



Government
Actuary's
Department

Annual Report and Accounts 2016-17



The Government Actuary's Department

Annual Report and Accounts 2016-17

(For the year ended 31 March 2017)

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

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

Ordered by the House of Commons to be printed on 29 June 2017

This is part of a series of departmental publications which, along with the Main Estimates 2016-17 and the document Public Expenditure: Statistical Analyses 2016, present the government's outturn for 2016-17 and planned expenditure for 2017-18.



© Crown copyright 2017

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

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

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

Print ISBN 9781474145510

Web ISBN 9781474145527

ID 13061711 07/17

Printed on paper containing 75% recycled fibre content minimum

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

Contents

The Performance Report	4
Overview	4
Executive Statement	4
Purpose and activities of the Government Actuary's Department	4
Principal Activities	5
Key organisational risks	6
Going concern assessment	6
Performance Summary	6
Performance Analysis	8
Departmental mission, vision and strategy	8
Performance and operating review	9
Sustainable development reporting	17
The Accountability Report	20
Corporate Governance Report	20
Executive's Report	20
Statement of Accounting Officer's Responsibilities	26
Governance Statement	27
Core Tables	35
Remuneration and Staff Report	38
Remuneration Report	38
Staff Report	45
Parliamentary Accountability and Audit Report	47
Statement of Parliamentary Supply	47
Notes to the Statement of Parliamentary Supply	49
Parliamentary Accountability Disclosures	52
Certificate and Report of the Comptroller and Auditor General to the House of Commons	53
The Financial Statements	55
Statement of Comprehensive Income	55
Statement of Financial Position	56
Statement of Cash Flows	57
Statement of Changes in Taxpayers' Equity	58
Notes to the accounts	59

The Performance Report

Overview

This section contains a statement from the Government Actuary providing his perspective on the performance of the organisation over the period, details of the purpose and activities of the Government Actuary's Department and a list of key risks that could affect the entity in delivering its objectives and a performance summary.

Executive Statement

This was the second year of the Government Actuary's Department's five year strategy, which seeks to steer the Department towards our shared vision for 2020.

During the year, we continued to focus on providing a high level of service to our clients, ensuring that we met their expectations whilst also delivering best value for money for the taxpayer. We achieved all our financial performance targets. 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 and updated many of our policies and processes, in particular with regard to finance, HR and IT controls.

We fully established the Actuarial Services team during 2016-17 to ensure more consistent and cost effective actuarial support for our client-facing teams. During a period of change, we achieved a Civil Service staff engagement score of 65% compared to the overall average of 60% across the whole Civil Service. In particular, our scores for 'organisational objectives' and 'my team' were very strong.

We managed our performance through monitoring detailed targets, Key Performance Indicators (KPIs), and budgets. Through open and collaborative discussions at Board level,

we sought to ensure that we continually reviewed our performance and to ensure we meet the expectations of our clients.

The market for actuarial services continues to evolve. We won new work commissions during the year with a value of £6.1 million. These new commissions cover both traditional public sector pensions work and new insurance and investment projects. Because we wish to retain our strong client focus, we commissioned an independent review of our performance. This confirmed that clients valued both our expertise and our partnership working approach.

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

Martin Clarke, Government Actuary

Purpose and activities of the Government Actuary's Department

We provide actuarial and specialist analysis, advice and assurance to clients in both the public sector (UK and overseas) and the private sector, where this is consistent with government policy and does not impair our ability to serve the UK government. 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 and Social Security

Public service pension schemes

We provide actuarial advice to all of the main UK public service schemes such as those for the civil service, armed forces, police, fire service, teachers, local government and National Health Service. Our advice impacts on a significant proportion of the population, covering around 13 million members in total.

We advise and assist UK and overseas government departments on pension scheme policy and implementation. We also carry out regular actuarial valuations to measure scheme costs, provide financial information for pension scheme annual accounts, and maintain and update scheme actuarial factors.

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.

Funded pension schemes

We advise funded occupational pension schemes (those which have a pool of assets backing the liabilities) in the wider public sector and the private sector. This work includes consultancy services for trustees of schemes; advice to sponsors; and strategic benefit and investment reviews.

Pensions policy, regulation and supervision

We provide actuarial analysis for government departments and public bodies requiring actuarial input to policy development. While the main focus is on the provision of actuarial support to officials in HM Treasury and the Department for Work and Pensions (DWP), we also provide support to a number of autonomous bodies such as the Pension Protection Fund and The Pensions Regulator.

Staff transfers

We provide advice on projects involving the transfer of staff between government departments and other public bodies. We also assist on projects where former public servants who transferred to a private sector scheme are able to rejoin a public service scheme under the revised 'Fair Deal' arrangements announced in October 2013.

Social security

We provide regular reports to Parliament on the financial position of the UK National Insurance Fund ('the Fund') as required by legislation. These 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.

2. Insurance and Investment

Insurance and risk transfer

We provide actuarial advice to government departments, public bodies and local authorities on life, general and health insurance related matters.

We value contingent liabilities and provide advice on the underlying risks, which might arise from self-insurance or risk transfer schemes.

We also assist in managing financial risks and, where our actuarial and insurance expertise is relevant, in developing government policy. Our analysis and advice apply to a wide range of challenges from climate change to social care funding.

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.

We undertake a wide variety of assignments for public sector bodies on issues such as investment strategy, risk modelling, and project risk management.

We also produce monthly newsletters¹ summarising the latest market and economic news and providing a brief article on a topic of interest.

3. Modelling and Quality Assurance

We provide advice to 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.

Key organisational risks

Strategic risks identified by the Management Board are as follows:

1. GAD's services do not provide value for money;
2. GAD's reputation for providing high quality advice to clients is damaged;
3. Failure to recruit, manage and allocate people resources appropriately; and
4. Failure to comply with financial targets set in parliamentary estimates.

Further details about how these could affect GAD in delivering its objectives can be found in the Governance Statement within the Accountability Report (pages 30-32).

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.

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.

Performance Summary

In 2016-17, GAD successfully increased its level of new businesses by 8% from 2015-16. Surveys and interviews with various GAD stakeholders show that GAD is highly rated and achieved all of its parliamentary estimates targets.

¹ <https://www.gov.uk/government/publications/investment-and-risk-monthly-updates>

GAD'S WORK

Risk protection arrangement (RPA) for academies

The risk protection arrangement (RPA) is an alternative to commercial insurance for academy trusts. Under the RPA, the UK government (Department for Education, DfE) covers the losses instead of commercial insurance.

An ongoing challenge for DfE is predicting the cost of claims, as well as estimating the total operating costs in the future. Due to the nature of the claims, there is often a delay between an event occurring and it being reported, and a further delay before it is fully resolved and settlement paid. This causes a considerable amount of uncertainty.

GAD has been working with DfE to assist with the understanding and quantification of the risks accepted by the RPA. We provide advice and analysis on these problems by estimating the cost of claims for events that happened in the past and are expected in the future.

The results of our work are an integral component of DfE's budgeting and financial reporting process. As well as assisting with these day-to-day activities, we have also helped to assess the future funding requirements for the RPA in its current form, and the feasibility of extending the scope of the services that are offered. Our partnership approach with DfE has helped to ensure the successful launch of the RPA, and this has recently been formally recognised by the arrangement winning a Government Finance Award for innovation.

Ian Rogers

Chief Actuary, Insurance and Investment team



Performance Analysis

Departmental mission, vision and strategy

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.

Leadership Pledge

We will be:

- > **INSPIRING:** by expressing our pride and passion for GAD in an upbeat narrative that we will share with colleagues and contacts;
- > **CONFIDENT:** to deal with issues promptly and clearly, sharing our ideas and experimenting; and
- > **EMPOWERING:** by supporting and encouraging others to be innovative and change focussed.

Mission

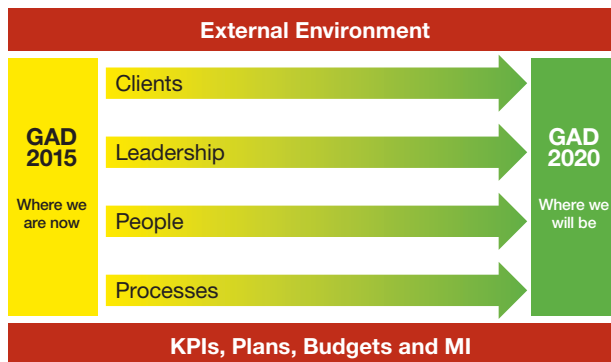
To support effective decision-making and robust reporting within government as the first choice provider of actuarial and specialist analysis, advice and assurance.

Values

A gile	D edicated	E xpert	P artnering	T rusted
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

2016-17 was the second 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 document² 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

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 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.

Performance and operating review

In 2016-17, we identified the most important measures to help us understand how the Department was performing, and set ourselves some tough targets as part of a balanced scorecard. Whilst not all these aims were achieved in 2016-17, we made significant progress and continued to learn important lessons as to where we can improve still further:

- > We have continued to focus on developing our relationships with our clients, whilst maintaining our clients' assessment of us as being 'highly valued'. We have introduced client development plans in general and pioneered new Client Engagement Actuary roles within the Public Service Pensions Schemes teams, positioning us well to enhance our partnership with our clients. On-site actuaries working closely with client teams

² <https://www.gov.uk/government/publications/gad-department-strategy-2015-2020>

- have proved to be especially valuable to many of our clients. New business wins this year have significantly exceeded our targets and helped us to continue to both diversify our business and strengthen our core pensions work. Although our range and versatility is becoming better known, we recognise that we can do more to illustrate the contribution that public service actuaries can make. There is scope, for example, to improve the communication of our capability in general and in competitive tenders in particular.
- > Financial management of the Department has been further enhanced. We implemented a 3% fee rates reduction for clients and, by improving our resource usage and utilisation rates, remained within our Parliamentary financial control totals.
 - > On the people side the enhanced performance management system has been working well, as confirmed by staff feedback, although line management will remain a focus for the coming year. The 2016 staff survey produced some pleasing improvements in scores which are testament to the work of leaders at all levels in the Department. Significant progress has been made with improving our HR processes and, in particular, enhancing the performance management system.
 - > The further development of efficient and consistent processes in our work for the public service pension schemes is bearing fruit, with many standard processes now built within the Actuarial Services function to deliver comprehensive and consistent actuarial analysis across all these schemes. Our risk management processes are becoming well-established and we are expecting a positive endorsement of our approach following the recent review carried out by Internal Audit. Some progress has been made in enhancing our approach to the project management of our work, but there is further to go before we can be confident that our teams and clients have ready access to the necessary information on progress and costs to ensure successful delivery of all our work.



£17.5m

Actuarial income
in 2016-17
(against £17.9m target)



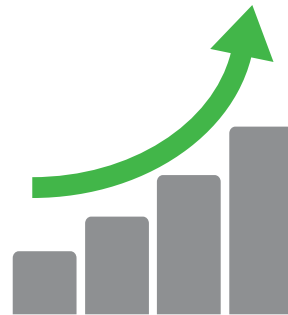
35%

of this income classified
as **'new business'**
(3% more than target)



18%

Actuarial income from
non-pensions business
(1% above target)



22

Insurance and investment
projects completed, a **47%**
increase from 2015-16



All bar 4

requests were responded
to within time period set
by statute



GAD is highly
valued by

96%

of its **'top 50'**
clients
(Target of 90%)



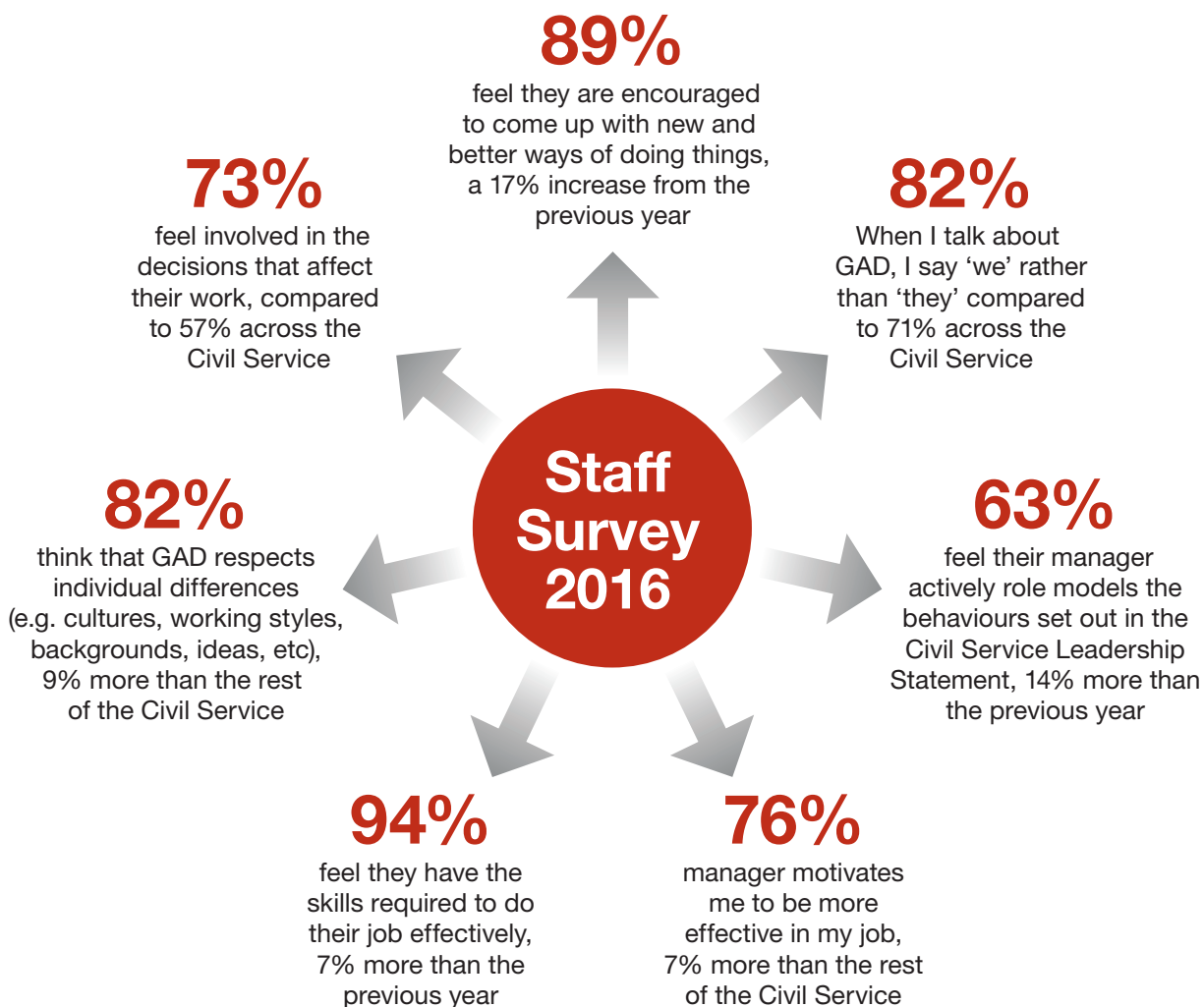
23

GAD actuaries
working onsite
alongside our clients



63%

actuarial utilisation
(Target 60%)



To assess GAD's performance in maintaining its reputation for providing high quality advice, GAD had actively sought feedback from its existing and potential clients via the use of:

1. a client survey initiated by GAD. The full GAD Client Survey 2016-17 report can be accessed via https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/614126/GAD_Client_Survey_Results_2016-17.pdf
2. an independent global leader for business intelligence to carry out Stakeholder Qualitative Research. Recommendations from this report includes:
 - a) Build partnerships with clients via an onsite presence and regular catch-ups and informal meetings. GAD already does so and will continue.
 - b) Offer tailored and innovative solutions by understanding clients' needs, issues and challenges and how GAD can assist with these.
 - c) Proactively approach clients with suggestions of new and more efficient ways of doing things.
 - d) Offer solutions that take in the 'bigger picture' and apply GAD's wider public sector knowledge.
 - e) Help clients and potential clients understand how GAD can help them, but avoid 'hard selling' by utilising more informal methods, such as the sharing of case studies through presentations, workshops, forums and learning events.
 - f) Promote GAD's skills, quality and expertise, and include client endorsements.
 - g) Raise awareness, via presentations, workshops, master classes, learning events and forums. Publish articles in Civil Service publications/intranet to promote GAD's image as a thought leader.

GAD'S WORK



Isle of Man's Social Security and National Insurance schemes

In July 2015 Tynwald, the parliament of the Isle of Man (IoM), approved a set of recommendations which resulted in the IoM and the United Kingdom (UK) having different State Pension provisions in respect of people reaching State Pension age on or after 6 April 2016. In the UK a new 'single-tier' State Pension was introduced from 6 April 2016, whereas the IoM retained the existing State Pension provisions. However, the IoM was committed to introducing a new Manx Pension, designed for the IoM's needs.

The Treasury's Social Security Division commissioned GAD to assist in testing potential options they were considering for the reform of the IoM's Social Security and National Insurance schemes, with particular reference to the National Insurance Fund.

Potential options for reform considered included:

- > introducing a single tier, flat-rate State Pension approach similar to the UK; and
- > linking future benefits increases, with the exception of the Pension Supplement, to the increase in average earnings

We analysed the options using different scenarios for the economic assumptions, in particular those for earnings and consumer price index increases. Our report provides estimates of the projection of contributions, benefits and fund balance to 2072 under the range of potential reform options.

At the July 2016 sitting Tynwald approved the Treasury's proposals for reform, which were informed by the GAD analysis. These proposals will form the foundation of the new Manx State Pension due to be introduced from 6 April 2019.

Matt Gurden

Chief Actuary, Advice to government team

GAD'S WORK



High Speed 2 (HS2)

HS2 is a high speed rail link project, which, in its first phase, will link London with the West Midlands. HS2 developed a risk financing strategy for its phase one programme and asked GAD to independently review the modelling and analysis work produced by their external advisors.

We supported on:

- > the completeness of the risks identified and assessed;
- > the reasonableness, appropriateness and robustness of the assumptions and methodology employed to assess the risks;
- > whether all risk mitigation strategies had been considered, and
- > the determination of which risks were either included or excluded from the risk register.

We also identified further possible risks and mitigation strategies that could be used. This support ensured HS2 could make an informed decision about the risks it faces and ways to control or mitigate certain risks within a large infrastructure project.

Andrew Jinks

Deputy Chief Actuary, Insurance and Investment team

Long-term expenditure trends

The Government Actuary's Department has agreed indicative baseline funding agreed until 2019-20. Further detail is provided within the Core Departmental Tables (see Corporate Governance Reporting section within the Accountability Report). However, in summary, the Department is expected to recover its costs, generating a small surplus. The capital budget for future years is £200,000.

Operating Review

Pensions and Social Security

2016-17 saw the Public Service Pension Scheme teams starting work on the 2016 actuarial valuations. These valuations set the initial cost cap funds for the reformed schemes and for the first time will test the new cost management framework under which the schemes operate. The valuation work will continue into 2017-18.

Our newly created Actuarial Services team has undertaken the processing work for the valuations with the aim of improving consistency, efficiency and cost savings for our clients. In addition to this work, regular activities have continued including providing figures for inclusion in the public service pension scheme accounts, for cash flow forecasts and to feed into the Parliamentary supply estimates process.

During 2016-17 we completed a dry run rehearsal of how we will carry out a review of the actuarial valuations of the Local Government Pension Scheme as at 31 March 2016 in accordance with section 13 of the Public Service Pensions Act 2013. This involved extensive engagement with the various stakeholders.

A number of the Public Service Pension Scheme teams also provided support to sponsoring departments in defending legal

challenges relating to the introduction, in 2015 following the review by Lord Hutton, of the reformed schemes.

The teams 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 advising the DWP on policy issues relating to private sector pension schemes; 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 continuing to advise 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.

Actuarial Services

The Actuarial Services team has for the most part worked with the Public Service Pension Scheme teams on the 2016 actuarial valuations. The main focus has been on data processing, analysis of experience and initial calculations using a well-defined process for carrying out the updates. We also developed the tools and processes required for the later stages of the valuations. All of these are continuously improved to learn from our experiences.

The use of standardised approaches allows for a more consistent and streamlined approach to our work. This provides a more robust product to our clients at lower cost and allows for greater comparison across schemes.

Advice to government

The Advice to government team primarily support DWP, HM Treasury (HMT) and HM Revenue and Customs (HMRC) to formulate policy on private and public sector pensions, and to understand the implications of changes to the social security system.

During the year we have:

- > delivered the Government Actuary's annual report to the UK Parliament on the financial implications of changes to National Insurance contributions and benefits;
- > prepared a report to the DWP Secretary of State on the future path of State Pension age required such that individuals are expected to spend a specified proportion of their adult lives in retirement;
- > provided policy advice to inform the DWP green paper on defined benefit pension schemes 'Security and Sustainability in Defined Benefit Pension Schemes'; and
- > supported HMT to prepare for legal cases in relation to the transitional protection provisions in a number of public sector pension schemes.

Throughout the year we have worked with HMRC to identify efficiencies in the processes surrounding the operation of the National Insurance Fund, which should lead to lower running costs in future.

Additionally, we have also provided advice to a number of overseas governments on social security and pensions issues.

Insurance, Investment, Modelling and Quality Assurance

The Insurance and Investment team had a very successful year, delivering advice, risk and modelling services to many central government departments and other public sector bodies. Increasing numbers of onsite actuaries and secondments have helped us continue to build deeper relationships with clients and contribute effectively to their priorities.

Noteworthy successes this year have been the ongoing work with UK Government Investments (formerly the Shareholder Executive) relating to the sale of student loans and a much closer engagement with DFID helping them with plans for a Global Insurance Development Facility.

We have continued to provide substantial support to the NHS Resolution and to develop our partnership on model QA with the Government Internal Audit Agency (GIAA). Our links with the National Audit Office and the Office for Budget Responsibility have also continued to develop on the back of OBR's planned new Fiscal Risks report.

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).

GAD'S WORK



National Health Service Resolution (NHS Resolution)

NHS Resolution (previously known as the National Health Service Litigation Authority) is an important part of the National Health Service (NHS). Its remit includes providing indemnity cover for legal claims against the NHS and supporting NHS bodies in learning from claims.

GAD provides actuarial support to NHS Resolution, combining our technical skills in relation to insurance business with our public sector focus.

Our work for NHS Resolution focuses on the following areas in particular:

- > calculation of member contributions for each of the indemnity schemes managed by NHS Resolution;
- > calculation of accounting provisions for expected future payments arising from past events (including advising on appropriate assumptions to use for this purpose); and
- > projection of the schemes' future costs.

This work requires the application of actuarial technical skills appropriate to the different classes of business covered by the schemes. NHS Resolution differs from standard insurance business in a number of ways, including the scale of coverage, claim types, public sector financing arrangements and political considerations. We use our experience of being within and advising the public sector to focus our advice on NHS Resolution's specific circumstances.

Aidan Smith

Chief Actuary, Insurance and Investment team

Sustainable development reporting

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 intend on transitioning to the new ISO 14001:2015 standard before the 2018 renewal date.

Summary of Performance

Our objectives and targets are based on the new Greening Government Commitments (GGCs) covering the period 2016 to 2020. These targets concentrate on reducing emissions and water use, improving waste management, buying 'greener' products and services, and being open and transparent. We set yearly targets for each GGC measure and these targets set out how we plan to achieve reductions in CO₂ emissions from building energy use through efficient use of accommodation and IT, how waste will be diverted away from landfill via methods based on the waste hierarchy principle and to manage the consumption of water.

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

Greenhouse gas emissions

		Baseline 2009-10	2014-15	2015-16	2016-17
Non-financial Indicators (CO ₂ e)	Scope 1 and 2 emissions ¹	248	199	226	177
	Scope 3 emissions (indirect – official business travel)	33	16	9	25
	Total emissions	281	215	235	202
Other Non-financial Indicators	Number of domestic flights	93	70	59	71
Related Energy Consumption (KWh) ²	Electricity	373,921	318,126	361,001	344,043
	Gas	247,799	146,097	127,072	133,714
Financial Indicators (£)	Expenditure on energy	51,667	41,389	46,149	43,372
	CRC License expenditure	–	1,290	1,290	1,290
	CRC emissions allowance	–	6,396	5,797	5,349
	CRC Phase 2 registration	–	–	–	–
	Expenditure on official business travel	66,135	33,590	30,813	31,121

- CO₂ emissions figures are taken from the Cabinet Office electronic Property Information Mapping Service (ePIMS) database.
- 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 2020 the government will:

- > Reduce greenhouse gas emissions by at least 32% from a 2009-10 baseline and all ministerial HQs to publish online real time energy use information; and
- > Reduce the number of domestic business travel flights by 30% from the 2009-10 baseline.

Gas consumption has increased slightly due to a cold winter.

Our electricity is generated from renewable sources as of 1 September 2016.

Total energy consumption has stabilised.

The number of domestic flights is 25% lower than the 2009-10 baseline.

Waste

		Baseline ³ 2010-11	2014-15	2015-16	2016-17
Non-financial Indicators (tonnes)	Non-Recycled	7	0	0	0
	Total Reused/Recycled	15	17	21	8
	Composted	–	2	3	2
	Energy recovery	–	1	1	1
	Total waste	22	20	25	11
Financial Indicators (£)	Total disposal cost	8,162	6,716	8,000	7,208

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

Targets and narrative

The GGCs are that by 2020 the government will improve waste management by:

- > Reducing the amount of waste going to landfill to less than 10%;
- > Continuing to improve waste management by reducing the overall amount of waste generated and increasing the proportion which is recycled.

Waste generation has reduced significantly over the past year.

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	2014-15	2015-16	2016-17
Non-financial Indicators (A4 Reams)	1,610	1,242	931	911

Targets and narrative

The GGC is that by 2020 the government will achieve a 50% cut in paper use from a 2009-10 baseline. Up to and including 2016-17 we have achieved a 43% reduction. Recycled paper is now fully implemented.

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	2014-15	2015-16	2016-17
Non-financial Indicators (m ³)	Water consumption	1,010	738	955	931
	m ³ per FTE	7.70	4.70	5.90	5.70
Financial Indicators (£)	Water supply and disposal costs	2,030	1,885	2,383	2,184

Targets and narrative

The GGC is to further reduce water consumption. GAD will continue to improve on our reductions by setting internal targets, and reporting on office water use (m³ per FTE). Water consumption has stabilised.

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, Interserve to ensure that their use of facilities reflects energy conservation and lighting reduction during off-peak hours.

Sustainability awareness

The GAD sustainability lead is a registered member of the Institute of Environmental Management and Assessment. Sustainability is covered as part of induction for new recruits to the Department. For existing staff periodic updates or refresher training sessions are provided. There is intention to introduce a green week in the future.

Martin Clarke
Government Actuary
 Accounting Officer
 21 June 2017

The Accountability Report

Corporate Governance Report

Executive's Report

During the year we generated an operating surplus of £0.78 million. Income for the year remained constant at £18.3 million. Fee income (income from actuarial services) increased by £86k from £17.381 million in 2015-16 to £17.467 million in 2016-17. Our fee rate had reduced by 3% in 2016-17 compared to 2015-16, in recognition of the financial pressures many of our clients are under.

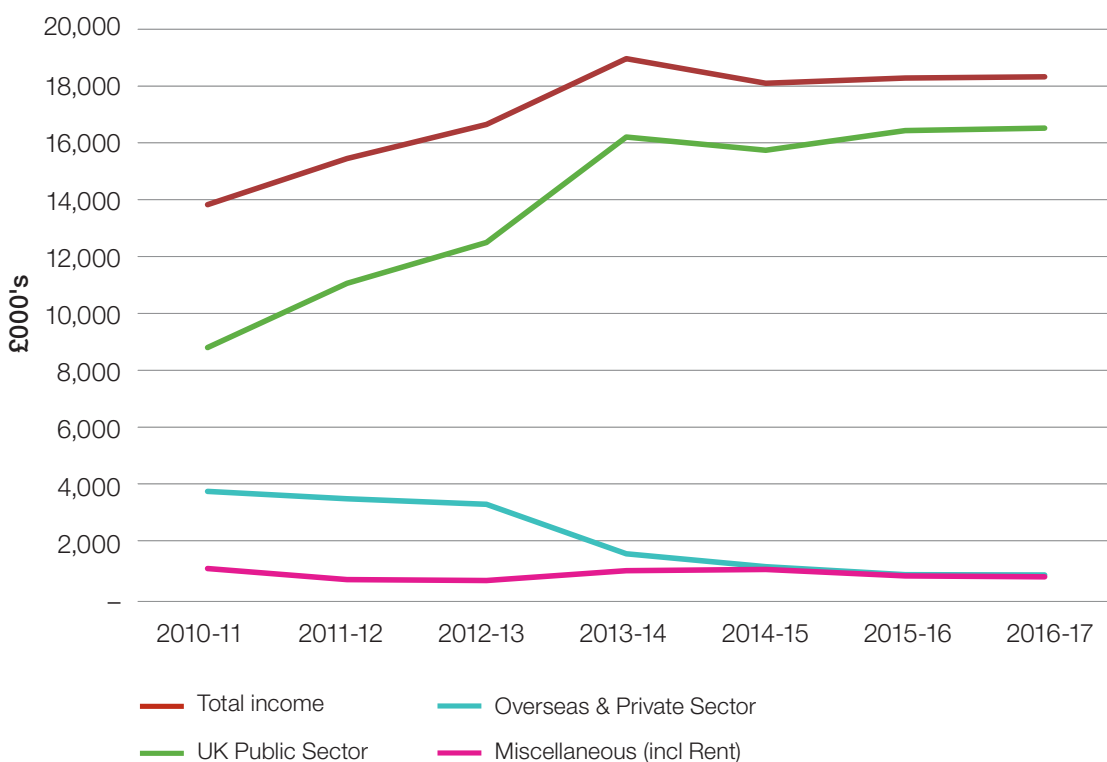
Income generated from within the UK was £17.9 million (2015-16: £17.8 million).

Overseas income remains fairly constant at £468k (2015-16: £456k).

Miscellaneous income was £867k, declining from £900k in 2015-16. Miscellaneous income is largely generated by the sub-lease of two floors of Finlaison House.

Administration costs in 2016-17 amounted to £17.5 million, a small increase from £17.1 million in 2015-16. Staff costs (£12.9 million) is the main component of administration costs. Staff costs in 2016-17 increased by nearly 4%. This was due to a general 1% pay increase for staff in post, and an increase in staff numbers. The cost of employing agency and some other temporary staff is classified under other administration costs in our accounts. These additional staff costs have decreased from £517k in 2015-16 to £393k in 2016-17, in line with reduced numbers.

Income



Other administration expenditure remained consistent at around £4.7 million (2015-16: £4.7 million). Much expenditure was consistent with the previous year, although IT expenditure increased from £411k in 2015-16 to £602k in 2016-17, reflecting our need to both update systems and strengthen IT controls. 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 2016-17 was £200k of which £185k was utilised. The majority of the capital spend was related to the replacement of IT hardware and software.

Our Supply Estimate had a net cash requirement of £423k and we achieved an outturn of (£357k) cash in 2016-17. All surplus cash at year end is returned to the Consolidated Fund. Running and capital costs were met through fee income generated from providing actuarial services and rental income.

The Statement of Financial Position shows total assets of £6.3 million (2015-16: £7.2 million), non-current and current assets plus current liabilities £4.6 million (2015-16: £4.3 million), and non-current liabilities of £1.2 million (2015-16: £1.4 million). Liabilities include provisions for an onerous lease and an injury benefit claim.

GAD is a non-ministerial Department led by the Government Actuary. Details of the Chairman and the composition of the Management Board can be found in the Governance Statement. Board Members' interests are disclosed in the Remuneration Report.

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 2016-17 91% of invoices by value

(84% by number) were paid within 5 working days. The equivalent figures for 2015-16 were 89% of invoices by value (86% 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 2016-17 we spent £52k (2015-16: £47k) on consultancy and professional services.

We incurred costs of £393k (2015-16: £517k) on the employment of temporary staff. These were mainly specialist actuarial and IT 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.

£12k was incurred on publicity and advertising costs, all of which was for recruitment (2015-16: £13k).

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 Note 9.

Political and Charitable donations

GAD made no political or charitable donations in 2016-17 (2015-16: £nil).

Financial Outturn

Our financial outturn for 2016-17 is reported in different ways. The accounts show the net resource outturn as a surplus of (£780k) against an Estimate of (£87k) net surplus, resource Departmental Expenditure Limit (DEL) of (£670k) surplus against an Estimate of £3k and capital DEL of £185k against an Estimate of £200k. The tables in the Statement of Parliamentary Supply Notes 1 and 2 reconcile these figures.

Recruitment and Turnover

GAD's staff turnover has remained static this year at 13% but recruitment activity has increased with the introduction of the Actuarial Services team.

Staff in post as at 31 March 2017

	Staff in Post 31/03/2017	Male 31/03/2017	Female 31/03/2017	Staff in Post 31/03/2016	Male 31/03/2016	Female 31/03/2016
Actuaries ¹	80	49	31	74	46	28
Trainee Actuaries ¹	35	22	13	44	29	15
Actuarial Technicians	29	19	10	14	10	4
Support Staff ¹	25	13	12	27	19	8
Secondees/Agency	4	3	1	9	7	2
Total	173	106	67	168	111	57
Of which: Leadership Group ²	15	12	13	13	10	3

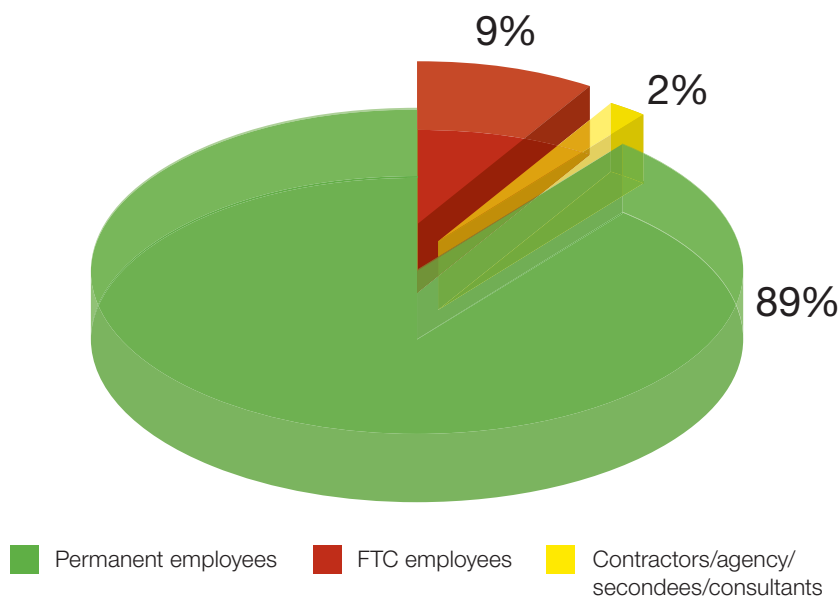
1. Permanent and Fixed Term Contract Employees

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

Given the cyclical nature of pension scheme valuation work and associated revenue, we utilise contingent labour, in the form of employees on fixed term contracts and secondees from the private sector when the need arises. 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 2017.



Staff Engagement Survey

The 2016 Staff Survey received an 86% completion rate which resulted in an overall Engagement Index of 65%. The headline scores in several key areas are very positive especially as GAD has initiated culture change initiatives and undertaken a structure change during the year. There were significant improvements made in five areas; Leadership and Managing change (+11%), Pay and Benefits (+9%), Resources and Workload (+8%), My Team (+7%) and My Work (+5%).

Four areas of improvement were identified to focus on, pay and benefits, leadership and management, learning and development, people and performance management. A variety of actions have been identified such as:

- > review non-cash benefits that would be attractive to current employees and also assist with the attraction of new employees;
- > ensure clearer communications about benefits, purpose and intentions of change and more direct communications with senior management;
- > provide 'on the job' learning and development within the induction portfolio and create a Development Adviser role to support Trainee and Technician roles; and
- > clarify the line management responsibilities and develop a training/coaching programme for line managers.

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 discussions with the

recognised trade union on matters affecting staff, informing and consulting them as required.

GAD demonstrates commitment to the recruitment and retention of people with disabilities. GAD provides assurance to disabled applicants that they are guaranteed an interview, providing they meet the minimum criteria of the job advertised and that they are given the opportunity to demonstrate their abilities at the interview stage. GAD will make reasonable adjustments to all stages of the recruitment process and to our jobs to make them more accessible to applicants who have a disability. This applies to both internally and externally advertised posts.

GAD encourages all employees to update their personal records and declare any disability; this helps to ensure that disabled people are given the support needed. The performance management system ensures that discussions regarding learning and development take place throughout the year and help employees to identify what they can do to make sure they can develop their skills and use their abilities to develop and progress within their job. GAD makes every effort to ensure disabled employees stay in employment and make adjustments to help people who become disabled stay in their current role, or find a suitable alternative.

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

Throughout the year many improvements have been put in place to strengthen the people related practices and the structures that underpin retention and performance strategies. The following interlinking aspects were focused on to support the organisation change agenda.

> Recruitment

Improvements have been made to recruitment processes and methods. In July a new recruitment briefing for the hiring panel was introduced to ensure staff understood the importance of fair and open competition for external recruitment campaigns, and to ensure the appointment of the best candidate on merit. This was accompanied with a mandatory requirement for all interview panel members to complete the Unconscious Bias training provided via the Civil Service Learning website.

In addition a new sift and interview scoring process was developed to simplify compliance; thereby providing assurance of consistency and fairness. This tool guides the panel through the recruitment principles and provides a detailed audit trail to evidence that appointments are made on merit. A Civil Service Commission audit in February confirmed the improvements made in 2016-17 with further actions required.

> Retention

Reward vouchers were introduced during the year to reward and recognise employee's contribution with the aim to provide a more immediate motivational impact. £10,000 of the non-consolidated pay award was set aside for this reward initiative.

A survey of the people who had received reward vouchers was carried out in October to ascertain if the reward was delivered in a timely manner, in an appropriate way and with authenticity from the direct line manager. The results showed that 83% of

the respondents felt valued, pleased or rewarded when receiving the vouchers. 100% agreed that the vouchers were presented using a method they were generally comfortable with.

> Pay Structure Review

This project commenced at the beginning of October and will begin to address the issues associated with the removal of in-grade progression spine points, such as introducing a Job Family structure and an additional pay grade. The aims of the review are to create and implement a pay structure to suit GAD's requirement to support talent management, career paths, and develop new pay principles so that all pay related matters are consistently applied across GAD. The review also considered wide pay bands, unequal gaps/overlaps in the pay structure, benchmarked professional salaries and attraction and retention strategies.

> Development

A new Learning and Development Portfolio was published in August to be used by employees to build their own development plans. The portfolio is an interactive map which shows what knowledge, skills and competences requirements are either essential, important, developmental, role/task related or optional for each of the current grades. An online training request facility has been developed which prompts employees to set out learning objectives that have been agreed with their manager and also incorporates immediate and longer term evaluation. A separate evaluation database has been designed to enable all people across GAD to see comments about training courses so they can make informed decisions about course suitability.

> Talent

Talent management reviews are carried out every quarter. Development opportunities have been identified for

18 employees during the last 12 months; the majority have been promotions with one level move to a different team. Discussions have helped to identify opportunities for project work and other activities to develop experience, consider the potential career journey for Senior Trainees who are likely to qualify at the next exam session and have also focused on employees who need targeted support. A framework system for rotation of people between teams is currently being developed to provide the opportunity to experience different areas of work at GAD.

> Performance

A new performance management system was introduced in 2015 and several initiatives have been put in place to support managers such as Appraisal Training and Having Confident Conversations. To ensure continuous improvement in this area, and embed a high performance culture, several Engagement and Communications sessions have also focused on this topic. A half year review was conducted to ascertain how well performance management had been embedded in GAD. The survey sought employees' views about their manager's ability to have confident, meaningful and motivational conversations, clarify objectives and expectations, discuss development needs and aspirations and adhere to the process. It also asked managers for their views about their own abilities. A score of 79% was derived from the positive responses for successfully embedding performance management. Although this has progressed well there is still more to do to ensure performance management is fully embedded across GAD. The performance management system at GAD complies with the new Civil Service Performance Management Assurance Framework.

Effectiveness of staff whistleblowing procedures

Whistleblowing guidance is accessed via the intranet. Whistleblowing Policy awareness training was conducted during the companywide annual update in April 2016. In addition, a whistleblowing system is a professional requirement for qualified actuaries and is explained within the Institute and Faculty of Actuaries code of conduct. There have been no whistleblowing cases raised during the year.

Personal Data

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

Health and 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 2016-17:

- > no reportable accidents occurred;
- > all new starters to the Department received an induction covering the Department's Health and Safety 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 Health and Safety 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 2016-17 was £60,000 (2015-16: £60,000). No fees, either actual or notional, were incurred for non-audit work (2015-16: £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 (GAD), which was established in 1919, is a non-Ministerial Department responsible for providing actuarial services and advice to public sector clients (UK and overseas) and private sector clients, where this is consistent with government policy and does not impair our ability to serve the UK government. Ministerial responsibility lies with the Financial Secretary to the Treasury, Jane Ellison 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 (MB) 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 2017 was:

Martin Clarke	Government Actuary
Wendy Dabinett	Director of Human Resources
Stephen Humphrey	Head of Specialist Actuarial
Robert Mackintosh	Director of Finance
Angela Marshall	Non-executive director, since September 2013, appointment extended to September 2019
Geoffrey Podger	Non-executive director, Chair since November 2015 on a three year appointment
Louise Redmond	Non-executive director, since September 2013, appointed until August 2019
Sue Vivian	Head of Public Sector Pensions
Colin Wilson	Deputy Government Actuary

Robert Mackintosh joined the Management Board on 3 May 2016 as the Director of Finance, replacing Kevin Down.

Stephen Humphrey was appointed to the Board in the role of Head of Specialist Actuarial on 1 April 2016.

Tim Gardner, who had been Chief Operating Officer, left GAD on 11 May 2016.

Non-Executive Board Members

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 and the public sector in senior advisory and non-executive roles. She currently holds non-executive positions at the Science and Technology Facilities Council and South Yorkshire Passenger Transport Executive, previous roles included the Valuation Office Agency and the BIG Lottery.
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.
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.

During 2016-17, the Management Board met 10 times (including an Away Day to consider the Board's effectiveness), with attendance as follows:

Martin Clarke	10 / 10	Angela Marshall	9 / 10
Wendy Dabinett	7 / 10	Geoffrey Podger	10 / 10
Kevin Down	1 / 1	Louise Redmond	10 / 10
Stephen Humphrey	9 / 10	Sue Vivian	8 / 10
Robert Mackintosh	10 / 10	Colin Wilson	8 / 10

The Management Board carried out a regular evaluation of its effectiveness during 2016 which indicated that members felt that the nature, content and quality of information presented to the Board was relevant, timely and appropriate to the Department's activities. Prior to the away day, all members had to

independently complete a 'Board Evaluation Questionnaire' adapted from the NAO's 'Unlocking your board's full potential Board Evaluation Questionnaire'. The aggregate results were discussed on the day.

Audit and Risk Assurance Committee

GAD has an Audit and Risk Assurance Committee (ARAC) 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.

Martin Clarke	4 / 4
Kevin Down	1 / 1
Robert Mackintosh	4 / 4

During the year the Committee approved Internal Audit plans, 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 and approved this Governance Statement. The monitoring of outstanding audit recommendations was strengthened through the production of a quarterly tracker report to confirm implementation of agreed recommendations, or to highlight the outstanding actions required.

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.

The Committee meets at least quarterly. As required, the Committee meets initially with the External and Internal Auditors, then joined by me and the Director of Finance.

During 2016-17, the Audit and Risk Assurance Committee met four times with attendance as follows:

Angela Marshall, Chair since January 2016, appointed until September 2019	4 / 4
Geoffrey Podger	4 / 4
Louise Redmond	4 / 4
External Audit	4 / 4
Internal Audit	4 / 4

GAD Change Board

The GAD Change Board (GCB) was established in November 2014 to provide 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 arrange 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 Committee and to the Management Board.

Technical Committee

Professional and technical matters are overseen by the Head of Technical and Professional 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 and Professional, 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 Professional 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.

IT Security Sub-Committee

In December 2016, the IT Security sub-committee was established. The sub-committee was established to provide oversight on IT performance, with a particular focus on the management of IT security policies and issues, and to ensure more formal monitoring and reporting of IT performance.

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 full-day workshop in October 2016 at which the Board considered the effective governance of GAD, GAD's attitude to risk and future workforce planning needs. These discussions:

- > helped to clarify the respective roles, responsibilities, remits and decision making authority of GAD's governance bodies (MB, ARAC and ExCo) and confirmed that the MB itself should focus on both oversight and foresight and be both supportive and challenging;
- > led to the development of a formal risk appetite statement which acts as a guide to decision making related to each of our four strategic themes (see below);

- > confirmed support for adopting a more future-focused / longer-term perspective, where appropriate introducing 'foresight' sessions to look at more strategic issues, direction of travel, how to future proof GAD; and
- > identified, from responses and comments to the MB evaluation questionnaire, a number of issues for further discussion, such as the level of detail provided for Board discussions, facilitating open and frank discussions, and getting the most from the different perspectives, challenge, mentoring and counsel that non-Executive members can provide.

Corporate Governance in Central Government Departments: Code of Good Practice ("The Code")

Government policy on departmental governance is outlined in Corporate Governance in Central Government Departments: Code of Good Practice (Cabinet Office, July 2011). This Code operates on a 'comply or explain' basis, whereby departments are asked to disclose any element of the Code with which they are not fully compliant, explaining their rationale and any alternative measures which have been put in place to meet the objectives of the Code.

GAD meets the provisions outlined in the Code although as a non-ministerial Department, we have a mix of executives and non-executives, but no ministerial representation. The Chief Internal Auditor (CIA) does not receive an invitation to attend Management Board meetings, though does attend the Audit and Risk Assurance Committee on a quarterly basis. Further details on governance can be found in the Governance Statement.

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 strategic risks of the Department are considered as part of an enterprise risk management framework that is closely aligned to the 2015-20 strategy and annual business plans. The Management Board reviewed these risks at each meeting during the year. The strategic risks identified by the Management Board are grouped into 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, utilise resources efficiently, work consistently across teams, adopt adequate internal or technical guidance, or assess risks inherent in new business projects. We have a low appetite for risks to delivering our statutory obligations, and medium appetite for risks arising from seeking to enhance our consistency or efficiency.
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, provide 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. We have a low appetite for risks that are likely to undermine our reputation for quality or service, and medium appetite for risks arising from innovation to improve our offering.
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. We have a low appetite for risks that are likely to

prevent us recruiting and retaining the quality of people we need, and medium appetite for risks associated with enhancing agile working.

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. We have a low appetite for major financial surprises or financial risks that are likely to undermine our sustainability as a service provider, and medium appetite for risks arising from seeking to improve the quality of our management information or reporting.

Our risk management processes operate at three levels, Strategic, Balanced Scorecard and Operational. Operational risks are managed within the relevant business areas, 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 any other risks identified by the Executive Committee in addition to the four themes above.

The most significant risks are escalated to Management Board on the strategic risk register. In addition to consideration of this information, Management Board aims to perform a deep dive into each area in turn at successive meetings covering each area at least once during the financial year.

The ARAC is responsible for reviewing that the risk management processes are working effectively. It also agrees the three-year rolling Internal Audit plan and explores in more detail individual risks where necessary. Internal and External Audit reports are all received and reviewed by the ARAC.

Principles

Strategic Risk Register comprises key Balanced Scorecard risks or issues that have been escalated for attention or action by MB/ARAC, and identifies strategic risks that threaten the Department's ability to deliver its responsibilities.

Balanced Scorecard Risk Register comprises key risks identified by programmes, grouped by BS Quadrant.

Includes risks/issues escalated by programmes. Escalates where necessary or appropriate for attention or action by MB/ARAC. ARAC reviews on BS Quadrants each quarter.

'Operational' programmes responsible for identifying risks and actions to mitigate their impact, and escalate where necessary or appropriate for attention or action by ExCo.

Process

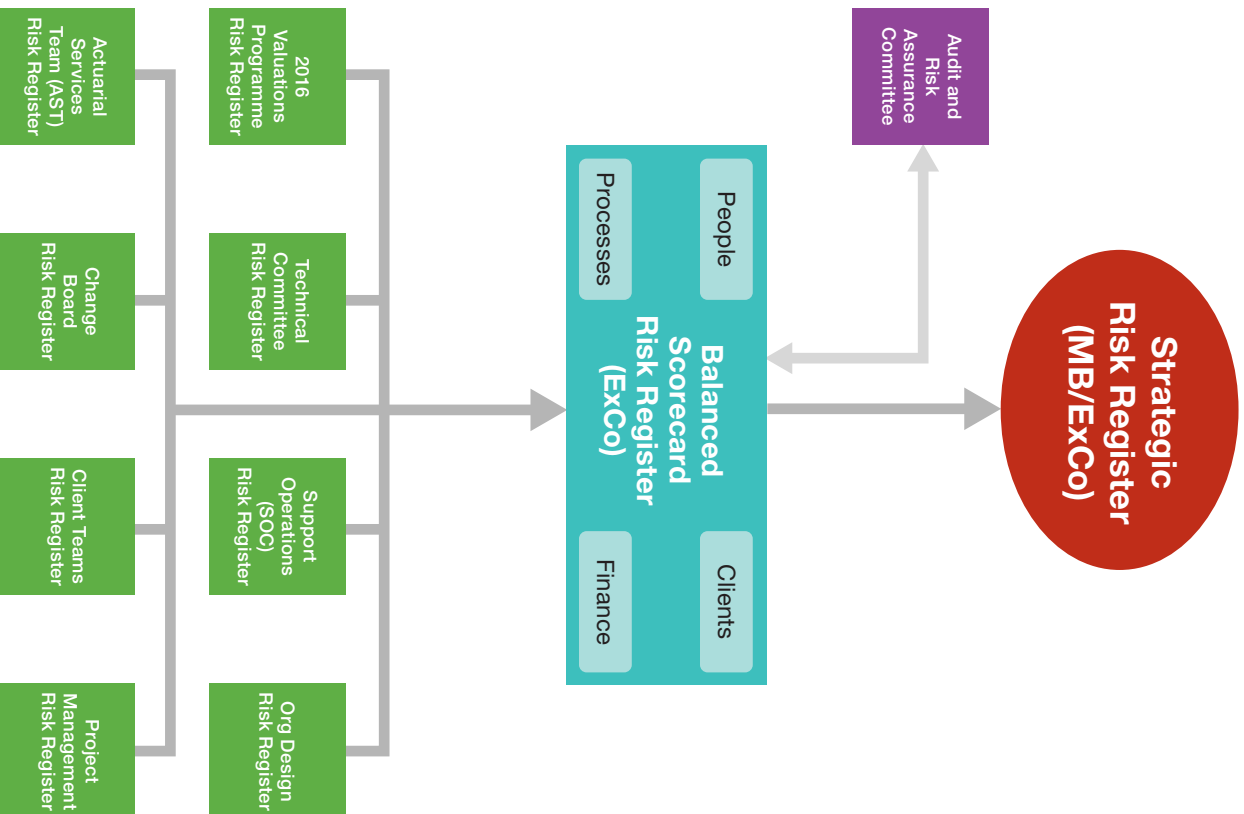
Strategic Risk Register comprises key Balanced Scorecard risks or issues that have been escalated for attention or action by MB/ARAC, and identifies strategic risks that threaten the Department's ability to deliver its responsibilities.

Monthly formal ExCo meeting reviews Balanced Scorecard Risk Register each month:

- agrees whether risks escalated up from Programmes should be included on BSRR
 - includes new risks identified at ExCo level
 - escalates BSRR risks where necessary or appropriate for attention or action by MB/ARAC
- ARAC reviews on BS Quadrant each quarter.

Executive Support team request Programmes (individuals named in Risk Register entries) to provide updates (Status Report: progress on mitigations and RAQ ratings) a week before their respective Programme Boards (or at least quarterly).

Executive Support team updates Programme Risk Registers and ensures that escalated Programme risks are included in the Balanced Scorecard Risk Register.



Internal Audit Assurance

The assurance from Internal Audit is supplemented by a formal system of Assurance Statements produced by Executive Committee members. These statements, supported by other internal controls, require senior managers to give evidence to support their assurance that they and their teams comply with departmental policies and procedures, and, where appropriate, professional standards. The Assurance Statements cover governance arrangements, delivery and performance management, financial, people, information and project management. A review of assurance statements highlighted the need for:

- > continued actuarial team training;
- > review of completed assurance statements to ensure that they provide a template for future assurance mapping following the review by the Internal Audit team;
- > changes in team structures to be allowed time to become embedded; and
- > robust project management in the future.

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 to GAD and its clients.

At the start of the financial year, improvements were made to the monthly Management Information pack. An updated balanced scorecard approach was adopted which aligned the key performance indicators with GAD's 2016-17 business plan objectives.

During the year, additional IT security expertise was brought in to support the IT team to fully implement the recommendations of the IT Controls Report. Progress in implementing the outstanding recommendations was regularly reported at ARAC meetings, and the remaining work was prioritised on a risk based approach. The additional IT security support covered:

- > the management of super-user accounts;
- > the baselining of IT standards;
- > consideration of the need for additional security protection;
- > the updating and strengthening of IT policies and procedures; and
- > the strengthening of IT Governance arrangements, and the production of key IT management information, including the establishment of the IT Security Sub-Committee as explained above.

As part of the strategy to improve overall IT resilience, we are looking to work with the IT team of the Government Legal Department for the future delivery of IT services. An outline roadmap has been produced, and a business proposal is being worked on.

In 2015-16, the Civil Service Commissioners rated the Department's recruitment policies as 'red', reflecting some incomplete recruitment process documentation and inconsistencies with sift criteria. Since this assessment was made, we have worked hard to ensure tangible improvements and greater transparency of the whole recruitment process. This was recognised by the Civil Service Commissioners during an audit towards the end of the financial year. They expect us to achieve an amber/green rating in 2017-18 if we maintain our current consistency. The improvements we have implemented include:

- > a recruitment briefing process for line managers;
- > enforcement of the need for recruiting line managers to complete 'unconscious bias' training;

- > introduction of a new scoring system for the interview process; and
- > formal recording of recruitment decisions.

On 1 February, the National Audit Office published the report 'Investigation into Police and Firefighters' Pension Scheme commutation factors'. This followed the Pensions Ombudsman's judgement of maladministration against GAD in May 2015, caused by commutation factors not being updated in 2001. The report found that government failed to understand its obligations for the oversight of the key factors that translated annual pension payments to lump sums. It concluded that there was a lack of independent oversight of the schemes by parties outside government or representation from scheme members.

We have reviewed our internal controls to ensure that our statutory duties, such as the review of commutation factors, are clearly understood and discharged. Our revised controls, together with the updated approach to governance of government pension schemes, are designed to provide a more rigorous approach to ensuring that scheme regulations will be considered sufficiently in future similar cases.

Other Assurance

The Internal Audit team has undertaken a range of work during the year, in line with the agreed Audit Strategy by the ARAC:

- > Key Financial Controls – moderate assurance confirmed;
- > Assurance Mapping – a Management Letter was issued following the production of a mapping template to assist in the management of financial and actuarial sources of assurance;
- > Preparation of the Governance Statement - moderate assurance confirmed, and the recommendations from the report were integrated into the preparation of this year's statement;

- > IT Controls: Follow up Report – an audit to monitor progress in implementing outstanding recommendations was undertaken. This report recognized the progress made to date, but also highlighted the outstanding work to be completed; and
- > Risk Management – substantial assurance confirmed with two recommendations related to risk review and escalation.

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 the Internal Audit team.

Quality Assurance Scheme

Since October 2016, GAD has been accredited under the Institute and Faculty of Actuaries' Quality Assurance Scheme (QAS).

QAS is a voluntary accreditation scheme which recognises organisations' commitments to quality actuarial work. The organisation would need to employ more than one member of the Institute and Faculty of Actuaries (IFoA) and must demonstrate their commitment to assurance of the quality of actuarial work and comply with the standard 'APS QA1 Quality Assurance Scheme for Organisations'.

The accreditation process included an independent assessment visit looking at GAD's approach to quality assurance, conflicts of interest, training and development, speaking up and our relationship with the users of actuarial information. Based on this assessment, suitability is then determined by the QAS Sub Committee.

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 2016-17 net resource outturn and budget are explained in the comparison of Estimate and Outturn within the Statement of Parliamentary Supply.

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.

Table 1: Public Spending

£'000

	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Plans	2018-19 Plans	2019-20 Plans
Resource DEL								
Administration	(778)	(2,338)	(1,352)	(1,167)	(788)	(89)	(199)	(199)
Use of Provisions (DEL)	418	266	179	177	118	90	200	200
Total Resource DEL	(360)	(2,072)	(1,173)	(990)	(670)	1	1	1
<i>Of which:</i>								
Staff costs	12,101	12,018	12,220	12,391	12,883	14,568	13,029	12,658
Purchase of goods and services	3,884	4,491	4,336	4,522	4,407	5,198	4,694	4,790
Income from sales of goods and services	(16,674)	(18,970)	(18,109)	(18,279)	(18,334)	(20,166)	(18,124)	(17,850)
Depreciation	266	318	320	316	314	340	340	340
Other resource	63	71	60	60	60	61	62	63
Resource AME								
Losses on revaluation	–	23	1	–	–	–	–	–
Provisions (AME)	(1,250)	(1,431)	(645)	(291)	(110)	(90)	(200)	(200)
Total Resource AME	(1,250)	(1,408)	(644)	(291)	(110)	(90)	(200)	(200)
<i>Of which:</i>								
Losses on revaluation	–	23	1	–	–	–	–	–
Take up of provisions	(832)	(1,165)	(466)	(114)	8	–	–	–
Release of provision	(418)	(266)	(179)	(177)	(118)	(90)	(200)	(200)
Total Resource Budget	(1,610)	(3,480)	(1,817)	(1,281)	(780)	(89)	(199)	(199)
<i>Of which:</i>								
Depreciation & Losses on revaluation	266	341	321	316	314	340	340	340
Capital DEL								
Administration	154	473	203	133	185	200	200	200
Total Capital DEL	154	473	203	133	185	200	200	200
<i>Of which:</i>								
Purchase of assets	154	473	203	133	185	200	200	200
Capital AME	–	–	–	–	–	–	–	–
Total Capital Budget	154	473	203	133	185	200	200	200
Total departmental spending¹	(1,722)	(3,348)	(1,935)	(1,464)	(909)	(229)	(339)	(339)
<i>Of which:²</i>								
Total DEL	(472)	(1,917)	(1,291)	(1,173)	(799)	(139)	(439)	(439)
Total AME	(1,250)	(1,431)	(645)	(291)	(110)	(90)	(200)	(200)

- 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 losses on revaluation in AME.
- The breakdown between DEL and AME of total departmental spending has been reclassified to reflect the exclusion of depreciation and losses on revaluation costs.

Table 2: Administration Budget**£'000**

	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Plans	2018-19 Plans	2019-20 Plans
Resource DEL								
Administration	(778)	(2,338)	(1,352)	(1,167)	(788)	(89)	(199)	(199)
Use of Provisions (DEL)	418	266	179	177	118	90	200	200
Total Resource DEL	(360)	(2,072)	(1,173)	(990)	(670)	1	1	1
<i>Of which:</i>								
Staff costs	12,101	12,018	12,220	12,391	12,883	14,568	13,029	12,658
Purchase of goods and services	3,884	4,491	4,336	4,522	4,407	5,198	4,694	4,790
Income from sales of goods and services	(16,674)	(18,970)	(18,109)	(18,279)	(18,334)	(20,166)	(18,124)	(17,850)
Depreciation	266	318	320	316	314	340	340	340
Other resource	63	71	60	60	60	61	62	63

Remuneration and Staff Report

The rest of this report is audited.

Remuneration Report

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. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

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 paid in financial year 2016-17.

Remuneration (including salary) and pension entitlements

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 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury and are subject to audit.

Remuneration (salary, benefits in kind and pensions)

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 seven hours of service plus their travelling expenses.

Single total figure of remuneration

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Martin Clarke Government Actuary	185–190	185–190	15–20	15–20	–	–	71	71	275–280	270–275
Colin Wilson Deputy Government Actuary	145–150	140–145	0–5	0–5	–	–	57	56	200–205	200–205
George Russell Deputy Government Actuary and Head of Actuarial Operations (until 31 May 2015)	–	20–25 (145–150 full time equivalent)	–	–	–	–	–	31	–	55–60
Sue Vivian Head of Public Service Pensions (from 1 June 2015)	135–140	110–115 (130–135 full time equivalent)	0–5	0–5	–	–	41	69	175–180	185–190
Stephen Humphrey Head of Specialist Actuarial (from 1 April 2016)	140–145	–	0–5	–	–	–	75	–	215–220	–
Robert Mackintosh Director of Finance (from 3 May 2016)	60–65 (70–75 full year equivalent)	–	–	–	–	–	32	–	90–95	–
Kevin Down ² Director of Finance (until 2 May 2016)	25–30 (70–75 full time equivalent)	60–65 (65–70 full time equivalent)	–	0–5	–	–	28	30	50–55	90–95
Wendy Dabinett Director of Human Resources (from 9 March 2015)	75–80	70–75	0–5	0–5	–	–	11	11	85–90	85–90
Tim Gardner Chief Operating Officer (from 21 September 2015 until 11 May 2016)	10–15 (120–125 full year equivalent)	60–65 (120–125 full year equivalent)	–	–	–	–	5	23	15–20	85–90
Geoffrey Podger Non-executive Board Member (From 1 November 2015)	0–5	0–5	–	–	–	–	–	–	0–5	0–5
Angela Marshall Non-executive Board Member	5–10	5–10	–	–	–	–	–	–	5–10	5–10
Louise Redmond Non-executive Board Member	0–5	5–10	–	–	–	–	–	–	0–5	5–10
Alex Jablonowski Non-executive Board Member (Until 31 December 2015)	–	0–5	–	–	–	–	–	–	–	0–5

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.

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 Government Actuary in 2016-17 relates to performance in 2015-16.

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 2017 on an annualised basis.

The banded remuneration of the highest-paid director in GAD in the financial year 2016-17 was £200k-205k (2015-16: £200k-205k). This was 4.3 times (2015-16: 4.0 times) the median remuneration of the workforce, which was £47,501 (2015-16: £50,500).

The difference between 2015-16 and 2016-17 for median and ratio is due to more Junior Actuarial Technicians being employed in year, in line with GAD's workforce plans.

No employees received remuneration in excess of the Government Actuary.

Remuneration ranged from £20k-£25k to £200k-£205k (2015-16: £20k-£25k to £200k-£205k).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The following table shows the median earnings of the Department's workforce and the ratio between this and the earning of the highest paid director.

	2016-17	2015-16
Band of highest paid director's total remuneration (£000)	200-205	200-205
Median total (£)	47,501	50,500
Remuneration Ratio	4.3	4.0

Board Members' interests

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

Colin Wilson, Deputy Government Actuary of GAD was successfully appointed President of the IFoA on 23 June 2016 for the term of one year.

Pension Benefits

	Accrued pension at pension age as at 31/03/2017 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/2017	CETV at 31/03/2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Martin Clarke Government Actuary	15–20	2.5–5.0	275	199	56
Colin Wilson Deputy Government Actuary	30–35	2.5–5.0	425	375	31
Kevin Down Formerly Director of Finance	20–25 Plus lump sum of 65–70	0–2.5 Plus lump sum of 0–2.5	415	394	17
Sue Vivian Head of Public Service Pensions	25–30	2.5–5.0	482	423	33
Stephen Humphrey Head of Specialist Actuarial	40–45 Plus lump sum of 105–110	2.5–5.0 Plus lump sum of 2.5–5.0	738	660	43
Robert Mackintosh Director of Finance	25–30 Plus lump sum of 85–90	0–2.5 Plus lump sum of 2.5–5.0	581	530	27
Wendy Dabinett Director of Human Resources	Partnership Pension Scheme Benefits				
Tim Gardner Formerly Chief Operating Officer	10–15	0–2.5	118	112	2

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 pension age of 65.

These statutory arrangements are unfunded with the cost of 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 members of **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**, **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 his 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 Pensions 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 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 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

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 on early retirement or loss of office

No compensation on early retirement or loss of office was made in 2016-17 (£nil in 2015-16).

Payments to past directors

No payments to past directors was made in 2016-17 (£nil in 2015-16).

Off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on their highly paid and/or senior off-payroll engagements.

Table 1. Off-payroll engagements as of 31 March 2017, for more than £220 per day and that last longer than six months

	GAD
No. of existing engagements as of 31 March 2017	1
<i>of which:</i>	
No. that have existed for < 1 year	–
No. that have existed for between 1 and 2 years	1
No. that have existed for between 2 and 3 years	–
No. that have existed for between 3 and 4 years	–
No. that have existed for > 4 years	–

All existing off-payroll engagement(s), outlined above, have at some point been subject to a risk based assessment as to whether assurance needs to be sought that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Table 2. New off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months

	GAD
No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	3
No. of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	3
No. for whom assurance has been requested	3
<i>of which:</i>	
No. for whom assurance has been received	3
No. for whom assurance has not been received	–
No. that have been terminated as a result of assurance not being received	–

Table 3. Engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

	GAD
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	–
Total no. of individuals on payroll and off-payroll that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both on payroll and off-payroll engagements	6

Staff Report

Staff Costs

	Permanently employed staff	Others*	2016-17 £000 Total	2015-16 £000 Total
Wages and salaries	9,614	20	9,634	9,389
Social security costs	1,144	–	1,144	960
Other pension costs	2,105	–	2,105	2,042
Total costs	12,863	20	12,883	12,391
Less recoveries in respect of outward secondments	–	–	–	–
Total costs	12,863	20	12,883	12,391

* Includes non-Executive Board members.

Of the total, £nil has been charged in capital (2015-16: £nil).

Of the total, £nil has been charged to the programme budget (2015-16: £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.civilservicepension-scheme.org.uk/about-us/scheme-valuations>.

For 2016-17, employers' contributions of £2,111,620 were payable to the PCSPS (2015-16: £1,922,805) at one of four rates in the range 20.0% to 24.5% (2015-16: 20% to 24.5%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years

following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £43,245 (2015-16: £30,195) were paid to two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14% (2015-16: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Employers' contributions due to the partnership pension providers at the reporting date were £nil. Contributions prepaid at that date were £nil.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	Permanently employed staff	Others	2016-17 Total	2015-16 Total
Total	140	16	156	146

Senior Civil Service (SCS) salaries (actual) as at 31 March 2017

Salary Bands	Total 31/03/2017	Male 31/03/2017	Female 31/03/2017
£135,000-£140,000	1	–	1
£140,000-£145,000	1	1	–
£145,000-£150,000	1	1	–
£185,000-£190,000	1	1	–
Total	4	3	1

Reporting of Civil Service and other compensation schemes – exit packages

No exit packages were offered with GAD staff in 2016-17 (2015-16: Nil).

Sickness Absence

The Management Board monitored sickness absence on a monthly basis and in 2016-17 GAD lost an average of 4.2 working days per annum due to sickness absence in comparison to a Civil Service average of 7.2 days and a GAD average of 4.8 working days in 2015-16.

Parliamentary Accountability and Audit Report

The rest of this report is audited.

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Government Actuary's Department to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPs and related notes are subject to audit.

Summary of Resource and Capital Outturn 2016-17

	Estimate				Outturn				2016-17 £000	2015-16 £000
	SoPS Note	Voted	Non- Voted	Total	Voted	Non- Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total	
Departmental Expenditure Limit										
– Resource	1.1	3	–	3	(670)	–	(670)	673	(990)	
– Capital	1.2	200	–	200	185	–	185	15	133	
Annually Managed Expenditure										
– Resource	1.1	(90)	–	(90)	(110)	–	(110)	20	(291)	
– Capital	1.2	–	–	–	–	–	–	–	–	
Total Budget		113	–	113	(595)	–	(595)	708	(1,148)	
Non-Budget		–	–	–	–	–	–	–	–	
Total		113	–	113	(595)	–	(595)	708	(1,148)	
Total Resource		(87)	–	(87)	(780)	–	(780)	693	(1,281)	
Total Capital		200	–	200	185	–	185	15	133	
Total		113	–	113	(595)	–	(595)	708	(1,148)	

Net Cash Requirement 2016-17

		2016-17 £000			2016-17 £000	2015-16 £000	
		SoPS Note	Estimate			Outturn compared with Estimate: saving/ (excess)	Outturn
		2	423	(357)	780	(720)	

Administration Costs 2016-17

		2016-17 £000			2016-17 £000	2015-16 £000	
		SoPS Note	Estimate			Outturn compared with Estimate: saving/ (excess)	Outturn
		1.1	(87)	(788)	701	(1,167)	

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Expenditure for the year was in line with expectations and within all control totals. Management of cash has improved with our closing balance net cash requirement reduced approximately by 51% from £720,000 in 2015-16 to £357,000 in 2016-17.

Notes to the Statement of Parliamentary Supply

SoPS1. Net outturn

SoPS1.1. Analysis of net resource outturn by section

Outturn								2016-17 £000			2015-16 £000
Administration				Programme				Estimate			Outturn
Gross	Income	Net	Gross	Income	Net	Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements		Total	
							Net Total	saving/ (excess)			
Spending in Departmental Expenditure Limit											
Voted:											
Administration	17,546	(18,334)	(788)	–	–	– (788)	(87)	701	673	(1,167)	
Use of provision	118	–	118	–	–	– 118	90	(28)	–	177	
	17,664	(18,334)	(670)	–	–	– (670)	3	673	673	(990)	
Non-voted:											
	–	–	–	–	–	–	–	–	–	–	
Annually Managed Expenditure											
Voted: Provisions (AME)	–	–	– (110)	–	– (110)	(110)	(90)	20	20	(291)	
Non-voted:	–	–	–	–	–	–	–	–	–	–	
Total	17,664	(18,334)	(670)	(110)	–	(110) (780)	(87)	693	693	(1,281)	

SoPS1.2. Analysis of net capital outturn by section

Outturn					2016-17 £000			2015-16 £000	
Outturn					Estimate			Outturn	
Gross	Income	Net	Gross	Income	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Net	
						Net Total	saving/ (excess)		
Spending in Departmental Expenditure Limit									
Voted:									
	185	–	185	–	–	200	15	15	133
Non-voted:									
	–	–	–	–	–	–	–	–	–
Annually Managed Expenditure									
Voted:									
	–	–	–	–	–	–	–	–	–
Non-voted:									
	–	–	–	–	–	–	–	–	–
Total	185	–	185	–	–	200	15	15	133

SOPS2. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	1.1	(87)	(780)	693
Capital Outturn	1.2	200	185	15

Accruals to cash adjustments:*Adjustments to remove non-cash items:*

Depreciation and amortisation		(320)	(314)	(6)
New provisions and adjustments to previous provisions		–	(8)	8
Departmental Unallocated Provision		–	–	–
Other non-cash items		(60)	(60)	–

Adjustments to reflect movements in working balances:

Increase/(decrease) in work in progress		–	1,821	(1,821)
Increase/(decrease) in receivables		600	(2,319)	2,919
(Increase)/decrease in payables		–	1,000	(1,000)
Use of provisions		90	118	(28)
Net cash requirement		423	(357)	780

SOPS3. Income payable to the Consolidated Fund

Analysis of income payable to the Consolidated Fund

	Outturn 2016-17		Outturn 2015-16	
	£000 Income	£000 <i>Receipts</i>	£000 Income	£000 <i>Receipts</i>
Excess cash surrendered to the Consolidated Fund	–	–	–	–
Excess cash surrenderable to the Consolidated Fund	–	357	–	720
Total amount payable to the Consolidated Fund	–	357	–	720

Parliamentary Accountability Disclosures

Regularity of expenditure – Losses and special payments

As at 31 March 2017, GAD had no losses and special payments to report (2015-16: £26,000, £nil respectively).

Fees and charges

The Government Actuary's Department generates 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.

Remote Contingent Liabilities

As at 31 March 2017, GAD had no remote contingent liabilities (2015-16: £nil).

Martin Clarke
Government Actuary
Accounting Officer

21 June 2017

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 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. 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 and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report 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 2017 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 2017 and of the Department's net operating 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have 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 parts 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: 23 June 2017

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

The Financial Statements

Statement of Comprehensive Income

for the year ended 31 March 2017

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

	Note	2016-17 £000	2015-16 £000
Income from sale of goods and services	4	(17,467)	(17,381)
Other operating income	4	(867)	(898)
Total operating income		(18,334)	(18,279)
Staff costs	2	12,883	12,391
Purchase of goods and services	3	2,391	2,530
Depreciation and impairment charges	3	314	316
Provision expense	3	8	(114)
Other operating expenditure	3	1,958	1,875
Total operating expenditure		17,554	16,998
Net operating income for the year		(780)	(1,281)
Other comprehensive income			
Items which will not be reclassified to net operating costs:			
– Net (gain)/loss on revaluation of property, plant and equipment	5	(25)	(136)
Total comprehensive net income for the year		(805)	(1,417)

Statement of Financial Position

as at 31 March 2017

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.

	Note	2016-17 £000	2015-16 £000
Non-current assets			
Property, plant & equipment	5	1,211	1,295
Intangible assets	6	78	98
Total non-current assets		1,289	1,393
Current assets			
Work in progress	10	2,356	535
Trade & other receivables	12	2,282	4,601
Cash & cash equivalents	11	357	720
Total current assets		4,995	5,856
Total assets		6,284	7,249
Current liabilities			
Trade and other payables	13	(1,553)	(2,803)
Provisions	14	(99)	(115)
Total current liabilities		(1,652)	(2,918)
Total assets less current liabilities		4,632	4,331
Non-current liabilities			
Trade and other payables	13	(643)	(756)
Provisions	14	(574)	(668)
Total non-current liabilities		(1,217)	(1,424)
Total assets less total liabilities		3,415	2,907
Taxpayers' equity and other reserves			
General Fund		2,919	2,458
Revaluation Reserve		496	449
Total equity		3,415	2,907

Martin Clarke
Government Actuary
 Accounting Officer
 21 June 2017

Statement of Cash Flows

for the year ended 31 March 2017

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

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net operating surplus		780	1,281
Adjustments for non-cash transactions	3	382	262
(Increase)/Decrease in trade and other receivables	12	2,319	(704)
(Increase)/Decrease in work in progress	10	(1,821)	(95)
Increase/(Decrease) in trade and other payables	13	(1,000)	286
Use of provisions	14	(118)	(177)
Net cash inflow from operating activities		542	853
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(145)	(91)
Purchase of intangible assets	6	(40)	(42)
Net cash outflow from investing activities		(185)	(133)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		–	–
From the Consolidated Fund (Supply) – prior year		–	–
Net financing		–	–
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund		357	720
Payments of amounts due to the Consolidated Fund		(720)	(2,091)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(363)	(1,371)
Cash and cash equivalents at the beginning of the period	11	720	2,091
Cash and cash equivalents at the end of the period	11	357	720

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

This statement shows the movement in the year on the different reserves held by the Government Actuary's Department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a Department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' equity £000
Balance at 1 April 2015		1,837	313	2,150
Net Parliamentary Funding – Drawn Down		–	–	–
Net Parliamentary Funding – Deemed		–	–	–
Supply (payable) adjustment		(720)	–	(720)
Consolidated Fund Extra Receipts payable to the Consolidated Fund		–	–	–
Comprehensive net expenditure for the year		1,281	–	1,281
Notional charges				
Auditors Remuneration	3	60	–	60
Revaluation gains and losses – PPE	5	–	136	136
Revaluation gains and losses – IA	6	–	–	–
Balance at 31 March 2016		2,458	449	2,907

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' equity £000
Balance at 1 April 2016		2,458	449	2,907
Net Parliamentary Funding – Drawn Down		–	–	–
Net Parliamentary Funding – Deemed		–	–	–
Supply (payable) adjustment		(357)	–	(357)
Consolidated Fund Extra Receipts payable to the Consolidated Fund		–	–	–
Comprehensive net expenditure for the year		780	–	780
Notional charges				
Auditors Remuneration	3	60	–	60
Revaluation gains and losses – PPE	5	–	25	25
Transfers between reserves		(22)	22	–
Balance at 31 March 2017		2,919	496	3,415

Notes to the accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 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. These can be found in the Parliamentary Accountability and Audit Report section within the Accountability Report.

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. The accounts are prepared in £ Sterling to the nearest thousand.

1.2 Basis of preparation

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 the FReM by HM Treasury.

1.2b Pensions

The Department recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the relevant government pension provider of amounts calculated on an accruing basis.

1.2c Property, Plant and Equipment

Property, plant and equipment are capitalised at a value of £1,000 and are depreciated according to 1.2e below.

1.2d Intangible Assets

GAD's Intangible assets consists of computer software and are capitalised at a value of £1,000. The cost of such software is amortised according to 1.2e below.

1.2e Depreciation and Amortisation

Depreciation and amortisation periods for property, plant and equipment and intangible assets adopted are as follows. These are accounted for on a straight line basis.

Leasehold improvements	shorter of the useful economic life of improvements or end of lease
Information Technology	useful economic life or 3 to 6 years where this is not clear
Furniture and Fittings	useful economic life or 10 years where this is not clear
Intangible Assets	useful economic life or 3 years where this is not clear

1.2f Revaluation and Impairment

Revaluations applied are based on published indices. However, revaluation is only applied where there is a material effect on the Statement of Financial Position (SoFP).

Any impairments incurred are expensed in the Statement of Comprehensive Income (SoCI).

1.2g Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the time of the transaction. All currency gains or losses are taken into the SoCI. The Department's functional currency and presentation currency is Sterling.

1.2h Leases

GAD has an operating lease in respect of its London Office, Finlaison House.

Due to the length of the London Office's lease (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 lease, and understate it in later years. Therefore recognising simply the liability incurred each year is appropriate.

1.2i Work-in-Progress

Work in progress is actuarial income as incurred. This represents unbilled time charges which are valued at the lower of cost (including appropriate overheads, multiplied by the number of rechargeable hours booked through the time recording system and not already charged to clients) or recoverable value. Work is billed monthly in arrears, on completion or at agreed milestones. Variable rent cost charged from the facilities management company that needs to be recharged to sub-tenants will also be recognised in work in progress.

1.2j Income

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

1.2k Provisions

Provisions are accounted for in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. Discount rates used are obtained from HM Treasury Public Expenditure System papers each financial year. Discount rates are only applied to provisions where the effect would be material to the provision.

1.2l Value Added Tax

Irrecoverable VAT is charged to the relevant expenditure category.

1.2m Losses and special payments

Losses and special payments are charged to the relevant functional headings.

1.2n Employee benefits for annual leave carried forward

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

1.2o Segmental Reporting

Under the definitions of *IFRS 8 Operating Segments*, 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 goods and services, geographical areas and major customers.

1.2p Cash and cash equivalents

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

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

FRS 9 Financial Instruments was issued in July 2014, effective for periods beginning on or after 1 January 2018. This was EU endorsed in November 2016. HM Treasury is working towards implementing the standard in the FReM from 2018-19.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, effective for periods beginning on or after 1 January 2018. It is not yet endorsed by the EU but is expected to be in 2017. HM Treasury is working towards implementing the standard in the FReM from 2018-19.

IFRS 16 Leases was issued in January 2016, effective for periods beginning on or after 1 January 2019. It is not yet endorsed by the EU but is expected to be in late 2017. The introduction of IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury will issue an Exposure Draft on IFRS 16 in advance of the effective date.

IAS 7 Statement of Cash Flows disclosure initiative issued in January 2016, effective for periods beginning on or after 1 January 2017. It is not yet endorsed by the EU but is expected to be in 2017. HM Treasury is working towards implementing the standard in the FReM from 2018-19.

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.

This note sets out areas involving a higher degree of judgement, complexity, assumptions and estimation techniques, such as 1.2e Depreciation and Amortisation, 1.2f Revaluation and Impairment, 1.2i Work in progress and 1.2k Provisions above.

2. Staff costs

	2016-17 £000 Total	2015-16 £000 Total
Wages and salaries	9,634	9,389
Social security costs	1,144	960
Other pension costs	2,105	2,042
Total costs	12,883	12,391
Less recoveries in respect of outward secondments	–	–
Total costs	12,883	12,391

For a detailed breakdown of the above staff costs and staff numbers, please refer to the Staff Report within the Accountability Report.

3. Expenditure

	Notes	2016-17 Total £000	2015-16 Total £000
Purchase of goods and services			
Facilities management		721	796
Agency and other temporary staff		393	517
Information Technology		602	411
Training		224	274
Recruitment		74	118
Subscriptions		102	94
Travel, subsistence and hospitality		61	148
Telecommunications		99	48
Consultancy		52	47
Auditor's remuneration – internal audit		25	45
Photocopying		17	19
Stationery and publications		21	13
Other operating expenditure			
Rentals under operating leases			
Building		1,858	1,810
Equipment		2	1
Non-cash items			
Depreciation and amortisation	5, 6	314	316
Provision movements	14	8	(114)
Loss on disposal of assets		–	–
Loss on revaluation		–	–
Auditor's remuneration – external audit		60	60
Other expenditure		38	4
Total		4,671	4,607

In 2015-16, a balance of £123k was categorised as 'other costs'. To improve transparency, where appropriate other costs have been reclassified under the detailed expenditure headings. The prior year figures for 'Facilities Management' and 'Travel, subsistence and hospitality' were £771k and £54k respectively.

4. Income

	2016-17 Total £000	2015-16 Total £000
Government Departments	14,019	13,504
Of which receipts from:		
Sub Tenants	867	898
National Insurance Fund	783	567
Wider public sector, private sector and overseas	4,315	4,775
Total	18,334	18,279

Income by geographical locations

UK	17,866	17,823
Overseas	468	456
Total	18,334	18,279

Income by types of work carried out

UK policy advice	2,410	5,065
Staff transfers	2,338	2,572
UK public service pensions	9,003	6,773
Other actuarial work	3,716	2,969
Rent and miscellaneous	867	900
Total	18,334	18,279

Income from one client was £1,008,000 (5.5% of total income), (2015-16: £1,562,000).

5. Property, plant and equipment

	Leasehold Improvements £000	Information Technology £000	Furniture & Fittings £000	2016-17 Total £000
Cost or valuation				
At 1 April 2016	2,233	650	232	3,115
Additions	–	144	1	145
Disposals	–	(154)	(29)	(183)
Revaluations	62	–	–	62
Balance at 31 March 2017	2,295	640	204	3,139
Depreciation				
At 1 April 2016	(1,212)	(453)	(155)	(1,820)
Charged in year	(139)	(101)	(14)	(254)
Disposals	–	154	29	183
Revaluations	(37)	–	–	(37)
Balance at 31 March 2017	(1,388)	(400)	(140)	(1,928)
Carrying amount at 31 March 2016	1,021	197	77	1,295
Carrying amount at 31 March 2017	907	240	64	1,211

	Leasehold Improvements £000	Information Technology £000	Furniture & Fittings £000	2015-16 Total £000
Cost or valuation				
At 1 April 2015	1,911	637	232	2,780
Additions	32	54	5	91
Disposals	–	(42)	(7)	(49)
Revaluations	290	1	2	293
Balance at 31 March 2016	2,233	650	232	3,115
Depreciation				
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)
Balance at 31 March 2016	(1,212)	(453)	(155)	(1,820)
Carrying amount at 31 March 2015	977	258	85	1,320
Carrying amount at 31 March 2016	1,021	197	77	1,295

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

6. Intangible assets

	2016-17 Software Licenses Total £000
--	--

Cost or valuation

At 1 April 2016	743
Additions	40
Disposals	(597)
Balance at 31 March 2017	186

Depreciation

At 1 April 2016	(645)
Charged in year	(60)
Disposals	597
Balance at 31 March 2017	(108)
Carrying amount at 31 March 2016	98
Carrying amount at 31 March 2017	78

	2015-16 Total £000
--	--------------------------

Cost or valuation

At 1 April 2015	699
Additions	42
Revaluations	2
Balance at 31 March 2016	743

Depreciation

At 1 April 2015	(578)
Charged in year	(66)
Revaluations	(1)
Balance at 31 March 2016	(645)
Carrying amount at 31 March 2015	121
Carrying amount at 31 March 2016	98

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

7. Impairments

GAD did not incur any impairment costs during 2016-17 (2015-16: £nil).

8. Capital and other commitments

8.1 Commitments under leases

8.1.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2016-17 Total £000	2015-16 Total £000
Buildings		
Not later than one year	1,817	1,777
Later than one year and not later than five years	7,736	7,547
Later than five years	2,562	4,569
Total	12,115	13,893
Office Equipment*		
Not later than one year	1	1
Later than one year and not later than five years	–	2
Later than five years	–	–
Total	1	3
Total commitments	12,116	13,896
Subtenants' lease**		
Not later than one year	(640)	(622)

* Office equipment comprises franking machines only.

** Subtenants' lease comprises rental income from Single Source Regulations Office and the Higher Education Funding Council for England.

8.2 Capital commitments

GAD had no capital commitments at 31 March 2017 (31 March 2016: £nil).

8.3 Other financial commitments

GAD had no other financial commitments at 31 March 2017 (31 March 2016: £nil).

9. Financial Instruments

Financial instruments play a limited role in creating risk to GAD 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.

9.1 Credit Risk

The maximum credit risk the Department was exposed to at 31 March 2017 was £1,396,000 (trade receivables and accrued income).

An aged debtor analysis as at 31 March 2017 is as follows:

	31 March 2017 £000
Up to 30 days	873
31 – 180 days	522
181 – 365 days	1
Over 365 days	–

9.2 Liquidity Risk

Apart from a small Parliamentary vote, GAD funds its payments with cash receipts from invoices issued.

GAD is required to surrender cash in its bank account at the end of each financial year to the Consolidated Fund. The Department has access to the Contingencies Fund to meet any cash shortfalls during a financial year, however this amount would need to be returned by the end of the financial year.

The Department manages its liquidity risk by continuously monitoring its cash flow and management of outstanding debts.

Total amount owing analysed by when it falls due:

	31 March 2017 £000
Up to 1 year	1,183
1 to 5 years	–
Over 5 years	–

9.3 Market Risk

GAD is exposed to foreign currency risk from overseas customers, which amounted to £nil debtor value as at 31 March 2017 (31 March 2016: £nil). 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

	2016-17 £000	2015-16 £000
Value of time worked but not billed	2,356	535
Balance at 31 March	2,356	535

In 2016-17, Directors reviewed the amounts recoverable under contract and the relevant accounting policy and determined that due to the nature of the balance it was more accurate to present these balances within 'Work in progress'. In 2015-16, £1,528k of amounts recoverable under contract were disclosed under 'Prepayments and accrued income' within note 12 'Trade receivables, financial and other assets'.

11. Cash and cash equivalents

	2016-17 £000	2015-16 £000
Balance at 1 April	720	2,091
Net change in cash and cash equivalent balances	(363)	(1,371)
Balance at 31 March	357	720
The following balances at 31 March were held at:		
Government Banking	357	720
Balance at 31 March	357	720

12. Trade receivables, financial and other assets

	2016-17 £000	2015-16 £000
Amounts falling due within one year:		
Trade receivables	1,396	2,705
Deposits and advances	39	38
Prepayments and accrued income	847	1,858
Balance at 31 March	2,282	4,601

13. Trade payables and other current liabilities

	2016-17 £000	2015-16 £000
Amounts falling due within one year:		
VAT	687	1,314
Other taxation and social security	–	303
Trade payables	–	1
Staff payables	259	228
Other payables	–	1
Accruals and deferred income	139	127
Accommodation creditor	111	109
Consolidated Fund creditor for cash unspent – year end	357	720
Consolidated Fund creditor for cash unspent – prior year	–	–
Balance at 31 March	1,553	2,803

Amounts falling due after more than one year:

Accommodation creditor	643	756
Balance at 31 March	643	756
Total	2,196	3,559

14. Provisions for liabilities and charges

				2016-17	2015-16
	Onerous Lease £000	Pension Ombudsman Case £000	Others £000	Total £000	Total £000
Balance at 1 April	454	20	309	783	1,074
Provided in the year	–	–	–	–	6
Provisions not required written back	–	–	–	–	(131)
Provisions utilised in the year	(80)	(20)	(18)	(118)	(177)
Borrowing costs (unwinding of discounts)	12	–	(4)	8	11
Balance at 31 March	386	–	287	673	783

14.1 Analysis of expected timing of discounted flows

				2016-17	2015-16
	Onerous Lease £000	Pension Ombudsman Case £000	Others £000	Total £000	Total £000
Not later than one year	83	–	16	99	115
Later than one year and not later than five years	303	–	65	368	434
Later than five years	–	–	206	206	234
Balance at 31 March	386	–	287	673	783

Onerous Lease

A provision was made for the second floor of Finlaison House 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.

Discount rate applied was obtained from HM Treasury Public Service Expenditure paper 2016 (10).

Other Provisions

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

As at 31 March 2017, GAD had no contingent liability (31 March 2016: £nil).

16. Related-party transactions

GAD's major government clients for actuarial services includes the Department for Work and Pensions, the Cabinet Office, the Department for Communities and Local Government, the Home Office, HM Revenue and Customs, HM Treasury, the Department of Health, the Ministry of Defence and the Ministry of Justice.

GAD also receives rent and facilities management income from the Single Source Regulations Office and the Higher Education Funding Council for England as sub-tenants in Finlaison House. In 2016-17 the total net income from these sub-tenants was £867,000 (2015-16: £898,000).

No Board member, key manager or other related parties has undertaken any material transactions with GAD during the year.

17. Third-party assets

During 2016-17, the Department did not hold any third party assets (2015-16: £nil).

18. Entities within the departmental boundary

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

19. Events after the reporting period date

There were no events recorded after the Statement of Financial Position date which affected the true and fair view of the accounts.

20. 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.



Government
Actuary's
Department

ISBN 978-1-4741-4551-0



9 781474 145510