



Government  
Actuary's  
Department

# Annual Report and Accounts 2017-18



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# Government Actuary's Department

## Annual Report and Accounts 2017-18

### (For the year ended 31 March 2018)

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

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This is part of a series of departmental publications which, along with the Main Estimates 2017-18 and the document Public Expenditure: Statistical Analyses 2017, present the government's outturn for 2017-18 and planned expenditure for 2018-19.



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# 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 Department in delivering its objectives and a performance summary.

### Executive Statement

This was the third year of the Government Actuary's Department's five year strategy, which seeks to steer the Department towards our shared vision for 2020. That vision incorporates challenges of diversification, efficiency, consistency and standardisation in the work that we do as well as the development and commitment of our staff to live up to our modernisation targets.

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. In particular we were able to further improve the flow of new commissions during the year with a total value of £9.0 million. These new commissions, which cover both traditional public service pensions work and new insurance and investment projects, helped us to increase substantially the level of diversification of the work that we do.

Our fully-established Actuarial Services Team continued to provide consistent and cost-effective actuarial support for our client-facing teams. It has begun to broaden the reach of its support beyond the public service pensions area into other GAD work areas.

We continued to update many of our systems and processes in Finance, HR and IT and completed a move to more efficient, smarter working through an office refit which included upgraded IT. During a period of change, many members of staff stepped up to show qualities of leadership and demonstrated our values, to be Agile, Dedicated, Expert, Partnering and Trusted. Staff feedback more generally, provided both directly and through the Civil Service People Survey, indicated scope for improvements in the way that change is managed and led. This is a challenge that the Leadership Group is taking up.

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 met the expectations of our clients.

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 service 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. Examples include NHS Resolution, Department for Education (DfE) (Risk Protection Arrangement) and Department for International Development (DFID).

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 newsletters<sup>1</sup> 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:

- > **Financial:** GAD does not meet financial targets or has poor financial control;
- > **Clients:** GAD's reputation for providing high quality advice to clients is damaged;
- > **People:** GAD is unable to provide future advice effectively owing to an ineffective people policy, with specific risks arising from failure to recruit and retain staff;
- > **Processes:** GAD's advice is not seen as value for money owing to poor processes.

Further details about how these could affect GAD in delivering its objectives can be found in the Governance Statement within the Accountability Report (pages 33-42).

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

The performance of the Department is measured through the Balanced Scorecard Key Performance Indicators (KPIs). The KPIs are produced on a monthly basis, and are presented at Management Board meetings 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 generated from clients, both to be approved annually by Parliament. Accordingly, it is appropriate to adopt a going concern basis for the preparation of these financial statements.

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

## Performance Summary

In 2017-18, GAD achieved all of its parliamentary estimates targets. Actuarial income grew by 11% to £19.5 million and new commissions during the year increased to £9 million.

An office refit and modernisation programme was undertaken to enable more efficient working in future. The programme was funded through a one-off virement from resource to capital.

During the year GAD sought to maintain its reputation for providing high quality advice and to measure this through research. We actively obtained feedback from our clients via the use of a client survey. The full GAD Client Survey 2017-18 report can be accessed on the GAD website.<sup>2</sup>

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<sup>2</sup> <https://www.gov.uk/government/publications/gad-client-survey-2017-18>



# Performance Analysis

## Departmental Mission, Vision and Strategy

### 2020 Vision:

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

- > is recognised throughout government as a high quality source of innovative thinking and specialist advice across many sectors;
- > has substantially enhanced its reputation for efficiency and value for money;
- > achieves high levels of consistency and standardisation in its operations and business processes; and
- > is widely recognised for its development of analytical, actuarial and business skills of its people.

### Mission

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

### Values

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

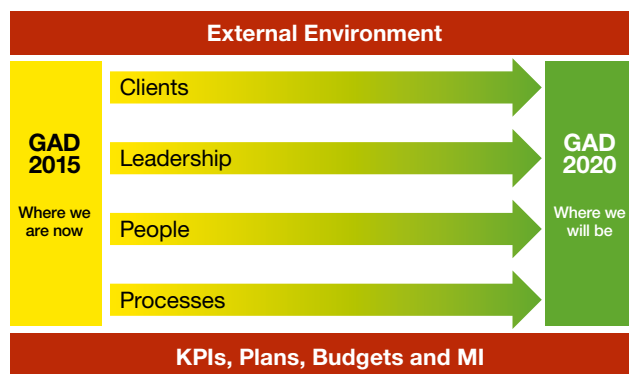
## Leadership Pledge

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 focused.

## Strategy

2017-18 was the third year of our five-year strategy that seeks to steer the Department towards our vision for 2020. This strategy is centred on four strategic themes as set out below:



The strategy document explores the relevant issues for each theme in more detail. You can read the complete document<sup>3</sup> on our website. What follows is a summary of the key objectives by theme.

### Clients

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

## Leadership

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

## People

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.

<sup>3</sup> <https://www.gov.uk/government/publications/gad-department-strategy-2015-2020>

## Performance and Operating Review

In 2017-18 we set ourselves challenging targets as part of a balanced scorecard. Whilst we achieved most of the targets in 2017-18 and we have made significant progress on the others, at the same time we continue to learn important lessons as to where we need to make more effort.

The key highlights of our performance against our strategic themes are as follows:

- > **Financial management** of GAD has been further enhanced. Once again we met all our financial targets including implementing a significant modernisation agenda. We made good progress to embed concepts of planning, budgeting and forecasting into our financial management processes. We have also limited our fee rates increase to clients to 1% and exceeded our target utilisation rates.
- > On the **Client** side an Executive lead on this theme ensured that engagement, new business and client satisfaction were near the top of the GAD agenda. New business development groups have been established across the teams and client plans for the largest clients. New clients have been won and mandates with some clients significantly expanded. The biggest successes have come in the Insurance and Investment area which has also led to a greater diversification of GAD business and opportunities for staff to engage in new fields. We have retained our 'anchor' insurance contract with NHS Resolution against private sector competition. The growth in the on-site actuary cadre and the increasing number of secondments are examples of good working practices that are cementing client relationships.
- > Staff at all levels are encouraged to express leadership in both their client work and in contributing to our wider development and modernisation. Examples include developing professional networks, leading

on change initiatives or initiating formal and informal engagement to improve internal communication.

- > On the **People** side we have invested some well-spent time in talent management which has particularly helped to identify those actuaries who are ready to step up to further challenges. Similarly the resolution with which we have approached the rotation of actuarial trainees is an investment in the future talent, though this programme is not without its own challenges. We have placed greater emphasis on performance management and line management, although these are still works in progress. Our redevelopment of the actuarial grades and roles has been an emergent piece, but there is greater clarity now of the competencies, skills and experience required at different levels. Our first attempt to create an elite squad of client engagement actuaries has been rebooted into a much more formal programme, and the concept of investing in specialist skills and careers – technical, delivery and engagement – is beginning to form.
- > On **Process**, GAD now has fewer obvious silos and the Executive have ensured that resources are applied where best needed for increased efficiency. Our creation of the Actuarial Services Team (AST) has wrought a step change in standardisation of pensions valuation work and has improved our efficiency. The Public Service Pension Schemes (PSPS) team is working with AST to bring greater standardisation and simplicity to Resource Accounts and factors work. AST is now working to take over repeatable calculations work from the Staff Transfers team.

Where we have embraced standard project methodologies, the positive results are evident and are serving to encourage wider adoption of the available methodologies.

## **Long-term Expenditure Trends**

The Government Actuary's Department has agreed indicative baseline funding until 2019-20. Further detail is provided within the Core Departmental Tables for historic and future trends (see Corporate Governance Reporting section within the Accountability Report).

In summary, the Department is expected to recover its costs, generating a small surplus. The capital budget for future years is £200,000.

## Review of Progress 2017–2018

### Public Service Pension Schemes

Actuarial valuations of the reformed career average revalued earnings (CARE) pension schemes have continued to be a major area of activity this year. These valuations set the initial cost cap funds for each scheme and test the cost of the scheme against the cost caps set at the previous valuations for the first time.

We have continued to provide input for accounting and forecasting purposes for all the public service schemes. We also continue

to support policy development work for the scheme sponsors which covers a wide ranging membership.

We have made good progress with the Section 13 review of LGPS valuations, building on the dry-run work that we had completed previously. We have established good relationships with all stakeholder groups involved in this process.

Our actuaries have regularly attended the public service scheme governance forums, being particularly active with Scheme Advisory Boards over 2017-2018 given their statutory role in the valuation process.

## GAD'S WORK



### On-line Member Pension Calculator

In 2015 public service pension schemes were reformed, introducing the CARE design. Unlike the predecessor schemes, CARE pensions are not linked to final salary. This makes it harder for members to estimate the purchasing power of their pensions at retirement, often several decades in the future.

Stakeholders in the Police pension schemes in Scotland recognised the difficulty facing members. They asked the Scottish Public Pensions Agency (SPPA) if it could provide a calculator allowing members to produce personalised projections of pension at retirement. Initially, SPPA had considered in-house development, but recognising the expertise available, turned to GAD colleagues to explore the possibility of GAD building a reliable product.

The work included: providing advice on the assumptions to be used for projecting benefits; the calculator's format and design; and full product testing to ensure the robustness of the complex calculations involved. Some of the key design decisions were as follows:

- > project pensions on three different real salary growth assumptions to show the potential variance in outcome;
- > present the results in present-day money terms;
- > combine benefits from pre-2015 and post-2015 pension schemes;
- > include detailed scheme benefit features where practicable.

GAD worked closely with SPPA and members of the Scottish Police Pension Board to agree the structure and surrounding communications during both the delivery phase and following 'go-live'. The calculator was well received by scheme members. Following its success, other UK Departments have agreed to adopt equivalent models for their public service pension schemes.

**Alan Dorn**  
Public Service Pension Schemes Team

## GAD'S WORK



### Public Service Pension Schemes 2016 Actuarial Valuations

The Actuarial Services Team (AST) was established in 2016-17 to support GAD's key vision to achieve a high level of consistency and standardisation in its operations with the ultimate aim to enhance GAD's reputation for efficiency and value for money.

Work in relation to the Public Service Pension Scheme (PSPS) valuations as at 31 March 2016 has enabled AST to demonstrate an efficient, standardised way of working in terms of outputs produced and processes followed.

GAD is frequently asked to prepare valuation results using a variety of assumptions, often at short notice, to assist with the valuation process. On one such occasion, GAD was asked to prepare results on a set of assumptions for the seven biggest covering over 11.5 million members and over £1 trillion of past service liabilities. This work had to be completed within three weeks. AST viewed this as an opportunity to develop a new process and demonstrate an efficient way of working that provided value for money.

Results were presented to all clients in a standardised format before the deadline and the project was completed within the budget that was agreed. Further, the processes developed as part of this project have now been applied to the remaining smaller PSPS valuations. Undoubtedly, this process will be reused in future projects.

Working alongside PSPS Team, AST operates as a unified GAD team to deliver on client commitments. AST is currently working with other teams to share how efficiencies gained through consistency and re-engineering can be applied across the whole of GAD.

**Neil Hawthorne**  
Actuarial Services Team

### Actuarial Services

The Actuarial Services Team (AST) has delivered valuation results for public service pension schemes. These results have been produced in a consistent manner, enabling easy cross-comparison schemes. Alongside this AST has also refined the valuation processes, and has begun work on factors and accounts.

Throughout the year, AST has focused on integrating good project management throughout the team, with weekly monitoring of progress, regular updates with client teams and mitigating actions taken when targets appear at risk.

Together with GAD's programme manager, AST successfully completed the tender for GAD's pension valuation software, with the award made at the end of December 2017.

### Staff Transfers

In 2017-2018, we continued to provide support on a number of projects involving the transfer of staff between government departments and other public bodies.

## **Funded Pension Schemes**

We have provided advice to the trustees and sponsoring employers of a number of funded pension schemes, covering both the routine actuarial support and providing strategic advice for long-term planning. We have worked effectively with schemes' other advisers to deliver a comprehensive and efficient service for trustees and sponsors.

## **Advice to Government**

The Advice to Government team provides policy advice on public and private sector pensions and social security. The team had a very successful year over 2017-2018, including:

- > working closely with HM Treasury on various matters relating to public service pensions, including the 2016 valuations of public service pension schemes
- > developing our relationship with DWP and providing significant support to the development of their white paper on security and sustainability in private sector defined benefit pension schemes
- > the successful delivery of the Government Actuary's quinquennial report to the UK Parliament on the long-term financial outlook for the National Insurance Fund.



## GAD'S WORK



### Working with the Department for Work and Pensions

GAD has had a long association with the Department for Work and Pensions (DWP). We support them on private pension policy formulation with technical actuarial analytical support and by providing an independent perspective from within government. Over the last few years we have supported DWP on a variety of matters including: a major review of auto-enrolment; issues resulting from the end of contracting-out and GMP equalisation and conversion legislation; a new regime for DC Master Trusts; and preparation for a Pensions Dashboard. There have also been a number of high profile cases involving DB pension scheme members requiring some form of government response that GAD has been able to assist on.

However, we have worked even more closely with DWP to support consideration of the challenges facing the funding of private sector DB pension schemes. We have collaborated closely with senior officials advising Ministers at the highest levels; and strengthened the onsite actuary presence through a new consulting arrangement and secondment opportunities for junior staff. This has allowed GAD to provide advice and support responding to developments from the early stages of policy formulation; through the publication of a green paper last year; and into the recent white paper.

We expect to continue working closely with DWP over the next year as they further develop proposals set out in the white paper through more detailed consultation, particularly around consolidation and scheme funding. The recent re-emergence of alternative collective DC schemes will also no doubt require further consideration.

The benefits of our close working relationship with DWP are summed up by Ronan O'Connor, DWP Deputy Director, DB private pensions, who said "the support provided by GAD in helping us meet our policy objectives over a very busy few years has been invaluable, we have certainly made full use of their expertise, and insight, and I see the way in which our working relationship has developed as an exemplar in closer working".

**Mark Shaw**  
**Advice to Government Team**



## GAD'S WORK



### Centre for Global Disaster Protection

More than 200 million people are affected every year by disasters such as earthquakes, tsunamis, cyclones and flooding in developing countries. Economic losses across 77 of the world's poorest countries are now reaching, on average, \$30 billion each year. A recent World Bank study estimated that disasters force some 26 million people into poverty each year. Climate change will aggravate this.

In this context the Centre for Global Disaster Protection was launched by Prime Minister Theresa May in July 2017 to work with developing countries to strengthen pre-disaster planning, catalyse innovative finance for resilience and use risk financing tools like insurance to finance more cost-effective, timely and reliable response and recovery from disasters. The UK insurance industry and the UK government have a deep pool of expertise on financing disaster risks that can be shared with other governments, and the Centre has been designed to draw on this expertise.

We supported the Department for International Development (DFID) in their design of the Centre, and are continuing to help the Centre to achieve its objectives by providing analytics and advice that can bridge the gap between data and risk-informed decision-making, and by actuarial secondments into the Centre. Colin Wilson, the Deputy Government Actuary, also sits on the Board of the Centre.

Our partnership with DFID on the Centre is a natural extension to our pre-existing work with them. We provide independent analytics and advice to support the development and evaluation of risk financing programmes in developing countries, including insurance pools. We use our insurance and risk expertise to perform quantitative and qualitative analysis of the programmes and their risks.

**Evie Calcutt**  
**Insurance and Investment Team**

## Insurance and Investment

The Insurance and Investment team had a very successful year in 2017-2018, completing a wide range of projects for existing and new clients, continuing to build deeper relationships with clients and contacts across the public sector. Notable successes include:

- > Retaining the contract to provide actuarial services to NHS Resolution and increasingly supporting other public service clients in relation to healthcare provision, e.g. advising the Department of Health and Social Care (DHSC) on its review of primary care indemnity provision and supporting NICE through a secondment.
- > Expanding our work on sovereign disaster financing, in particular by supporting the Department for International Development (DFID) in a major government initiative to establish the Centre for Global Disaster Protection in London and by developing a number of financing tools for the World Bank.
- > Assisting the Department for Education (DfE) on developing the Risk Protection Arrangement for Academies as well as completing regular reserving reviews.
- > Winning the contract to advise Cabinet Office in respect of its Defined Contribution pension arrangements, as well as carrying out a number of other investment and modelling projects.
- > Providing a wide range of insurance-related advice to clients including the Department for Transport (DfT), Defra, Department for Business, Energy and Industrial Strategy (BEIS), HMRC and the UK Space Agency.
- > Continuing to support UK Government Investments through the sale of part of the student loan book in late 2017 and in preparation for the sale of future tranches of loans.

## GAD'S WORK



### Student Loans Scheme

In December 2017, the Government finalised the sale of student debt to private investors. Whilst the UK Government has sold student loan proceeds before, this sale – the first backed by Income Contingent Repayment loans – represented a unique challenge and essentially the establishment of a new asset class.

A key requirement in the sale process was having an appropriate model in place to project and understand the cashflows expected from the loan book. GAD was asked by UK Government Investments (UKGI), who oversaw the sale of the asset on behalf of the Department for Education (DfE), to develop a model that was fit for purpose and appropriate to use.

Despite the considerable challenges and the availability of alternative models developed in the public and private sectors, UKGI decided that GAD's model was the most appropriate to use to inform the sale, due to the accuracy of the model output and the simplicity of the modelling approach.

Although the model was primarily used to analyse and inform decisions made by government, the model was also shared with third parties (investors and other market participants) in order to aid their understanding and analyse possible outcomes under their own assumptions and views.

Whilst our development team worked with dedication and efficiency, the successful delivery of the model depended critically on building a close working partnership with UKGI through:

- > onsite working and regular client dialogue;
- > developing the model in a partnering and agile manner;
- > open engagement and challenge;
- > seconding GAD staff to UKGI to embed the model and transfer knowledge.

The successful delivery of this project demonstrates how GAD can apply our skills as actuaries to work closely with other experts to support robust decisions on novel and unique problems. Further, the project demonstrates the value of working closely with clients to minimise development time and increase our understanding of how the analysis supports the rest of the project.

Although the first sale of income contingent loans is now complete, government intends this to be the first of a regular process. GAD's focus is now switching to supporting UKGI on future sales and how the model developed between UKGI and GAD might be used in the future.

**Andrew Jinks**  
Insurance and Investment Team

## Other Key Achievements

Our mission is to support effective decision-making and robust reporting within government as the first choice provider of actuarial and specialist analysis, advice and assurance. In order to ensure that GAD continues to be fit for this future, a programme of organisational change has been maintained during the year. This includes:

- > **Team re-organisation** – the further development of the Actuarial Services and Public Service Pension Schemes teams to both provide more efficient processing of actuarial calculations and more focused client engagement;
- > **Talent management and development** – the creation of a bespoke programme for client engagement specialists, boosting leadership and development opportunities throughout the department, and more vigorous rotation of junior professionals to promote organisational versatility;
- > **Workspace modernisation** – more efficient use of the office space through flexible working and modern workplace technology;
- > **Value for money and efficiency** – the widespread use of project management tools to assist on-time and on-budget delivery; rationalisation and benchmarking of actuarial pay bands; and improved financial and operational management.

We have made some excellent progress in modernising the way we work and in upgrading our desktop/laptop hardware. During the last year we successfully redesigned our working space, consolidating from three to just two floors of Finlaison House. We were able to sub-let the office space released. We upgraded our IT hardware and software to allow us to work and use the office space available more flexibly and efficiently.

We now also have clear sight of the future investments required to better plan our finances. We have procured a new actuarial software product which will streamline processes and enhance new ways of working.

Throughout the year as the change programme has progressed, employee engagement has been heightened and a large volume of useful feedback has been received. The Change Board, in particular, played a leading role by undertaking a detailed temperature check which helped analyse the impact of change, and focus on areas where delivery could be improved.

The Leadership Group of executives and senior managers was able to review this feedback at its annual 'Away Day'. It created its own manifesto of five leadership themes (see page 28) and has committed to advancing these in its day-to-day engagement on change.

In parallel to our own internal temperature checks and engagement, the civil service people survey further re-enforced the need to improve the communication about and the delivery of change. The overall engagement score for the department of 55% underlined the need to lead on and manage change well. The Executive, with the support of the Management Board, has taken the feedback and survey response on board and, whilst committed to a programme of change, is also committed to its effective and inclusive delivery.

## Our Performance in Numbers



**£19.5m**

Actuarial income  
in 2017-18



**20%**

Of which, actuarial income  
from non-pensions business



**40**

Insurance and investment  
projects completed, an **82%**  
increase from 2016-17



**£9.0m**

Value of new business wins



GAD is highly  
valued by

**83%**

of clients



**18**

GAD actuaries  
working onsite  
alongside our clients

**18**

GAD actuaries contributing  
to Institute and Faculty of  
Actuaries (IFoA) work



**All bar 3 of 51**

FOI Act requests were  
responded to within time  
period set by statute



**66%**

actuarial utilisation  
(Target 65%)

## Sustainability Development Reporting

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. However, as a matter of good practice, we are reporting voluntarily, following the guidance and 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 enables us to document procedures and continuously monitor progress in environmental performance through regular measurements, reviews and audits. We will be transitioning to the new ISO 14001:2015 standard in June 2018.

### 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. These targets set out how we plan to achieve reductions in CO<sub>2</sub> emissions from building energy use through efficient use of accommodation and IT, how waste will be diverted away from landfill via methods based on the waste hierarchy principle and how to manage the consumption of water.

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

In summary, compared with 2016-17:

- > Usage of water, paper and electricity reduced;
- > Usage of gas increased, due to extended cold weather conditions through winter months; and
- > Waste generation increased, due to recycling of furniture as part of a one-off accommodation modernisation project.

More detailed analysis is provided below.

## Greenhouse gas emissions

		Baseline 2009-10	2014-15	2015-16	2016-17	2017-18
Non-financial Indicators (CO <sub>2</sub> e)	Scope 1 and 2 emissions <sup>1</sup>	248	199	226	177	169
	Scope 3 emissions (indirect – official business travel)	33	16	9	25	33
	Total emissions	281	215	235	202	202
Other Non- financial Indicators	Number of domestic flights	93	70	59	71	99
Related Energy Consumption (KWh) <sup>2</sup>	Electricity	373,921	318,126	361,001	344,043	317,791
	Gas	247,799	146,097	127,072	133,714	140,418
Financial Indicators (£)	Expenditure on energy	51,667	41,389	46,149	43,372	46,112
	CRC License expenditure	–	1,290	1,290	1,290	1,290
	CRC emissions allowance	–	6,396	5,797	5,349	4,814
	CRC Phase 2 registration	–	–	–	–	–
	Expenditure on official business travel	66,135	33,590	30,813	31,121	40,975

1. CO<sub>2</sub> emissions figures are taken from the Cabinet Office electronic Property Information Mapping Service (ePIMS) database.
2. The figures for energy consumption are based on our occupied floor space as a proportion of the total building space as the building is multi-occupied and sub-metering is not available.

### Targets and narrative

The GGCs are that by 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. Boilers were kept running continuously during the freezing periods to prevent pipework and machinery from breaking down. Total energy consumption has decreased by around 7.5%.

The number of domestic flights is slightly higher this year than the 2009-10 baseline owing to increased client activity in Scotland.

## Waste

		Baseline <sup>3</sup> 2010-11	2014-15	2015-16	2016-17	2017-18
Non-financial Indicators (tonnes)	Non-Recycled	7	0	0	0	0
	Total Reused/ Recycled	15	17	21	8	38
	Composted	–	2	3	2	3
	Energy recovery	–	1	1	1	2
	Total waste	22	20	25	11	43
Financial Indicators (£)	Total disposal cost	8,162	6,716	8,000	7,208	6,941

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 increased significantly over the past year due to the furniture that was replaced during a one-off office refurbishing. Surplus furniture is advertised on the Government Furniture Clearing House before being disposed of in an ethical manner. Our policy and practice is to recycle all redundant ICT equipment that cannot be reused using approved Waste Electrical and Electronic Equipment (WEEE) brokers.

### Finite resource consumption: PAPER

	Baseline 2009-10	2014-15	2015-16	2016-17	2017-18
Non-Financial Indicators (A4 Reams)	1,610	1,242	931	911	785

### 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 2017-18 we have achieved a 51% 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	2017-18
Non-financial Indicators (m <sup>3</sup> )	Water consumption	1,010	738	955	931	842
	m <sup>3</sup> per FTE	7.70	4.70	5.90	5.70	5.20
Financial Indicators (£)	Water supply and disposal costs	2,030	1,885	2,383	2,184	2,340

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

Water consumption has decreased by around 9.5% from last year.

### 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.

### 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 and we are subject to the Sustainability Policy which it operates.

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.

**Martin Clarke**  
**Government Actuary**  
 Accounting Officer  
 20 June 2018

# The Accountability Report

## Corporate Governance Report

### Executive's Report

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.

During the year we generated an operating surplus of £1.684 million. Income for the year was £20.496 million. Fee income (income from actuarial services) increased by £2.061 million

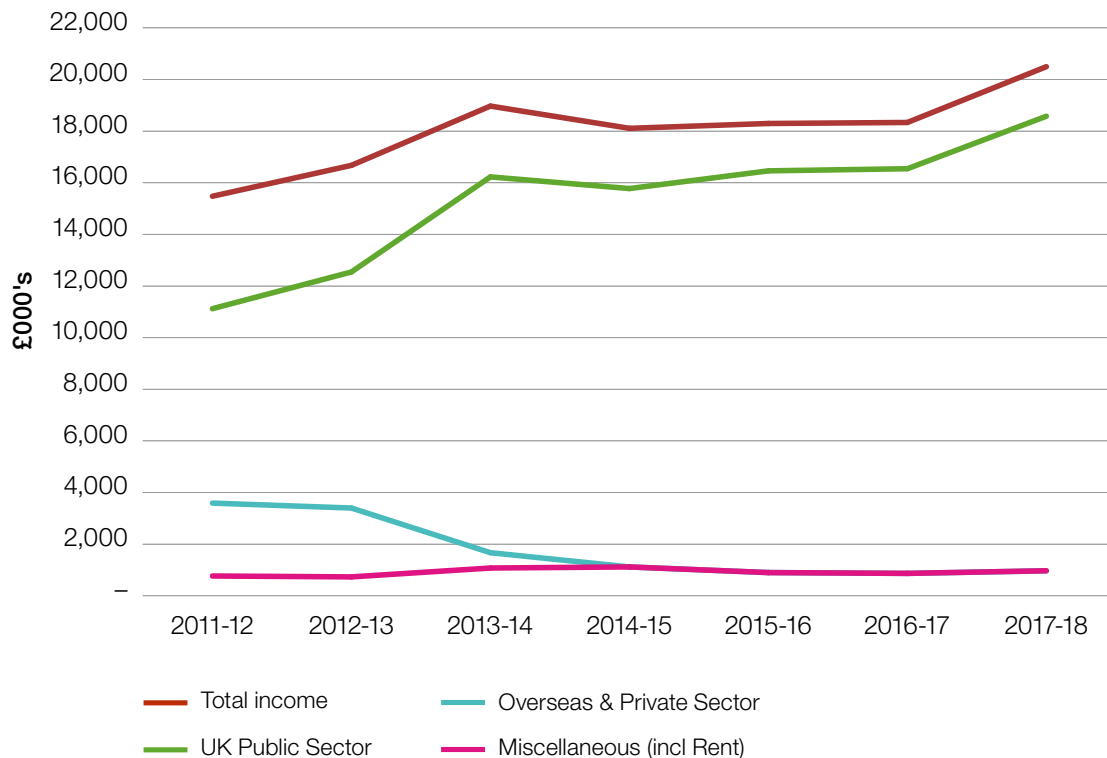
from £17.467 million in 2016-17 to £19.528 million in 2017-18. Our fee rate increase was limited to 1% in 2017-18 compared to 2016-17.

Income generated from within the UK was £20.122 million (2016-17: £17.866 million).

Overseas income was £374,000 (2016-17: £468,000).

Miscellaneous income was £968,000 in 2017-18, an increase from £867,000 in 2016-17. Miscellaneous income is generated by the sub-letting of floor space in Finlaison House.

### Income



Administration costs in 2017-18 amounted to £18.812 million, a £1.123 million increase from £17.689 million in 2016-17 (restated). Staff costs (£13.627 million) are the main component of administration costs. Staff costs in 2017-18 increased by 5.7%. This was due to an increase in staff numbers and a general 1% pay increase for staff in post. The cost of employing agency and some other temporary staff is classified under other administration costs in our accounts. These additional staff costs have increased marginally from £393,000 in 2016-17 to £404,000 in 2017-18.

Other administration expenditure in 2017-18 amounted to £5.185 million, a £379,000 increase from £4.806 million in 2016-17. Most of the expenditure was consistent with the previous year, although IT and Facilities Management expenditure increased from £1.323 million in 2016-17 to £1.806 million in 2017-18, reflecting our need to modernise in line with 'The Way We Work' (TW3) and deliver agile working across the Department.

Our capital budget (or Capital Departmental Expenditure Limit, DEL) for 2017-18 was £475,000 of which £449,000 was utilised. The majority of the capital spend was related to office modernisation and agile working. In 2017-18 we vired £275,000 from Resource DEL to Capital DEL in order to implement our modernisation programme. This has resulted in a Resource DEL Supply Estimate of £274,000.

Our Supply Estimate had a net cash requirement of £215,000 and we achieved an outturn of (£414,000) cash in 2017-18. All surplus cash at year end will be returned to the Consolidated Fund. Our running and capital costs were met through fee income generated from providing actuarial services and from rental income.

The Statement of Financial Position is made up of total assets of £7.379 million (2016-17: £6.284 million) and total liabilities of £5.173 million (2016-17: £5.408 million). This year we had to restate the Statement of Financial Position to take into account prior period

adjustments for the dilapidation provision in relation to Finlaison House from the inception of the lease in 2003-4 to 2016-17. This adjustment of £2.539 million is included within the restated Statement of Financial Position.

## **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 2017-18, 89% of invoices by value (90% by number) were paid within 5 working days. The equivalent figures for 2016-17 were 91% of invoices by value (84% 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 2017-18 we spent £46,000 (2016-17: £52,000) on consultancy and professional services.

In 2017-18 we incurred costs of £404,000 (2016-17: £393,000) on the employment of temporary staff. These were mainly specialist IT and actuarial staff required to meet additional demand from clients. We aim to have a small proportion of staff on temporary and fixed term contracts to provide flexibility to meet fluctuating demand.

In 2017-18 £13,000 was incurred on publicity and advertising costs, all of which was for recruitment (2016-17: £12,000).

## **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 2017-18 (2016-17: £nil).

## Financial Outturn

Our financial outturn for 2017-18 is reported in different ways. The accounts show the net resource outturn of £855,000 against an Estimate of £2,408,000, net surplus Resource Departmental Expenditure Limit (RDEL) of £1,481,000 surplus against an Estimate of 274,000 and Capital DEL (CDEL) of £449,000 against an Estimate of £475,000. The tables in the Statement of Parliamentary Supply Notes 1 and 2 reconcile these figures.

## Recruitment and Turnover

GAD's staff turnover has increased this year at 17% to end March 2018 (13% in 2016-17). The bulk of external recruitment activities took place in Quarter 4 of this financial year. The impact on headcount of new recruits will be observed in the next financial year.

We rely on contingent labour, mostly in the form of agency contractors, to manage short term and/or cyclical demands. A proposal is currently being considered to develop the Analyst career pathway which will redefine existing Actuarial Technician roles and facilitate more fluid movement of employees in the Analytical profession into and out of GAD.

## Staff in post as at 31 March 2018

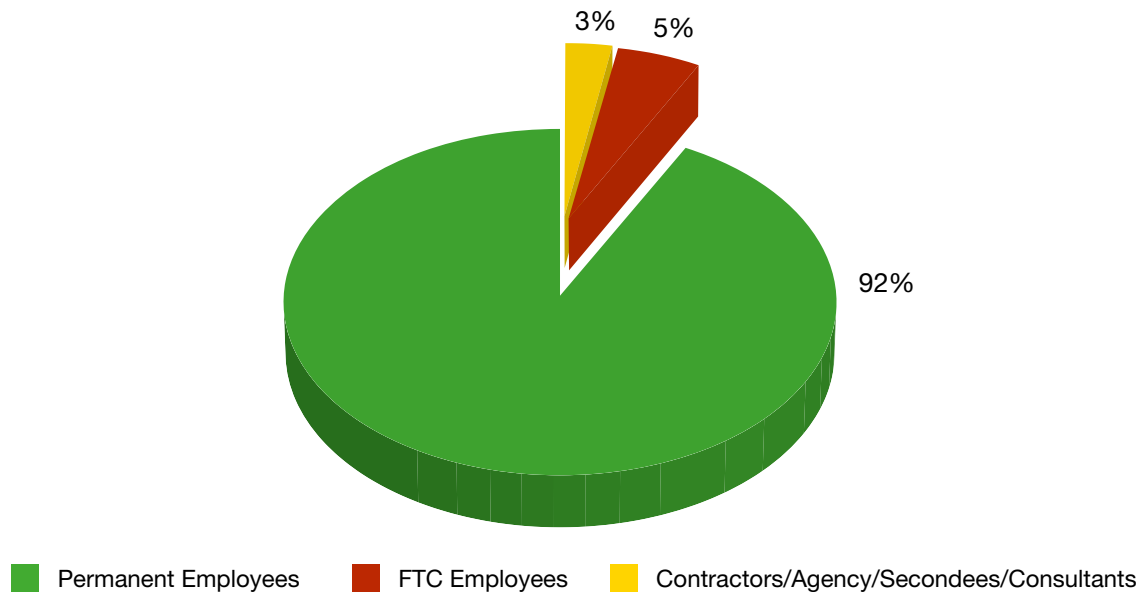
	Staff in Post 31/03/2018	Male 31/03/2018	Female 31/03/2018	Staff in post 31/03/2017	Male 31/03/2017	Female 31/03/2017
Actuaries <sup>1</sup>	87	57	30	80	49	31
Trainee Actuaries <sup>1</sup>	35	24	11	35	22	13
Actuarial Technicians	18	9	9	29	19	10
Support Staff <sup>1</sup>	31	16	15	25	13	12
Secondees/Agency	5	5	0	4	3	1
<b>Total</b>	<b>176</b>	<b>111</b>	<b>65</b>	<b>173</b>	<b>106</b>	<b>67</b>
<i>Of which: Leadership Group<sup>2</sup></i>	16	12	4	15	12	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 2018:



### Staff Engagement Survey

The 2017 Staff Survey had a completion rate of 88%. Although the overall Employee Engagement Index of 55% was 10% down on 2016, GAD had undergone a number of significant structural and operational changes over the last year, which it was recognised will have had an impact on people in the organisation.

The impact of these changes on staff morale was also picked up in the discussions that members of the GAD Change Board had with people in different grade groups.

Senior Managers were very aware of the impact that these changes had on staff morale across the organisation and took action to respond to particular issues where resolution was possible. At the GAD Leadership Away Day in October 2017, discussions focused on five key themes to be pursued to address change issues in the future:

- > One GAD – one team, one direction, one objective
- > Confident two-way communications and conversations
- > Importance of line management – developing, empowering, inspiring

> Supportive culture

> Bigger picture

Members of the GAD Change Board also sought feedback from GAD employees about the changes and how they were managed, and developed good practice summaries of 'What Good Change Looks Like' and 'What Good Change Feels Like'.

### 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. We are committed to Diversity and now have appointed a member of Executive to lead on Diversity.

GAD demonstrates commitment to the recruitment 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 will be 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 makes adjustments to help people who become disabled stay in their current role or find a suitable alternative. GAD has been recognised as a Disability Confident Employer, certification of which was renewed in March 2018 until March 2020.

### **Gender Pay Gap**

GAD currently has fewer than 250 employees and so the reporting on Gender Pay Gap information is not compulsory. We calculate our mean gender pay gap in hourly pay as at 31st March 2018 to be 21.0% and the median pay gap to be 15.5%.

We are committed to improving diversity and opportunities for all.

### **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.

Alerts and updates are sent to staff relating to specific projects that affect them. These are also published on the intranet. Forms are created on the intranet for some projects that allow staff to ask specific questions and see what has already been asked and answered (FAQs).

An 'Ask the Executive' facility on the intranet similarly allows staff to ask the GAD Executive questions either publicly or privately.

## **Talent and Reward**

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**

Ensuring compliance with the Civil Service Commission Recruitment Principles whilst making improvement to the overall recruitment process remains a priority. Improvements have continued to be made to recruitment processes and methods. The recruitment principles briefing and unconscious bias training provided via the Civil Service Learning website continues to be mandated for the hiring panel. This has helped to ensure staff understand the legal requirements of recruiting into the Civil Service; the importance of selection for appointment into the Civil Service to be made on merit on the basis of fair and open competition for external recruitment campaigns, and to ensure the appointment of the best candidate on merit. These improvements to overall compliance were recognised by the Civil Service Commissioners during an audit in October 2017.

### **Retention**

Reward vouchers were introduced last year and continued to operate in 2017-18 to reward and recognise employees' contribution, with



the aim of providing a more immediate motivational impact. £10,000 of the non-consolidated pay award was set aside for this reward initiative in 2017-18. The feedback from staff was that they felt that their work had been recognised as a result of being given vouchers.

### **Pay Structure Review**

In 2017 a new pay structure for qualified actuaries was created and implemented to meet GAD's requirement to support talent management, progression and career paths. New pay principles were also developed so that all pay related matters are consistently applied across GAD. The next phase of the review will involve job families and pay bands of employees in other professional areas of the business.

### **Development**

The Learning and Development Portfolio published in August 2016 has been expanded as more courses have been introduced by Civil Service Learning (CSL) that meet specific skills and competence requirements identified in the portfolio. 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. The portfolio will be revamped in 2018-19 to align to revised job roles and responsibilities following the pay structure review.

### **Talent**

Talent management reviews are carried out every quarter. Development opportunities continue to be identified for employees to gain wider experience, either through secondments or internal rotations which are now being formally planned. A number of employees have been successful in seeking promotion to higher grades following new progression principles introduced in 2017. The aims and outcomes of the pay structure review are also key to supporting effective talent management.

### **Performance**

In 2017-18, several initiatives have been implemented to support managers; in particular two management training programmes were trialled at the end of 2017. The relevance and effectiveness of courses were evaluated via feedback forms and wash-up sessions. Positive comments were received about online elements and role-play exercises in the programmes and these were used to encourage remaining managers to attend a re-run of the training programmes from March 2018.

### **Effectiveness of Staff Whistleblowing Procedures**

In 2017-18, we revised our Whistleblowing guidance, which can be accessed via the GAD intranet. 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. No whistleblowing cases were raised during the year.

### **Personal Data**

A single incident occurred where third party data relating to several GAD staff was incorrectly sent to another GAD member of staff in reply to a subject access request. The Information Commissioner was informed and GAD received a warning. Following this incident, all staff affected by the breach were informed immediately and the GAD Subject Access Request policy was updated to include a process to check that all information being sent does not include third party data.

Details on the implementation of the General Data Protection Regulation are provided in the Governance Statement.

### **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 2017-18:

- > 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 'Managing Public Money', published by HM Treasury.

### Auditor

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2017-18 was £60,000 (2016-17: £60,000). No fees, either actual or notional, were incurred for non-audit work (2016-17: £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, Mel Stride 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 service 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 2018 was:

Urvashi Bhagat	Director of Finance
Martin Clarke	Government Actuary
Wendy Dabinett	Director of Human Resources
Stephen Humphrey	Head of Specialist Actuarial
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 Service Pensions
Colin Wilson	Deputy Government Actuary

Urvashi Bhagat joined the Management Board in November 2017 as the Director of Finance, replacing Robert Mackintosh who left in September 2017.

## Non-Executive Board Members

GAD's Management and Audit Boards include three non-executive members, who are appointed following open competition for terms of three years, which may be renewed once.

Geoffrey Podger	Currently Senior Visiting Research Fellow at the Centre for Risk Management, King's College, London and also acts in a number of non-executive roles and undertakes consultancy work. In his previous public service career, he successively managed four regulatory agencies in the UK, the European Union and New Zealand. He has also worked in three UK Departments. Geoffrey was awarded the CB in 2003. He has been a non-executive Board Member and Chair of the Management Board of the Government Actuary's Department since November 2015 on a three year appointment.
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, Angela 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, South Yorkshire Passenger Transport Executive and the Eden Project, previous roles included the Valuation Office Agency and the BIG Lottery. She has been a non-executive Board Member at GAD since September 2013 and Chair of the Audit Risk and Assurance Committee since January 2016. Her appointment has been extended until September 2019.
Louise Redmond	A specialist in organisation development, culture and governance, Louise currently leads in these areas for People Risk Solutions Limited. Previous executive roles include Human Resources Director at the Bank of England and founder director of the governance services subsidiary of Law Debenture. She has worked with corporate boards in financial services, such as investment and asset management companies and insurers on many aspects of board governance, director effectiveness and managing risk culture. She has been a non-executive Board Member at GAD since September 2013. Her appointment has been extended until August 2019.

During 2017-18, the Management Board met 10 times (including an Away Day to consider the Board's effectiveness), with attendance as follows:

Martin Clarke	10/10	Robert Mackintosh	3/5
Colin Wilson	9/10	Wendy Dabinett	7/10
Sue Vivian	7/10	Geoffrey Podger	10/10
Stephen Humphrey	9/10	Angela Marshall	10/10
Urvashi Bhagat	5/5	Louise Redmond	10/10

## Audit and Risk Assurance Committee (ARAC)

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.

Angela Marshall (Chair)	4/4
Geoffrey Podger	4/4
Louise Redmond	4/4

The Committee works to an annual work plan that covers not only matters that the Department is obliged to consider but also any other matters that both the Management Board and the Committee consider to be areas of concern from an internal control, assurance and governance perspective.

ARAC looks to a number of sources of assurance throughout the year to assist it effectively to discharge its responsibilities as set out in its terms of reference. Such assurances are provided either by third parties, i.e. bodies independent of management, or internal sources, i.e. management representations.

The Committee reviewed the annual internal audit plan to ensure the overall audit coverage and recommended its adoption to Management Board. During the year ARAC reviewed the findings of the audits carried out and followed up on the implementation of any agreed actions using the quarterly tracker report. In addition, the Committee considered the External Audit plan and any subsequent findings, reviewed the risk management processes and made some recommendations for improvement and approved this Governance Statement.

The Committee meets at least quarterly and when necessary, separately after the main meeting, with the External and Internal Auditors.

Between April 2017 and March 2018, the Audit and Risk Assurance Committee met four times with attendance as follows:

Martin Clarke	4/4
Robert Mackintosh	2/2
Urvashi Bhagat	2/2
Internal Audit	4/4
External Audit	4/4

## 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.

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.

### Support Operations Committee

The Support Operations Committee (SOC), chaired on a rotation basis by the Heads of the Support Teams, deals with operational and policy issues in the areas of accommodation, information technology, human resources, finance, environmental, security and information assurance. The Security Group reports to the SOC.

## GAD Change Board

The GAD Change Board was established in November 2014 to provide oversight to significant projects and change activity. The Change Board'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, the Government Actuary, 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.

## IT Security Sub-Committee

The IT Security sub-committee was established in December 2016, 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 Members' Interests

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

## The Board's Governance and Performance

The Board undertook a facilitated half-day workshop in November 2017 to review the outcomes of an effectiveness survey completed by all members, and considered whether any changes could improve the effectiveness of the Board.

These discussions included:

- > more effective planning of future agendas;
- > streamlined agendas on those occasions where Board and Audit and Risk Committee both meet;
- > improved clarity on topics for discussion, for example whether to explore ideas, to provide direction, or to consider a range of options which could be considered and their consequences and implications; and
- > greater involvement with issues during the early stages of development.

## Corporate Governance Code

Government policy on departmental governance is outlined in Corporate Governance in Central 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. The Internal Auditor (IA) does not receive an invitation to attend Management Board meetings, though does attend the Audit and Risk Assurance Committee on a quarterly basis.

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

## Risk Management

GAD is 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.

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 reviews these risks at each meeting during the year.

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.

An internal audit was carried out in January 2017 and concluded that the framework of governance risk management and control is adequate and effective. The audit also made some suggestions for improvement which have been implemented. Importantly one of the improvements was to separate the then risks on the various departmental risk registers into risks and issues.

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

> **Financial** GAD does not meet financial targets or has poor financial control, with specific risks arising from failure to: meet our control totals, 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. To mitigate financial risks, monthly financial forecasting of revenue process were introduced and has been reported to the Management Board. This year, we have focused our efforts on improving credit control and aged work in progress processes.

> **Clients** 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. To mitigate these risks, we regularly review our client protocols and engagement guidance. We seek clients' feedback to ensure that we are continuously learning and improving the quality of our work.

- > **Processes** Advice is not value for money due to poor processes in place, with specific risks arising from failure to: appropriately embed project management tools (including risk management) 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. To mitigate this risk, we have been implementing project management tools on all business critical projects and progress is regularly reported to the Management Board as part of the Balanced Scorecard.

- > **People** 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. To mitigate this risk, we regularly monitor and report to the Management Board information on staff turnover and vacancies.



## 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 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.

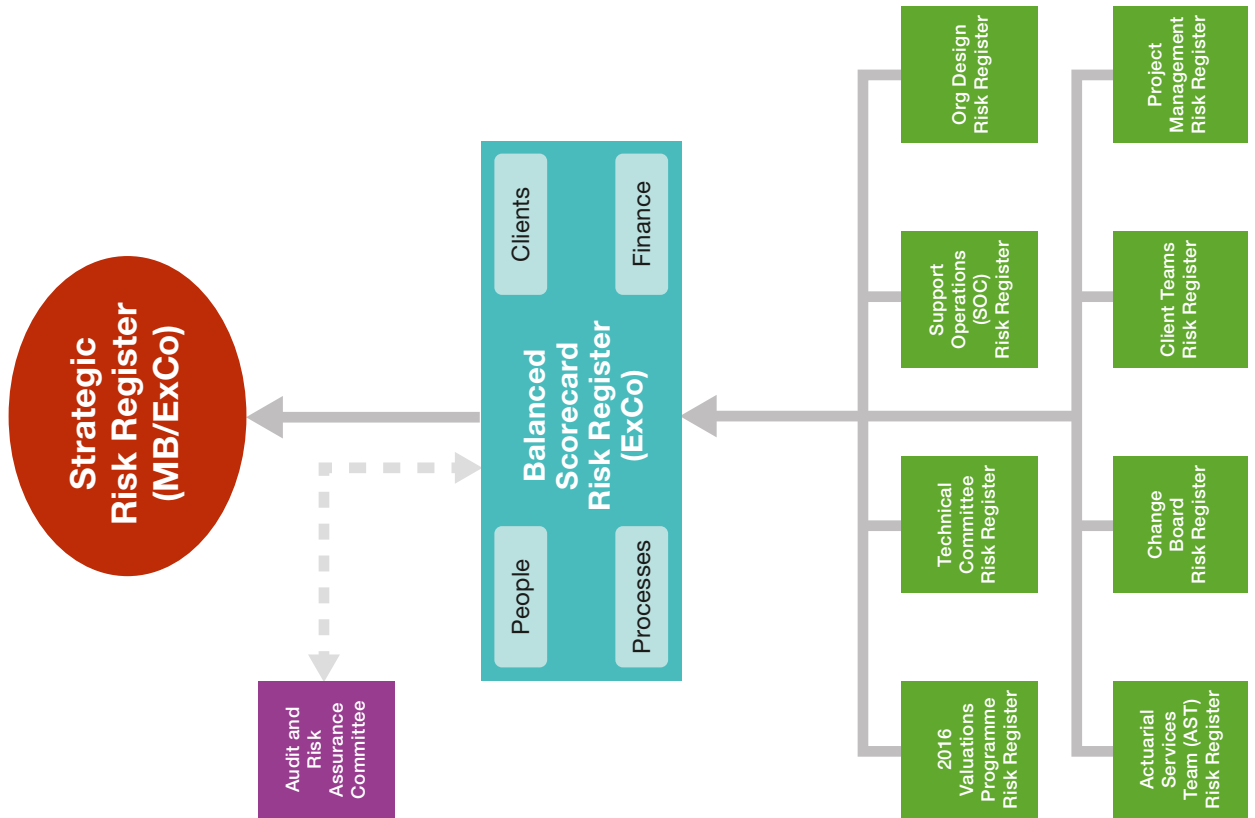
## Process

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:

- 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

Executive Support team request Programmes (individuals named in Risk Register entries) to provide updates (Status Report: progress on mitigations and RAG 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.





## Overall 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. No significant issues were identified and Executive Committee members have provided adequate assurance to the Accounting Officer to support the GAD wide statement.

Overall assurance is further supported by an Assurance map for the organisation. The map identifies the sources of assurance for internal control processes across the department following HM Treasury's Three Lines of Defence model.

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.

An updated Balanced Scorecard approach was adopted which aligned the key performance indicators with GAD's 2017-18 business plan objectives. The performance against Balanced Scorecard KPIs was reported to the Management Board meetings.

During the year, we have completed the implementation of all of the outstanding internal audit recommendations from the 2016 IT Controls Report and have reported at ARAC meetings. The IT recommendations implemented 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 developing of IT KPIs dashboard, including the establishment of the IT Security Sub-Committee as explained above.

Last year we reported that the Civil Service Commissioners (CSC) rated the Department's recruitment policies as 'Amber/Red', reflecting some incomplete recruitment process documentation and inconsistencies with sift criteria.

Since this assessment was made, we have implemented tangible improvements and greater transparency of the whole recruitment process. This was recognised by CSC during an audit in October 2017 where they noted that all external recruitment campaigns were compliant. The CSC reviewed all external vacancies advertised between April 2017 and October 2017.

The improvements we have implemented include:

- > improvements to GAD adverts to ensure compliance with Civil Service Code;
- > a recruitment briefing process for line managers;
- > enforcement of the need for recruiting line managers to complete 'unconscious bias' training;
- > consistently compliant sift and interview and score sheets;
- > consistent tracker for all stages of the end-to-end recruitment process; and
- > formal recording of recruitment decisions.

While it is acknowledged that any transformational change on a large scale will inevitably impact on employee engagement, following the 2017 employee engagement results, we have been gaining feedback on employee morale via the employee survey and the Change Board to identify how staff within GAD feel about the change initiatives.

Since then Executive members have been gaining feedback on employee morale via the Change Board discussions with staff members to identify how they feel about the change initiatives and how might these be handled differently. We are committed to work with the Change Board to address the issues that staff have raised.

### Quality Assurance Scheme

Since October 2016, GAD has continued to be 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 of 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.

### Internal Audit Assurance

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

- > **Actuarial Services Team Project** – a **substantial** assurance was confirmed and two Low priority actions were agreed;
- > **Business Continuity Management (BCM)** – a management letter was issued for this advisory engagement. Internal Audit's opinion was that the desktop exercise to run through contingency planning scenarios was valuable in ensuring that the BCM Team understood its responsibilities and considered where any gaps might be;
- > **Performance Management and KPIs** – a **substantial** assurance was confirmed, though some work will be completed in 2018/19.
- > **Project and Programme Management** – a **moderate** assurance opinion was confirmed and two High and one Medium priority actions were agreed.
- > **Income Fees and Charges** – a **moderate** assurance opinion was confirmed and two Low and one Medium priority actions were agreed.
- > **HR controls: Workforce Planning** – a management letter was issued for this advisory engagement. Internal Audit's opinion was that functions (managers) do have oversight of their staff, however improvement is needed to refine this into a formal workforce planning process at a departmental level to better identify medium- and long-term needs across the organisation.
- > **Training** – a **moderate** assurance opinion was confirmed and three Medium priority actions were agreed.
- > **Research and Thought Leadership** – a **substantial** assurance opinion was confirmed and one Medium and one Low priority action were agreed.

- > **Readiness for the General Data Protection Regulation (GDPR) 2017** – a **moderate** assurance opinion was confirmed and one High, one Medium and two Low priority actions were agreed.

Where weaknesses in controls have been identified we have agreed to implement the actions recommended by the Internal Audit team.

The Annual Report from Internal Audit provided a **Moderate** overall assurance opinion for the year ending March 2018 in the annual assurance statement in due course.

### Readiness for General Data Protection Regulation (GDPR)

GDPR is a new Europe-wide data protection regulation which came into force on 25th May 2018 and replaced the current Data Protection Act 1998. The new regulation was required to allow for:

- > Increases in the number, scale and cost of data breaches;
- > Personal Data being used in ways that were not envisaged in 1998;
- > Big Data, online behavioural advertising, social media; and
- > Differing laws across Europe.

#### Our preparations

GAD takes its responsibilities seriously and we currently comply with the Data Protection Act.

We formed an internal GDPR Working Group some time ago, including representatives from both actuarial and central services teams across GAD. The Group continues to be chaired by an executive member of the GAD Management Board (Head of Public Service Pensions). It is supported on subject matter by our Data Protection Officer and by a specialist lawyer we have commissioned for additional guidance. The Working Group report to the GAD Executive which collectively approves decisions of principle.

The group approached the introduction of GDPR in a systematic way. Two research exercises were initially carried out, first a gap analysis to identify the areas where the introduction of GDPR would require a change in policy or practice and, secondly a data mapping exercise to identify the categories of data we hold and the reasons for holding it.

From these exercises, an action plan was developed which includes both plans to change the mechanism by which we request, receive and process data which might include personal details in future, and some rectification work to proactively remove personal data that is no longer needed. In considering removal of existing personal data and retention of further personal data we sought to achieve an appropriate balance between business needs and risk.

Our related policy documents and procedures have been updated to reflect the operational changes identified as well as to include the additional and variant requirements of GDPR.

Our ICT team is currently considering how best to ensure that any electronic systems we use to access or process personal data have 'privacy by design' built in. Specific consideration is being given to our use of Outlook.

The Working Group has established and achieved the following key milestones:

- > Milestone 1: Complete data mapping exercise
- > Milestone 2: Establish GDPR compliant systems, policies and procedures
- > Milestone 3: Communications and staff training

We also recognised the need to communicate our approach to our clients. We have responded directly to multiple individual requests received from clients to date and have been providing updates to all clients on GDPR readiness and implementation.

## 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 core tables 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 2017-18 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 2017-18 is set out in the Government Actuary's Department Main Estimate 2017-18. The document is available at the HM Treasury website at [www.gov.uk/hm-treasury](http://www.gov.uk/hm-treasury).

**Table 1: Public Spending**

£'000

	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Outturn	2018-19 Plans	2019-20 Plans
<b>Resource DEL</b>								
Administration	(778)	(2,338)	(1,352)	(1,167)	(788)	(1,576)	(19)	(199)
Use of Provisions (DEL)	418	266	179	177	118	95	20	200
<b>Total Resource DEL</b>	<b>(360)</b>	<b>(2,072)</b>	<b>(1,173)</b>	<b>(990)</b>	<b>(670)</b>	<b>(1,481)</b>	<b>1</b>	<b>1</b>
<i>Of which:</i>								
Staff costs	12,101	12,018	12,220	12,391	12,883	13,627	14,179	12,658
Purchase of goods and services	3,884	4,491	4,336	4,522	4,407	5,012	6,399	4,810
Income from sales of goods and services	(16,674)	(18,970)	(18,109)	(18,279)	(18,334)	(20,496)	(20,977)	(17,850)
Depreciation	266	318	320	316	314	316	340	320
Other resource	63	71	60	60	60	60	60	63
<b>Resource AME</b>								
Losses on revaluation	–	23	1	–	–	–	–	–
Provisions (AME)	(1,250)	(1,431)	(645)	(291)	(110)	(203)	141	(200)
Non Budget cover						2,539		
<b>Total Resource AME</b>	<b>(1,250)</b>	<b>(1,408)</b>	<b>(644)</b>	<b>(291)</b>	<b>(110)</b>	<b>2,336</b>	<b>141</b>	<b>(200)</b>
<i>Of which:</i>								
Losses on revaluation	–	23	1	–	–	–	–	–
Take up of provisions	(832)	(1,165)	(466)	(114)	8	(108)	161	–
Release of provision	(418)	(266)	(179)	(177)	(118)	(95)	(20)	(200)
<b>Total Resource Budget</b>	<b>(1,610)</b>	<b>(3,480)</b>	<b>(1,817)</b>	<b>(1,281)</b>	<b>(780)</b>	<b>855</b>	<b>142</b>	<b>(199)</b>
<i>Of which:</i>								
Depreciation and Losses on revaluation	266	341	321	316	314	316	340	320
<b>Capital DEL</b>								
Administration	154	473	203	133	185	449	200	200
<b>Total Capital DEL</b>	<b>154</b>	<b>473</b>	<b>203</b>	<b>133</b>	<b>185</b>	<b>449</b>	<b>200</b>	<b>200</b>
<i>Of which:</i>								
Purchase of assets	154	473	203	133	185	449	200	200
<b>Capital AME</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Budget</b>	<b>154</b>	<b>473</b>	<b>203</b>	<b>133</b>	<b>185</b>	<b>449</b>	<b>200</b>	<b>200</b>
<b>Total departmental spending<sup>1</sup></b>	<b>(1,722)</b>	<b>(3,348)</b>	<b>(1,935)</b>	<b>(1,464)</b>	<b>(909)</b>	<b>988</b>	<b>2</b>	<b>(319)</b>
<i>Of which:<sup>2</sup></i>								
Total DEL	(472)	(1,917)	(1,291)	(1,173)	(799)	(1,348)	(139)	(119)
Total AME	(1,250)	(1,431)	(645)	(291)	(110)	2,336	141	(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 Outturn	2018-19 Plans	2019-20 Plans
<b>Resource DEL</b>								
Administration	(778)	(2,338)	(1,352)	(1,167)	(788)	(1,576)	(19)	(199)
Use of Provisions (DEL)	418	266	179	177	118	95	20	200
<b>Total Resource DEL</b>	<b>(360)</b>	<b>(2,072)</b>	<b>(1,173)</b>	<b>(990)</b>	<b>(670)</b>	<b>(1,481)</b>	<b>1</b>	<b>1</b>
<i>Of which:</i>								
Staff costs	12,101	12,018	12,220	12,391	12,883	13,627	14,179	12,658
Purchase of goods and services	3,884	4,491	4,336	4,522	4,407	5,012	6,399	4,810
Income from sales of goods and services	(16,674)	(18,970)	(18,109)	(18,279)	(18,334)	(20,496)	(20,977)	(17,850)
Depreciation	266	318	320	316	314	316	340	320
Other resource	63	71	60	60	60	60	60	63

# Remuneration and Staff Report

## 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](http://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 2017 which was authorised by the Permanent Secretary for HM Treasury paid in financial year 2017-18.

### 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 2017-18 Government Financial Reporting Manual (FRoM) 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) <sup>1</sup>		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Martin Clarke Government Actuary	185–190	185–190	15–20	15–20	–	–	72	71	275–280	275–280
Colin Wilson <sup>2</sup> Deputy Government Actuary	125–130 (145–150 full time equivalent)	145–150	0–5	0–5	2	–	50	57	180–185	200–205
Susan Vivian <sup>3</sup> Head of Public Service Pension Schemes	120–125 (135–140 full time equivalent)	135–40	0–5	0–5	–	–	19	41	140–145	175–180
Stephen Humphrey Head of Specialist Actuarial	140–145	140–145	0–5	0–5	–	–	48	75	190–195	215–220
Robert Mackintosh Director of Finance (until Sept 2017)	35–40 (75–80 full time equivalent)	60–65 (70–75 full time equivalent)	0–5	–	–	–	-19	32	15–20	90–95
Urvashi Bhagat Director of Finance (from Nov 2017)	30–35 (70–75 full time equivalent)	–	–	–	–	–	12	–	40–45	–
Wendy Dabinett Director of Human Resources	80–85	75–80	0–5	0–5	–	–	11	–	90–95	85–90
Geoffrey Podger Non-executive Board Member	10–15	0–5	–	–	–	–	–	–	10–15	0–5
Angela Marshall Non-executive Board Member	5–10	5–10	–	–	–	–	–	–	5–10	5–10
Louise Redmond Non-executive Board Member	5–10	0–5	–	–	–	–	–	–	5–10	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. Colin Wilson works part-time from August 2017.
3. Susan Vivian works part-time from June 2017.

## 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 (non-consolidated) relate to the performance in the year in which they become payable to the individual.

The bonus reported for the Government Actuary in 2017-18 relates to performance in 2016-17.

## 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 2018 on an annualised basis.

The banded remuneration of the highest-paid director in GAD in the financial year 2017-18 was £205k-£210k (2016-17: £200k-205k). This was 4.3 times (2016-17: 4.3 times) the median remuneration of the workforce, which was £48,725 (2016-17: £47,501).

No employees received remuneration in excess of the Government Actuary.

Remuneration ranged from £20k-£25k to £205k-£210k (2016-17: £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.

	2017-18	2016-17
<b>Band of highest paid director's total remuneration (£000)</b>	205-210	200-205
<b>Median total (£)</b>	48,725	47,501
<b>Remuneration Ratio</b>	4.3	4.3

## Board Members' Interests

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

Following a year as president, Colin Wilson, Deputy Government Actuary of GAD served as Immediate Past President of the IFoA from June 2017 for a term of one year.

## Pension Benefits

	Accrued pension at pension age as at 31/03/2018 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/2018	CETV at 31/03/2017	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Martin Clarke Government Actuary	20–25	2.5–5.0	360	275	58
Colin Wilson Deputy Government Actuary	35–40	2.5–5.0	479	425	28
Sue Vivian Head of Public Service Pensions	30–35	0–2.5	534	482	16
Stephen Humphrey Head of Specialist Actuarial	40–45 Plus lump sum of 105–110	2.5–5.0 Plus lump sum of 0	810	738	21
Robert Mackintosh Director of Finance	25–30 Plus lump sum of 85–90	0 Plus lump sum of 0	576	583	–17
Urvashi Bhagat Director of Finance	0–5	0–2.5	9	0	7
Wendy Dabinett Director of Human Resources	Partnership Pension Scheme Benefits				

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 Cash Equivalent Transfer Values (CETVs), reflect these members' periods of Management Board membership. 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: three 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 4.6% and 8.05% for members of **premium**, **classic**, **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](http://www.civilservicepensionscheme.org.uk)

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Compensation on early retirement or loss of office**

No compensation on early retirement or loss of office was made in 2017-18 (£nil in 2016-17).

### **Payments to past directors**

No payments to past directors were made in 2017-18 (£nil in 2016-17).

## 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 2018, for more than £245 per day and that last longer than six months**

	GAD
<b>No. of existing engagements as of 31 March 2018</b>	<b>2</b>
<i>of which:</i>	
No. that have existed for < 1 year	1
No. that have existed for between 1 and 2 years	–
No. that have existed for between 2 and 3 years	1
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 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months**

	GAD
<b>No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018</b>	<b>1</b>
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	1
No. for whom assurance has been requested	1
<i>of which:</i>	
No. for whom assurance has been received	1
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 2017 and 31 March 2018**

	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.	10

## Trade union facility time

### *Relevant union officials*

	GAD
Number of employees who were relevant union officials during 2017-18	7
Full-time equivalent employee number	5.30

### *Percentage of time spent on facility time*

Percentage of Time	No of employees
0%	2
1-50%	5

### *Percentage of pay bill spent on facility time*

	£000
Total cost of facility time	16
Total pay bill	13,627
% of total pay bill spent on facility time	0.12%

### *Paid trade union activities*

	%
Hours spent by employees who were relevant union officials during 2017/18 as a % of total paid facility time hours	0
Time spent on paid trade union activities as a % of total paid facility time hours	0



## Staff Report

### Staff Costs

	Permanently employed staff	Others*	2017-18 £000 Total	2016-17 £000 Total
Wages and salaries	10,419	30	10,449	9,634
Social security costs	1,280	–	1,280	1,144
Other pension costs	2,275	–	2,275	2,105
<b>Total costs</b>	<b>13,974</b>	<b>30</b>	<b>14,004</b>	<b>12,883</b>
Less recoveries in respect of outward secondments	(377)	–	(377)	–
<b>Total costs</b>	<b>13,597</b>	<b>30</b>	<b>13,627</b>	<b>12,883</b>

\* Includes non-Executive Board members.

Of the total, £nil has been charged in capital (2016-17: £nil).

Of the total, £nil has been charged to the programme budget (2016-17: £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.org.uk/about-us/scheme-valuations>.

For 2017-18, employers' contributions of £2,214,644 were payable to the PCSPS (2016-17: £2,111,620) at one of four rates in the range 20.0% to 24.5% (2016-17: 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 £60,846 (2016-17: £43,245) were paid to four appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016-17: 8% to 14%) 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:

	2017-18			2016-17
	Permanently employed staff	Others	Total	Total
<b>Total</b>	<b>141</b>	<b>18</b>	<b>159</b>	<b>156</b>

## Senior Civil Service (SCS) salaries (actual) as at 31 March 2018

Salary Bands	Total 31/03/2018	Male 31/03/2018	Female 31/03/2018
£120,000-£125,000	1	–	1
£125,000-£130,000	1	1	–
£140,000-£145,000	1	1	–
£185,000-£190,000	1	1	–
<b>Total</b>	<b>4</b>	<b>3</b>	<b>1</b>

## Reporting of Civil Service and other compensation schemes – exit packages

No exit packages were offered with GAD staff in 2017-18 (2016-17: Nil).

## Sickness Absence

The Management Board monitored sickness absence on a monthly basis and in 2017-18 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 4.2 working days in 2016-17.

# 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 (FRM) 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 2017-18

	SoPS Note	Estimate			Outturn			2017-18 £000	2016-17 £000
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Outturn  Total
<b>Departmental Expenditure Limit</b>									
– Resource	1.1	(274)	–	(274)	(1,481)	–	(1,481)	1,207	(670)
– Capital	1.2	475	–	475	449	–	449	26	185
<b>Annually Managed Expenditure</b>									
– Resource	1.1	143	–	143	(203)	–	(203)	346	(110)
– Capital	1.2	–	–	–	–	–	–	–	–
<b>Total Budget</b>		<b>344</b>	<b>–</b>	<b>344</b>	<b>(1,235)</b>	<b>–</b>	<b>(1,235)</b>	<b>1,579</b>	<b>(595)</b>
<b>Non-Budget</b>									
– Resource	1.1	2,539	–	2,539	2,539	–	2,539	–	–
<b>Total</b>		<b>2,883</b>	<b>–</b>	<b>2,883</b>	<b>1,304</b>	<b>–</b>	<b>1,304</b>	<b>1,579</b>	<b>(595)</b>
Total Resource		2,408	–	2,408	855	–	855	1,553	(780)
Total Capital		475	–	475	449	–	449	26	185
<b>Total</b>		<b>2,883</b>	<b>–</b>	<b>2,883</b>	<b>1,304</b>	<b>–</b>	<b>1,304</b>	<b>1,579</b>	<b>(595)</b>

## Net Cash Requirement 2017-18

SoPS Note	2017-18 £000		2017-18 £000		2016-17 £000
	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn	Outturn
3	215	(414)	629	(492)	

## Administration Costs 2017-18

SoPS Note	2017-18 £000		2017-18 £000		2016-17 £000
	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn	Outturn
1.1	(364)	(1,576)	1,212	(788)	

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.

Explanations of variances between Estimate and Outturn are given in SoPS Note 1 (Analysis of net outturn by section) and in the Management Commentary.

The Department has Prior Period Adjustments (PPAs) resulting from recognition of dilapidation provision for Finlaison House going back to the inception of the lease in 2003-04. The Department has recognised the provision as it is deemed to be material. The Department has sought Parliamentary authority (non-budget cover) for the dilapidation provision. In 2017-18, PPA has been made, which has been included within the voted Supply in the Supplementary Estimate.

PPA Description	Resource/Capital	DEL/AME	Amount/£000
Dilapidation provision	Resource	AME	2,539

## Notes to the Statement of Parliamentary Supply

### SoPS1. Net outturn

#### SoPS1.1. Analysis of net resource outturn by section

	2017-18 £000									2016-17 £000 Outturn  Total
	Outturn						Estimate			
	Administration			Programme			Total	Net Total	Net total compared to Estimate saving/ (excess)	
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate saving/ (excess)	Total
<b>Spending in Departmental Expenditure Limit</b>										
Voted:										
Administration	18,920	(20,496)	(1,576)	–	–	–	(1,576)	(364)	1,212	(788)
Use of provision	95	–	95	–	–	–	95	90	(5)	118
	19,015	(20,496)	(1,481)	–	–	–	(1,481)	(274)	1,207	(670)
Non-voted:	–	–	–	–	–	–	–	–	–	–
<b>Annually Managed Expenditure</b>										
Voted: Provisions (AME)	–	–	–	(203)	–	(203)	(203)	143	346	(110)
Non-voted:	–	–	–	–	–	–	–	–	–	–
<b>Non-Budget Spending</b>										
Prior Period adjustment	–	–	–	2,539	–	2,539	2,539	2,539	–	–
<b>Total</b>	<b>19,015</b>	<b>(20,496)</b>	<b>(1,481)</b>	<b>2,336</b>	<b>–</b>	<b>2,336</b>	<b>855</b>	<b>2,408</b>	<b>1,553</b>	<b>(780)</b>

*SoPS1.2. Analysis of net capital outturn by section*

	Outturn			Estimate		2016-17 £000
	Gross	Income	Net	Net	Net total compared to Estimate saving/ (excess)	Outturn
<b>Spending in Departmental Expenditure Limit</b>						
Voted:	449	–	449	475	26	185
Non-voted:	–	–	–	–	–	–
<b>Annually Managed Expenditure</b>						
Voted:	–	–	–	–	–	–
Non-voted:	–	–	–	–	–	–
<b>Total</b>	<b>449</b>	<b>–</b>	<b>449</b>	<b>475</b>	<b>26</b>	<b>185</b>

**Explanation of variances between Estimate and Outturn is as below:**

Admin DEL: the favourable variance in surplus of £1.2 million from estimate was generated by an increase in income variance of £0.3 million and underspend in expenditure of £0.9 million.

AME: the favourable variance of £0.3 million has occurred due to release of an onerous lease provision which was agreed at post supplementary estimate process.

Capital DEL: a small variance has occurred because anticipated spend on modernisation programme has been slightly lower than anticipated.

**SoPS2. Reconciliation of Net Resource Outturn to Net Operating Cost**

	SoPS Note	2017-18 Outturn £000	2016-17 Outturn £000
<b>Net Resource Outturn (Statement of Parliamentary Supply)</b>	SoPS	855	(780)
<b>Non-Budget</b>			
Prior Period Adjustment not passing through operating costs:			
Dilapidation provision relating to Finlaison House	SoPS	(2,539)	–
<b>Net Operating Income in Statement of Comprehensive Income</b>		<b>(1,684)</b>	<b>(780)</b>

The net resource outturn per Statement of Parliamentary Supply differs from the net operating income in Statement of Comprehensive Income due to GAD making a prior period adjustment in the 2017-18 accounts to account for the liability that should have been historically recognised, in relation to provision for dilapidation costs associated with the lease for Finlaison House.

**SoPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement**

	SoPS Note	Estimate £000	Outturn £000	2017-18 Net total outturn compared with Estimate: saving/ (excess) £000	Restated 2016-17 Outturn £000
<b>Resource Outturn</b>	1.1	2,408	855	1,553	(780)
<b>Capital Outturn</b>	1.2	475	449	26	185
<b>Accruals to cash adjustments:</b>					
<i>Adjustments to remove non-cash items:</i>					
Depreciation and amortisation		(340)	(316)	(24)	(314)
New provisions and adjustments to previous provisions		(233)	108	(341)	(143)
Departmental Unallocated Provision		–	–	–	–
Prior Period Adjustments		(2,539)	(2,539)	–	–
Other non-cash items		(61)	(102)	41	(60)
<i>Adjustments to reflect movements in working balances:</i>					
Increase/(decrease) in work in progress		–	(278)	278	1,821
Increase/(decrease) in receivables		415	1,225	(810)	(2,319)
(Increase)/decrease in payables		–	89	(89)	1,000
Use of provisions		90	95	(5)	118
<b>Net cash requirement</b>		<b>215</b>	<b>(414)</b>	<b>629</b>	<b>(492)</b>

**Explanation of variances between Estimate and Outturn is as below:**

The variance of £0.6m has occurred because of better working capital management.



## SoPS4. Income payable to the Consolidated Fund

### Analysis of income payable to the Consolidated Fund

	Outturn 2017-18		Outturn 2016-17	
	£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	–	414	–	357
<b>Total amount payable to the Consolidated Fund</b>	<b>–</b>	<b>414</b>	<b>–</b>	<b>357</b>

# Parliamentary Accountability Disclosures

## **Regularity of expenditure – Losses and special payments**

As at 31 March 2018, GAD had no losses and special payments to report (2016-17: £nil).

## **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 accommodation within our leasehold property.

## **Remote Contingent Liabilities**

As at 31 March 2018, GAD had £nil remote contingent liabilities (2016-17: £nil).

The Parliamentary Accountability Disclosures have been audited.

**Martin Clarke**  
**Government Actuary**  
Accounting Officer

20 June 2018

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Government Actuary's Department for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. 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 Accountability Report that is described in that report as having been audited.

In my opinion:

- > the financial statements give a true and fair view of the state of the affairs as at 31 March 2018 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 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 2018 and shows that those totals have not been exceeded; and
- > the income and expenditure 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Government Actuary's Department in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Responsibilities of the Accounting Officer for the financial statements**

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.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- > identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government Actuary's Department's internal control.
- > evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Government Actuary's Department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- > evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

## Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- > the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- > in the light of the knowledge and understanding of the Government Actuary's Department and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- > the information given in the Performance and Accountability Reports 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- > I have not received all of the information and explanations I require for my audit; or
- > the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

Date: 25 June 2018

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 2018

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.

		Restated
	Note	2016-17 £000
		2017-18 £000
Income from sale of goods and services	4	(19,528)
Other operating income	4	(968)
<b>Total operating income</b>		<b>(20,496)</b>
Staff costs	2	13,627
Purchase of goods and services	3	2,921
Depreciation and impairment charges	3	316
Provision expense	3	(108)
Other operating expenditure	3	2,056
<b>Total operating expenditure</b>		<b>18,812</b>
<b>Net operating income for the year</b>		<b>(1,684)</b>
<b>Other comprehensive income</b>		
Items which will not be reclassified to net operating costs:		
– Net (gain)/loss on revaluation of property, plant and equipment	5	–
<b>Total comprehensive net income for the year</b>		<b>(1,684)</b>



## Statement of Financial Position

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.

		As at 31 March 2018 £000	Restated As at 31 March 2017 £000	Restated As at 1 April 2016 £000
	Note			
<b>Non-current assets</b>				
Property, plant and equipment	5	1,351	1,211	1,295
Intangible assets	6	29	78	98
<b>Total non-current assets</b>		<b>1,380</b>	<b>1,289</b>	<b>1,393</b>
<b>Current assets</b>				
Work in progress	10	2,078	2,356	535
Trade and other receivables	12	3,507	2,282	4,601
Cash and cash equivalents	11	414	357	720
<b>Total current assets</b>		<b>5,999</b>	<b>4,995</b>	<b>5,856</b>
<b>Total assets</b>		<b>7,379</b>	<b>6,284</b>	<b>7,249</b>
<b>Current liabilities</b>				
Trade and other payables	13	(1,637)	(1,553)	(2,803)
Provisions	14	(128)	(414)	(115)
<b>Total current liabilities</b>		<b>(1,765)</b>	<b>(1,967)</b>	<b>(2,918)</b>
<b>Total assets less current liabilities</b>		<b>5,614</b>	<b>4,317</b>	<b>4,331</b>
<b>Non-current liabilities</b>				
Trade and other payables	13	(527)	(643)	(756)
Provisions	14	(2,881)	(2,798)	(3,072)
<b>Total non-current liabilities</b>		<b>(3,408)</b>	<b>(3,441)</b>	<b>(3,828)</b>
<b>Total assets less total liabilities</b>		<b>2,206</b>	<b>876</b>	<b>503</b>
<b>Taxpayers' equity and other reserves</b>				
General Fund		1,703	380	54
Revaluation Reserve		503	496	449
<b>Total equity</b>		<b>2,206</b>	<b>876</b>	<b>503</b>

**Martin Clarke**  
**Government Actuary**  
 Accounting Officer  
 20 June 2018

# Statement of Cash Flows

for the year ended 31 March 2018

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.

		Restated	
	Note	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
Net operating surplus		1,684	645
Adjustments for non-cash transactions	3	310	517
(Increase)/Decrease in trade and other receivables	12	(1,225)	2,319
Decrease/(Increase) in work in progress	10	278	(1,821)
Decrease in trade and other payables	13	(89)	(1,000)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Income</i>			
Use of provisions	14	(95)	(118)
<b>Net cash inflow from operating activities</b>		<b>863</b>	<b>542</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(449)	(145)
Purchase of intangible assets	6	–	(40)
<b>Net cash outflow from investing activities</b>		<b>(449)</b>	<b>(185)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		–	–
From the Consolidated Fund (Supply) – prior year		–	–
<b>Net cash flow from financing activities</b>		<b>–</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>		<b>414</b>	<b>357</b>
Payments of prior year balance to the Consolidated Fund		(357)	(720)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>57</b>	<b>(363)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	11	<b>357</b>	<b>720</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>414</b>	<b>357</b>

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

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
<b>Balance at 1 April 2017</b>		<b>380</b>	<b>496</b>	<b>876</b>
Net parliamentary funding	13	(414)	–	(414)
Comprehensive net income for the year	SoCI	1,684	–	1,684
Notional charges				
Auditors remuneration	3	60	–	60
Revaluation gains and losses – PPE	5	–	–	–
Other reserve movements including transfers		(7)	7	–
<b>Balance at 31 March 2018</b>		<b>1,703</b>	<b>503</b>	<b>2,206</b>

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' equity £000
<b>Balance at 1 April 2016</b>		<b>2,458</b>	<b>449</b>	<b>2,907</b>
Prior period adjustment		(2,404)	–	(2,404)
<b>Restated Balance at 1 April 2016</b>		<b>54</b>	<b>449</b>	<b>503</b>
Net parliamentary funding	13	(357)	–	(357)
Comprehensive net income for the year	SoCI	645	–	645
Notional charges				
Auditors remuneration	3	60	–	60
Revaluation gains and losses – PPE		–	25	25
Other reserve movements including transfers		(22)	22	–
<b>Balance at 31 March 2017</b>		<b>380</b>	<b>496</b>	<b>876</b>

# Notes to the accounts

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 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 include the revaluation of intangible assets, property and plant and equipment 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 is as follows:

#### 1.2a 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.

#### 1.2b Property, Plant and Equipment

Property, plant and equipment are capitalised at a value of £5,000 and are depreciated according to 1.2d below. The property, plant and equipment are carried at current value in existing use. GAD has changed its capitalisation threshold value from £1,000 to £5,000 in 2017-18. There is no material impact as a result of this change in the current period and we do not expect any effect of this change in the future period.

#### 1.2c Intangible Assets

GAD's Intangible assets consist of computer software and are capitalised at a value of £5,000. The cost of such software is amortised according to 1.2e below. The intangible assets are carried at current value in existing use. GAD has changed its capitalisation threshold value from £1,000 to £5,000 in 2017-18. There is no material impact as a result of this change in the current period and we do not expect any effect of this change in the future period.

### **1.2d 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
Furniture and Fittings	useful economic life or 10 years
Intangible Assets	useful economic life or 3 years

### **1.2e 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).

### **1.2f 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.

### **1.2g 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. In addition the 20 years lease included a rent rebate over the first 5 years. For accounting purposes this rebate has been shared evenly across the 20 years of the agreement and rental charges to the accounts have been accounted for in accordance with this approach.

### **1.2h 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.

### **1.2i 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.

### **1.2j Provisions**

Provision for liabilities and charges have been established under the criteria of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at the Reporting Period date. On initial recognition, provisions are charged to the SoCI unless the expenditure will provide access to current or future economic benefits. Provisions are discounted at rates advised by HM Treasury. The discount is unwound over the remaining life of the provision and is shown within provision expense in the SoCI.

### **1.2k Value Added Tax**

Irrecoverable VAT is charged to the relevant expenditure category.

### **1.2l Losses and special payments**

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

### **1.2m 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.

### **1.2n 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.

### **1.2o 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 only.

### **1.2p Impending application of newly issued accounting standards not yet effective**

*IFRS 9 – Financial Instruments* was issued in July 2014, effective for periods beginning on or after 1 January 2018. IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS39 that relates to the classification and measurement of financial instruments.

GAD has reviewed the impact of IFRS 9 and determined that GAD does not have any material Financial Instruments (see Note 9) and has also established that there will be no material effect of future changes to the way financial instruments are recorded in the financial statements.

*IFRS 15 – Revenue from Contracts with Customers* was issued in May 2014, effective for periods beginning on or after 1 January 2018.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when

a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations.

IFRS 15 will apply to GAD as GAD generates its revenue through contracts for services from customers. GAD already applies key principles of IFRS 15 (identification of a customer, performance obligation established through terms of business, daily rates applied to establish contract price) in its accounting for revenue recognition. GAD will undertake review of all contracts with customers to ensure full compliance by February 2019. However it is GAD's view that implementation of IFRS 15 will not have any material impact on the financial statements.

*IFRS 16 – Leases* was issued in January 2016, effective for periods beginning on or after 1 January 2019. 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. It is expected that this standard will have a material impact on GAD and bring the majority of the operating leases (as disclosed in note 8.1) onto the Statement of Financial Position.

There are no other IFRSs' that are not yet effective that would be expected to have a material impact on GAD.

### **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 as below:

#### Depreciation and Amortisation (1.2d)

The determination of asset lives for depreciation purposes is reviewed on a regular basis. Assessing the useful economic life of an asset is based on management judgement taking into account historic experience, wear and tear and the impact of technological change. Consequently this represents a source of estimation.

#### Revaluation and Impairment (1.2e)

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).

In 2017-18 assets were not revalued based on published indices because it was considered immaterial.

#### **1.3a Significant accounting estimates**

##### Provisions (1.2j)

In line with accounting policy 1.2j, GAD has recognised a provision for dilapidation costs associated with the lease for Finlaison House.



The terms of the lease expire in 2023-24 and GAD obtained an independent survey of the potential dilapidation costs during 2017-18 which indicated a material obligation going back to the inception of the lease in 2003-04. Consequently GAD have recognised provision for these dilapidation costs in the 2017-18 accounts and have made a prior period adjustment to account for the liability that should have been historically recognised. The 2016-17 comparative figures have been restated accordingly. Any changes to these assumptions in future years will be reviewed on an annual basis.

GAD recognised an onerous lease provision for the second floor of Finlaison House, which was let at a rent level below the rent GAD is contractually required to pay. In 2017-18 GAD has written back the remaining onerous lease provision. This is because as of 1st April 2018, the tenant of the second floor of Finlaison House will be paying the passing rate.

## 2. Staff costs

	Permanently employed staff	Others*	2017-18 £000 Total	2016-17 £000 Total
Wages and salaries	10,419	30	10,449	9,634
Social security costs	1,280	–	1,280	1,144
Other pension costs	2,275	–	2,275	2,105
<b>Total costs</b>	<b>13,974</b>	<b>30</b>	<b>14,004</b>	<b>12,883</b>
Less recoveries in respect of outward secondments	(377)	–	(377)	–
<b>Total costs</b>	<b>13,597</b>	<b>30</b>	<b>13,627</b>	<b>12,883</b>

\* Includes non-Executive Board members.

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

### 3. Expenditure

		2017-18 Total £000	Restated 2016-17 Total £000
	<b>Notes</b>		
<b>Purchase of goods and services</b>			
Facilities management		1,050	721
Agency and other temporary staff		404	393
Information Technology		756	602
Training		229	224
Recruitment		145	74
Subscriptions		123	102
Travel, subsistence and hospitality		80	61
Telecommunications		31	99
Consultancy		46	52
Auditor's remuneration – internal audit		23	25
Photocopying		18	17
Stationery and publications		16	21
<b>Other operating expenditure</b>			
Rentals under operating leases			
Building		1,905	1,858
Equipment		15	2
Non-cash items			
Depreciation and amortisation	5, 6	316	314
Provision movements	14	(108)	143
Loss on disposal of assets		42	–
Loss on revaluation		–	–
Auditor's remuneration – external audit		60	60
Other expenditure		34	38
<b>Total</b>		<b>5,185</b>	<b>4,806</b>

The 2016-17 provision movements have been restated from £8,000 to £143,000 as a result of the prior period adjustment to the dilapidation provision. Further details are provided within note 14 to the accounts.

## 4. Income

	2017-18 Total £000	2016-17 Total £000
Government Departments	16,529	14,019
Of which receipts from:		
Sub-Tenants	968	867
National Insurance Fund	670	783
Wider public sector, private sector and overseas	3,967	4,315
<b>Total</b>	<b>20,496</b>	<b>18,334</b>
<b>Income by geographical locations</b>		
UK	20,122	17,866
Overseas	374	468
<b>Total</b>	<b>20,496</b>	<b>18,334</b>
<b>Income by types of work carried out</b>		
UK policy advice	4,639	2,410
Staff transfers	1,923	2,338
UK public service pensions	8,385	9,003
Other actuarial work	4,581	3,716
Rent and miscellaneous	968	867
<b>Total</b>	<b>20,496</b>	<b>18,334</b>

Income from one client was £2,148,000 (10.5% of total income), (2016-17: £1,008,000).

## 5. Property, plant and equipment

	Leasehold Improvements £000	Information Technology £000	Furniture & Fittings £000	2017-18 Total £000
<b>Cost or valuation</b>				
At 1 April 2017	2,295	640	204	3,139
Additions	–	326	123	449
Disposals	–	(168)	(117)	(285)
Revaluations	–	–	–	–
<b>Balance at 31 March 2018</b>	<b>2,295</b>	<b>798</b>	<b>210</b>	<b>3,303</b>
<b>Depreciation</b>				
At 1 April 2017	(1,388)	(400)	(140)	(1,928)
Charged in year	(125)	(132)	(14)	(271)
Disposals	–	147	100	247
Revaluations	–	–	–	–
<b>Balance at 31 March 2018</b>	<b>(1,513)</b>	<b>(385)</b>	<b>(54)</b>	<b>(1,952)</b>
<b>Carrying amount at 31 March 2017</b>	<b>907</b>	<b>240</b>	<b>64</b>	<b>1,211</b>
<b>Carrying amount at 31 March 2018</b>	<b>782</b>	<b>413</b>	<b>156</b>	<b>1,351</b>

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

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

## 6. Intangible assets

	2017-18 Software Licenses Total £000
<b>Cost or valuation</b>	
At 1 April 2017	186
Additions	–
Disposals	(37)
Impairments	–
Reclassifications	–
Revaluations	–
<b>Balance at 31 March 2018</b>	<b>149</b>
<b>Depreciation</b>	
At 1 April 2017	(108)
Charged in year	(45)
Disposals	33
Impairments	–
Reclassifications	–
Revaluations	–
<b>Balance at 31 March 2018</b>	<b>(120)</b>
<b>Carrying amount at 31 March 2017</b>	<b>78</b>
<b>Carrying amount at 31 March 2018</b>	<b>29</b>
	<b>2016-17 Software Licenses Total £000</b>
<b>Cost or valuation</b>	
At 1 April 2016	743
Additions	40
Disposals	(597)
<b>Balance at 31 March 2017</b>	<b>186</b>
<b>Depreciation</b>	
At 1 April 2016	(645)
Charged in year	(60)
Disposals	597
<b>Balance at 31 March 2017</b>	<b>(108)</b>
<b>Carrying amount at 31 March 2016</b>	<b>98</b>
<b>Carrying amount at 31 March 2017</b>	<b>78</b>

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

## 7. Impairments

GAD did not incur any impairment costs during 2017-18 (2016-17: £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.

	2017-18 Total £000	2016-17 Total £000
<b>Buildings</b>		
Not later than one year	1,863	1,817
Later than one year and not later than five years	7,930	7,736
Later than five years	506	2,562
<b>Total</b>	<b>10,299</b>	<b>12,115</b>
<b>Office Equipment*</b>		
Not later than one year	27	1
Later than one year and not later than five years	109	–
Later than five years	19	–
<b>Total</b>	<b>155</b>	<b>1</b>
<b>Total commitments</b>	<b>10,454</b>	<b>12,116</b>
<b>Subtenants' lease**</b>		
Not later than one year	<b>(986)</b>	<b>(640)</b>

\* Office equipment comprises franking machines and photocopiers.

\*\* Subtenants' lease comprises rental income from the Single Source Regulations Office, the Office for Students (formerly known as Higher Education Funding Council for England) and the National Infrastructure Commission.

### 8.2 Capital commitments

GAD had no capital commitments at 31 March 2018 (31 March 2017: £nil).

### 8.3 Other financial commitments

GAD had no other financial commitments at 31 March 2018 (31 March 2017: £nil)

## 9. Financial Instruments

Financial instruments play a more 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 2018 was £2,288,000 (trade receivables and accrued income).

An aged debtor analysis as at 31 March 2018 is as follows:

	31 March 2018 £000
Up to 30 days	1,688
31 – 180 days	568
181 – 365 days	27
Over 365 days	5

### 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 the management of outstanding debts.

Total amount owing analysed by when it falls due:

	31 March 2018 £000
Up to 1 year	1,276
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 2018 (31 March 2017: £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

	2017-18 £000	2016-17 £000
Value of time worked but not billed	2,078	2,356
<b>Balance at 31 March</b>	<b>2,078</b>	<b>2,356</b>

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 accurate to present these balances within 'Work in progress'.

## 11. Cash and cash equivalents

	2017-18 £000	2016-17 £000
Balance at 1 April	357	720
Net change in cash and cash equivalent balances	57	(363)
<b>Balance at 31 March</b>	<b>414</b>	<b>357</b>
The following balances at 31 March were held at:		
Government Banking	414	357
<b>Balance at 31 March</b>	<b>414</b>	<b>357</b>

## 12. Trade receivables, financial and other assets

	2017-18 £000	2016-17 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	2,288	1,396
Deposits and advances	35	39
Prepayments and accrued income	1,184	847
<b>Balance at 31 March</b>	<b>3,507</b>	<b>2,282</b>



### 13. Trade payables and other current liabilities

	2017-18 £000	2016-17 £000
<b>Amounts falling due within one year:</b>		
VAT	464	687
Other taxation and social security	–	–
Trade payables	266	–
Staff payables	245	259
Other payables	–	–
Accruals and deferred income	134	139
Accommodation creditor	114	111
Consolidated Fund creditor for cash unspent – year end	414	357
Consolidated Fund creditor for cash unspent – prior year	–	–
<b>Balance at 31 March</b>	<b>1,637</b>	<b>1,553</b>
<b>Amounts falling due after more than one year:</b>		
Accommodation creditor	527	643
<b>Balance at 31 March</b>	<b>527</b>	<b>643</b>
<b>Total</b>	<b>2,164</b>	<b>2,196</b>

### 14. Provisions for liabilities and charges

	Dilapidations £000	Onerous Lease £000	Others £000	2017-18 Total £000	Restated 2016-17 Total £000
Balance at 1 April	2,539	386	287	3,212	3,187
Provided in the year	173	–	–	173	161
Provisions not required written back	–	(304)	–	(304)	–
Provisions utilised in the year	–	(79)	(16)	(95)	(118)
Borrowing costs (unwinding of discounts)	20	(3)	6	23	(18)
<b>Balance at 31 March</b>	<b>2,732</b>	<b>–</b>	<b>277</b>	<b>3,009</b>	<b>3,212</b>

## 14.1 Analysis of expected timing of discounted flows

				Restated	
	Dilapidations £000	Onerous Lease £000	Others £000	2017-18 Total £000	2016-17 Total £000
Not later than one year	112	–	16	128	414
Later than one year and not later than five years	2,620	–	82	2,702	1,063
Later than five years	–	–	179	179	1,735
<b>Balance at 31 March</b>	<b>2,732</b>	<b>–</b>	<b>277</b>	<b>3,009</b>	<b>3,212</b>

### *Dilapidation Provision and Prior Period Adjustments*

In 2017-18 GAD has recognised a provision for dilapidation costs associated with the lease for Finlaison House. The dilapidation costs indicated a material obligation going back to the inception of the lease in 2003-04, which GAD has accounted for in line with IAS 37/IAS 8.

In 2017-18, a provision has been made to provide cover for the annual 2017-18 dilapidation of Finlaison House totalling £193k.

The 2016-17 comparative figures have been restated in relation to the dilapidation provision for the prior period adjustments totalling £2,539k, which covers earlier years, going back to inception of the lease in 2003-04. The balance at 1 April 2016 has been restated from £783,000 to £3,187,000 and the balance at 31 March 2017 has been restated from £673,000 to £3,212,000.

### *Onerous Lease*

A provision made for the second floor of Finlaison House which was let at a rent level below the rent GAD is contractually required to pay, is no longer required as at the end of the financial year 2017-18. The reason for this was, as of 1st April 2018, the second floor of Finlaison House has been let at the passing rate which resulted in the onerous lease liability being written back as it was no longer deemed a liability.

### *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

An Employment Tribunal case in which GAD is the respondent has been initiated. The outcome of the case, the preliminary hearing for which was held in May 2018, is uncertain and it is not possible to provide a reliable estimate of any possible financial effect. (31 March 2017: £nil).

## **16. Related-party transactions**

During the year, GAD has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with 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, the Office for Students (formerly known as Higher Education Funding Council for England) and the National Infrastructure Commission as sub-tenants of Finlaison House.

In 2017-18 the total net income from these sub-tenants was £968,000 (2016-17 £867,000).

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

## **17. Third-party assets**

During 2017-18, the Department did not hold any third party assets (2016-17: £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.



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