottish Public Pensions Agency, the Cabinet Office, the Home Office, HM Treasury, Department for Communities and Local Government, the Ministry of Justice, the Department for Business, Innovation and Skills and HM Revenue & Customs.

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

In 2015-16, the total net income from these sub-tenants was £898,000.

### **18. Third-party assets**

During 2015-16, the Department did not hold any third party deposits (2014-15: £nil).

### **19. Entities within the departmental boundary**

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

### **20. Events after the reporting period date**

A referendum was held on 23 June 2016 to decide whether the United Kingdom should stay in or leave the European Union (EU). The result was a vote to leave the EU. This decision does not impact on GAD's financial results for 2015-16. Similarly, there were no other events recorded after the Statement of Financial Position date which affected the true and fair view of the accounts.

### **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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