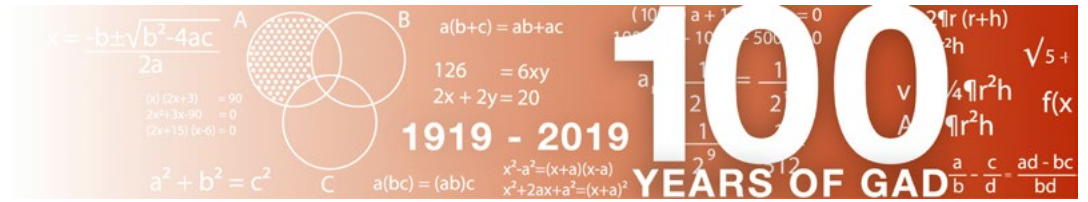




Government  
Actuary's  
Department



# Annual Report and Accounts 2018-19





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# **Government Actuary's Department**

## **Annual Report and Accounts 2018-19**

**(For the year ended 31 March 2019)**

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

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

Ordered by the House of Commons to be printed on 27 June 2019

This is part of a series of departmental publications which, along with the Main Estimates 2019-20 and the document Public Expenditure: Statistical Analyses 2018, present the government's outturn for 2018-19 and planned expenditure for 2019-20.



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## 100 Years of the Government Actuary's Department

**1911 – National Insurance Act**  
 The 1911 National Insurance Act introduced a limited level of health and unemployment insurance. Actuarial input was required to help assess costs and funding of the arrangement.

**1919 – GAD is established**  
 Recognising how actuarial advice was being increasingly used in areas like war pensions and shipping, the Haldane Report recommended introducing a dedicated actuarial department in government.

**1925 – Public service pension schemes**  
 Following the 'Widows, Orphans and Old Age Contributory Pensions Act 1925' GAD began producing actuarial calculations and reports for the public service pensions schemes.

**1948 – NHS launches**  
 The NHS launched and aimed to provide free healthcare for all. GAD's duties changed to include regular costings of pensions for the police, fire service, and NHS.

**1954 – GAD produces official UK population projections**  
 GAD began a 52-year stint producing the official national population projections, used by government to test the affordability and appropriateness of policy options.

**1978 – Earnings-related state pensions**  
 A new earnings related state pension was introduced. GAD set the level of rebates for those who chose to contract out (opt out) of the new arrangement.

**2001 to 2005 – Restructure of GAD operations**  
 Responsibilities for insurance supervision and production of UK population projections transfer to the Financial Services Authority and Office for National Statistics respectively.

**2010 – Public service pension schemes**  
 The Independent Public Service Pensions Commission's recommended changes to ensure public service pension schemes remained sustainable. GAD helped implement the reforms.

**2014 – NHS Resolution**  
 GAD extends its actuarial service provisions to include NHS Resolution (the compensation scheme provided for clinical and non-clinical negligence claims).

**2015 – Student loan debt**  
 GAD began modelling anticipated payments on the stock of student loans, which was central to the sales of student loans to private sector investors.

**2019 – GAD is 100 years old**  
 A year of celebrations marking GAD's centenary!

## Our Performance in Numbers



# £19.1m

Actuarial income in 2018-19

# 27%

Of which, actuarial income from non-pensions business

# 17

of the 25 Ministerial Departments were supported by GAD along with numerous other public bodies

# £8.7m

Value of new business wins



GAD is highly valued by

# 90%

of our major clients



# 42

GAD actuaries working onsite or on secondments with our clients

# 19

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

# 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 (GAD), a list of key risks that could affect the department in delivering its objectives and a performance summary.

### **Executive Statement**

This was the fourth 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.

2019 marks the centenary of GAD, the department having been created in 1919 following the landmark Haldane review of the Machinery of Government of the previous year. The department's name and its status as a shared service provider to the whole of government have remained the same throughout its history and there have been just nine Government Actuaries throughout. Notwithstanding this record of stability, the work of actuaries in government has evolved continuously so that the centenary is a chance, not only to mark our longevity, but also to celebrate our versatility and look forward to the new and exciting challenges ahead.

This report records our recent progress in developing, diversifying and modernising the work of actuaries in government.

During the year, our principal focus remained the provision of a high level of service to our clients, ensuring that we met their expectations



while also delivering best value for money for the taxpayer. It is pleasing to note that our client feedback has also remained extremely positive in 2018-19 with words such as “professional”, “reliable” and “trusted” featuring most highly in the verbatim comments we received.

We achieved all our financial performance targets during the year. In particular, we were, once again, able to improve the flow of new commissions during the year with a total value of £8.7 million. These cover the full range of GAD work, further helping to improve the diversity of our overall portfolio and providing many opportunities for staff to show versatility and originality in their actuarial work.

We have continued to modernise many of our systems and processes in Finance, HR and IT to support our modern and varied working methods. Most notably we made significant progress in the transition to more modern, cloud-based actuarial software that we acquired at the end of 2017 principally to support our pensions actuarial work. The new software has already proved its value and efficiency in several assignments. We also continued our closer IT working relationship with the Government Legal Department (GLD) which has now led to an agreement for GLD to provide this service in future on a partnered, shared-service basis to ensure improved resilience, security and future-proofing.

GAD’s rich variety of work and change projects have allowed many members of staff to demonstrate their leadership qualities and to demonstrate GAD’s values, to be Agile, Dedicated, Expert, Partnering and Trusted. During the year we welcomed the first five apprentices into the department, all of whom have shown energy and enthusiasm during this important step in their careers. Our

Leadership group has responded positively to staff feedback, provided through the Civil Service People Survey and otherwise, both of which showed improvements during the year.

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

Actuaries provide analysis and commentary on complex financial problems involving risk and uncertainty. The Government Actuary's Department (GAD) supports effective decision-making and robust reporting within government as the first choice provider of actuarial and specialist analysis, advice and assurance.

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

### 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 summarising the latest market and economic news and providing a brief article on a topic of interest.

#### *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.

#### *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 15 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*

Drawing on our actuarial knowledge, wide-ranging experience, and understanding of pensions issues, we offer technical and analytical advice on pensions issues which recognises the broader policy context. This includes the provision of actuarial analysis for government departments and public bodies requiring actuarial input to policy development. 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 advise public sector bodies where staff are set to have their pensions arrangements changed. Our key services include broad comparability assessments and advice on potential bulk transfer shortfall costs. We help with communications with staff and liaising with pensions administrators and lawyers.

### *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 uprating 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.

More information about all of GAD's services is available on the GAD website<sup>1</sup>.

## **Key Organisational Risks**

Strategic risks identified by the Management Board are as follows:

- **Clients:** GAD's reputation for providing high quality advice to clients is damaged
- **Financial:** GAD does not meet financial targets or has poor financial control
- **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 (p37).

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 GAD'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/gad-services/government-actuaries-department-services>

## Performance Summary

In 2018-19, GAD achieved all of its parliamentary estimates targets. Actuarial income of £19.1 million was marginally below the prior year.

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 2018-19 report can be accessed on the GAD website<sup>2</sup>.

The transition to more flexible working arrangements which are in line with the direction set by the Cabinet Office and were initiated by GAD's 'The Way We Work' project are well underway with hot-desking and the use of laptops well established. This provides opportunities for individuals to more easily work in different locations and with different groups. During the year GAD collaborated closely with the Government Legal Department's (GLD) IT team to explore options for joint working before agreeing to move to a shared IT service which will further extend our capabilities and provide greater resilience.

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<sup>2</sup> <https://www.gov.uk/government/publications/gad-client-feedback-april-2018-to-march-2019>

# 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

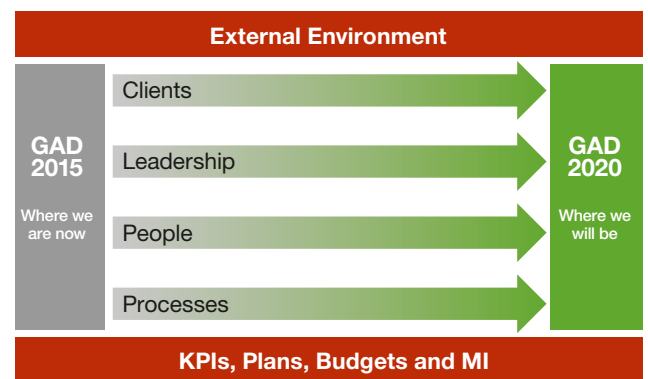
To support effective decision-making and robust reporting within government as the first-choice provider of actuarial and specialist analysis, advice and assurance.

### Values

<b>A</b> gile	<b>D</b> edicated	<b>E</b> xpert	<b>P</b> artnering	<b>T</b> rusted
through technical innovation and flexible working to meet evolving client needs	to delivering timely advice and first class and cost-effective customer service	and focused on quality of analysis to provide robust assurance on decision making	with our clients to understand their business needs and develop solutions that add value for them	to deliver a professional service with integrity

## Strategy

2018-19 was the fourth 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 on our website.<sup>3</sup> What follows is a summary of the key objectives by theme.

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

## 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 our clients. We aim to be proactive to secure our existing clients and diversify our offering to both existing and new clients.

## Leadership

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

## People

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

## Processes

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

## Performance and Operating Review

2018-19 has been a very successful year for the department. We continue to support an ever-widening range of government policy-making and implementation. Our Actuarial Services Team played a key role in informing major policy decisions on public service pensions by performing all the underlying calculations in record time across all the schemes. We continued to invest in new software tools and data analytics skills and infrastructure to enhance our capability to generate valuable insights. We were successfully re-accredited under the Institute and Faculty of Actuaries' Quality Assurance scheme, with our annual return being described as 'exemplary'. And it was another great year for new business, with new commissions making up almost half our work.

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

### Finance

- We have continued to develop and embed the processes of **planning, budgeting and forecasting** to provide greater clarity of our financial position throughout the year. This provided the opportunity to make effective use of revenue as it is accumulated, bringing forward infrastructure and process improvements. Client revenues were in line with expectations and expenditure was lower than expected. This has been achieved against a background of continued positive feedback from clients and a growing scale on new business and income from non-pensions areas. Through strong financial management we have also been able to control the fee rate increases passed on to clients despite cost pressures on the department.

### Clients

- **Client engagement, new business and client satisfaction** have remained at the top of the GAD agenda throughout the year. To support this activity, we have continued to integrate client plans for our

largest clients and developed new opportunities through the use of our business development champions. We have organised and supported a growing number of joint seminars and events with our clients and increased our technical communications. Provision of actuaries onsite with clients and client secondment opportunities continue to be popular with staff and clients alike. They provide development opportunities for individuals and improve our partnering approach with clients cementing our strong relationships.



## People

- New business.** A number of new clients have also been won and mandates with some existing clients significantly expanded. Feedback from clients has remained excellent and this has led to further assignments because of our growing reputation and profile. In particular, we have significantly increased our portfolio of insurance-related assignments with over a quarter of our fee income now coming from non-pensions business. This has also resulted in a greater diversification of GAD business and opportunities for GAD staff to engage in new fields of work. The Public Service Pension Schemes (PSPS) team generated significant new business through existing client relationships and by providing clients with a range of new services. We have contributed to developing solutions in a range of high-profile areas including the public service pension scheme valuations and assessment of the cost cap mechanism, HM Treasury's (HMT) balance sheet review, MOJ's review of the Personal Injury Discount Rate (PIDR) and DWP's reconsideration of the private sector defined benefit pension scheme environment.
- Diversity and Wellbeing.** We are fully committed to providing equal opportunities for all staff. Our aim is that the department should have a diverse workforce at all levels and be recognised as an inclusive employer, with all staff able to progress and reach their potential. 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 a senior lead for Diversity and Wellbeing.
- Developing people.** Investment in the management of our talent helped to identify those actuaries who are ready to step up to further challenges. We have redesigned actuarial roles and grades to provide greater clarity of the competencies, skills and experience required at different levels. Our programme to develop a group of specialised client engagement actuaries has been relaunched as a more formal programme, and the concept of investing in specialist skills and careers – technical, delivery and engagement – is progressing. The programme to rotate actuarial trainees between delivery teams continues to provide opportunities for individuals to broaden their experience and, along with the appointment of 5 apprentices in our

support teams, reflects an investment in the development of the department's talent pool. We have also placed greater emphasis on improving the effectiveness of the performance management and line management of staff and the HR team provided a number of training sessions for managers.

- **Leadership and awareness.** 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. We have established cross-team meetings for trainees, technicians and analysts to enhance communication across the department. These meetings provide feedback on relevant issues directly to the Government Actuary and also contribute to the development of the formal trainee rotation scheme that has been established.

## Processes

- **Internal collaboration.** GAD has continued to work to reduce obvious work silos that can be a barrier to effective delivery and encouraged a more flexible approach to the allocation of staff resource to where they are most needed for greatest efficiency. We have also worked to develop the versatility of skills and experience of staff to enable this to happen. The leadership structures of each functional area have been reviewed with changes introduced to improve the efficiency of management time and to enhance collaboration reducing silos within the department.
- GAD's **Actuarial Services Team** (AST) is now fully embedded in GAD's approach to the delivery of our work and has expanded its offering to provide analytical support for other actuarial teams at GAD. The team specialises in the management, processing and presentation of data through greater

efficiency and the use of consistent, standardised processes. This enables client delivery teams to focus on their relationships with clients, and to ensure that work undertaken for them is scoped and designed to provide the information and insight required to explain results and to offer advice on their implications and resultant action. The team also demonstrated improved efficiency through providing calculation updates for numerous Public Service Pension Schemes at short notice to inform significant policy decisions. This has also improved the department's ability to flex resources to meet client demands as and when they arise, providing better response times and improved client service.

- GAD has experienced positive outcomes where standard **Project Management methodologies** have been embraced, and these positive results have been shared across the department, serving to encourage wider adoption of the available methodologies.
- **IT joint working.** GAD's IT team has been collaborating closely with colleagues in the Government Legal Department (GLD) to move towards a shared IT service, which will help to build a more resilient, cost-effective and future proof service for GAD. The new arrangement will help to leverage the capacity and capability of a larger IT service which will benefit GAD users as well as providing development opportunities for GAD IT staff.

## Review of progress, 2018-2019

### Insurance and Investment

The Insurance and Investment team had a very successful year in 2018-19, completing a wide range of projects for existing and new clients and continuing to build deeper relationships with clients and contacts across the public sector. **Notable successes** include:



- Continuing to increase the range of our advice to NHS Resolution on their management of clinical negligence claims for secondary healthcare, for GP indemnities, and for airline insolvencies.
- Advising the Department for Health and Social Care on the development of the new state indemnity scheme for General Practice in England which commenced in April 2019.
- Developing our work on sovereign disaster financing, in particular by supporting the Department for International Development (DFID) in the establishment of the Centre for Disaster Protection in London and by developing a number of financing tools for the World Bank.
- Assisting the Department for Education (DfE) on a number of workstreams to further develop the Risk Protection Arrangement for Academies.
- Assisting HMT to review contingent liabilities within other departments and Arm's Length Bodies.
- Providing advice to MOJ and the Scottish Government in relation to determination of the personal injury discount rate.
- Winning projects to assist the Pension Protection Fund and the Pensions Regulator in considering the risks within the funding framework for defined benefit pension schemes.
- 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, Land Registry and the UK Space Agency.
- Further developing our data analytics capabilities to continue supporting UK Government Investments through the ongoing student loan sales.

## Public Service Pension Schemes

Actuarial valuations of the **reformed career average pension schemes** have continued to be a major area of activity during 2018-19. While our actuarial analysis for all the schemes progressed well during the year, we also had to accommodate emerging government policy in response to the Court of Appeal decision in December 2018 concerning the transitional protection arrangements introduced within the 2015 reforms. In January 2019, the Chief Secretary to the Treasury announced that the cost cap part of the valuations was to be paused pending the conclusion of the legal process in relation to transitional protection. We were accordingly able to complete the valuations before the year end to enable revised employer contribution rates to be set from April 2019.

Two **reviews of schemes' actuarial factors** were undertaken in the year. The first in light of the analysis of demographic experience undertaken for each scheme as part of the valuation process and the second to reflect the reduction in the SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate announced in October 2018. These reviews were undertaken in conjunction with our Actuarial Services Team and achieved within a considerably quicker period than would previously have been possible. Revisions to the associated guidance notes are now underway.

We have continued to provide **input for accounting and forecasting** purposes for all the public service schemes and continue to support policy development work for the scheme sponsors, which extends to advice across the remuneration range.

**Support for public service schemes.** Our actuaries have regularly attended the public service scheme governance forums and continued to be particularly active with Scheme Advisory Boards over 2018-19 fulfilling our statutory role in the valuation process.

## Funded Pension Schemes

We have provided **advice to the trustees and sponsoring employers** of a number of funded pension schemes. By nature, these schemes have a link in some form to government and often have multiple stakeholders. The tasks have covered a range of areas from the more routine actuarial support to strategic advice and long-term planning. These roles have required close liaison with schemes, their administrators and other advisers to deliver a comprehensive and efficient service for trustees and sponsors.



**Centralised calculations.** The team has successfully embraced the move towards calculation work being carried out in the Actuarial Services Team and completed the first stages of some significant scheme membership transactions. All major exercises were completed to timetable and strong project management skills have been used to deliver a timely and responsive service.

## Staff Transfers

GAD provides support, advice and analysis to mainly public sector bodies on the implementation of government policy on the treatment of pensions in compulsory transfers of staff to, from and within the public sector.

**Numerous cases.** In 2018-19 we supported well over 100 projects primarily involving either the transfer of staff between government departments and other public bodies, or where former public servants who had been transferred to the private sector were able to rejoin a public service pension scheme under

the government's 'Fair Deal' policy. During the year we took on around 50 new cases and completed a similar number. Cases range from transfers of individuals to transfers involving thousands of staff.

**Our challenge.** Many of the public sector bodies responsible for managing these transfers start out having little or no knowledge of the pensions process to be followed. Our challenge for the team therefore continues to be guiding each client, with their unique circumstances, through the pensions process while at the same time ensuring they have sufficient knowledge and information to make the informed decisions that are needed on the way, decisions which impact on real people and real money.

**Supporting implementation of staff transfer policies.** We have continued to work closely with other departments on implementing staff transfer policies. We have also strengthened our ties with the Government Legal Department and in particular colleagues who are there responsible for providing legal advice to public sector bodies in staff transfers, working towards a more joined-up approach between our respective departments.

**Building efficiency.** The year also saw a number of internal initiatives aimed at improving efficiency, delivery, quality and workflow management, including the successful transition of calculation work to our Actuarial Services Team and the implementation of a new, more responsive process for handling enquiries to our dedicated mailbox.

## Advice to Government

The Advice to Government team provides policy advice on public and private sector pensions and social security. **Highlights** from the team during the year were:

- working with HM Treasury on various matters relating to public sector pensions, in particular the conclusion of the 2016 valuations of the public service pension schemes;

- developing our relationship with DWP and providing significant support to the development of their consultation papers on private sector defined benefit pension schemes;
- the delivery to the UK Parliament of the Government Actuary's annual report on the implications of changes to National Insurance contributions and benefits; and
- maintaining a portfolio of overseas pensions and social security work.

## Actuarial Services

**2016 valuations of the public service pension schemes.** Our Actuarial Services Team (AST) was responsible for the delivery of all indicative results to client teams for the 2016 valuations of the public service pension schemes. These results were produced in a consistent manner, allowing easy cross-scheme comparisons, as well as enabling the results for all schemes to be delivered at the same time. Alongside this we have also refined the valuation processes and have begun to integrate lessons learned from the valuation into the work on actuarial factors and pension scheme accounts.

**Embedding improvements.** Throughout the year, AST has continued to focus on embedding good project management principles and fostering a commitment to delivery, through planning, progress monitoring, regular updates with client teams and mitigating actions taken when targets are at risk. AST has expanded its analytical support for Public Service Pension Schemes with the delivery of accounting valuations and actuarial factors in 2018-19. Throughout these projects, we have taken the opportunity to improve and refine established processes, including the automation of routine work. Despite significant demands for resource on chargeable work, we have made significant progress with the transition of GAD's pension valuation software to a cloud-based system with integrated Asset Liability Modelling (ALM) functionality.

**Beyond pensions.** Outside of its work for the Public Service Pension Schemes team, AST now provides calculations support for the Staff Transfers and Funded Pension Teams, as well as special projects for the Advice to Government team, including work on the Zambia National Pension Scheme and Workers' Compensation Fund and testing a new generation of the premium bonds machine for National Savings and Investments.

## Other Key Achievements

GAD's business plan for 2018-19 was the fourth under our current five-year strategy, which seeks to steer the department towards our shared vision for 2020. We focused on continuing to modernise the department and improve efficiency at a time when our clients remain under budgetary pressures. We also recognised the importance of communication across the department to provide leadership to achieve successful change.

Over the course of the year progress has been made in a range of areas, some of the most significant developments have included:

- **Team reorganisation** – in view of the growth in and diversity of its work, the Insurance and Investment team was strengthened through the introduction of a management structure more suited to its increased scale. We have also begun a similar change in the three actuarial teams that comprise our Specialist Actuarial areas. Once completed, GAD's activities will operate in four broadly equal areas – Actuarial Services, Insurance and Investment, Public Service Pension Schemes and Specialist Actuarial – each with an appropriately resourced management structure to provide focus on areas such as people development, business development and planning.
- **IT Support Agreement** – we have established an agreement for IT support services to GAD to be provided by the Government Legal Department. Under this agreement, effective from 1 April 2019, GLD will provide IT services to GAD. The

advantages of this arrangement to GAD are improved resilience, reduced costs arising from improved combined buying power, a more streamlined supplier base, and development opportunities for the staff involved.

- **HR system and Payroll** – we went live with our new HR information system, which will enable a greater degree of self-management of requirements by staff. We plan to bring additional modules of the new system online over the coming months to support improvements in learning and development and recruitment. In order to build resilience, drive efficiency and ensure best practice during 2018-19 we successfully outsourced our payroll function.
- **Modernisation follow-up** – In 2018 we undertook a survey to assess staff views about the changes that had been made to the working environment in the previous year. The majority of staff welcomed the changes to the working environment, in particular the move to working on laptops and to more flexible seating. The survey also indicated a number of other areas where improvements could be made, and these were largely acted upon.
- **Future skills needs** – GAD's Leadership Group held an awayday to consider what GAD's future skills needs would be and how best they could be provided for.
- **Branding refresh** – GAD's brand was refreshed and relaunched on 1 April 2019. The refreshed styles will appear on all GAD's main outputs, including letters, memos, reports, email signatures and PowerPoint presentations.
- **Staff engagement** – we used a more participatory format for the annual all-staff meeting in May, which resulted in an engaging event that received positive staff feedback. It enabled us to spread awareness of the good work being carried out by GAD teams and provided opportunities for everyone to share their thoughts on how the department can continue to improve.

## Case studies – some of GAD’s work during 2018-19

### Risk protection arrangement (RPA) for academies

GAD advises the Department for Education (DfE) on the risk protection arrangement (RPA). This is an alternative to commercial insurance for academy trusts. It means DfE covers the property and liability losses incurred by academies instead of using commercial insurance.



**Analytical support.** We have been assisting with the operation of the RPA since its inception in 2014. As the arrangement has matured, we have worked in partnership with DfE to further improve the value for money that the arrangement offers. Over the last year we have provided analytical support to better understand the risk profile and potential costs of new areas of cover. This has resulted in overseas travel and cultural assets protection being offered at no additional cost for the 2018-19 academic year.

**Realistic disaster scenarios.** We also provide support with pricing decisions by estimating future cash flows and estimating the range of costs for ‘realistic disaster scenarios.’ The work gives an indication of the size of shock losses that may need to be absorbed by the RPA. This analysis has helped support DfE when making decisions on the price of membership, leading to a recent announcement that the price will drop from £20 per pupil to £18 per pupil for 2019-20 academic year. The concept of ‘realistic disaster scenarios’ builds on techniques used by the commercial insurance market to better understand extreme but plausible loss events. In the context of the RPA, such an event could include a severe UK-wide flood, an act of terrorism or even an abuse scandal.

**Georgina Bedenham, Actuary in GAD’s Insurance and Investment Team**

## GAD develops tools for disaster risk financing

GAD has developed modelling tools which help the World Bank and developing countries better understand and plan for the financial losses relating to natural disasters such as floods, hurricanes and droughts.



**Understanding and planning.** The spreadsheet-based tools help developing countries understand their risk profiles and model the risk transfer products that mitigate large losses. This helps them to plan for the financial impact of natural disasters and get appropriate expert support.

**Project management.** We won a competitive tender to develop the tools. The year-long project included: outlining initial scope and technical specification; collecting and refining appropriate public source data; managing multiple stakeholders; adapting plans and timelines to meet evolving client needs; and delivering quality assurance by an independent team at GAD.

**GAD's invention and contribution.** The user-friendly spreadsheet tools are supported by more than 20,000 lines of code, which we designed and delivered. For the tools to be open-source, we used publicly available data. The tools can be used by a diverse range of stakeholders, from financial experts at the World Bank to non-technical audiences in developing countries. To achieve this, the tools have 2 user modes – basic and advanced, and are set out in a user-friendly way with minimal inputs required. They are accompanied by 3 sets of instructions depending on the level of use.

The work that we put into developing these tools included designing clear interfaces where users can: input loss data and model a risk profile by fitting distributions to the data; input financing assumptions to meet disaster losses and compare multiple options; interact with 40 dynamic exhibits which display results of underlying risk profiles and the impact of financing strategies; and investigate more advanced modelling options.

Thanks to our models, developing countries are better equipped to manage the financial consequences of natural disasters.

**Chris Paterson, Actuary in GAD's Insurance and Investment Team**

## 15 million members. 183 sections. 20 schemes. One efficient valuation process

GAD used a centralised, streamlined approach to complete the 2016 actuarial valuations of 20 public service pension schemes. UK public service pension schemes are subject to actuarial valuations every 4 years. These valuations ensure contribution rates paid into the schemes reflect the value of benefits earned by the employee members. This allows employers to account appropriately for the costs of pension benefits they are providing to employees. We built on the centralised functional design introduced for the 2012 valuation project, which meant it was possible to manage 20 separate scheme valuations as a single formal project.



Specialist actuarial teams in GAD carried out the technical analysis and calculation work across the 20 schemes. We achieved a greater level of consistency and were able to rapidly update the results when external parameters changed. Our teams provided advice and regular progress updates to clients and stakeholders and specialist project managers kept the project on track.

**Data visualisation.** We validated data for around 15 million member-records as well as changes in membership data since the previous valuation. This is critically important as all the valuation results depend on the data. We analysed the changes in membership data against the previous assumptions. We also recommended new demographic assumptions about the future experience and behaviour of scheme members in areas such as age at retirement, mortality and withdrawal from the scheme. New scheme governance structures were finalised in advance of this round of valuations. Scheme advisory boards made up of employer and member representatives are central to the valuation process. We attended these board meetings and briefed stakeholders so they understood our analyses.

**Quality checks.** We carried out extensive quality checking and review, including analysis of cost changes. At the end, we prepared formal reports on the key stages of our work. To aid understanding of scheme data, experience, and valuation results, we increased our use of charts and other data visualisation techniques. We believe this approach leaves us and our clients well-placed for the March 2020 round of valuations.

**Dipak Hirani, Actuary in GAD's Actuarial Services Team**

## Pension cost reviews for economic regulators

GAD was flying high after being commissioned to provide actuarial support and expertise to the Civil Aviation Authority (CAA). GAD provides actuarial support and expertise to economic regulators. Their role is to set price controls on the companies they regulate to constrain how much they can charge for their services. This is to ensure consumers' interests are protected in industries where there is a monopoly or a low level of competition.



**Professional support.** The review for the CAA involved a large defined benefit pension scheme with liabilities of around £5 billion. Our professional support included enabling a consultation process between the CAA and the regulated company. The outcome of the review informed pension cost allowances and highlighted areas which may need further strategic review.

We have also worked with Ofgem and the Utility Regulator Northern Ireland, reviewing the reasonableness of the pension costs incurred by the relevant regulated companies. GAD's role is to help the regulator understand and assess the suitability of the pension arrangements in question.

**Operating efficiently.** In some instances, the regulated company can pass on some of their pension costs to customers. The regulator needs to ensure the company still has incentives to be efficient and customers see the benefits provided by these protections. The main areas we considered in these reviews are:

- member benefit design
- investment strategy
- assumptions used to set contributions
- wider risk/cost reduction practices

The reviews are informed by benchmarking against typical UK funded pension schemes, alongside using our expertise and knowledge to provide detailed advice on the reasonableness of the main determinants of the companies' pension costs.

**Pension costs.** Our work has provided the regulators with an informed view of the relevant pension arrangements, in order to help them determine the allowance to be made for pension costs (which can be a material component of regulated companies' overall costs) when setting price control limits.

**Owen Dimbylow, Actuary in GAD's Funded Pension Schemes Team**



## GAD's analysis bolsters local government pension funding oversight

The Public Service Pension Schemes team played a significant role in boosting transparency and oversight of local government workers' pensions. This was achieved via our assessment of the actuarial valuations of the local government pension scheme (LGPS) funds against 4 criteria: compliance; consistency; solvency; and long-term cost efficiency.



We were appointed by the Ministry of Housing, Communities and Local Government (MHCLG) to report under section 13 of the Public Service Pensions Act 2013. The Act requires MHCLG to report on the health of the LGPS every 3 years. This was the first report since the Act came into force.

**Strengthened funding.** Our work considered the valuations of the 91 funds in the LGPS in England and Wales. Overall, our analysis concluded that the scheme is in a strong financial position. Additionally, our detailed 'Section 13' report delivered 5 clear recommendations for further improvements, principally designed to facilitate transparency and better enable comparisons between funds. Progress has already been made in this area, and our recommendations look to build on this good work and enhance local governance by helping to benchmark performance more readily.

**Looking ahead.** A hallmark of this review exercise has been the close engagement throughout between all those involved, not least between MHCLG, the LGPS Scheme Advisory Board and other stakeholders including actuaries. GAD will continue these collaborations as preparations begin for the forthcoming post-2019 valuations exercise.

**Fatima Kamran, Actuary in GAD's Public Service Pensions Team**

## **Sustainable 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 where practical to do so.

Since 2009 we have met the international standard ISO14001 for an effective 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. An update to the standard was introduced in 2015 and we successfully transitioned to this new standard in June 2018.

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 and is reported annually to the Audit Risk and Assurance Committee.

## **Sustainable Development Performance – Summary**

Compared with 2017-18:

- We reduced our consumption of water, paper and electricity;
- We used more gas, due to extended cold weather conditions through winter months; and
- The amount of waste we generated stabilised.

More detailed analysis is provided in the following section.

## Greenhouse gas emissions

		Baseline 2009-10	2014-15	2015-16	2016-17	2017-18	2018-19
Non-financial Indicators (CO <sub>2</sub> e)	Scope 1 and 2 emissions <sup>1</sup>	248	199	226	177	169	151
	Scope 3 emissions (indirect – official business travel)	33	16	9	25	33	48
	Total emissions	281	215	235	202	202	199
Other Non-financial Indicators	Number of domestic flights	93	70	59	71	99	133
Related Energy Consumption (KWh) <sup>2</sup>	Electricity	373,921	318,126	361,001	344,043	317,791	257,515
	Gas	247,799	146,097	127,072	133,714	140,418	193,648
Financial Indicators (£)	Expenditure on energy	51,667	41,389	46,149	43,372	46,112	34,897
	CRC License expenditure	–	1,290	1,290	1,290	1,290	1,290
	CRC emissions allowance	–	6,396	5,797	5,349	4,814	4,978
	Expenditure on official business travel	66,135	33,590	30,813	31,121	40,975	57,783

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 Greening Government Commitments (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 due to a cold winter. Boilers were kept running continuously during the freezing periods to prevent pipework and machinery from breaking down. Total gas consumption has increased by around 27%.

Electricity use has continued to decrease since the 2009-10 baseline. Total consumption for 2018-19 has decreased by 19%. This can be attributed to consolidated server estates, more efficient technology, use of mobile workstations and LED lighting. We also leased a floor to another government department, and so this helped in reducing our contribution to electricity consumption.

The number of domestic flights is significantly higher this year than the 2009-10 baseline owing to increased client activity in Scotland and the relative cost-efficiency of flights compared to alternatives.

## Waste

		Baseline <sup>3</sup> 2010-11	2014-15	2015-16	2016-17	2017-18	2018-19
Non-financial Indicators (tonnes)	Non-Recycled	7	0	0	0	0	0
	Total Reused/ Recycled	15	17	21	8	38	7
	Composted	–	2	3	2	3	2
	Energy recovery	–	1	1	1	2	2
	Total waste	22	20	25	11	43	11
Financial Indicators (£)	Total disposal cost	8,162	6,716	8,000	7,208	6,941	6,059

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

### Targets and narrative

The Greening Government Commitments (GGCs) are that by 2020 the government will improve waste management by:

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

Waste generation has stabilised. Surplus furniture such as that disposed of in 2017-18 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	2018-19
Non-Financial Indicators (A4 Reams)	1,610	1,242	931	911	785	595

### Targets and narrative

The Greening Government Commitments (GGCs) is that by 2020 the government will achieve a 50% cut in paper use from a 2009-10 baseline. Up to and including 2018-19 we have achieved a 63% reduction.

The reduction has primarily been down to:

- use for a number of years of 'pull' printing (where a print job is held on a server or workstation and is only released by the user at any printing device 'pulled' to the printer) which supports this feature;
- GAD no longer having a paper filing system; and
- use of email instead of post for most official correspondence.

## Finite resource consumption: WATER

		Baseline 2009-10	2014-15	2015-16	2016-17	2017-18	2018-19
Non-financial Indicators (m <sup>3</sup> )	Water consumption	1,010	738	955	931	842	784
	m <sup>3</sup> per FTE	7.70	4.70	5.90	5.70	5.20	4.60
Financial Indicators (£)	Water supply and disposal costs	2,030	1,885	2,383	2,184	2,340	1,654

### Targets and narrative

The GGCs 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 7% 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 our 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. A 'green week' is planned for 2019.

### Procurement

The Greening Government Commitments (GGCs) 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**

**25 June 2019**

# 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 £2.756 million, a significant proportion of which related to the reduction in our dilapidations provision. Income for the year was £20.586 million. Fee income (income from actuarial services) decreased by 2% (£395,000)

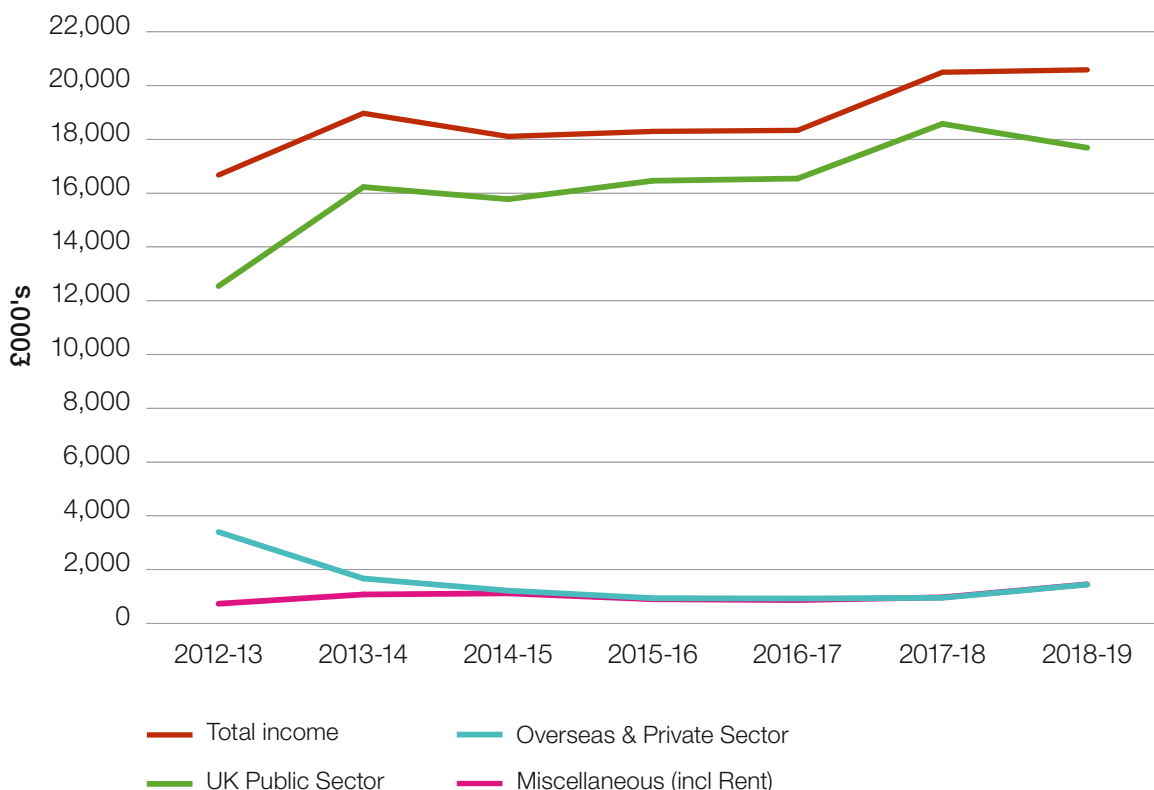
from £19.528 million in 2017-18 to £19.133 million in 2018-19. Our fee rate increase for 2018-19 was once again limited to 1%, the same as 2017-18.

Income generated from within the UK was £20.064 million (2017-18: £20.122 million).

Overseas income was £522,000 (2017-18: £374,000).

Miscellaneous income was £1.453 million in 2018-19 an increase of £485,000 from £968,000 in 2017-18. Miscellaneous income is generated by the sub-letting of floor space in Finlaison House.

### Income



Administration and finance costs in 2018-19 amounted to £17.830 million, a £982,000 decrease from £18.812 million in 2017-18. Staff costs of £13.810 million are the main component of administration costs. Staff costs in 2018-19 increased by 1.3% due to an increase in staff numbers as well as 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 decreased from £404,000 in 2017-18 to £304,000 in 2018-19.

Other administration expenditure in 2018-19 amounted to £4.020 million, a £1.165 million decrease from £5.185 million in 2017-18. The overall decrease is largely due to the reduction in the value of the dilapidations provision held relating to Finlaison House, as well as other smaller reductions in facilities management and temporary staff costs.

Partially offsetting these reductions were increases in IT spend to support the move towards flexible working, increases in rent and rates and consultancy.

Our capital budget (or Capital Departmental Expenditure Limit, CDEL) for 2018-19 was £230,000 of which £226,000 was utilised. The majority of the capital spend was on improved IT infrastructure, laptops and related equipment to support flexible working, as well some improvements to Finlaison House.

Our Supply Estimate had a net cash requirement of £215,000 against which we achieved an outturn which contributed £689,000. Surplus cash at year end will be returned to the Consolidated Fund by 31 March 2020.

Our running and capital costs were met through income from actuarial fees and rental income.

The Statement of Financial Position shows total assets of £7.915 million (2017-18: £7.379 million), non-current and current assets plus

total liabilities £6.236 million (2017-18: £5.614 million), and non-current liabilities of £1.903 million (2017-18: £3.408 million).



### **Payment of Suppliers**

Our aim, in accordance with government policy, is 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 2018-19, 94% of invoices by value (83% by number) were paid within 5 working days. The equivalent figures for 2017-18 were 89% of invoices by value (90% 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 2018-19 we spent £215,000 (2017-18: £46,000) on consultancy and professional services. This spend was mostly related to the transition to a new provider for actuarial valuation software and the provision of legal advice.

In 2018-19 we incurred costs of £304,000 (2017-18: £404,000) on the employment of temporary staff. These were mainly IT specialists, HR advisors and for a seconded Head of Communications. We aim to have a small proportion of staff on temporary and fixed term contracts to provide flexibility to meet fluctuating demand.

In 2018-19 £18,000 was incurred on publicity and advertising costs, all of which was for recruitment (2017-18: £13,000).

## 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 2018-19 (2017-18: £nil).

## Financial Outturn

Our financial outturn for 2018-19 is reported in a number of different ways. The accounts show a negative net resource outturn (a significant favourable movement) of £2,756,000

against an Estimate of £531,000, net surplus Resource Departmental Expenditure Limit (RDEL) of £1,276,000 surplus against an Estimate of £29,000 and Capital DEL (CDEL) of £226,000 against an Estimate of £230,000. The tables in the Statement of Parliamentary Supply Notes 1 and 2 reconcile these figures.

## Recruitment and Turnover

GAD's staff turnover this year was 12.9% to the end of March 2019 (17% in 2017-18). The bulk of external recruitment activities took place in Quarter 4 of this financial year.

We rely on contingent labour, mostly in the form of agency contractors, to manage short term and/or cyclical demands

## Staff in post as at 31 March 2019

	Staff in Post			Staff in Post		
	31/03/2019	Male 31/03/2019	Female 31/03/2019	31/03/2018	Male 31/03/2018	Female 31/03/2018
Actuaries <sup>1</sup>	90	59	31	87	57	30
Trainee Actuaries <sup>1</sup>	39	29	10	35	24	11
Analysts	23	12	11	18	9	9
Support Staff <sup>1</sup>	36	19	17	31	16	15
Agency/non-payroll	4	3	1	5	5	–
<b>Total</b>	<b>192</b>	<b>122</b>	<b>70</b>	<b>176</b>	<b>111</b>	<b>65</b>
<i>Of which:</i>						
<i>Leadership Group<sup>2</sup></i>	19	16	3	16	12	4

1. Permanent and Fixed Term Contract Employees

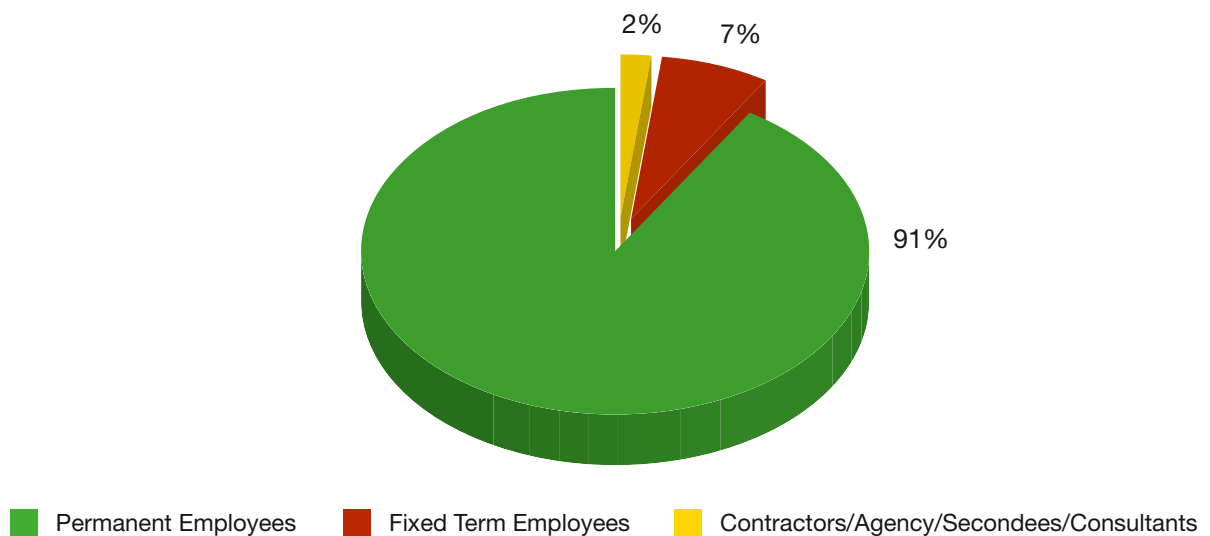
2. Although not formally constituted as a committee, the Leadership Group, which consists of the Management Board, Senior Chief Actuaries, Chief Actuaries and a number of other senior staff, is responsible for setting the tone and direction of the Department.

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 2019:



### Staff Engagement Survey

The annual Civil Service-wide Staff Survey for 2018 was completed by 89% of GAD staff, slightly more than in 2017 (88%).

The majority of scores for the various question 'themes' were higher than 2017, as was the overall Employee Engagement Index, which increased by 6 points to 61%.

It had been recognised that engagement scores had dropped significantly in 2017 (to 55%) which was associated with a major programme of changes. The 2018 outcome was a considerable improvement on 2017, though still short of the level of engagement before 2017 (65% in 2016).

It was notable that scores for themes of Organisational Objectives and Purpose, Learning and Development, and Leadership and Change Management all increased by 10 or more percentage points compared to 2017. In particular, there were positive scores for: performance reviews and confirmation of ratings; staff interested in their work; and having the skills and being trusted to deliver effectively. In contrast, there were negative or neutral scores for pay and benefits, understanding how our work contributes to becoming 'a Brilliant Civil Service', how change is managed at GAD and whether changes at

GAD are for the better, whether action was taken on last year's results, and effective handling of poor performance.

The latest staff survey results provided encouraging signs that the efforts made to improve leadership and change management within the department have had some impact, and that staff continue to enjoy the work they are involved with and work well with their colleagues.

However, there remains scope for further improvements and the 2019-20 plan will continue to try and address these, and our balanced scorecard KPIs are intended to help maintain attention on the areas that are most significant to the ongoing success of the department.

### Equal Opportunities and Diversity

We are fully committed to providing equal opportunities for all staff. Our aim is that the Department should have a diverse workforce at all levels and be recognised as an inclusive employer, with all staff able to progress and reach their potential. For example, we advertised for graduate trainee actuaries and actuarial analysts 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 our senior lead for Diversity and Wellbeing is co-ordinating our work in conjunction with a network of “champions” and a programme of initiatives.

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 are given the opportunity to demonstrate their abilities at the interview stage. GAD will make reasonable adjustments to all stages of the recruitment process and to our jobs to make them more accessible to applicants who have a disability. This applies to both internally and externally advertised posts.

GAD encourages all employees to update their personal records and declare any disability; this helps to ensure that disabled people are given the support needed. The performance management system ensures that discussions regarding learning and development take place throughout the year and help employees to identify what they can do to make sure they can develop their skills and use their abilities to develop and progress within their job. GAD makes every effort to ensure disabled employees stay in employment and make adjustments to help people who become disabled stay in their current role or find a suitable alternative. GAD has been recognised as a Disability Confident Employer, certification of which was renewed in March 2018.

### **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 2019 to be 13% in favour of males

and the median pay gap to be 0.3% in favour of males. Comparative figures for 31st March 2018 are 11% in favour of males, and a median pay gap of 0.1%. Pay comparability within grades is kept under review and, if appropriate, adjustments are made.

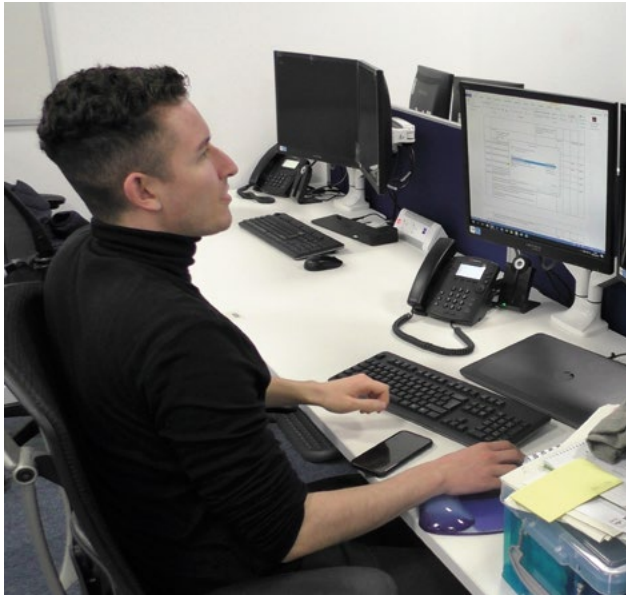
### **Information for Staff and Communications Policy**

A new ‘Head of Communications’ role has been created at GAD. The person in this role took up post on 1 October 2018 and is responsible for communications strategy. This applies to both internal and external communications.

We keep all members of staff informed of changes affecting the department. The intranet is regularly updated with policy and guidance. We also use regular emails, office notices and updates of other general departmental information to keep people informed. 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 gives staff the opportunity to ask the GAD Executive team questions either publicly or privately.



## Talent and Reward

Throughout the year many improvements have been put in place to strengthen our 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

We launched an actuarial undergraduate placement scheme in the academic year 2018-19 and this will continue in academic year 2019-20. This scheme will enable us to develop a talent-pipeline of highly capable potential recruits for future actuarial recruitment. In line with the Civil Service annual target of achieving 2.3% of the workforce as apprenticeship starts in England, GAD has developed and implemented its apprenticeship strategy and recruited five apprentices in 2018-19.

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 continued improvements to overall compliance were recognised by the Civil Service Commissioners during an audit in November 2018.

### Retention

Reward vouchers, which were introduced in 2017-18, continued to operate through 2018-19 to reward and recognise employees' contribution with the aim to provide a more immediate motivational impact. £10,000 of the non-consolidated pay award was set aside for this reward initiative in 2018-19. The feedback from staff was that they felt very positive about this form of recognition.

To assist in the retention of high-performing staff, a limited part of the annual pay award was applied to reward those staff who had consistently sustained high performance over a long period.

### Pay Structure Review

In 2018, in order to support the talent management, progression and retention of analysts, a new pay structure for analysts was created and implemented. The new pay principles are applied in a consistent and standardised manner across GAD and the early indications are that they are having a positive impact.

### Development

The Learning and Development Portfolio published in August 2016 continues to expand 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 competencies requirements are either

essential, important, developmental, role/task related or optional for each of the current grades.

## **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 2018.

## **Performance**

In 2018-19, several initiatives have been implemented to support managers. In particular, GAD developed a Line Manager job description which clarifies the expectations and responsibilities of all GAD managers. Relevant training is in place to support this. Quarterly surveys are also conducted to obtain regular feedback on engagement and performance practices.

## **Effectiveness of staff whistleblowing procedures**

Our Whistleblowing guidance can be accessed by staff 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**

Four, low risk breaches of policy and four breaches of personal data occurred in 2018-19. The low risk breaches of policy included data sent un-encrypted to the correct recipient and encrypted data sent to the incorrect recipient. The four data breaches were related to GAD staff details and these issues were addressed by creating new processes and tailoring the annual security training. Details on the implementation of the General Data Protection Regulation are provided separately.

## **The General Data Protection Regulation (GDPR)**

The General Data Protection Regulation (GDPR) came into force on 25th May 2018.

### *Our compliance*

As a data controller of personal data, GAD takes its responsibilities seriously and we currently comply with GDPR. Policies and processes have been updated and GAD's privacy notice has been published on gov.uk. Secure methods of data transfer have been setup to ensure that personal data is transmitted securely to authorised recipients.

A Security Strategy Group (SSG) headed by GAD's Senior Information Risk Owner (and executive member) has been formed to provide an overview of strategic security issues and compliance in GAD. This group meets every quarter. An operational Security Group meets every 2 months and reports any significant issues to the SSG. GAD has been audited by the Government Internal Audit Agency (GIAA) and has made the recommended improvements to achieve full GDPR compliance.

### *Staff training and awareness*

All staff have completed their annual security awareness training and have made a separate statement on their compliance with GAD's GDPR policies and processes for 2018-19. This statement will be an annual requirement for all staff which assists team leaders to make their own annual governance statement to GAD's Finance Director. Central Services staff who handle sensitive personal data more regularly received additional training on sending personal data outside GAD.

## **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 2018-19:

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

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.

He confirms that the Annual Report and Accounts as a whole is fair, balanced and understandable, and that he takes personal

responsibility for it and the judgements required for determining that it is fair, balanced and understandable.

## **Auditor**

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2018-19 was £60,000 (2017-18: £60,000). No fees, either actual or notional, were incurred for non-audit work (2017-18: £nil).

# 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, Jesse Norman MP.

I, Martin Clarke, have been the Government Actuary since August 2014. I have a number of statutory duties in connection with public service pensions and social security. I 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 seven executive members, including me, and three non-executive members. It is the principal advisory 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 31st March 2019 was:

Martin Clarke	Government Actuary
Wendy Dabinett	Director of Human Resources
Stephen Humphrey	Head of Specialist Actuarial
Angela Marshall	Non-executive director since September 2013 on a 3-year appointment which was renewed for a further three years
John Ogden	Director of Finance and Operations
Geoffrey Podger	Non-executive director and Chair since November 2015 on a 3-year appointment which was renewed for a further 3 years
Louise Redmond	Non-executive director since September 2013 on a 3-year appointment which was renewed for a further three years
Ian Rogers	Acting Director of Business Development
Sue Vivian	Head of Public Service Pensions
Colin Wilson	Deputy Government Actuary

John Ogden joined the Management Board in September 2018 as the Director of Finance and Operations replacing Urvashi Bhagat, who left on 7th September 2018.

Ian Rogers joined the Management Board from April 2018 on temporary secondment as Acting Director of Business Development.

## 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, which was renewed in 2018.
Angela Marshall	An accountant and a management consultant who has worked extensively in both the public and private sectors in both executive (including Chief Internal Auditor and Finance Director) and management consultancy roles. Since setting up her own company, has spent the last 20 years working across government and the public sector in senior advisory and non-executive roles. She currently holds non-executive positions at the South Yorkshire Passenger Transport Executive, the Sheffield City Region Mayoral Combined Authority and the Eden Project. Previous roles included the Science and Technology Facilities Council, 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 and Risk Assurance Committee since January 2016. Her appointment has been extended until August 2019.
Louise Redmond	A specialist in organisation development, culture and governance, she 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.

Between April 2018 and March 2019, the Management Board met 10 times, with attendance as follows:

Martin Clarke	10/10	Wendy Dabinett	7/10
Colin Wilson	10/10	Geoffrey Podger	10/10
Sue Vivian	9/10	Angela Marshall	8/10
Stephen Humphrey	9/10	Louise Redmond	10/10
Urvashi Bhagat	3/3	Ian Rogers	8/10
John Ogden	7/7		



## Audit and Risk Assurance Committee

GAD has an Audit and Risk Assurance Committee (ARAC) comprising the three non-executive members of the Management Board. The Committee supports the Accounting Officer in his 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 meets at least quarterly during the year. When necessary, it meets separately after the main meeting, with the External and Internal Auditors.

Between April 2018 and March 2019, the ARAC met four times with attendance as follows:

Martin Clarke	4/4
John Ogden	3/3
Urvashi Bhagat	1/1
Internal Audit	4/4
External Audit	4/4

The Committee works to an annual work schedule that is a part of its Terms of Reference and 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, such as 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.

## 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.



## 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, 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.

The purpose of the Technical Committee is to develop and maintain appropriate technical and professional practices across GAD. In particular, this includes promoting consistency and defensibility in the provision of client advice.

## Strategic Security Group

The Strategic Security Group was established in December 2018, to provide oversight on general issues relating to the security of GAD, in terms of the physical security of its staff and estate, sensitive personal or business information, and IT systems. It is responsible for the development and communication of appropriate policies and information and the effectiveness of monitoring and reporting relating to security measures.

## Technology Committee

The Technology Committee's purpose is to assist the development and maintenance of GAD's technology capabilities. The committee works actively as a liaison group between users and the IT team to ensure that GAD users have a platform which will allow them to operate as efficiently as possible (and in so doing will support GAD's stated 2020 vision).

In particular, the Committee will make recommendations and suggestions which seek to: identify where we can improve our services through better use of technology; make the most of the technology GAD already has; and make sure that we identify any opportunities to introduce new technology, as they arise. From 2019-20 onwards, the Technology Committee will be responsible on behalf of the department for monitoring the shared IT service arrangements with GLD.

In addition to these 'strategic' committees and groups, GAD's work is also supported through a range of other 'working' groups which are involved in the management of specific issues across the department, many of which report into the groups listed above, as well as a number of project boards which oversee specific pieces of work that are frequently time-limited.



## Business Development Steering Group

Established to support GAD's business development strategy and vision, which aims to ensure our potential to contribute is recognised where it could add value, ensure we are able to deliver this potential, and maximise our actual contribution where this represents value to government. The Group works to assess and improve how we manage our relationship with clients, to actively seek appropriate new business opportunities, and raise GAD's profile through thought leadership activities including regular publications and attending and hosting conferences and seminars.



## GAD Change Board

The GAD Change Board was established 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.

## The Management Board's Governance and Performance

As part of its wider programme at GAD, Internal Audit (IA) carried out an audit of 'Governance Processes Reporting Arrangements and Board Effectiveness' during September 2018.

The outcome of the audit was a Moderate opinion with five medium priority recommendations for improvements to enhance the adequacy and effectiveness of the framework of governance. The Management Board agreed to these recommendations and a series of actions in response, which are planned to be completed by mid-2019. These included more regular reporting to the Board on critical projects and greater clarity on the reporting relationship between the Executive Committee and other governance groups. The governance groups were required to review and if necessary amend their terms of reference to incorporate their responsibility to inform the Executive of any significant issues that could have serious implications for the Group's remit or GAD's wider success.

As in recent years, the Board also completed a self-assessment questionnaire regarding its operation and effectiveness. The results of this in 2018 indicated that the Board was content that there were no significant shortcomings in the Board's operation.

## 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.

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.

### **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.

### **Risk Management**

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

The strategic risks of the department are considered as part of an enterprise risk management framework that is closely aligned to the 2015-20 strategy and annual business plans. The Management Board reviews these risks at each meeting during the year.

Strategic risks are aligned to our themes and they represent a longer-term view than our operational risk planning. During 2019-2020 we will continue to focus on mitigation actions that are effective in reducing original and residual risks.

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 (Finance, Clients, Processes and People) 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 strategic themes (also see below).

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 Balanced Scorecard theme 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. During the year the Committee reviewed a selection of risk registers in detail and a revised format for reporting risk management was agreed, which focuses on mitigation and timescales.

During the year, GAD also introduced a quarterly review of longer-term strategic risks, the main value of which is to focus attention on long-term issues that may not be picked up by day-to-day management of the business and the operations risk registers that operate on a 'bottom-up' basis.

Issues and risks that were considered by the Management Board and Audit Committee included: the implementation of a major actuarial software product and the transition to use the product routinely for GAD's work; the development and implementation of a new HR system and outsourcing of payroll delivery,

management and maintenance of staff resources and income, and risks arising from external factors.

## Clients

Risk that 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, or that GAD's services do not match the evolving needs of its clients. The specific risks associated with these arise from failure to:

- deliver high quality advice;
- provide client advice on time, develop innovative solutions and knowledge;
- maintain strong client relationships and understand their future requirements;
- work efficiently and to budget;
- use appropriate software; 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, the GAD Technical Committee provides oversight ensuring that the appropriate procedures and practices are

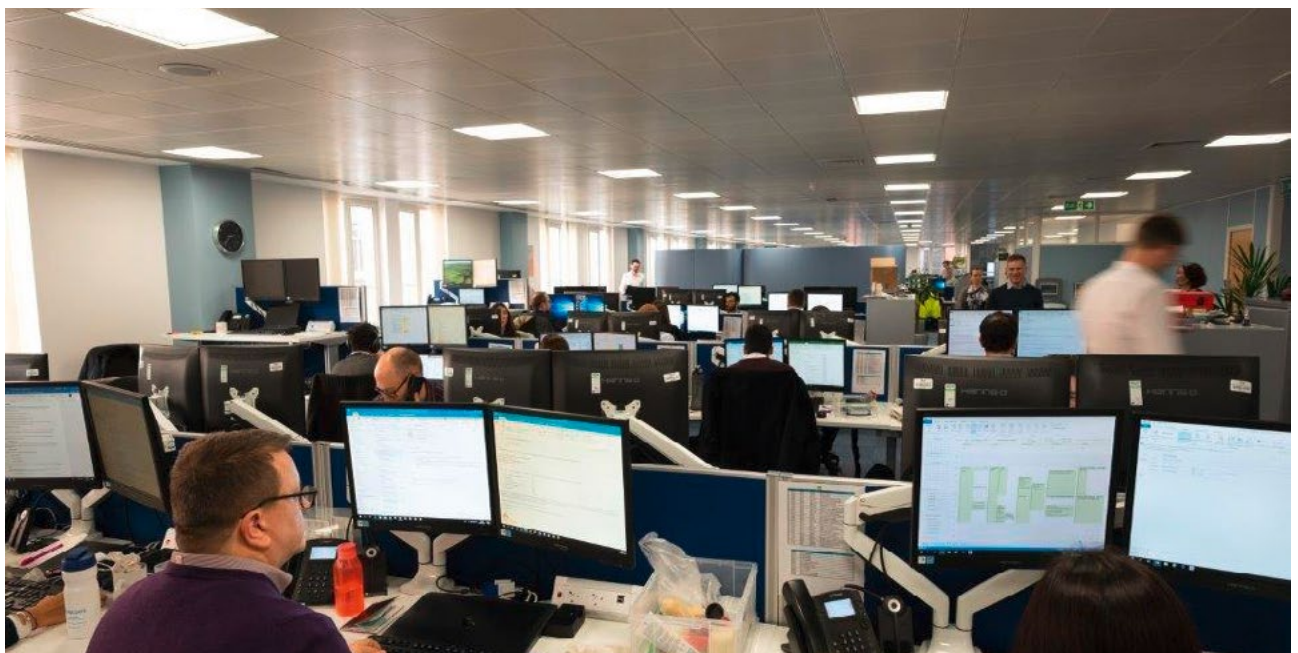
used, and monitoring compliance. We also have client development plans for all key clients. In addition, we seek client feedback so that we are able to learn from and improve the quality of our work. For the most high-profile projects specific governance boards are in place which ensure the appropriate level of oversight, planning and focus.

## Financial

Risk that GAD does not meet financial targets or has poor financial control, with specific risks arising from failure to:

- generate sufficient income due to significant uncertainty in client demand;
- correctly recognise and account for income and expenditure;
- invoice on time for work carried out; and
- monitor and take action on debtors and failure to meet our HM Treasury control totals.

We have a low appetite for major financial surprises or financial risks that are likely to undermine our sustainability as a service provider. To mitigate these financial risks, an active approach has been taken to income, expenditure and cash-flow forecasting, which is now undertaken five times each year.



During 2018-19 there was an emphasis on ensuring that GAD had the necessary controls and structures in place to support the introduction of the revenue recognition standard IFRS 15. There was also an increased focus on resource forecasting within the Actuarial Teams, with resource balancing as and where necessary. There has been a continued focus on the Department's balance sheet with focus on improving credit control and work in progress reporting and management.

In the first half of 2019-20 we will complete the upgrade of the Department's accounting platform to Open Accounts version 8 which will improve system resilience as well as providing opportunities for enhanced reporting and workflow management. We will continue to cross and up-skill the team to further improve resilience and flexibility.

## People

Risk that GAD is unable to provide future advice effectively due to an ineffective people policy, with specific risks arising from the failure to:

- recruit an appropriate mix of staff,
- manage resource requirements and allocate them appropriately,
- attract and retain staff,
- ensure that staff continue to develop and that their skills are relevant, so they are able to meet the needs of the business.

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. We will continue to recruit high calibre staff, deliver an improved, more strategic approach to line management, as well as developing and implementing a robust talent management and learning and development strategy. The latter will include revisions to GAD's secondment programme, identified steps towards building a more

experimental and innovative culture as well as developing a mechanism whereby staff may be encouraged and supported to suggest and create change.

The functionality of the Midland HR system (which was implemented in-year) will be used to further support recruitment, retention and development activities. The outsourcing of the payroll function (which also took place in-year) will ensure a more efficient use of HR staff resource enabling them to focus on work force development and value-add issues.

## Processes

Risk that 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 (which in-year included the implementation of new actuarial software platform and the transition of IT service to GLD) with progress regularly reported to the specific project boards (where constituted) and the monthly Management Board as part of the Balanced Scorecard.

## Principles

**Strategic Risk Register** comprises key Balanced Scorecard risks or issues that have been escalated for attention or action by MB (monthly), functioning bottom-up

**Register of Strategic Risks** functions top down to identify risks that threaten the Department's ability to deliver its responsibilities at a strategic level, which may differ from those identified through a bottom-up approach

Balanced Scorecard Risk Register comprises key risks identified by operational risk registers, grouped by Balanced Scorecard Quadrant.

Escalates risks where necessary or appropriate for attention or action by MB/ARAC.

ARAC conducts deep dive reviews on the risk registers for one BS Quadrant or operational level Risk Register at each quarterly meeting.

Operational level groups (programmes or activities), responsible for identifying risks to operational delivery, and actions to mitigate their impact.

Where necessary, these groups identify and escalate risk that are considered to need attention or action at a higher level, i.e. by ExCo.

## Process

**Strategic Risk Register** is updated by risk owners and reviewed each month by ExCo and MB.

**Register of Strategic Risks** is updated by Balanced Scorecard quadrant owners and reviewed quarterly at ExCo and MB.

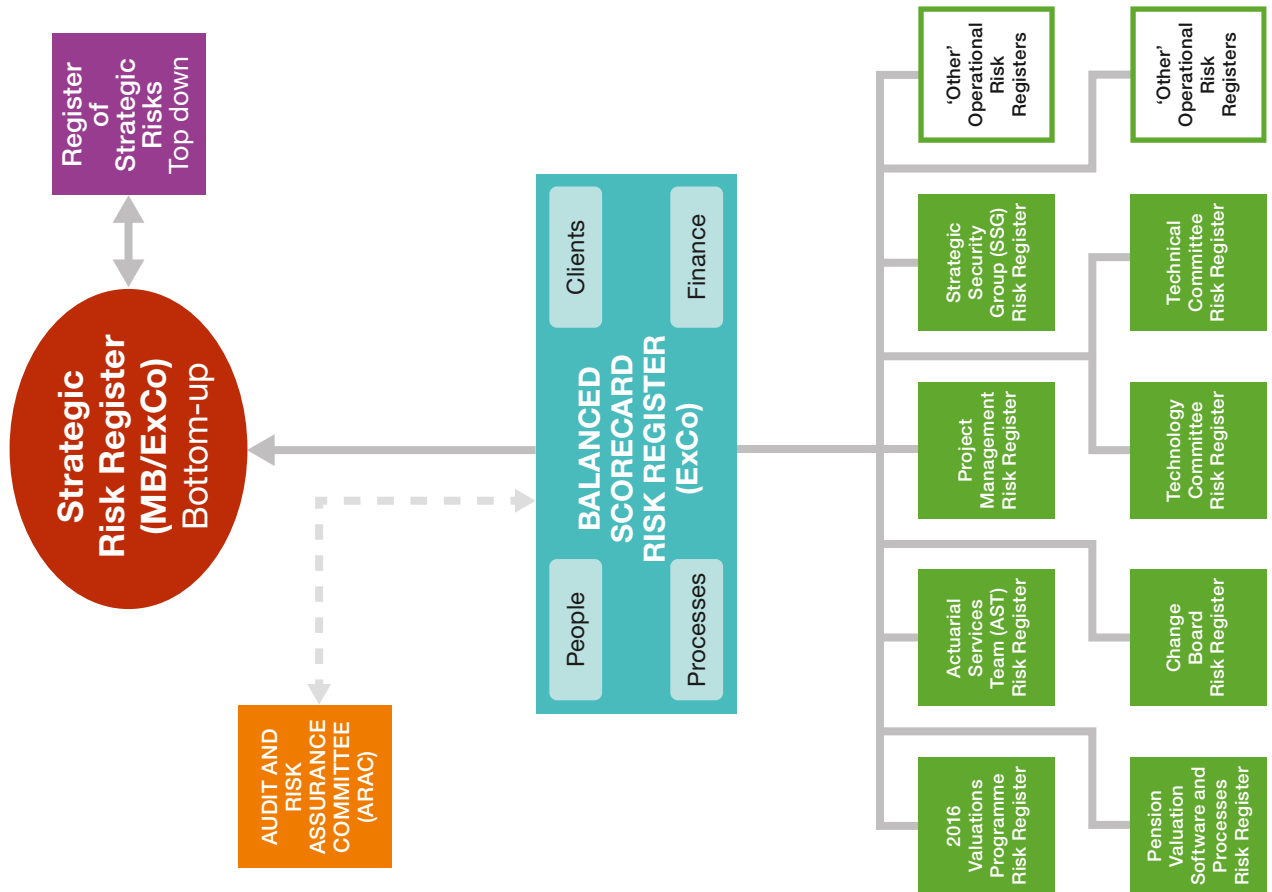
ExCo reviews the updated Balanced Scorecard Risk Register each month and:

- agrees whether risks escalated from operational level should be included on BSRR,
- includes new risks identified at ExCo level, and
- where necessary or appropriate, escalates BSRR risks for attention or action by MB/ARAC

ARAC selects on BS Quadrant or operational Risk Register to review through a deep dive at each quarterly meeting

Executive Services team request Risk Register and owners and named risk owners to update risks status (RAG rating and mitigation on a monthly basis, on any change in the risk rating (RAG), progress in completing mitigating actions, and any risks to be removed or escalated.

Executive Support team updates centrally-held operational Risk Registers and ensures that escalated risks are added to 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 and GAD's wider leadership team have provided adequate assurance to the Accounting Officer to support GAD-wide statement.

Overall assurance is further supported by an Assurance Map for the organisation. It is divided into 2 separate maps: one for actuarial activities and another for corporate activities. The map identifies the sources of assurance for internal control processes across the department following HM Treasury's model of the Three Lines of Defence, using Management control and reporting as the First Line, Functional control as the Second, and Independent Review/ Assurance/ Regulatory controls as the Third.

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 2018-19

business plan objectives. The performance against Balance Scorecard KPIs was reported to the Management Board meetings.

## 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.

Following renewal of GAD's accreditation, IFoA's QAS sub-committee praised the quality of GAD's return, describing it as 'exemplary in nature'.



## Internal Audit Assurance

The Internal Audit team (Government Internal Audit Agency (GIAA)) has undertaken a range of work during the year, in line with the Audit Strategy agreed by the ARAC. Where weaknesses in controls have been identified by completed audits, we have agreed to implement the actions recommended by GIAA.

- **Governance Processes Reporting Arrangements and Board Effectiveness**

Review of the effectiveness of governance reporting arrangements introduced in 2017-18 and the effectiveness of working relationships between Board and Executives.

A **moderate** assurance opinion was confirmed, and five medium priority actions were agreed.

- **Gender Pay Gap**

Review of controls and processes around gender pay gap data and accuracy of reporting.

A **moderate** assurance opinion was confirmed, and three medium and one low priority actions were agreed.

- **Financial Controls: New HR and Payroll System Project**

Review of project management arrangements for transition to the HR and Payroll System.

A **moderate** assurance opinion was confirmed, and three high and two medium priority actions were agreed.

- **Actuarial Software**

Review project arrangements for transition to new actuarial software.

A **moderate** assurance opinion was confirmed, and five medium priority actions were agreed.

- **IT Service Provision**

Review of GLD/GAD partnership working arrangements.

A **moderate** assurance opinion was confirmed, and three medium priority actions were agreed.

- **PSPS Valuation Assumptions Record Keeping**

Review process to provide assurance that a complete document trail is maintained for scheme valuations. A **moderate** assurance opinion was confirmed, and three medium and one low priority actions were agreed.

- **GDPR follow-up**

Assurance over GDPR post embedding change.

A moderate assurance opinion was confirmed, and five medium priority actions and one low priority actions were agreed.

The audit programme was completed in full and reported before the end of the financial year.

The Annual Report from Internal Audit provided an overall assurance opinion of **Moderate** for the year ended March 2019 in the annual assurance statement.



### Implementation and embedding of the General Data Protection Regulation (GDPR)

GDPR, a new Europe-wide data protection regulation, came into force on 25th May 2018 and replaced the Data Protection Act 1998. The new regulation allows 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.

As a data controller of personal and other individual data, GAD takes its responsibilities seriously and we currently comply with the Regulation.

In preparation for the Regulation coming into force, we formed an internal GDPR Working Group, reporting to the Executive Committee, which included representatives from actuarial

and corporate services teams across GAD. This Group is chaired by an executive member of the GAD Management Board (the Head of Public Service Pensions) whose team handles a large amount of information about individual people. The Working Group, supported by our Data Protection Officer and by a specialist lawyer, developed internal policies and guidance for GAD staff.

The Working Group oversaw a complete data mapping exercise, establishment of GDPR compliant systems, policies and procedures and communications and staff training. It also provided updates to all GAD clients on our GDPR readiness. Relevant policy documents and procedures were updated to reflect the operational changes required to enable GAD to comply with the new Regulation.

To support these changes, it was agreed that Internal Audit would conduct an audit to assess GAD's compliance with the key requirements of GDPR, identify any gaps and recommend remedial actions for those areas not aligned with GDPR. The review focused on whether GAD has identified the key requirements of the regulation using the Information Commissioners Office (ICO) "12 steps for preparing for GDPR" framework evaluating the effectiveness of action plans to address gaps or shortcomings (inclusive of the organisation's risk exposure assessment against each of the 12 steps).

The audit confirmed a moderate assurance opinion with five medium and one low priority actions which were agreed. Two agreed actions are yet to be completed but are expected to be so by the end of June 2019.

# 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 on its website<sup>4</sup>.

### 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 2018 which was authorised by the Permanent Secretary for HM Treasury and paid in financial year 2018-19.

### 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 2018-19 Government Financial Reporting Manual (FRoM) issued by HM Treasury.

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<sup>4</sup> [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

## Remuneration (Salary, Bonus Payments, Benefits in Kind, and Pensions) (Audited)

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)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Martin Clarke Government Actuary	190-195	185-190	15-20	15-20	–	–	73	72	280-285	275-280
Colin Wilson <sup>2</sup> Deputy Government Actuary	115-120 (150-155 full year equivalent)	125-130 (145-150 full year equivalent)	0-5	0-5	–	2	45	50	160-165	180-185
Sue Vivian <sup>3</sup> Head of Public Sector Pension Schemes	125-130 (140-145 full year equivalent)	120-125 (135-140 full year equivalent)	0-5	0-5	–	–	44	14	170-175	140-145
Stephen Humphrey Head of Specialist Actuarial	140-145	140-145	0-5	0-5	–	–	44	48	185-190	190-195
Ian Rogers Acting Director, Business Development <sup>4</sup>	135-140	–	0-5	–	–	–	55	–	195-200	–
John Ogden Director of Finance and Operations (from Sep 2018)	45-50 (80-85 full year equivalent)	–	–	–	–	–	18	–	60-65	–
Urvashi Bhagat Director of Finance (until Sep 2018)	30-35 (75-80 full year equivalent)	30-35 (70-75 full year equivalent)	0-5	–	–	–	14	12	45-50	40-45
Wendy Dabinett <sup>5</sup> Director of Human Resources	75-80	80-85	0-5	0-5	–	–	11	11	85-90	90-95
Geoffrey Podger Non-executive Board Member	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Angela Marshall Non-executive Board Member	5-10	5-10	–	–	–	–	–	–	5-10	5-10
Louise Redmond Non-executive Board Member	5-10	5-10	–	–	–	–	–	–	5-10	5-10

- 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.
- Colin Wilson worked part-time from August 2017.
- Sue Vivian worked part-time from June 2017. Pension benefit for 2017-18 was revised to £14k (recalculated due to retrospective change to service records).
- Acting Director, Business Development, seconded to the Management Board from April 2018
- Wendy Dabinett's pension benefit relates to the partnership pension contribution by GAD.

## Salary

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

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

## Bonuses

Bonuses are based on performance levels which are assessed as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

The bonus reported for the Government Actuary in 2018-19 relates to performance in 2017-18.

## Pay Multiples (Audited)

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 2019 on an annualised basis.

The banded remuneration of the highest-paid director in GAD in the financial year 2018-19 was £205k-£210k (2017-18: £205k-£210k). This was 4.03 times (2017-18: 4.3 times) the median remuneration of the workforce, which was £52,017 (2016-17: £48,788).

No employees received remuneration in excess of the Government Actuary.

Remuneration ranged from £20k-£25k to £205k-£210k (2017-18: £20k-£25k to £205k-£210k).

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.

	2018-19	2017-18
<b>Band of highest paid director's total remuneration (£000)</b>	205-210	205-210
<b>Median total (£)</b>	52,017	48,788
<b>Remuneration Ratio</b>	4.03	4.30

## 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 for a term of one year until June 2018.

**Pension Benefits (Audited)**

	Accrued pension at pension age as at 31/03/2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/2019	CETV at 31/03/2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Martin Clarke Government Actuary	25-30	2.5-5	471	360	63
Colin Wilson Deputy Government Actuary	35-40	2.5-5	573	479	28
Sue Vivian Head of Public Service Pensions	30-35	2.5-5	630	530	41
Stephen Humphrey Head of Specialist Actuarial	45-50 Plus lump sum of 110-115	2.5-5 Plus lump sum of 0	933	810	21
Ian Rogers Acting Director, Business Development	15-20	2.5-5	235	174	27
John Ogden Director of Finance and Operations	0-5	0-2.5	14	0	11
Urvashi Bhagat Director of Finance	0-5	0-2.5	19	9	7
Wendy Dabinett Director of Human Resources	Partnership Pension Scheme Benefits			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 CETVs reflect these members' periods of Management Board membership. Following GAD advice, the factors used to calculate CETVs were revised during the year. CETVs have been calculated in accordance with the factors effective at the relevant date.

## Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **premium**, **classic**, **classic plus**, **nuvos** and **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 dependant'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 (Audited)**

No compensation on early retirement or loss of office was made in 2018-19 (£nil in 2017-18).

### **Payments to past directors (Audited)**

No payments to past directors was made in 2018-19 (£nil in 2017-18).



## 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.

### *Off-payroll engagements as of 31 March 2019, for more than £245 per day and that last longer than six months*

	GAD
<b>No. of existing engagements as of 31 March 2019</b>	<b>2</b>
<i>of which:</i>	
No. that have existed for < 1 year	–
No. that have existed for between 1 and 2 years	1
No. that have existed for between 2 and 3 years	–
No. that have existed for between 3 and 4 years	1
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.

### *New off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, 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 2018 and 31 March 2019</b>	<b>–</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	–
No. for whom assurance has been requested	–
<i>of which</i>	
No. for whom assurance has been received	–
No. for whom assurance has not been received	–
No. that have been terminated as a result of assurance not being received	–

### *Engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019*

	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.	11

## Trade union facility time

### *Relevant union officials*

	GAD
Number of employees who were relevant union officials during 2018-19	9
Full-time equivalent employee number	7.30

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

Percentage of Time	No of employees
0%	5
1 - 50%	4

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

	£000
Total cost of facility time	11
Total pay bill	13,810
% of total pay bill spent on facility time	0.08%

### *Paid trade union activities*

	%
Hours spent by employees who were relevant trade union officials during 2018-19 as a % of total paid facility time hours	0
Time spent on paid trade union activities as a % of total paid facility hours	0

## Staff Report

### Staff Costs (Audited)

	2018-19 £000			2017-18 £000
	Permanently employed staff	Others*	Total	Total
Wages and salaries	10,796	23	10,819	10,449
Social security costs	1,308	–	1,308	1,280
Other pension costs	2,359	–	2,359	2,275
<b>Total costs</b>	<b>14,463</b>	<b>23</b>	<b>14,486</b>	<b>14,004</b>
Less recoveries in respect of outward secondments	(676)	–	(676)	(377)
<b>Total costs</b>	<b>13,787</b>	<b>23</b>	<b>13,810</b>	<b>13,627</b>

\* Includes non-Executive Board members.

Of the total, £nil has been charged in capital (2017-18: £nil).

Of the total, £nil has been charged to the programme budget (2017-18: £nil).

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others 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 their website<sup>5</sup>.

For 2018-19, employers' contributions of £2,293,369 were payable to the PCSPS (2017-18: £2,214,644) at one of four rates in the range 20.0% to 24.5% (2017-18: 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 £65,037 (2017-18: £60,846) were paid to four appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2017-18: 8% to 14.75%) 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.

<sup>5</sup> [www.civilservicepensionscheme.org.uk/about-us/scheme-valuations](http://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations)

### Average number of persons employed (Audited)

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

	2018-19		2017-18
	Permanently employed staff	Others	Total
<b>Total</b>	172	14	186
			<b>159</b>

### Senior Civil Service (SCS) salaries (actual) as at 31 March 2019

Salary Bands	Total 31/03/2019	Male 31/03/2019	Female 31/03/2019
£120,000-£125,000	2	1	1
£125,000-£130,000	2	2	–
£140,000-£145,000	–	–	–
£185,000-£190,000	1	1	–
<b>Total</b>	<b>5</b>	<b>4</b>	<b>1</b>

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

No exit packages were paid to GAD staff in 2018-19 (2017-18: Nil).

### Sickness Absence

The Management Board monitored sickness absence on a monthly basis and in 2018-19 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 2017-18.

# Parliamentary Accountability and Audit Report

## 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 audited.

### Summary of Resource and Capital Outturn 2018-19

	SoPS Note	2018-19 £000						2017-18 £000	
		Estimate			Outturn				Outturn Total
		Voted	Non-Voted	Total	Voted	Non-Voted	Total		
<b>Departmental Expenditure Limit</b>									
– Resource	1.1	(29)	–	(29)	(1,276)	–	(1,276)	1,247	(1,481)
– Capital	1.2	230	–	230	226	–	226	4	449
<b>Annually Managed Expenditure</b>									
– Resource	1.1	560	–	560	(1,480)	–	(1,480)	2,040	(203)
– Capital	1.2	–	–	–	–	–	–	–	–
<b>Total Budget</b>		<b>761</b>	<b>–</b>	<b>761</b>	<b>(2,530)</b>	<b>–</b>	<b>(2,530)</b>	<b>3,291</b>	<b>(1,235)</b>
<b>Non-Budget</b>									
– Resource	1.1	–	–	–	–	–	–	–	2,539
<b>Total</b>		<b>761</b>	<b>–</b>	<b>761</b>	<b>(2,530)</b>	<b>–</b>	<b>(2,530)</b>	<b>3,291</b>	<b>1,304</b>
Total Resource		531	–	531	(2,756)	–	(2,756)	3,287	855
Total Capital		230	–	230	226	–	226	4	449
<b>Total</b>		<b>761</b>	<b>–</b>	<b>761</b>	<b>(2,530)</b>	<b>–</b>	<b>(2,530)</b>	<b>3,291</b>	<b>1,304</b>

## Net cash requirement

SoPS Note	2018-19 £000		2018-19 £000		2017-18 £000
	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn	Outturn
3	215	(689)	904	(391)	

## Administration costs

SoPS Note	2018-19 £000		2018-19 £000		2017-18 £000
	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn	Outturn
1.1	(29)	(1,276)	1,247	(1,576)	

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 Accountability Report.

## Notes to the Statement of Parliamentary Supply

### SoPS1. Net outturn

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

	2018-19 £000									2017-18 £000 Outturn  Total
	Outturn						Estimate			
	Administration			Programme			Total	Net total compared to Estimate saving/ (excess)	Net Total	
Gross	Income	Net	Gross	Income	Net					
<b>Spending in Departmental Expenditure Limit</b>										
Voted:										
Administration	19,293	(20,586)	(1,293)	–	–	–	(1,293)	(49)	1,244	(1,576)
Use of provision	17	–	17	–	–	–	17	20	3	95
	19,310	(20,586)	(1,276)	–	–	–	(1,276)	(29)	1,247	(1,481)
Non-voted:	–	–	–	–	–	–	–	–	–	–
<b>Annually Managed Expenditure</b>										
Voted: Provisions (AME)	–	–	–	(1,480)	–	(1,480)	(1,480)	560	2,040	(203)
Non-voted:	–	–	–	–	–	–	–	–	–	–
<b>Non-Budget Spending</b>										
Prior Period adjustment	–	–	–	–	–	–	–	–	–	2,539
<b>Total</b>	<b>19,310</b>	<b>(20,586)</b>	<b>(1,276)</b>	<b>(1,480)</b>	<b>–</b>	<b>(1,480)</b>	<b>(2,756)</b>	<b>531</b>	<b>3,287</b>	<b>855</b>

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

	Outturn			Estimate		2018-19 £000	2017-18 £000
	Gross	Income	Net	Net	Net total compared to Estimate saving/ (excess)	Outturn	
<b>Spending in Departmental Expenditure Limit</b>							
Voted:	226	–	226	230	4	449	
Non-voted:	–	–	–	–	–	–	
<b>Annually Managed Expenditure</b>							
Voted:	–	–	–	–	–	–	
Non-voted:	–	–	–	–	–	–	
<b>Total</b>	<b>226</b>	<b>–</b>	<b>226</b>	<b>230</b>	<b>4</b>	<b>449</b>	

**Explanation of Variances between Estimate and outturn is as follows:**

**Admin DEL:** the favourable variance in surplus of £1.2m from estimate was generated by a decrease in income of £0.4 million offset by an under-spend in expenditure of £1.6 million.

**AME:** the favourable variance of £2 million was largely due to the release of the surplus dilapidations provision not required, as a result of adjusting the dilapidation provision to reflect current best estimate following a further survey undertaken in 2018-19 which proposed a lower dilapidation of £1.207 million.

**Capital DEL:** a variance of £4,000 has occurred because anticipated spend on smart working initiatives was slightly below plan.

Further explanations of variances between Estimate and Outturn are given in the Accountability Report.



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

	SoPS Note	2018-19 Outturn £000	2017-18 Outturn £000
<b>Net Resource Outturn (Statement of Parliamentary Supply)</b>	SoPS	(2,756)	855
<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>(2,756)</b>	<b>(1,684)</b>

There was no difference between the net resource outturn per Statement of Parliamentary Supply and the net operating income in 2018-19.

However, the net resource outturn per Statement of Parliamentary Supply in 2017-18 differed from the net operating income in 2017-18 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	2018-19 Net total outturn compared with Estimate: saving/ (excess)			Restated 2017-18 Outturn £000
		Estimate £000	Outturn £000	£000	
<b>Resource Outturn</b>	1.1	531	(2,756)	3,287	855
<b>Capital Outturn</b>	1.2	230	226	4	449
<b>Accruals to cash adjustments:</b>					
<i>Adjustments to remove non-cash items:</i>					
Depreciation and amortisation		(340)	(336)	(4)	(316)
New provisions and adjustments to previous provisions		(580)	1,463	(2,043)	131
Prior Period Adjustments		–	–	–	(2,539)
Other non-cash items		119	(60)	179	(102)
<i>Adjustments to reflect movements in working balances:</i>					
Increase/(decrease) in work in progress		–	(94)	94	(278)
Increase/(decrease) in receivables		235	465	(230)	1,225
(Increase)/decrease in payables		–	386	(386)	89
Use of provisions		20	17	3	95
<b>Net cash requirement</b>		<b>215</b>	<b>(689)</b>	<b>904</b>	<b>(391)</b>

The variance of £0.9 million has occurred largely due to an increase in the net surplus, an adjustment relating to the dilapidations provision (which recognises a much reduced liability) coupled with limited improvements in working capital management.

**SoPS4. Income payable to the Consolidated Fund***SoPS4.1 Analysis of income payable to the Consolidated Fund*

	Outturn 2018-19		Outturn 2017-18	
	£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	–	689	–	414
<b>Total amount payable to the Consolidated Fund</b>	<b>–</b>	<b>689</b>	<b>–</b>	<b>414</b>

The closing balance of £689,000 will be surrendered to the Consolidated Fund by 31 March 2020.

# Parliamentary Accountability Disclosures

The following Parliamentary Accountability disclosures are made in accordance with relevant guidance issued by HM Treasury.

## Regularity of expenditure (Audited)

All expenditure was applied to the purpose intended by Parliament.

## Losses and special payments (Audited)

As at 31 March 2019, GAD had no losses or special payments to report (2017-18: £nil).

## Fees and charges (Audited)

The Government Actuary's Department generates income (shown net of value added tax) through the provision of actuarial services. Our fees are set in accordance with *Manging Public Money* to recover the full costs of the service provision.

Fees and charges	Income £000	Full cost of service £000	Surplus/ (Deficit) £000
<b>2018-19</b> Actuarial services work	19,133	16,377	2,756
<b>2017-18</b> Actuarial services work	19,528	17,844	1,684

A significant part of the surplus was due to reduction of the Finlaison House dilapidation provision. Following a detailed review and assessment of likely exposure, the dilapidation provision was reduced to a lower amount resulting in a release of £1.5 million. Through efficiency programme management GAD was able to control its costs of change and transition resulting in a gain of £1.2 million. The unit cost is as per the Fee Rates 2018-19.

## Remote Contingent Liabilities (Audited)

As at 31 March 2019, GAD did not have any remote contingent liabilities that are required to be disclosed under parliamentary reporting requirements (2017-18: £nil).

## Long-term expenditure trends

In summary, the Department is expected to recover its costs, generating a small surplus. The capital budget requirements for future years will be kept under review.

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

**Martin Clarke**  
**Government Actuary**  
Accounting Officer  
25 June 2019

# 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 2019 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 Department's affairs as at 31 March 2019 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 2019 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.

## **Conclusions relating to going concern**

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

## **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.
- 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.

**Gareth Davies**  
**Comptroller and Auditor General**

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

Date: 25 June 2019



# The Financial Statements

## Statement of Comprehensive Income

for the year ended 31 March 2019

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.

		2018-19 £000	Reclassified* 2017-18 £000
Income from sale of goods and services	4	(19,133)	(19,528)
Other operating income	4	(1,453)	(968)
<b>Total operating income</b>		<b>(20,586)</b>	<b>(20,496)</b>
Staff costs	2	13,810	13,627
Purchase of goods and services	3	2,953	2,921
Depreciation and impairment charges	3	336	316
Provision expense	3	(1,305)	(131)
Other operating expenditure	3	2,194	2,056
<b>Total operating expenditure</b>		<b>17,988</b>	<b>18,789</b>
<b>Net operating income</b>		<b>(2,598)</b>	<b>(1,707)</b>
Finance expense*	3	(158)	23
<b>Net income for the year</b>		<b>(2,756)</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	–	–
– Net (gain)/loss on revaluation of intangible assets	6	–	–
<b>Total comprehensive net income for the year</b>		<b>(2,756)</b>	<b>(1,684)</b>

\* 2017-18 comparative was reclassified to reflect the unwinding of discounts on provisions as a finance cost distinct from the impact of changes in discount rate which is included as part of operating expenditure.

The Notes to the accounts on pages 75-89 form an integral part of these accounts.

## 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.

	Note	As at 31 March 2019 £000	As at 31 March 2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	5	1,266	1,351
Intangible assets	6	4	29
<b>Total non-current assets</b>		<b>1,270</b>	<b>1,380</b>
<b>Current assets</b>			
Work in progress	10	1,984	2,078
Trade and other receivables	12	3,972	3,507
Cash and cash equivalents	11	689	414
<b>Total current assets</b>		<b>6,645</b>	<b>5,999</b>
<b>Total assets</b>		<b>7,915</b>	<b>7,379</b>
<b>Current liabilities</b>			
Trade and other payables	13	(1,645)	(1,637)
Provisions	14	(34)	(128)
<b>Total current liabilities</b>		<b>(1,679)</b>	<b>(1,765)</b>
<b>Total assets less current liabilities</b>		<b>6,236</b>	<b>5,614</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	(408)	(527)
Provisions	14	(1,495)	(2,881)
<b>Total non-current liabilities</b>		<b>(1,903)</b>	<b>(3,408)</b>
<b>Total assets less total liabilities</b>		<b>4,333</b>	<b>2,206</b>
<b>Taxpayers' equity and other reserves</b>			
General Fund		3,831	1,703
Revaluation Reserve		502	503
<b>Total equity</b>		<b>4,333</b>	<b>2,206</b>

The Notes to the accounts on pages 75-89 form an integral part of these accounts.

# Statement of Cash Flows

for the year ended 31 March 2019

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

	Note	2018-19 £000	2017-18 £000
<b>Cash flows from operating activities</b>			
Net operating surplus		2,756	1,684
Adjustments for non-cash transactions	3	(1,065)	310
Decrease/(Increase) in trade and other receivables	12	(465)	(1,225)
Decrease/(Increase) in work in progress	10	94	278
Increase/(decrease) in trade and other payables	13	(386)	(89)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Income</i>			
Use of provisions	14	(17)	(95)
<b>Net cash inflow from operating activities</b>		<b>917</b>	<b>863</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(228)	(449)
<b>Net cash outflow from investing activities</b>		<b>(228)</b>	<b>(449)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>		<b>689</b>	<b>414</b>
Payments of prior year balance to the Consolidated Fund		(414)	(357)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>275</b>	<b>57</b>
<b>Cash and cash equivalents at the beginning of the year</b>	11	<b>414</b>	<b>357</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>689</b>	<b>414</b>

The Notes to the accounts on pages 75-89 form an integral part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

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 2018</b>		<b>1,703</b>	<b>503</b>	<b>2,206</b>
Net parliamentary funding	13	(689)	–	(689)
Comprehensive net income for the year	SoCI	2,756	–	2,756
Notional charges				
Auditors remuneration	3	60	–	60
Other reserve movements including transfers		1	(1)	–
<b>Balance at 31 March 2019</b>		<b>3,831</b>	<b>502</b>	<b>4,333</b>

	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
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>

The Notes to the accounts on pages 75-89 form an integral part of these accounts.

# Notes to the accounts

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 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. 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

Assets with a cost of £5,000 or more are capitalised and are depreciated according to 1.2d below. The property, plant and equipment are carried at current value in existing use.

#### 1.2c Intangible Assets

Assets with a cost of £5,000 or more are capitalised. The cost of such assets are amortised according to 1.2d below. The intangible assets are carried at current value in existing use.

#### 1.2d Depreciation and Amortisation

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

Leasehold improvements	the shorter of useful economic life of improvements or end of lease
Information Technology	3 to 6 years
Furniture and Fittings	the shorter of useful economic life or 10 years
Intangible Assets	the shorter of 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 in-year 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 applicable 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 related to unbilled time charges that 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. Variable rent cost charge from the facilities management company that needs to be recharged to sub-tenants is also recognised in work in progress.

### ***1.2i Income***

GAD provides a range of actuarial, technical and analytical advice to government departments, public bodies, local authorities, organisations, financial institutions and governments in the UK and around the world.

This advice is on life, general and health insurance related matters; investment aspects of pensions and insurance and the management of risk, advice on financial, demographic and other bespoke modelling services. It also provides actuarial advice to all of the main UK public service schemes and advises funded occupational pension schemes in the wider public and the private sectors; offering technical and analytical advice on pensions issues which recognises the broader policy context. In addition it advises public sector bodies where staff are set to have their pensions arrangements changed and provide regular reports to Parliament on the financial position of the UK National Insurance Fund ('the Fund') as required by legislation.

The majority of GAD's revenue arises from its actuarial services as described above. IFRS 15 was brought into effect on 1 January 2018 and replaces IAS 18(Revenue). IFRS 15 does not apply to the income from the sub-letting of spare accommodation in GAD's leasehold property which is recognised in line with IAS 17 (Leases).

Revenue is recognised using a five step model: identification of the contract, identification of the performance obligations within the contract, determination of the transaction price, allocations of the price to the performance obligations, then revenue is recognised as the

performance obligations are fulfilled. Contracts and performance obligations are clearly defined in writing and revenues are received as performance obligations are met. Revenue is recorded net of VAT.

### ***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 reliable 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 (where material). The discount is unwound over the remaining life of the provision and is shown within finance 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. Accordingly, GAD complies with the entity-wide reporting requirements of IFRS 8, because it has a single operating segment.

### ***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 Financial Instruments***

As the cash requirements of GAD are met through the Estimates process, financial instruments play a more limited role in GAD for creating and managing risk. The majority of financial instruments relate to contracts for non-financial items in line with GAD's expected purchase and usage requirements and GAD is therefore usually exposed to little credit, liquidity or market risk.

### ***1.2q Implementation of standards that came into effect during 2018-19***

*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.

*IFRS15 – Revenue from Contracts with Customers* was brought into effect for periods beginning on or after 1 January 2018 and replaces IAS 18 (Revenue).

GAD has reviewed the impact of IFRS 15 and carried out an assessment of the basis on which revenues relating to its actuarial services were previously recognised against the new requirements of IFRS 15. We have determined that there is no material impact in the way in which GAD recognises its revenue or on the opening balances included in the financial statements as the previous pattern of revenue recognition is consistent with the requirements of IFRS 15.

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

*IFRS 16 – Leases* was issued in January 2016, effective for periods beginning on or after 1 January 2020. Under IFRS 16, under the single lessee accounting model, GAD will recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Effective from 1 April 2020, GAD will recognise all its material leases (including the lease obligations for Finlaison House currently disclosed in the commitments under operating leases Note 8.1.1) as finance leases subject to depreciation, without restating prior years. In relation to agreements that GAD has with sub-tenants of Finlaison House, GAD will account for these in accordance with the requirements of Lessor Accounting in IFRS16.

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 2018-19 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.

As part of the annual review of the dilapidations provision at balance sheet date, in line with IAS37.6, the dilapidation provision was adjusted to reflect current best estimate following a further independent survey undertaken in 2018-19. The outcome of the survey was a proposed revision to the existing dilapidation provision. Management reviewed, tested and accepted the proposal which provided a more reasonable estimate of the conditions and liabilities as at 31 March 2019 and decided to write back the surplus provision in 2018-19 as it was no longer required.

## 2. Staff costs

	2018-19 £000			2017-18 £000
	Permanently employed staff	Others*	Total	Total
Wages and salaries	10,796	23	10,819	10,449
Social security costs	1,308	–	1,308	1,280
Other pension costs	2,359	–	2,359	2,275
<b>Total costs</b>	<b>14,463</b>	<b>23</b>	<b>14,486</b>	<b>14,004</b>
Less recoveries in respect of outward secondments	(676)	–	(676)	(377)
<b>Total costs</b>	<b>13,787</b>	<b>23</b>	<b>13,810</b>	<b>13,627</b>

\* Includes non-Executive Board members.

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

### 3. Expenditure

		2018-19 Total £000	Reclassified* 2017-18 Total £000
	<b>Notes</b>		
<b>Purchase of goods and services</b>			
Facilities management		925	1,050
Agency and other temporary staff		304	404
Information Technology		833	756
Training		247	229
Recruitment		116	145
Subscriptions		114	123
Travel, subsistence and hospitality		91	80
Telecommunications		47	31
Consultancy		215	46
Auditor's remuneration – internal audit		24	23
Photocopying		16	18
Stationery and publications		21	16
<b>Other operating expenditure</b>			
Rentals under operating leases			
Building		2,061	1,905
Equipment		36	15
Non-cash items			
Depreciation and amortisation	5, 6	336	316
Provision movements	14	(1,305)	(131)
Borrowing costs (unwinding of discounts on provisions)*	14	(158)	23
Loss on disposal of assets		2	42
Loss on revaluation		–	–
Auditor's remuneration – external audit		60	60
Other expenditure		35	34
<b>Total</b>		<b>4,020</b>	<b>5,185</b>

\* 2017-18 comparative was reclassified to reflect the unwinding of discounts on provisions as a finance cost distinct from the impact of changes in discount rate which is included as part of operating expenditure.

## 4. Income

	2018-19 Total £000	2017-18 Total £000
Government Departments	15,573	16,529
Of which receipts from:		
Sub-Tenants	1,453	968
National Insurance Fund	492	670
Wider public sector, private sector and overseas	5,013	3,967
<b>Total</b>	<b>20,586</b>	<b>20,496</b>
<b>Income by geographical locations</b>		
UK	20,064	20,122
Overseas	522	374
<b>Total</b>	<b>20,586</b>	<b>20,496</b>
<b>Income by types of work carried out</b>		
UK policy advice	4,845	4,639
Staff transfers	1,950	1,923
UK public service pensions	7,518	8,385
Other actuarial work	4,820	4,581
Rent and miscellaneous	1,453	968
<b>Total</b>	<b>20,586</b>	<b>20,496</b>

In 2018-19 income from the largest client was £1,640,950 (8.0 % of total income), (2017-18: £2,148,000).

## 5. Property, plant and equipment

	Leasehold Improvements £000	Information Technology £000	Furniture & Fittings £000	2018-19 Total £000
<b>Cost or valuation</b>				
At 1 April 2018	2,295	798	210	3,303
Additions	26	202	–	228
Disposals	–	(48)	(2)	(50)
<b>Balance at 31 March 2019</b>	<b>2,321</b>	<b>952</b>	<b>208</b>	<b>3,481</b>
<b>Depreciation</b>				
At 1 April 2017	(1,513)	(385)	(54)	(1,952)
Charged in year	(117)	(175)	(19)	(311)
Disposals	–	46	2	48
<b>Balance at 31 March 2019</b>	<b>(1,630)</b>	<b>(514)</b>	<b>(71)</b>	<b>(2,215)</b>
<b>Carrying amount at 31 March 2018</b>	<b>782</b>	<b>413</b>	<b>156</b>	<b>1,351</b>
<b>Carrying amount at 31 March 2019</b>	<b>691</b>	<b>438</b>	<b>137</b>	<b>1,266</b>

	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)
<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
<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>

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

## 6. Intangible assets

	2018-19 Software Licenses Total £000
<b>Cost or valuation</b>	
At 1 April 2018	149
Additions	–
Disposals	–
<b>Balance at 31 March 2019</b>	<b>149</b>
<b>Depreciation</b>	
At 1 April 2018	(120)
Charged in year	(25)
Disposals	–
<b>Balance at 31 March 2019</b>	<b>(145)</b>
<b>Carrying amount at 31 March 2018</b>	<b>29</b>
<b>Carrying amount at 31 March 2019</b>	<b>4</b>

	2017-18 Software Licenses Total £000
<b>Cost or valuation</b>	
At 1 April 2017	186
Additions	–
Disposals	(37)
<b>Balance at 31 March 2018</b>	<b>149</b>
<b>Depreciation</b>	
At 1 April 2016	(108)
Charged in year	(45)
Disposals	33
<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>

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

## 7. Impairments

GAD did not incur any impairment costs during 2018-19 (2017-18: £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.

	2018-19 Total £000	2017-18 Total £000
<b>Buildings</b>		
Not later than one year	1,910	1,863
Later than one year and not later than five years	6,526	7,930
Later than five years	–	506
<b>Total</b>	<b>8,436</b>	<b>10,299</b>
<b>Office Equipment*</b>		
Not later than one year	28	27
Later than one year and not later than five years	99	109
Later than five years	–	19
<b>Total</b>	<b>127</b>	<b>155</b>
<b>Total commitments</b>	<b>8,563</b>	<b>10,454</b>
<b>Subtenants' lease**</b>		
Not later than one year	(1,010)	(986)

\* 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 2019 (31 March 2018: £nil).

### 8.3 Other financial commitments

GAD had no other financial commitments at 31 March 2019 (31 March 2018: £nil)

## 9. Financial Instruments

GAD has limited exposure to financial instruments because of the nature of its customers and the fact that billing is predominantly in sterling.

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 2019 was £2,304,000 (trade receivables and accrued income). As there were no bad debt write off in 2018-19 and 2017-18, and the vast majority is inter-government all debt is deemed to be collectable. It is therefore GAD's view that there is minimal credit risk.

The aged debtor analysis as at 31 March 2019 is as follows:

	31 March 2019 £000
Up to 30 days	1,595
31 – 180 days	652
181 – 365 days	57
Over 365 days	–

### 9.2 Liquidity Risk

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 2019 £000
Up to 1 year	1,281
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 2019 (31 March 2018: £nil). The overseas income during the year 2018-19 was £522,000 (2017-18: £374,000) of which £345,000 in 2018-19 was billed in foreign currency. It is management's decision to bear the related foreign currency risk which are considered to be not material.

## 10. Work in progress

	2018-19 £000	2017-18 £000
Value of time worked but not billed	1,984	2,078
<b>Balance at 31 March</b>	<b>1,984</b>	<b>2,078</b>

## 11. Cash and cash equivalents

	2018-19 £000	2017-18 £000
Balance at 1 April	414	357
Net change in cash and cash equivalent balances	275	57
<b>Balance at 31 March</b>	<b>689</b>	<b>414</b>
The following balances at 31 March were held at:		
Government Banking	689	414
<b>Balance at 31 March</b>	<b>689</b>	<b>414</b>

## 12. Trade receivables, financial and other assets

	2018-19 £000	2017-18 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	2,304	2,288
Deposits and advances	60	35
Prepayments and accrued income	1,608	1,184
<b>Balance at 31 March</b>	<b>3,972</b>	<b>3,507</b>



### 13. Trade payables and other current liabilities

	2018-19 £000	2017-18 £000
<b>Amounts falling due within one year:</b>		
VAT	516	464
Other taxation and social security	8	–
Trade payables	35	266
Staff payables	247	245
Other payables	16	–
Accruals and deferred income	17	134
Accommodation creditor	117	114
Consolidated Fund creditor for cash unspent – year end	689	414
<b>Balance at 31 March</b>	<b>1,645</b>	<b>1,637</b>
<b>Amounts falling due after more than one year:</b>		
Accommodation creditor	408	527
<b>Balance at 31 March</b>	<b>408</b>	<b>527</b>
<b>Total</b>	<b>2,053</b>	<b>2,164</b>

### 14. Provisions for liabilities and charges

	Dilapidations £000	Others £000	2018-19 Total £000	Reclassified* 2017-18 Total £000
Balance at 1 April	2,732	277	3,009	3,212
Provided in the year	–	–	–	161
Provisions not required written back	(1,210)	–	(1,210)	(304)
Provisions utilised in the year	–	(17)	(17)	(95)
Changes in discount rates	(95)	–	(95)	12
Borrowing costs (unwinding of discounts)	(157)	(1)	(158)	23
<b>Balance at 31 March</b>	<b>1,270</b>	<b>259</b>	<b>1,529</b>	<b>3,009</b>

\* 2017-18 comparative was reclassified to reflect the unwinding of discounts on provisions as a finance cost distinct from the impact of changes in discount rate which is included as part of operating expenditure.

## 14.1 Analysis of expected timing of discounted flows

	Dilapidations £000	Others £000	2018-19 Total £000	Restated 2017-18 Total £000
Not later than one year	17	17	34	128
Later than one year and not later than five years	1,253	84	1,337	2,702
Later than five years	–	158	158	179
<b>Balance at 31 March</b>	<b>1,270</b>	<b>259</b>	<b>1,529</b>	<b>3,009</b>

### *Dilapidation Provision*

In 2017-18 GAD had 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.

As part of the annual review of the dilapidations provision at balance sheet date, in line with IAS 37.6, the dilapidation provision was adjusted to reflect current best estimate following a further independent survey undertaken in 2018-19. The outcome of the survey was a proposed revision to the existing dilapidation provision. Management reviewed, tested and accepted the proposal which provided a more reasonable estimate of the conditions and liabilities as at 31 March 2019 and decided to write back the surplus provision in 2018-19 as it was no longer required.

GAD expects to recover an element of the dilapidations costs from its subtenants at the end of the Finlaison House lease agreement.

### *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

In 2017-18, GAD disclosed a contingent liability for an Employment Tribunal case which was settled in 2018-19. No contingent liabilities existed as at 31 March 2019.

## 16. Related-party transactions

During the year, GAD has had various material transactions with other government departments and other central government bodies, primarily for the provision of actuarial services, technical and analytical advice. 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 sub-tenants of Finlaison House: The Single Source Regulations Office, the Office for Students (formerly known as Higher Education Funding Council for England) and the National Infrastructure Commission.

In 2018-19 the total net income from these sub-tenants was £1,453,000 (2017-18: £968,000).

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

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

During 2018-19 the Department did not hold any third party assets (2017-18: £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 adjusting or non-adjusting 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.

# Appendix

## 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 2018-19 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 2018-19 is set out in the Government Actuary's Department Main Estimate 2018-19. 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 Outturn	2019-20 Plans
<b>Resource DEL</b>								
Administration	(778)	(2,338)	(1,352)	(1,167)	(788)	(1,576)	(1,293)	(19)
Use of Provisions (DEL)	418	266	179	177	118	95	17	20
<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>(1,276)</b>	<b>1</b>
<i>Of which:</i>								
Staff costs	12,101	12,018	12,220	12,391	12,883	13,627	13,810	16,027
Purchase of goods and services	3,884	4,491	4,336	4,522	4,407	5,012	5,104	5,828
Income from sales of goods and services	(16,674)	(18,970)	(18,109)	(18,279)	(18,334)	(20,496)	(20,586)	(22,264)
Depreciation	266	318	320	316	314	316	336	350
Other resource	63	71	60	60	60	60	60	60
<b>Resource AME</b>								
Losses on revaluation	–	23	1	–	–	–	–	–
Provisions (AME)	(1,250)	(1,431)	(645)	(291)	(110)	(203)	(1,480)	141
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>(1,480)</b>	<b>141</b>
<i>Of which:</i>								
Losses on revaluation	–	23	1	–	–	–	–	–
Take up of provisions	(832)	(1,165)	(466)	(114)	8	(108)	(1,463)	161
Release of provision	(418)	(266)	(179)	(177)	(118)	(95)	(17)	(20)
<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>(2,756)</b>	<b>142</b>
<i>Of which:</i>								
Depreciation and Losses on revaluation	266	341	321	316	314	316	336	350
<b>Capital DEL</b>								
Administration	154	473	203	133	185	449	226	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>226</b>	<b>200</b>
<i>Of which:</i>								
Purchase of assets	154	473	203	133	185	449	228	200
Net book value on disposal							(2)	
<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>226</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>(2,866)</b>	<b>(8)</b>
<i>Of which:<sup>2</sup></i>								
Total DEL	(472)	(1,917)	(1,291)	(1,173)	(799)	(1,348)	(1,386)	(149)
Total AME	(1,250)	(1,431)	(645)	(291)	(110)	2,336	(1,480)	141

1. 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.

2. 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)	(1,293)	(19)
Use of Provisions (DEL)	418	266	179	177	118	95	17	20
<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>(1,276)</b>	<b>1</b>
<i>Of which:</i>								
Staff costs	12,101	12,018	12,220	12,391	12,883	13,627	13,810	16,027
Purchase of goods and services	3,884	4,491	4,336	4,522	4,407	5,012	5,104	5,828
Income from sales of goods and services	(16,674)	(18,970)	(18,109)	(18,279)	(18,334)	(20,496)	(20,586)	(22,264)
Depreciation	266	318	320	316	314	316	336	350
Other resource	63	71	60	60	60	60	60	60





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