

# **The Government Actuary's Department**

## **Resource Accounts 2009-10**

**(For the year ended 31 March 2010)**

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**Resource Accounts**  
**2009-10**  
(For the year ended 31 March 2010)

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## INTRODUCTION

This document contains the Annual Report and Resource Accounts of the Government Actuary's Department (GAD) for the year 1 April 2009 to 31 March 2010. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FRoM) for 2009-10.

The Annual Report contains information consistent with that covered in a directors' report for a public company where relevant for a government department, a management commentary on GAD and a remuneration report. The Resource Accounts show how resources have been used by GAD in delivering its objectives. The Resource Accounts have been prepared by GAD under a direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000.

The Treasury Select Committee agreed that GAD, as a small non-ministerial department, need not produce a Spring Departmental report. This Annual Report includes the key information normally recorded in a Spring Report.

GAD's Annual Report and Accounts is one of a series of Departmental Reports. The following HM Treasury publications are also relevant:

- Main Estimates 2009-10;
- Public Expenditure Statistical Analyses 2009 which present the overall Government expenditure outturn figures and plans for 2004-05 to 2010-11; and
- Spending Review 2007 which presents Government Spending plans for 2008-09 to 2010-11.

Readers may also wish to refer to the GAD website for more information on the Department under: [www.gad.gov.uk](http://www.gad.gov.uk)

### About the Government Actuary's Department

GAD provides actuarial analysis to governments and organisations in the public sector in the UK and around the world. GAD has unrivalled experience and expertise in advising the UK public service.

GAD's funding is almost entirely met from the fees charged to clients. As a non-profit organisation, the fees charged are set only to meet the cost of running the Department.

On 31 March 2010 GAD employed 131 staff, of whom 55 are qualified actuaries. Additionally GAD engages a small number of communication consultants on an ad-hoc basis.

### Our Aims, Commitments and Values

#### Aims

Whatever we do for any client must be highly valued. With this at heart, specifically, we aim to:

- Become the highly-valued principal provider of actuarial advice to all parts of the UK government and other relevant UK public bodies on policy related to pensions, social security and other actuarial matters.
- Grow our work of supplying actuarial advice in relation to UK public service pension schemes through a highly-valued service considered best in class for this type of work.
- Seek and deliver other selective actuarial opportunities in the fields of international insurance, social security and private sector pensions where we can offer a highly-valued service consistent with UK Government needs.

## **Commitment**

Our commitment to quality is to consider the six key aspects of the service we deliver. Our service and advice should be:

- Correct
- Applicable
- Clear
- On time
- Value for money
- Properly discussed at regular status briefings

## **Values**

In addition to the core values of the Civil Service (integrity, honesty, objectivity and impartiality), GAD has its own eight core values that have been discussed and agreed with staff to be exhibited by all in GAD. Our values are:

- Making client service our priority
- Professionalism (including impartiality, integrity, honesty and objectivity as well as actuarial)
- Treating people fairly and with respect
- Being flexible; sharing as individuals and as an organisation
- Enjoying a work/life balance
- Being forward looking and pro-active
- Pursuing a fulfilling career
- Having a strong public service ethos

## **Principal Activities**

### **Public Sector Pensions**

GAD has accumulated expertise and wide ranging experience over many years of advising government on occupational pension schemes. It currently advises on almost all of the public service schemes such as those for the armed forces, police, fire service, teachers and National Health Service. GAD's advice in this area involves pension schemes covering over five million members. This can be on strategic and policy issues, benefit design, financing, restructuring, and cost and financial risk to the employer of sponsoring a pension scheme, as well as how to recognise the cost of pensions in employer accounts.

### **Pensions Policy, Regulation and Supervision**

GAD is a source of expertise for government departments and public bodies requiring actuarial input to policy development. While the main focus is on the provision of actuarial support to officials in HM Treasury and the Department for Work and Pensions (DWP), it also advises the Pension Protection Fund.

### **Staff Transfers**

A specialist team provides advice on the pension aspects of TUPE transfers of staff from public sector schemes, and internal "machinery of Government" transfers. The terms of such transfers must comply with the Government's Fair Deal policy, and changes to the main public service schemes in the last couple of years have meant that the nature of the exercises is more complicated than previously, requiring clear and effective communication with transferring staff.

### **Insurance**

GAD provides a broad range of actuarial services for overseas governments:

- In-depth reviews of insurance companies, analysing regulatory returns and financial statements;
- Analyses of business plans submitted for the authorisation of new companies, or for mergers and acquisitions of existing companies;
- The development of insurance regulations, and guidance on their interpretation for the industry and the supervisor;
- Developing training programmes for supervisors; and
- Financial modelling of long term liabilities.

GAD also provides financial modelling and analysis of long term liabilities for UK government departments.

### **Social Security**

The Government Actuary has statutory obligations to report to Parliament on the financial impact, both over the short and long term, of social security legislation. Under the requirements of the Social Security Administration Act 1992 the Government Actuary published his Quinquennial Review of the National Insurance Fund in March 2010. The object of the review is to examine the expected progress of the level of the National Insurance Fund from year to year over the long term recognising expected future contribution receipts and expected future benefit outgoing. There is also a requirement for the Government Actuary to prepare a report to accompany an Order concerning the annual up-rating of benefits, or changes in contributions, laid before Parliament by the Secretary of State for Work and Pensions. The most recent up-rating report was published in January 2010.

GAD advises overseas governments (of countries of various sizes and at all levels of economic growth and development) on their state social security programmes.

### **Investment and Risk**

GAD's expertise applies to the identification and control of financial and investment risks inherent in the structuring of financial institutions and the provision of benefits and services by government.

Work conducted to date includes:

- Investment strategy for financial institutions such as pension schemes and insurance companies,
- Exposure of Government to the financial risks of supporting certain pension schemes,
- Advice to government, e.g. in relation to the toxic assets recently uncovered in the banks and mortgage lenders, and
- Advice on management of risk with a big IT project.

### **Other Activities of GAD**

#### **Healthcare**

Ageing populations can lead to increasing healthcare costs as well as to increasing social security expenditure. GAD offers a range of advice on healthcare schemes, including the projection of costs and the regulation of health insurance.

#### **Long Term Care**

GAD provides advice on the design, cost and ongoing financial monitoring of long term care arrangements.

#### **Demography and Statistics**

GAD supplies demographic advice to the Office for National Statistics; provides National Savings and Investments with a verification of the statistical randomness of the premium bond system (ERNIE); and provides the actuarial input for the preparation of the Ogden tables for use by the courts in personal injury and fatal accident cases.

## MANAGEMENT STRUCTURE AND GOVERNANCE

### Minister

GAD is one of the Chancellor's Departments. The Economic Secretary to the Treasury had Ministerial responsibility for the Department during the financial year. The post of Economic Secretary was held by Ian Pearson MP. Following the change of Government in May 2010, responsibility for GAD has transferred to the Financial Secretary to the Treasury, Mark Hoban MP. No remuneration is payable by the Department to the Minister and the Department has no Special Advisers.

### Senior Staff and Management Board

The position of Government Actuary, the permanent head of the Department has been held by Trevor Llanwarne MA, FIA, since 1<sup>st</sup> May 2008.

The Deputy Government Actuary, Client Relations Director, Technical Director, Director of Finance and Human Resources Director report directly to the Government Actuary, who is the Head of Department and Accounting Officer. There are six business units covering the UK public service and wider public sector pensions plus pensions policy. Three further business units cover social security, overseas pensions and insurance and investment and risk. A small new office located in Glasgow was opened in January 2010 to service GAD's clients in Scotland. Each of these units is headed by a Chief Actuary. Pay bands for senior staff grades are:

	Number	Pay Bands (£000's)
Government Actuary	1	141-279
Deputy Government Actuary <sup>1</sup>	1	134-162
Sales, Marketing and Client Relations Director <sup>2</sup>	1	134-162
Head Of Technical <sup>3</sup>	1	134-162
Chief Actuaries <sup>4</sup>	10	107-131

1. Andrew Johnston retired on 30<sup>th</sup> June 2009. George Russell was promoted to Deputy Government Actuary on 1<sup>st</sup> October 2009 and continues to be Head of Actuarial Operations.
2. William Rayner was promoted into this new post on 1<sup>st</sup> August 2009.
3. Edward Battersby was promoted into this new post on 30<sup>th</sup> June 2009.
4. Two additional Chief Actuary posts were created, one to lead the work in the Glasgow Office and the other to lead a unit specialising in the protection for public sector employees' pension arrangements on the compulsory transfer of employment.

The Management Board was chaired by Trevor Llanwarne. The other members of the Management Board during the year were:

George Russell	Deputy Government Actuary & Head of Actuarial Operations
William Rayner	Sales, Marketing & Client Relations and Development Director
Edward Battersby	Head of Technical
Kevin Down	Director of Finance
Simon Bancroft-Rimmer	Director of Human Resources

Jan Smith	Non-Executive Director
Graham Bartlett	Non-Executive Director
Alex Jablonowski *	Non-Executive Director

\* Alex Jablonowski succeeded Graham Bartlett who stood down from his position with effect from 1<sup>st</sup> December 2009



**Attendance at Management Board meetings in 2009-10**

Number of meetings	10
Number of meetings attended by:	
Trevor Llanwarne	10
George Russell	10
Andrew Johnston	0
William Rayner	7
Edward Battersby	9
Kevin Down	9
Simon Bancroft-Rimmer	10
Jan Smith	9
Graham Bartlett	6
Alex Jablonowski	5

**Management Board Members' Remuneration**

The Government Actuary is employed and remunerated under terms agreed by HM Treasury. The determination of the pay of the remaining senior staff has been delegated to the Government Actuary and is settled through the annual pay negotiation arrangements for GAD staff.

Further details are given in the Remuneration Report on pages 16-19.

**Governance**

The Management Board normally meets monthly (with the exception of August). The Board focuses on the overall strategic management of the Department. It ensures the appropriate management of the risks that face the Department and takes decisions on key high level issues. Day-to-day operational issues are delegated to the Head of Actuarial Operations, the Support Operations Committee and the Technical Committee.

**Audit Committee**

GAD's Audit Committee has two posts which are filled by Non-Executive Directors, Alex Jablonowski (Chairman) and Jan Smith. Graham Bartlett was Chairman until he stood down from the role in December 2009. The Government Actuary, Director of Finance, External Auditors and Internal Auditors are invited to attend the Committee, which normally meets five times a year.

**Attendance at Audit Committee meetings in 2009-10**

Number of meetings	5
Number of meetings attended by:	
Graham Bartlett (Chairman) (NED)	4
Jan Smith (NED)	4
Alex Jablonowski (Chairman) (NED)	2
Other Attendees	
Accounting Officer	5
Director of Finance	5
Internal Audit	4
External Audit	5

## Strategy

At the start of the financial year, Trevor Llanwarne had been in post for 11 months. At that time, a three-year plan had been constructed and explained to staff, laying the organisation's foundations for the future.

Against that background, the headline aspirations for the year 2009-10 were set as

'Happy clients, happy people, minimal failures'.

Whilst these were aspirations for the financial year 2009-10, the motto also summarises the next layer of the cultural foundation of GAD for the long term.

In seeking to meet our aspirations, we have pursued the following initiatives:

*In the way we work with our clients:* We have encouraged our professional staff to work more in partnership with our clients, with regular briefings to review priorities, budgets and to check on the level of detail required from GAD in completing client assignments. We have resisted the temptation to self-assess our performance, but have instead viewed regular feedback from clients as the only reliable measure of our performance. Feedback has been obtained via online surveys, as well as one-on-one discussions (sometimes from a member of the Management Board who is independent of the client facing team).

*In the way we treat our people:* We have viewed engagement of our staff as essential to our success. At the senior level, we have sought greater involvement from Chief Actuaries in the management of the Department. For operational purposes, they are empowered under the leadership of the Deputy Government Actuary, George Russell. For setting the tone and direction of the Department, the Management Board and the Chief Actuaries have worked more effectively as a combined group call the GAD Leadership Group.

Overall executive authority and responsibility remains with the Management Board, under the Chairmanship of the Government Actuary.

Around the rest of the Department, there are regular staff briefings and plenty of opportunities for professional development – for qualified actuaries, as study programmes for actuarial students, and for non-actuarial staff.

We were delighted that we came 8th out of 207 entrants in the Sunday Times competition to find the Best Place to Work in the Public Sector, confirmation that our people strategy is both appropriate and being implemented effectively.

*In the way we manage our risks:* We are conscious that the provision of professional advice carries some associated risks which, in some circumstances, could impair the delivery of the operational results. We seek to achieve the optimal balance between delivery of short-term operational performance and building a secure and sustainable Department for the long term. While our annual operational planning and performance metrics focus on delivery of short-term operational results, we also now have a concise and focused risk management methodology. Our management of risk sits alongside our operational plans, identifying the areas of greatest risk, the potential impact on the Department, and the controls we have in place as protection.

## MANAGEMENT COMMENTARY

### Operating Review

#### *Governance Structure*

Our Governance Structure has remained unchanged. However, Alex Jablonowski has joined the GAD board as a Non-Executive Director, and Chair of the Audit Committee, replacing Graham Bartlett.

#### *Client Services*

An online client survey was conducted in August 2009, and a programme of client review interviews has been put in place to hear directly from clients their view of our strengths and weaknesses, so that we can build further on the strengths and improve on the weaknesses. Our clients tell us that there is much that is good about the service and advice they receive from us, but there are areas which we need to improve. Without exception, the discussions with clients have been constructive for everyone.

Public sector pensions continue to be GAD's predominant area of activity. GAD advises most of the main public service pension schemes on actuarial aspects of their operation, including accounting for pension costs, and gives extensive public pensions policy advice to HM Treasury; we also advised other government departments and agencies on pensions issues specific to them.

Our actuaries advised the Trustees and sponsoring employers of a number of funded pension schemes, with advice ranging from completing actuarial valuations to investment strategy and the management and communication of scheme changes. The Department continued to be very closely involved in the implementation of changes to the main public service pension schemes and the practical working of the 'cost-sharing' and 'cost-capping' arrangements for apportioning increased pension costs between sponsoring employers and scheme members.

The Department gave advice on a diverse range of private pensions policy issues to the Department for Work and Pensions, including significant input on the viability of collective defined contribution schemes. The Government Actuary provided his Quinquennial Review of the National Insurance Fund as well as his annual report to Parliament on the short-term financial implications of changes to National Insurance contributions and benefits. Advice was given to the Office for National Statistics on a range of actuarial and demographic issues, primarily in relation to longevity. GAD also continued to provide regular certification of the randomness of the monthly premium bond draw (ERNIE).

We have published online newsletters, and have held 4 client events to conduct technical discussions of topical interest in pensions, demography and the governance of risk.

We have for some time advised on the pension aspects of outsourcing public sector services. We have established a centralised team to carry out this work to bring greater efficiency, control and discipline to the service provided.

In response to demand from our clients in Scotland, we have established a GAD office in Glasgow and recruited a senior actuary to lead that operation.

Some of our professional staff have worked on secondment at other organisations, notably at HM Treasury, the Asset Protection Agency, the Department for Work and Pensions and the Financial Services Authority.

GAD's international business continues to expand. Considerable volumes of work with regard to insurance supervision advice have been generated by our clients in both Cyprus and Saudi Arabia. Together with work from other established social security clients in, for example, the Channel Islands, Ghana and the Falkland Islands, overseas work continues at a very satisfactory level. We are helping the Egyptian government establish a Government Actuary's function in Cairo.

As part of the Government Actuary's strategic review, we have clarified our criteria for accepting international assignments.

### *GAD's People*

The main focus of our work in relation to our people has been the introduction of a competency-based framework for performance management. Our people now have the opportunities for much better clarity about what is required of them in their individual roles, and about how their individual performance will be measured.

Around 15 members of staff were rotated to new roles, giving opportunities for personal growth through learning new aspects of being an actuary.

We have introduced a new pay scale to remove some pay anomalies, and we have completed the introduction of a comprehensive training programme. Regular lunchtime knowledge sharing sessions have been held as a means of spreading expert knowledge and awareness more broadly across the Department.

Employee Attitude Surveys are completed online and have shown a continuous improvement in feedback.

Four new Chief Actuaries were appointed, and Deputy Chief Actuaries were appointed to most of the client teams, with the objective of spreading the management load and releasing Chief Actuaries to concentrate a little more on their client-facing responsibilities.

At 1 April 2009, all our Chief Actuaries were male. At 31 March 2010, three Chief Actuaries were female.

### *Data and Technology*

GAD's business involves handling large amounts of data which may contain personal information about individuals. The Department continues to review its policies and procedures for the handling of sensitive data in both electronic and paper formats, in the light of evolving central government guidance, with appropriate staff training and communication as necessary. A Government Secure Intranet (GSI) facility is in place to ensure appropriate protection, where necessary, for communications with clients.

GAD has not suffered any protected personal data-related incidents during 2009/10 or in previous financial years.

Following a detailed review of the software used for the valuation of pension schemes, we decided to use the proprietary software SuperVal in the future. The transition of all of our client pension schemes is well underway, and is expected to be complete during the 2010-11 financial year.

Pension benefits of GAD's Management Board members are shown in the Remuneration Report (pages 16-19). Information on staff pensions is given in note 1.1ac of the Accounts.

### **Financial Review**

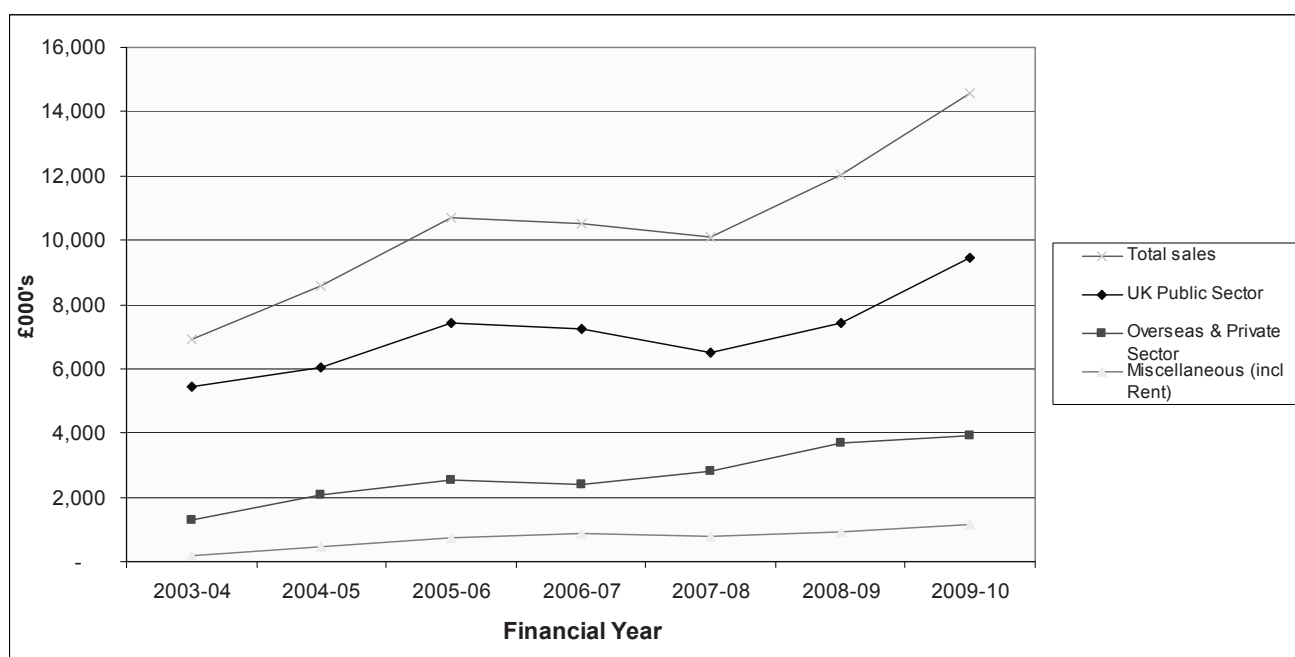
GAD's financial outturn for 2009-10 shows the department has breached the net resource and cash limits agreed in the Annual Parliamentary Supply Estimates. This arises from a one-off ill-health event arising in and relating to 2006 for which no provision had previously been made, where a former GAD employee has been awarded an allowance under the Civil Service Injury Benefit Scheme. As a result GAD is responsible for making payments that fall both in 2009-10 and after the year end. The extra costs incurred in 2009-10 amount to £187k plus a provision of £571k created to meet the expected future costs which are payable for life.

Without these costs, which are outside the control of the Department, the net cost for 2009-10 would have been £578k and within limits. GAD has again seen income increasing to a new record high of £14.5m, an increase of 21% over 2008-09 sales of £12m. In order to deliver the improved trading performance over the past year, further investment has been necessary in the recruitment of additional actuarial staff at both qualified and trainee level to meet client demand, to improve the levels of services provided and to broaden the range of services.

Although the cash limit would not have been breached, but for the injury claim, nevertheless it would still have been close due to the big growth in sales causing a big growth in need for working capital. This bigger size will require greater cash limits in future.

The graph below illustrates that following a two year decline in demand from the UK public sector in 2006-07 and 2007-08 GAD has returned to growth. Overall, sales of actuarial advice to clients in this sector over the past 6 years increased by 74%. 2009-10 has seen GAD increase its business in this sector by 27% (14% 2008-09). Demand from overseas and private sector clients over the past year continues to remain strong with sales increasing by 7%.

Other miscellaneous sales which mainly represent rent and the provision of shared corporate services from sub-tenants increased by 28%. This was partly due to increases in rent and associated building costs which are passed on to sub-tenants in Finlaison House and also because GAD reduced the space it occupies in the building. GAD swapped floors with one of the sub-tenants to allow them to take a larger space leading to a reduction in GAD's share of the building costs and reducing GAD's space occupied to 10.2 square metres per person.



Average Staff Levels	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Average Staff Levels	101	106	108	101	100	107	132

Capital investment over the past year amounted to £223k and covered the purchase of new pension valuation software and the normal replacement cycle of IT hardware and furniture.

The growth achieved over the last two years has created challenges for GAD's Finance team in managing cash flow. Increased business volumes means that more working capital is tied up in work in progress and debtors. In order to manage cashflow, GAD borrowed £1m from the Contingencies Fund during the year. A combination of increased working capital and the unplanned injury benefit payments meant that GAD was unable to repay the loan in full before the year end. £110k was outstanding at 31 March and this was repaid on 8 April.

Expenditure on salaries increased by 17% from £8.9m in 2008-09 to £10.3m in 2009-10. Salary costs of the professional workforce supported by a small back office is by far the Department's major source of expense, accounting for 65% of total expenditure, with the next most significant item being accommodation costs, which account for 14%.

The accounts show that non-staff administration costs in 2009-10 increased by £741k. The increase in our staff numbers meant that recruitment costs rose by £90k. In addition to recruiting permanent staff GAD engaged additional actuaries on a temporary basis throughout the year to create some flexibility in the available staff resource. Expenditure on temporary staff amounted to £432k compared to £101k in 2008-09.

Other areas of administration costs that have seen increases are training and consultancy costs. The additional consultancy costs relate to the legal advice that GAD takes in respect of the legal aspects of staff transfers work which is recharged to clients. An increase in the number of trainee actuaries has resulted in training costs rising to fund exam fees and study materials.

Below are three summary tables. Table 1 is a reconciliation of resource expenditure between Estimates, Accounts and Budgets which, in GAD's case, all reflect the same figure. Table 2 includes data taken from our accounting schedules and notes contained in these Resource Accounts. Table 3 is a breakdown of income to the different types of work carried out:

**Table 1 Reconciliation of resource expenditure between Estimates, Accounts and Budgets**

	<u>2009-10</u>	<u>2008-09</u>
	£000	£000
Net Resource Outturn	1,336	469
Net Operating Cost	1,336	469
Resource Budget Outturn	1,336	469
Of which		
<i>Departmental Expenditure Limits (DEL)</i>	<i>1051</i>	<i>(314)</i>
<i>Annually Managed Expenditure (AME)</i>	<i>285</i>	<i>783</i>

**Table 2 Income and Expenditure on a Resource Basis for the year ended 31 March 2010**

	<u>2009-10</u>	<u>2008-09</u>
	£000	£000
<b>Expenditure (excluding one-off cost for 2006 event)</b>		
Staff costs	10,145	8,859
General administrative costs	4,257	3,516
Movements in work in progress	286	(364)
Non cash costs	995	413
<b>Total Expenditure (excluding one-off cost for 2006 event)</b>	<b>15,112</b>	<b>12,424</b>
<b>Income</b>		
Fees and charges to other Government Departments	8,819	7,072
<i>Of which: Income from sub-tenants</i>	<i>1,169</i>	<i>912</i>
<i>: Fees and charges to National Insurance Fund</i>	<i>745</i>	<i>399</i>
Fees and charges to the wider public sector and others	5,715	4,883
<b>Total Income</b>	<b>14,534</b>	<b>11,955</b>
<b>Net Operating Cost (excluding one-off cost for 2006 event)</b>	<b>578</b>	<b>469</b>
Cost of one-off 2006 event	758	-
<b>Net Operating Cost</b>	<b>1,336</b>	<b>-</b>
CFER payable	-	43
Purchase of fixed assets	223	178
Non cash items	(424)	(413)
Adjustment for changes in working capital	(225)	429
Changes in creditors falling due in more than one year	95	58
Setting up provision	(571)	(764)
Use of Provision	338	-
<b>Net Cash Requirement for the year</b>	<b>772</b>	<b>-</b>

**Table 3 Breakdown of income to the different types of work carried out**

	<u>2009-10</u>	<u>2008-09</u>
	£000	£000
UK policy advice	2,662	2,270
Staff transfers	1,933	1,319
UK public service pensions	5,211	4,105
Other actuarial work	3,490	3,241
Rent and miscellaneous	1,238	1,020
	<u>14,534</u>	<u>11,955</u>

### Payment of Suppliers

GAD's current policy is that all bills should be paid in accordance with credit terms, or where no such terms exist, within 10 days of the receipt of goods or services or the presentation of a valid invoice, whichever is the later. In November 2008 the Government issued revised guidelines instructing departments to aim to pay suppliers within 10 days instead of 30 which was the practice up until then. The calculation of payment performance for 2009-10 has been based on continuous monitoring of payments since the start of the year. On this basis 94% of GAD's payments were paid within 30 days and 60% within 10 days. The total number of invoices amounted to 2,045 of which 133 were paid late against the 30 day target and 817 against the 10 day target. The equivalent 30 day target figures for 2007-08 and 2008-09 were 98% and 99.2% respectively and the equivalent 10 day target for 2008-09 was 71.4%. No interest payments were made in 2009-10 to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

### Expenditure on Consultancy and Professional Services

During 2009-10 GAD spent £320,000 (2008-09 £145,000) on consultancy and professional services. This included advice on legal issues (£205,000 - mainly on behalf on clients and recharged to them), IT strategy and computer software consultancy (£41,000), marketing consultancy (£25,000), security and environmental issues (£22,000) welfare and employment issues (£10,000) and management development (£17,000).

### Financial Outturn

GAD's financial outturn for 2009-10 is reported in different ways. The Resource Accounts show a net operating cost for 2009-10 of £1,336,000, against an estimate of £589,000 (page 30), budgetary expenditure of £15,870,000 on resources (page 30) and £223,000 on capital (page 33). The Tables in Notes 3 and 5 (pages 42 and 43) reconcile these figures.

The Common Core Tables in the Annex show GAD's outturn figures and plans on a resource budget basis. Tables 1-5 show expenditure and plans over the period 2004-05 to 2010-11. Table 6 shows staffing figures over the same period. Some of the data in the common core tables which are centrally produced from the HM Treasury COINS database differ from what is reflected in the accounts. This is due to the way HM Treasury collate the data which excludes some non cash costs.

## Recruitment and Staff Turnover

GAD recruited four qualified actuaries, ten trainee actuaries, one actuarial technician and four support staff over the past financial year. Over the same period three qualified actuaries retired. Two of the trainees recruited became fully qualified actuaries in December 2009. One of the trainees recruited on a fixed term basis plus one of the support staff have since left the department.

The Civil Service Commissioners' Recruitment Compliance Monitoring process confirmed that recruitment which takes place within GAD is carried out on the basis of fair and open competition with selection on merit, and in accordance with the Civil Service Recruitment Code.

### Staff recruited who took up post during 2009-10

	Male	Female
Actuaries	2	2
Trainee Actuaries and Actuarial Technicians	6	5
Support staff	1	3
Total	9	10

## Qualified Actuaries

On 31 March 2010 there were 55 qualified actuaries in post.

## Trainee Actuaries

10 Trainee Actuary appointments were made during the year and on 31 March 2010, there were 44 Trainee Actuaries in post.

## Support Staff

There were 32 support staff in post on 31<sup>st</sup> March 2010.

## HR Review

In 2009, there has been a continuous review of the HR policies and practices in an effort to improve services and advice to both internal and external clients. These policies are maintained, reviewed and updated by the HR team in consultation, where applicable, with the Trade Union and other appropriate bodies. As a result, a comprehensive Staff Handbook is now available to all staff, the appraisal process revised, 360 degree feedback incorporated at senior management level, terms, conditions and contracts of employment have been revised and personnel records standardised. Other areas of improvement also include GAD's learning and development programme and training strategy, which is reviewed annually. The revision of our competency framework, which includes career maps and revised job descriptions for different grades, is also now available to all staff. The introduction of the self service system has helped both management and team members to regulate and simplify the process of updating staff records. Further action will be undertaken in 2010 as the HR team takes forward a strategy of continuous improvement and development.



**Staff in Post as at 31 March 2010**

	Staff in Post
Actuaries	55
Trainee Actuaries	44
Support Staff	32
Total	131

**Sickness Absence**

The Management Board monitors sick absence on a monthly basis against the published sick absence policy. The average sick absence per head for the period April 2009 to March 2010 was 3.4 days. This includes sickness absences of 10 or more continuous days by 7 employees. These absences were proactively managed. Excluding these absences, the average sick absence per head was 2.5 days.

**Equal Opportunities and Diversity**

GAD is fully committed to providing equal opportunity for all staff, regardless of colour, nationality, ethnic origin, religion, gender, sexual orientation, age, marital status or trade union affiliation. Our aim is that the Department should reflect a diverse, modern society at all levels and should both bring in and develop talent. Throughout the year, the GAD management team entered into regular dialogue with the recognised trade union on matters affecting staff. In addition, all staff will be completing training in diversity in financial year 2010-11.

**Disabled Persons**

As GAD is committed to providing equal opportunities for all staff, disability is not a bar to recruitment or advancement in the Department. The Department observes good practice in the areas of employment particularly relevant to staff with disabilities and provides all the necessary facilities.

**Information for Staff and Communications Policy**

GAD keeps all members of staff informed of changes in and affecting the Department. We operate an intranet site that is regularly updated with policy and guidance. Regular e-mails, Office Notices and updates of other general Departmental information are also used.

**Training and Development**

GAD has always recognised that people are its most important resource and that management training and development are key to the Department's continuing success. GAD sources training from external suppliers together with internal job training, coaching and mentoring. GAD also sponsors staff taking a number of different professional exams (including actuarial and accountancy disciplines) and operates a staff mentoring scheme for trainees. The training provision includes Continuing Professional Development (CPD) needed by our professional staff, personal development, leadership development and programmes of study leading to professional qualifications at appropriate levels.

## Environmental and Social and Community issues

GAD remains committed to reducing its impact on the environment by working towards achieving the targets contained in 'Sustainable Operations on the Government Estate (SOGE)'. To help meet these key environmental targets, GAD successfully achieved accreditation to the ISO14001 standard for its Environmental Management System (EMS). The EMS is designed to identify the key environmental aspects contained in GAD's activities, by monitoring performance through data collection and sets strict procedures that must be met to enable compliance against the SOGE targets.

Over the year GAD has continued to use only electricity sourced from 100% renewable resources and promote the use of audio-conferencing facilities to help reduce the need for staff travel to meetings. It continues to recycle intelligently allowing better data collection of various waste streams particularly the recycling of paper & toner cartridges and obsolete IT equipment which is given to charities for re-use. The building has energy saving lighting and dual flush controls for WCs throughout and has a building maintenance regime including the cleaning and disposal of chemicals to reduce to a minimum the impact to the environment.

GAD has plans to complete the six monthly compliance audit of the EMS and monthly performance audits, assess its obligation to the CRC Energy Efficiency scheme and will develop a scheme to meet the new baseline data for the new 2010-11 Sustainable Development in Government (SDiG) targets (replacing the SOGE targets).

### Auditor

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2009-10 was £45,000 (2008-09: £46,000) plus an additional notional cost of £10,000 (2008-09 £10,000) for undertaking an audit of GAD's accounts under the new IFRS standards. No fees, either actual or notional, were incurred for non-audit work (2008-09: £nil).

The Accounting Officer confirms that:

- as far as he is aware, there is no relevant audit information of which our auditors are 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's are aware of that information.

Trevor Llanwarne  
Government Actuary  
Accounting Officer

DATE 14 July 2010

## REMUNERATION REPORT

### Salary and pension entitlements of Management Board Members

#### Remuneration Policy

The current head of the Department was appointed through an open competition run by HM Treasury and has been in the post since 1 May 2008. The appointment was made following the general rules for Senior Civil Service Appointments and the appointment may only be terminated in accordance with the Civil Service Management Code. The Deputy Government Actuary and Head of Actuarial Operations was appointed through promotion routines overseen by the Civil Service Commissioners and is automatically a member of the Management Board. The Head of Technical, the Client Relations and Development Director, the Director of Finance and the Director of Personnel were appointed to the Department through open recruitment competitions.

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.

#### Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The code requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, 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 Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

#### Disclosure of salary, pension and compensation information for 2009-10

The following sections provide details of the remuneration and pension interests of the Management Board Members. These details are shown in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury and have been subject to external audit.

Included in the table is the remuneration of the non-executive directors (NEDs) the Government Actuary's Department has appointed on the Management Board and the Audit Committee. The NEDs receive no emoluments except for fees of £500 per day of service plus their travelling expenses (Note 8 contains further details).

	2009-10		2008-09	
	Salary	Benefits in Kind	Salary	Benefits in Kind
	£000's		£000's	
<b>Trevor Llanwarne</b> <i>Government Actuary</i>	210-215*	-	180-185	-
<b>Andrew Johnston**</b> <i>Deputy Government Actuary</i>	35-40	-	145-150	-
<b>George Russell</b> <i>Deputy Government Actuary and Head of Actuarial Operations</i>	145-150	-	125-130	-
<b>Eddy Battersby</b> <i>Head of Technical</i>	145-150	-	-	-

<b>Bill Rayner</b>	<b>135-140</b>	-	-	-
<i>Client Relations and Development Director</i>				
<b>Kevin Down</b>	<b>65-70</b>	-	<b>60-65</b>	
<i>Director of Finance</i>				
<b>Simon Bancroft Rimmer</b>	<b>60-65</b>	-	<b>45-50</b>	-
<i>Director of Personnel</i>				
<b>Graham Bartlett</b>	<b>0-5</b>	-	<b>5-10</b>	-
<i>Non-executive Director</i>				
<b>Jan Smith</b>	<b>5-10</b>	-	<b>5-10</b>	-
<i>Non-executive Director</i>				
<b>Alex Jablonowski</b>	<b>0-5</b>	-	-	-
<i>Non-executive Director</i>				

\* Including a performance bonus of £15,000 relating to his employment up to 31<sup>st</sup> March 2009.

\*\* Andrew Johnston retired on 30 June 2009

## Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance that is subject to UK taxation.

The Government Actuary's (GA) bonus reflects the maximum agreed bonus for senior civil servants which have been set at £15,000. Under his contract the GA was entitled to a performance related bonus of up to £25,000 in respect of his employment to 31<sup>st</sup> March 2009. However, the GA has waived his entitlement to the excess which derives from the real and genuine success of the department over the last year.

The GA under his contract is entitled to a bonus of up to £35,000 in respect of his employment up to 31<sup>st</sup> March 2010. The GA has still to receive this performance bonus to be paid in 2010-11 and will waive any amount due to bring the total down to £15,000. Without the waiver, the entitlement would be in the range of £30,000 to £35,000.

## Benefits in Kind

Benefits in kind refer to any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No payments of this kind were reported in respect of Board Members in respect of the accounting period.

## Pension Benefits

	Accrued pension at pension age as at 31/3/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Trevor Llanwarne	<b>5-10</b>	<b>2.5-5</b>	<b>128</b>	<b>56</b>	<b>62</b>
<i>Government Actuary</i>					
Andrew Johnston <sup>1</sup>	<b>60-65</b>	<b>0-2.5</b>	<b>1,246<sup>1</sup></b>	<b>1,221</b>	<b>9</b>
<i>Deputy Government Actuary</i>					
George Russell	<b>30-35</b>	<b>2.5-5</b>	<b>445</b>	<b>372</b>	<b>46</b>
<i>Deputy Government Actuary and Head of Actuarial Operations</i>					
Edward Battersby <sup>2</sup>	<b>55-60</b>	<b>5-7.5</b>	<b>1,166</b>	<b>990<sup>2</sup></b>	<b>133</b>

<i>Head of Technical</i>	<b>Plus lump sum of 170-175</b>	<b>Plus lump sum of 20-22.5</b>			
William Rayner <sup>3</sup>	<b>0-5</b>	<b>0-2.5</b>	<b>54</b>	<b>24<sup>3</sup></b>	<b>25</b>
<i>Client Relations and Development Director</i>					
Kevin Down	<b>15-20</b>	<b>0-2.5</b>	<b>238</b>	<b>193</b>	<b>31</b>
<i>Director of Finance</i>	<b>Plus lump sum of 50-55</b>	<b>Plus lump sum of 5-7.5</b>			
Simon Bancroft-Rimmer	<b>15-20</b>	<b>2.5-5</b>	<b>284</b>	<b>207</b>	<b>62</b>
<i>Director of Personnel</i>	<b>Plus lump sum of 55-60</b>	<b>Plus lump sum of 10-12.5</b>			

1. Andrew Johnston left the department on 30 June 2009. Under the normal terms of the Principal Civil Service Pension Scheme the enhanced service on early retirement increased the CETV to £1,448,000. He also received a lump sum of £190,000 and a contractual compensation payment of £77,054 on retirement.
2. Edward Battersby became a member of the Management Board on 15 June 2009.
3. William Rayner became a member of the Management Board on 1 August 2009.

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium**, or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of the benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). 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 set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and immediately after the scheme year end the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% of pensionable salary (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service Pension arrangements can be found on the website:  
[www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## **Cash Equivalent Transfer Value**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

Trevor Llanwarne

**Government Actuary**

Accounting Officer

DATE 14 July 2010

## 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, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

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

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

## Statement on Internal Control

### 1. Scope of Responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Government Actuary's Department's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Government Actuary's Department for the year ended 31 March 2010 and up to the date of approval of the accounts, and accords with Treasury guidance.

In addition, the system of internal control is also used to assist in the decision taking on strategy by enabling analysis of questions such as "with any new proposed initiative, there will be some risks related to the initiative which could cause failure of the Department. So at what level of risk will the decision to proceed or not change and what new controls/mitigations could be added to bring down this risk."

### 3. Overarching framework for managing risk

During the year the risk register was reviewed and revised in a new format which is significantly improved in terms of structure, hierarchy of key risks and simpler presentation with an anticipated consequential improvement in risk management in the Department. The overarching framework categorises risks into strategic (failure) risks and operational risks under functional headings of clients, processes, technical, financial, people and external. Each functional head is responsible for assessing and mitigating their relevant risks.

All operational risks are brought together under the Support Operations Committee. Strategic (failure) risks are looked at, reviewed and updated by the Management Board under the Accounting Officer at least half-yearly through a one-page summary. Each failure risk has a mitigation and control programme which is monitored to reduce the likelihood of failure.

### 4. The risk and control framework

The Department has established the following governance arrangements:

- The Management Board usually meets eleven times a year to consider the plans, strategic direction and progress of the Department. The Board includes two non-Executive Directors.
- An Audit Committee, chaired by a non-Executive Director meets five times a year and reports directly to the Accounting Officer and the Management Board. The chair provides an annual report on the work of the audit committee to the Accounting Officer.
- The Support Operations Committee, chaired by the Director of Finance, deals with administrative operational issues. The Director of Finance is also responsible for Accommodation, Information Technology, Security and Information Assurance issues, reporting directly to the Accounting Officer.
- Professional and technical matters are overseen by the Technical Director who reports directly to the Accounting Officer.
- The Head of Actuarial Operations oversees the resourcing of the actuarial teams and the delivery of advice to clients, reporting directly to the Accounting Officer.



- Sales, marketing and client relations are overseen by the Client Relations and Development Director, reporting directly to the Accounting Officer.
- The Human Resources Director is responsible for people issues, reporting directly to the Accounting Officer.
- Detailed budgets for expenditure and targets for income are identified during the corporate planning process and then monitored each month through a series of financial reports presented to the Management Board.

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The annual report by the Head of Internal Audit gave a full assurance on GAD's Governance arrangements and a substantial assurance on Risk Management and Control. This is a continued improvement on 2008-09 when a substantial assurance was given in all three areas and 2007-08 when assurance over Governance and Control was limited. This report is supplemented by a formal system of assurance statements from all senior executive managers.

Internal Audit work during the year was limited due to Internal Audit resource constraints, with the majority of audits completed after the year end. This meant that should any significant weaknesses have been identified, it would not have been possible to address them in the year ended 31 March 2010. The only significant issue noted was non-compliance with 7 of the 70 Security Policy Framework requirements although good progress has been made since 2008-09 and a plan is in place to meet the remaining requirements. GAD did not suffer any protected personal data related incidents during 2009-10.

Financial controls were unable to prevent a breach of resource and cash limits. This arose from a one-off ill-health event arising in and relating to 2005-06 for which it had not previously been possible to make a provision, where a former GAD employee was awarded an allowance under the Civil Service Injury Benefit Scheme. As a result GAD is responsible for making payments that fall both in 2009-10 and after the year end. The extra costs incurred in 2009-10 amount to £758k comprising a cash payment of £187k and a provision of £571k to meet the expected future costs which are payable for life.

## 6. Initiatives during the year

In addition to overhauling the risk management framework further initiatives were implemented during the year which were designed to improve the effectiveness of the Department but which, at the same time, will help risk control and management.

The Management Board has expanded to include additional senior actuaries with responsibility for actuarial operations, technical matters and client relations. Deputy Chief Actuaries have been appointed to each actuarial team to improve management of the teams and the GAD Leadership Group has been developed to include Chief Actuaries and Board members.

The Chief Actuary group expanded with four new appointments (including 3 female Chief Actuaries).

Improved management information has been introduced to allow staff utilisation rates to be monitored on a weekly basis along with work in progress recorded against each individual client job. A weekly report on income generated supplements the usual monthly Finance reports for the Management Board.

We have widened our range of skills (investment and risk), opened a Glasgow office and instituted a client relationship programme all of which will help grow and preserve our income and sustainability.

We have relaunched our training programme covering skills training with the full technical training coming on stream for 2010/11.

HR processes continue to improve and GAD was rewarded by being placed 8<sup>th</sup> out of 207 entrants in the Sunday Times competition to find the Best Place to Work in the Public Sector.

Trevor Llanwarne  
Government Actuary,  
Accounting Officer

DATE 14 July 2010

**Government Actuary's Department 2009-10****THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the Government Actuary's Department for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

**Respective responsibilities of the Accounting Officer and auditor**

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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**Qualified Audit Opinion on Regularity arising from resource, administrative and cash expenditure in excess of amounts authorised**

Parliament authorised a Request for Resources 1: "actuarial services" of £589,000. Against this limit, the Department incurred net resource expenditure of £1,336,000, as shown in the Statement of Parliamentary Supply for 2009-10 and thus, has exceeded the authorised limit by £747,000.

Request for Resources 1: "actuarial services", authorised net administrative expenditure of £543,000. Against this limit, the Department incurred net administrative expenditure of £1,284,000 and thus, has exceeded the authorised limit by £741,000.

In addition, Parliament authorised a Net Cash Requirement for the Department of £705,000. Against this limit, the Department incurred actual cash expenditure of £772,000, breaching the authorised limit by £67,000 as shown in the Statement of Parliamentary Supply.

In my opinion, except for these excesses, in all other material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

More details are set out in my following Report on pages 26 to 28.

**Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31st March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Introduction, Management Commentary except for tables 1 to 3, and the part of the Remuneration Report which has not been audited 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
15 July 2010

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

**Report by the Comptroller and Auditor General to the House of Commons**

## GOVERNMENT ACTUARY'S DEPARTMENT

## EXCESS VOTE

**Introduction**

1. In 2009-10 the Government Actuary's Department (GAD) expended more resources than Parliament had authorised on GAD's single Request for Resource, Actuarial services. This excess has also led to a breach of the authorised Administration Budget. In addition, GAD spent more cash than the authorised limit set, the Net Cash Requirement. These represent "excesses" for which further Parliamentary authority is required. I have qualified my opinion on GAD's 2009-10 Resource Account in these regards.
2. The purpose of this report is to explain the reasons for this qualification and to provide information on the extent and nature of the breaches to inform Parliament's further consideration.

**My responsibilities with regard to the breach of regularity**

3. Under section 6(1) of the Government Resources and Accounts Act 2000, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Resource Accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In doing so, I have had regard, in particular, to Parliamentary authority and the Supply limits Parliament has set on expenditure.

**Expenditure Limits**

4. For 2009-10, GAD had one Request for Resource, 'Providing an actuarial consultancy service' for which Parliament authorised amounts for current expenditure, net of forecast income (Appropriations in Aid or "A-in-A"). These amounts represent a limit on the expenditure that may be incurred. Parliament also sets a limit on the gross amount of cash that GAD may use during the year, known as the net cash requirement.
5. The Treasury also sets an Administration Budget to promote economic and efficient administration.

**Breach of Limit on Request for Resource**

6. The Government Actuary's Department Accounts (The Statement of Parliamentary Supply) show net expenditure outturn of £1,336,000 which is £747,000 more than the authorised limit of £589,000. GAD proposes to ask Parliament to grant an Excess Vote for the £747,000.

**Breach of Administration Budget**

7. Note 4.2 shows that the Administration outturn was £1,284,000 which is £741,000 in excess of the amount authorised in the Estimate. This breach occurred as a consequence of the resource excess.
8. If a Department breaches its Administration Budget, the Treasury will not usually approve the application of savings generated from other activities. Instead, Parliamentary authority under the Excess Votes procedure is required. However, due to GAD's resource excess, there are no savings that could be considered to set against this breach. Therefore, no additional Parliamentary authority is required to regularise the Administration Budget excess.

**Breach of Net Cash Requirement**

9. The Statement of Parliamentary Supply also shows that the Net Cash Requirement was £772,000 which is £67,000 (8.6%) in excess of the amount authorised. It is proposed to ask Parliament to authorise an additional grant of supply from the Consolidated Fund of £67,000 by way of an Excess Vote.

#### Reasons for the Resource Excess

10. GAD operates on a full cost recovery basis, with the exception of a small amount of vote funding for capital and certain other specific expenditure. GAD charge clients, other government departments, public bodies and overseas bodies, for provision of actuarial advice and services. This income is designated as Appropriations in Aid and can be offset against expenditure.
11. During autumn 2009, GAD became aware of an unexpected liability to an employee who has been on long-term sick leave since 2005-06. This liability is collected on the employee's behalf by the Department for Work and Pensions (DWP). The former employee had been assessed as eligible for injury benefit payments, backdated to the start of his sick absence in 2005-06 because of events that occurred prior to this date. Amounts paid out by GAD during 2009-10 as a result of this award totalled £186,510.
12. In accounting for future costs relating to this liability, GAD concluded that, at the balance sheet date, it had a "present obligation" arising from a "past event" under accounting standards to make future payments, as a result of the award granted to the ex-employee.
13. GAD was not able to seek additional funds to cover this provision in the Spring Supplementary Estimates, as at the date that the Estimate had to be submitted, management were still questioning the need for, and the amount of, any potential liability. Management were advised by DWP that it was not possible to estimate potential future costs relating to these payments prior to an award being made.
14. Since the Spring Supplementary Estimates have been published, GAD has calculated the expected maximum future liability relating to this award. At this stage, GAD has estimated the future cost of the benefit payments to be £571,000, and created a provision in the accounts for this amount (note 19). It is the need to account for the costs relating to this one-off event that has led to the Resource Excess and the breach of the Administration Budget.

#### Reasons for the Cash Excess

15. GAD breached its net cash requirement by £67,000. Although an increase in the net cash requirement was granted in the Spring Supplementary estimates, the cash flow at the year end was insufficient to meet GAD's obligations and repay the Contingencies Fund advance before the year end. The reasons for this are two fold.
16. Firstly, as noted above, GAD incurred unexpected expenditure of £186,510 in relation to the injury benefit award. Of this amount, £176,185 was paid out under statutory provision by DWP, directly from GAD's bank account between September and December 2009.
17. GAD queried why these payments had been taken from their bank account, and the discussions around the future costs to GAD continued into February 2010. However, although GAD knew that £176,185 had been paid out in respect of this liability prior to 1 January 2010, the opportunity to request extra cash to cover these payments as part of the Spring Supplementary Estimates was not taken. Irrespective of any potential recovery of funds from DWP which may have been possible, GAD should have considered the time that any such recovery was likely to take, taken advice on what could be done and applied for extra cash. These estimates are voted on in early February and the extra cash resource would have prevented the year end cash excess.
18. Secondly, due to the growth in business over the past two years GAD has taken on more staff and is generating higher levels of income. However, the cash forecasting and budgeting process has not been fully realigned with the increased level of business and the corresponding need for increased levels of working capital.

19. To help improve the working capital levels, GAD should not only seek to secure extra cash through the Estimates process but also review its credit control policies to ensure debts, especially from other government departments, can be collected in a timely manner. The time taken to receive amounts owed has increased from an average of 37 days in 2008-09 to an average of 41 days in 2009-10. Furthermore, invoices overdue at year-end from other government departments totalled £206,000 (11% of total debtors). If these amounts had been collected, GAD would not have exceeded its net cash requirement. This reflects an increased level of business but without an increase in cash provision to meet the resulting increase in working capital.
20. Considering the uncertainties over cash flow experienced during the year, the fact that £186,510 was paid in respect of an unexpected injury benefit claim, and the increased working capital requirements, GAD could have used a Spring Supplementary Estimate to request an additional increase in its Net Cash Requirement.

### **Summary and Conclusion**

21. The breach of the resource, administration and cash limits was due to a one-off, unforeseen event which was outside of GAD's control. However, GAD needs to consider enhancing working capital management procedure to account for its increased levels of business and to seek additional cash in periods of growth where needed. In addition, GAD has been corresponding with DWP to ensure that they are informed when future payments are to be taken to enable better cash management.
22. The Government Actuary's Department has incurred an Excess Vote on its single Request for Resource, Actuarial Services, of £747,000 for which it requires retrospective Parliamentary approval for additional use of resources. In addition, GAD will seek an additional grant of Supply from the Consolidated Fund of £67,000 by way of an Excess Vote.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
15 July 2010

*National Audit Office  
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Victoria  
London, SW1W 9SP*

## **2009-10 Government Actuary's Department: Resource Accounts**

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

- a Statement of Parliamentary Supply
- b Operating Cost Statement
- c Statement of Financial Position
- d Statement of Cash Flows
- e Statement of Changes in Taxpayers' Equity
- f Statement of Operating Costs by Departmental Strategic Objectives
- g Notes to the accounts



## Statement of Parliamentary Supply

### Summary of Resource Outturn 2009-10

Request for Resources	Note	Estimate			Outturn			2009-10	2008-09
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	£000	£000
								Outturn	Net total **
1	3	15,751	15,162	589	15,870	14,534	1,336	Net total outturn compared with Estimate: saving/ (excess)	
Total Resources	3	15,751	15,162	589	15,870	14,534	1,336	(747) *	390
Non-operating cost in A in A	-	-	-	-	-	-	-	-	-

### Net cash requirement 2009-10

	Note	Estimate	Outturn	2009-10	2008-09
				£000	£000
Net cash requirement	5	705	772	Net total outturn compared with Estimate: saving/ (excess)	Outturn
				(67)	-

### Summary of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	Income	2009-10	2009-10
			Forecast Receipts	£000
Total	6	-	-	1

\* The Department has incurred an Excess of £747,000 because of a one-off, unforeseen event where a former GAD employee has been awarded an allowance under the Civil Service Injury Benefit Scheme. As a result GAD is responsible for making payments that fall both in 2009-10 and after the year end. The extra costs incurred in 2009-10 amount to £187k and a provision of £571k has been created to meet the expected future costs which are payable for life. The Department will seek Parliamentary approval by way of an Excess Vote in the next Appropriation Act. Further details are given in Note 3 and in the Management Commentary.

\*\* A reconciliation between the Parliamentary Supply outturn and the IFRS outturn is in Note 2.

## Operating Cost Statement

for the year ended 31 March 2010

				2009-10	Restated 2008-09
				£000	£000
	Note	Staff Costs	Other costs	Income	
<b>Administration Costs</b>					
Staff Costs	8	10,332		10,332	8,859
Other administration costs	9		5,252	5,252	3,929
Movement in Work in Progress	15		286	286	(364)
Operating Income	10			(14,534)	(11,955)
<b>Totals</b>		10,332	5,538	(14,534)	1,336
<b>Net Operating cost</b>				<b>1,336</b>	<b>469</b>

## Statement of Financial Position

as at 31 March

			Restated	Restated
		2010	2009	2008
		£000	£000	£000
	<b>Note</b>			
<b>Non-current assets:</b>				
Property plant and equipment	11	937	1,317	1,692
	12	244	196	167
Intangible assets				
<b>Total non-current assets</b>		<b>1,181</b>	<b>1,513</b>	<b>1,859</b>
<b>Current assets</b>				
Work in Progress	15	438	724	360
Trade and other receivables	16	3,468	2,769	2,558
Cash and cash equivalents	17	44	322	156
<b>Total current assets</b>		<b>3,950</b>	<b>3,815</b>	<b>3,074</b>
<b>Total assets</b>		<b>5,131</b>	<b>5,328</b>	<b>4,933</b>
<b>Current liabilities</b>				
Trade and other payables	18	(1,693)	(1,223)	(911)
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>3,438</b>	<b>4,105</b>	<b>4,022</b>
<b>Non-current liabilities</b>				
Provisions	19	(997)	(764)	
Other payables	18	(1,380)	(1,475)	(1,533)
<b>Total non-current liabilities</b>		<b>(2,377)</b>	<b>(2,239)</b>	<b>(1,533)</b>
<b>Assets less liabilities</b>		<b>1,061</b>	<b>1,866</b>	<b>2,489</b>
<b>Taxpayers equity:</b>				
General fund		1,061	1,628	2,004
Revaluation reserve		-	238	485
<b>Total taxpayers' equity</b>		<b>1,061</b>	<b>1,866</b>	<b>2,489</b>

Trevor Llanwarne, Government Actuary, Accounting Officer

14 July 2010

## Statement of Cash Flows

for the year ended 31 March 2010

		2009-10	Restated 2008-09
		£'000	£000
	Note		
<b>Cash flows from operating activities</b>			
Net operating cost		(1,336)	(469)
Adjustments for non-cash transactions	9	995	1,177
(Increase)/Decrease in trade and other receivables	16	(699)	(211)
(Increase)/Decrease in work in progress	15	286	(364)
(Increase)/Decrease in trade payables	18	638	146
(Increase)/Decrease in trade payables falling due in more than one year	18	(95)	(58)
Use of provision	19	(338)	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(549)</b>	<b>221</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(45)	(53)
Purchase of intangible assets	12	(178)	(125)
<b>Net cash outflow from investing activities</b>		<b>(223)</b>	<b>(178)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		558	279
From the Consolidated Fund (Supply) – prior year		-	(156)
Advances from Contingencies Fund		1,200	-
Repayments to the Contingencies Fund		(1,090)	-
<b>Net financing</b>		<b>668</b>	<b>123</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>(104)</b>	<b>166</b>
Receipts due to the Consolidated Fund which are outside of the Department's activities		1	-
Payments of amounts due to the Consolidated Fund		(175)	
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(278)</b>	<b>166</b>
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>322</b>	<b>156</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>44</b>	<b>322</b>

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund	Revaluation Reserve *	Total Reserves
		£000	£000	£000
<b>Balance at 31 March 2008</b>		2,090	485	2,575
Changes in accounting policy – employee liability **	2	(110)	-	(110)
Changes in accounting policy – provision for bad debts **	2	24	-	24
Restated balance at 1 April 2008		2,004	485	2,489
<b>Changes in taxpayers' equity for 2008-09</b>				
Net gain/loss on revaluation of property, plant and machinery		-	(247)	(247)
Net gain/loss on revaluation of intangible assets		-	-	-
Release of reserves to the operating cost statement		-	-	-
Non-cash charges – cost of capital	9	80	-	80
Non-cash charges – auditor's remuneration	9	56	-	56
Net operating cost for the year		(469)	-	(469)
<b>Total recognised income and expense for 2008-09</b>		(333)	(247)	(580)
Net Parliamentary Funding – draw down		128	-	128
Net Parliamentary Funding – deemed		151	-	151
Supply payable (receivable) adjustment		(322)	-	(322)
CFERS payable to the Consolidated Fund		-	-	-
<b>Balance at 31 March 2009</b>		<b>1,628</b>	<b>238</b>	<b>1,866</b>
<b>Changes in taxpayers' equity for 2009-10</b>				
Net gain/loss on revaluation of property, plant and machinery ***	11	-	(238)	(238)
Net gain/loss on revaluation of intangible assets	12	-	-	-
Release of reserves to the operating cost statement		-	-	-
Non-cash charges – cost of capital	9	53	-	53
Non-cash charges – auditor's remuneration	9	55	-	55
Net operating cost for the year		(1,336)	-	(1,336)
<b>Total recognised income and expense for 2009-10</b>		(1,228)	(238)	(1,466)
Net Parliamentary Funding – draw down		558	-	558
Net Parliamentary Funding – deemed		147	-	147
Advances from Contingencies Fund		1,200	-	1,200
Repayments to the Contingencies Fund		(1,090)	-	(1,090)
Supply payable (receivable) adjustment		(43)	-	(43)
CFERS payable to the Consolidated Fund		(1)	-	(1)
Contingencies Fund Loan payable		(110)	-	(110)
<b>Balance at 31 March 2010</b>		<b>1,061</b>	<b>0</b>	<b>1,061</b>

\* Revaluation reserve is the gain or loss of revaluation of Building costs and office equipment.

\*\* These are changes resulted in adopting International Financial Reporting Standards (IFRS). Detailed changes are in Note 2.

\*\*\* A revaluation loss of £288,000 was recorded which used up the revaluation reserve of £238,000 (the remainder was recorded as non-cash expenses as shown in Note 9).

## Statement of Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2010

		2009-10			Restated 2008-09		
		£'000			£'000		
	Note	Strategic Objective 1	Strategic Objective 2	Total	Strategic Objective 1	Strategic Objective 2	Total
Gross Expenditure	20	13,391	2,479	<b>15,870</b>	9,105	3,319	<b>12,424</b>
Income	20	12,264	2,270	<b>14,534</b>	7,640	4,315	<b>11,955</b>
Net Expenditure		1,127	209	<b>1,336</b>	1,465	(996)	<b>469</b>

Objective 1 – Provide the actuarial advice to Ministers, Government Departments and other GAD clients in respect of employer-sponsored pension arrangements and other employee benefits; and to provide actuarial advice necessary to underpin Ministerial decision making on general pensions policy.

Objective 2 – Provide the actuarial advice necessary for the regulation and supervision of financial institutions overseas.

## Notes to the Departmental Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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 FRoM, the Department is also required to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

#### 1.1 Accounting convention

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

#### 1.aa Administration expenditure

Administration costs reflect the cost of running GAD as defined under the Administration Cost Control regime.

#### 1.ab Capital charge

A non-cash charge, reflecting the cost of capital utilised by the GAD, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

cash balances held within the Paymaster General's Bank account, where the charge is nil; and for accounts payable to the Consolidated Fund where the credit is at a nil rate.

#### 1.ac Pensions

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

#### 1.ad Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament. There are no contingent liabilities for the financial year 2009-10.

### 1.2 Property, Plant and Equipment

#### Fitting out costs - Leasehold Property

The Department moved into new leasehold premises on 24 July 2003. The fit-out costs were capitalised in the financial year 2003-04 and will be amortised over an effective life of 20 years from 24 June 2004 – being the date of practical completion of the property. Subsequent fit-out costs which enhance the building will be amortised over an effective life of 10 years. Fit-out costs are valued at fair value.



### Computer Equipment and Office Furniture

Computer Equipment and Office Furniture valuations are based on the Department's estimate of their current valuation, taking into account appropriate indices. The minimum level for capitalisation of fixed assets is £1,000. Similar assets purchased in the same month will be grouped for the purpose of assessing whether they meet the capitalisation threshold. Computer equipment with values less than £1,000 may be capitalised if they significantly enhance a previously capitalised asset and are easily identifiable. Office Furniture does not have a minimum level of capitalisation, provided that the small value items are similar to those of the larger purchases.

### 1.3 Intangible Assets

#### Computer software

Computer software and its associated consultancy costs having a minimum value of £1,000 are capitalised. The cost of such software is amortised over its expected useful life. Computer software valuations are based on the Department's estimate of their current valuation, taking into account appropriate indices. An item less than £1,000 may be capitalised if it significantly enhances a previously capitalised asset and is easily identifiable.

### 1.4 Depreciation

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

Leasehold improvements	10 – 20 years
Information Technology	3 – 4 years
Furniture & Fittings	10 years
Intangible Assets	4 – 8 years *

\* Some individual software packages are depreciated on a longer or shorter life span – dictated by the expected useful life of the system. Items that have a determinable lifespan (such as software licences) will have a lifespan equal to that of the licence itself.

### 1.5 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the time of the transaction. All currency gains or losses are taken into the Income and Expenditure account. Losses are recorded under "Other Costs", while gains are recorded as part of Income.

### 1.6 Leases

GAD has an operating lease in respect of its Finlaison House premises and a 3-month renewable contract of its Scottish Office. GAD's commitments are disclosed in note 21. There are no finance leases.

### 1.7 Work-in-Progress

Work-in-Progress (WIP) is valued at the lower of cost (including appropriate overheads, multiplied by the number of rechargeable hours booked through the time recording system and not already charged to clients) or recoverable value. Information as to the value of work-in-progress is collected through the accounts system. Work is generally billed monthly, or in some cases on completion or at agreed break-points and therefore the work in progress total is the value of incomplete work outstanding at 31 March 2010.

### 1.8 Operating Income

Operating income is shown net of value added tax and comprises receipts from actuarial services provided, together with income from the sub-letting of spare accommodation in our leasehold property. Operating income does not include WIP (Note 1.7). At present WIP is showing as part of the Current Assets.

## 1.9 Provisions

### a. Provisions with Early departure costs

GAD is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments. Future provisions are not discounted as the difference is immaterial.

### b. Other provisions

The only other provision is Injury Benefits Allowance. A GAD employee has been awarded an injury allowance under the Civil Service Injury Benefit Scheme during the financial year. As a result GAD is responsible for making injury payments that fall due after the year end. The provision is discounted at the pensions discount rate of 1.8%.

## 1.10 Value Added Tax

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

## 1.11 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by GAD

Certain IFRS have been issued or revised this year, but are not yet effective and will be applied in subsequent reporting periods. These are:

IAS 7 Statement of Cash Flows, which has been amended. The amendment to IAS 7 clarifies that only expenditure that results in the recognition of an asset (rather than simply to generate future income and cash flows) can be classified as a cash flow from investing activities. Application of the amended IAS 7 is required for reporting periods beginning on or after 1 January 2010. Earlier application is permitted. It is planned that IAS 7 will be applied initially in 2010-2011. Initial application of the revised IAS 7 is expected to have no impact.

IAS 24 Related Party Disclosures, which has been revised. The revisions to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled, or significantly influenced by a government. Application of the revised IAS 24 is required for reporting periods beginning on or after 1 January 2011. Earlier application is permitted. It is planned that IAS 24 will be applied initially in 2011-2012. Initial application of the revised IAS 24 will result in partial exemption from the disclosure requirements of IAS 24, and the relevant disclosures may be reduced from those presented in 2009-2010.

IAS 38 Intangible Assets, which has been amended. The amendment is part of the IASB's annual improvements project published in April 2009 and GAD will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on GAD's resource accounts.

The following sections of the FReM have been amended and are mandatory for GAD's accounting period beginning 1 April 2010 or later periods, but the GAD has not early adopted them:

Chapter 8, 'Impairment of Assets'. IAS 36 required impairments of revalued assets to be taken to the revaluation reserve in line with the IAS that required the revaluation. FReM requires such impairment losses to be taken to the Operating Cost Statement, where the impairment is caused by a clear consumption of economic benefit. The amendment will not result in a material impact on GAD's resource accounts.

Chapter 11, Income and Expenditure. The FReM has removed the requirement to record a notional cost of capital for accounting periods beginning 1 April 2010. Actual costs may be charged by the HMT as they determine to be appropriate. The amendment will not result in a material impact on GAD's resource accounts.

No other standards or amendments published but not in force are expected to have any impact on GAD's resource accounts.

## 2. First-time adoption of IFRS

	General Fund £000	Revaluation reserve £000
Taxpayers' equity at 31 March 2009 under UK GAAP	1,793	238
Adjustments for:		
IAS 19 Employee benefits (annual leave carried forward)	(189)	-
IAS 39 Reversal of General Provision for bad debts	24	
Taxpayers' equity at 31 March 2009 under IFRS	<b>1,628</b>	<b>238</b>
		<b>£000</b>
Net operating cost for 2008-09 under UK GAAP		390
Adjustments for:		
IAS 19 Employee benefits (annual leave carried forward)		79
Net operating cost for 2008-09 under IFRS		<b>469</b>

Note: in line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included.

### 3. Analysis of Net Resource Outturn

	2009-10						2008-09	
	£'000						£'000	
	Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Outturn	Estimate	Outturn
<b>Request for resources 1</b>							<b>Net Total</b>	<b>Net Total</b>
Providing an actuarial consultancy service	15,818	52		15,870	14,534	1,336	589	390
<b>Resource Outturn</b>	<b>15,818</b>	<b>52</b>		<b>15,870</b>	<b>14,534</b>	<b>1,336</b>	<b>(747)</b>	<b>390</b>
							<b>Net Total outturn compared with Estimate</b>	

The Total Resource Requirement exceeds the estimate because of an unforeseen event whereby a GAD employee has been awarded an injury allowance under the Civil Service Injury Benefit Scheme during the financial year. These costs are outside the control of the Department. If these costs are set aside, then the net total outturn for 2009-10 would have been within HM Treasury estimate limits.

### 4. Reconciliation of outturn to net operating cost and against Administration Budget

#### 4.1 Reconciliation of net resource outturn to net operating cost

	Note	Outturn	Supply Estimate	2009-10 £000 Outturn compared with Estimate	2008-09 £000 Outturn
Net Resource Outturn	3	1,336	589	(747)	469
Prior Period Adjustments		-	-	-	-
Non-supply income (CFERs)	6	-	-	-	-
Non-supply expenditure		-	-	-	-
<b>Net Operating Cost</b>		<b>1,336</b>	<b>589</b>	<b>(747)</b>	<b>469</b>

#### 4.2 Outturn against final Administration Budget

	2009-10 £000 Budget	2009-10 £000 Outturn	2008-09 £000 Outturn
Gross Administration Budget	15,705	15,818	12,424
Income allowable against the Administration Budget	(15,162)	(14,534)	(11,955)
<b>Net outturn against final Administration Budget</b>	<b>543</b>	<b>1,284</b>	<b>469</b>

## 5. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	3	589	1,336	(747)
Capital				
Acquisition of property, plant and equipment	11,12	217	223	(6)
Non operating in A in A				
Proceeds of asset disposals		-	-	-
Accruals adjustments				
Non cash items	9	(540)	(995)	455
Changes in working capital other than cash		-	(225)	225
Changes in payables falling due after more than one year		94	95	(1)
Use of provision	19	345	338	7
<b>Net cash requirement</b>		<b>705</b>	<b>772</b>	<b>(67)</b>

## 6. Analysis of income payable to the Consolidated Fund

In addition to the Appropriations in Aid, the following income relates to the department and is payable to the Consolidated fund (cash receipts shown in italics).

	Forecast 2009-10		Outturn 2009-10	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess in A in A	-	-	-	-
Other operating income and receipts not classified as A in A	-	-	-	-
Non operating income and receipts – excess in A in A	-	-	-	-
Other non-operating income and receipts not classified as A in A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	-	<i>1</i>
<b>Total income payable to the Consolidated Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b><i>1</i></b>

## 7. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009-10 £000	2008-09 £000
Operating income	10	14,534	11,955
Gross income		14,534	11,955
Income authorised to be appropriated in aid		(14,534)	(11,955)
<b>Operating income payable to the Consolidated Fund</b>		-	-

## 8. Staff numbers and related costs

Staff costs comprise:

		2009-10 £000	2008-09 £000
	<b>Total</b>	<b>Permanently employed staff</b>	<b>Others *</b>
Wages and salaries	7,905	7,889	16
Social security costs	743	741	2
Other pension costs	1,722	1,722	-
<b>Sub Total</b>	<b>10,370</b>	<b>10,352</b>	<b>18</b>
Less recoveries in respect of outward secondments	(38)	(38)	-
<b>Total staff costs</b>	<b>10,332</b>	<b>10,314</b>	<b>18</b>
			<b>8,859</b>

Of the total, £nil has been charged in capital

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but GAD is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £1,722,000 were payable to the PCSPS (2008-09: £1,386,000) at one of four rates in the range 16.7 to 23.4 per cent (2008-09: 17.15 to 25.5 per cent) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

\* All non-executive directors

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account

	2009-10		2008-09
	£000		£000
	Total	Permanent staff	Total
Departmental Strategic Objective	115	115	83
1	17	17	24
2			-
Staff engaged on capital projects			
<b>Total</b>	<b>132</b>	<b>132</b>	<b>107</b>

### Objectives:

- 1 Provide the actuarial advice to Ministers, Government Departments and other GAD clients in respect of employer-sponsored pension arrangements and other employee benefits; and to provide actuarial advice necessary to underpin Ministerial decision making on general pensions policy
- 2 Provide the actuarial advice necessary for the regulation and supervision of financial institutions overseas.



## 9. Other Administration Costs

	Note	2009-10 £000	2008-09 £000
Operating lease: Rent of building		1,511	1,456
Office equipment		9	9
Rates and building service costs		680	742
Recruitment *		342	252
Computer running costs		281	252
Training *		248	156
Consultancy **		320	145
Travel, subsistence and hospitality		133	133
Agency and other temporary staff costs *		432	101
Subscriptions		83	80
Stationery and publications		46	62
Telecommunications		59	58
Photocopying		12	18
Internal Audit Fees		12	19
Other costs		89	33
<b>Non cash items:</b>			
Provision for injury benefits	19	571	-
Depreciation and amortisation of fixed assets	11,12	250	252
Loss on revaluation of fixed assets	11,12	52	19
Loss on Disposal of Fixed Assets	11,12	14	6
Cost of capital charge		53	80
Auditors' remuneration ***		55	56
		<b>5,252</b>	<b>3,929</b>

\* See "Financial Review" (pages 9-11) for further details relating to Recruitment, Training and Agency expenditure

\*\* For further detail covering Consultancy expenditure see "Expenditure on Consultancy and Professional Services" (Page 12)

\*\*\* Auditor's remuneration related to the external audit cost of the 2009-10 financial statements and the opening 2008-09 balance sheet. The Department did not purchase any non-audit services from its auditor.

**10. Income**

		2009-10 £000	2008-09 £000
	RfR1	Total	Total
Government Departments	8,819	8,819	7,072
<i>Of which receipts from:</i>			
<i>Sub Tenants</i>	1,169	1,169	912
<i>National Insurance Fund</i>	745	745	399
Wider public sector and overseas	5,715	5,715	4,883
	<b>14,534</b>	<b>14,534</b>	<b>11,955</b>
Of which -			
Within the UK	12,192	12,192	9,409
Attributed to all foreign countries *	2,342	2,342	2,546
	<b>14,534</b>	<b>14,534</b>	<b>11,955</b>

\* Income from one particular client, which belongs to the overseas segment, for the 2009-10, was £1,469,000 (10.08% of total income).

## 11. Property, plant and equipment

	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2009	1,572	170	228	1,970
Additions	-	33	12	45
Disposals	-	-	(56)	(56)
Revaluations	(404)	(1)	-	(405)
<b>At 31 March 2010</b>	<b>1,168</b>	<b>202</b>	<b>184</b>	<b>1,554</b>
<b>Depreciation</b>				
At 1 April 2009	451	72	130	653
Charged in year	60	43	19	122
Disposals	-	-	(41)	(41)
Revaluations	(116)	(1)	-	(117)
<b>At 31 March 2010</b>	<b>395</b>	<b>114</b>	<b>108</b>	<b>617</b>
<b>Net book value at 31 March 2010</b>	<b>773</b>	<b>88</b>	<b>76</b>	<b>937</b>
<b>Net book value at 31 March 2009</b>	<b>1,121</b>	<b>98</b>	<b>98</b>	<b>1,317</b>
<b>Asset financing</b>				
Owned	773	88	76	937

	Leasehold improvements	Information Technology	Furniture & Fittings	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2008	1,901	368	289	2,558
Additions	-	41	12	53
Disposals	-	(221)	(83)	(304)
Revaluations	(329)	(18)	10	(337)
<b>At 31 March 2009</b>	<b>1,572</b>	<b>170</b>	<b>228</b>	<b>1,970</b>
<b>Depreciation</b>				
At 1 April 2008	448	238	180	866
Charged in year	81	65	23	169
Disposals	-	(221)	(79)	(300)
Revaluations	(78)	(10)	6	(82)
<b>At 31 March 2009</b>	<b>451</b>	<b>72</b>	<b>130</b>	<b>653</b>
<b>Net book value at 31 March 2009</b>	<b>1,121</b>	<b>98</b>	<b>98</b>	<b>1,317</b>
<b>Net book value at 1 April 2008</b>	<b>1,453</b>	<b>130</b>	<b>109</b>	<b>1,692</b>
<b>Asset financing</b>				
Owned	1,121	98	98	1,317

## 12. Intangible assets

Intangible assets comprise of computer software

	<b>Total</b>
<b>Cost or valuation</b>	
At 1 April 2009	374
Additions	178
Disposals	-
Revaluations	(3)
<b>At 31 March 2010</b>	<b>549</b>
<b>Amortisation</b>	
At 1 April 2009	178
Charged in year	128
Disposals	-
Revaluation	(1)
<b>At 31 March 2010</b>	<b>305</b>
<b>Net book value at 31 March 2010</b>	<b>244</b>
Net book value at 1 April 2009	196
	<b>Total</b>
<b>Cost or valuation</b>	
At 1 April 2008	469
Additions	125
Disposals	(197)
Revaluations	(23)
<b>At 31 March 2009</b>	<b>374</b>
<b>Amortisation</b>	
At 1 April 2008	302
Charged in year	83
Disposals	(195)
Revaluation	(12)
<b>At 31 March 2009</b>	<b>178</b>
<b>Net book value at 31 March 2009</b>	<b>196</b>
Net book value at 1 April 2008	167

### 13. Financial Instruments

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

All the financial assets and liabilities of GAD are held at fair value.

#### 13.1. Credit Risk

The maximum credit risk the department is exposed to at 31<sup>st</sup> March 2010 was £3,235,000 (total trade receivables value). Third party deposits held from clients at 31<sup>st</sup> March 2010 was £8,000, which will normally be offset against the invoices billed to them. There was no specific bad or doubtful debt identified at year end and all debtors are considered of good quality. The Department managed credit risk by regularly monitoring outstanding debts and communicating with clients with overdue debts.

An aged debtor analysis of overdue debts as at the end of 31 March 2010 is as follows:

	31/03/2010
	£'000
Under 30 days	2,509
Over 1 month and under-6 months	717
Over 7 months and under-12 months	3
Over 12 months	6

#### 13.2. Liquidity Risk

Apart from a small Parliamentary vote, GAD met its payments mainly with its cash receipts from invoices issued. GAD is required to hand in cash in the bank account at the year end but is allowed to call on the Contingencies Fund to meet any cash shortfalls, normally at the start of the financial year

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

Total amount owing analysed by when they fall due:

	1 year	2-5 years	over 5 years	Total
	£'000	£'000	£'000	£'000
Creditors	1,272	-	-	1,272
<b>Total</b>	<b>1,272</b>	<b>-</b>	<b>-</b>	<b>1,272</b>

#### 13.3. Market Risk

GAD is exposed to foreign currency risk from overseas customers, which amounted to £78,333 of receivables value as at 31<sup>st</sup> March 2010. The Department managed market risk by encouraging overseas customers to pay their invoices in sterling.

As the amount of foreign currency debt is not considered to be material in terms of the total value of turnover, GAD does not employ any sensitivity analysis.

### 14. Impairments

GAD did not incur any impairment costs in 2009-10.

**15. Work in Progress**

	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
Value of time worked but not billed	438	724	360
	<b>438</b>	<b>724</b>	<b>360</b>

**16. Trade receivables and other current assets**

	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
<b>Amounts falling due within one year:</b>			
Trade receivables	1,841	1,251	1,647
Accrued Income	1,394	1,258	730
Deposits and advances	32	43	29
Other receivables	1	0	9
Prepayments and accrued income	200	217	143
Amounts due from the Consolidated Fund in respect of supply			
	<b>3,468</b>	<b>2,769</b>	<b>2,558</b>

## Note:

GAD considered the requirements of IAS 21 (effects of changes in foreign exchange rates) and opted for non-adjustment, as the value of receivables in foreign currency is not considered material in terms of total receivables value (£78,333 as at 31<sup>st</sup> March 2010).

There were no debtors falling due in more than one year.

**16.1 Intra-Government Balances**

	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
<b>Amounts falling due within one year</b>			
Balances with other central government bodies	1,880	1,248	1,117
Balances with local authorities	-	7	2
Balances with NHS trusts	69	48	56
Balances with public corporations and trading funds	4	-	-
Subtotal: intra-government balances	1,953	1,303	1,175
Balances with bodies external to government	1,515	1,466	1,383
Total trade receivables at 31 March	<b>3,468</b>	<b>2,769</b>	<b>2,558</b>

**17. Cash and cash equivalents**

	2009-10 £000	2008-09 £000	2007-08 £000
Balance at 1 April	322	156	950
Net change in cash and cash equivalent balances	(278)	166	(794)
Balance at 31 March	<b>44</b>	<b>322</b>	<b>156</b>
The following balances at 31 March were held at:			
Government Banking Service (GBS)	44	322	156
Commercial banks and cash in hand	-	-	-
Short term investments	-	-	-
Balance at 31 March	<b>44</b>	<b>322</b>	<b>156</b>

The Government Banking Service (GBS) consists of Citi Bank and Royal Bank of Scotland Group. Under 2009-10 FReM, (paragraph 5.4.46), where GBS is using Citi and Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

During the year, the Department held a commercial bank account for third party deposit (Note 25).

**18. Trade payables and other current liabilities**

	2009-10 £000	2008-09 £000	2007-08 £000
<b>Amounts falling due within one year</b>			
VAT	645	394	514
Other taxation and social security	413	-	-
Trade payables	43	4	3
Accommodation creditor	94	91	89
Accruals and deferred income	127	97	39
Prepayment	-	126	-
Employee benefits (annual leave carried forward)	217	189	110
Contingencies Fund Loan	110	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
received	1	-	-
receivable	-	-	-
Consolidated Fund Creditor for cash unspent at year end	43	322	156
Consolidated Fund Creditor for cash unspent – prior year			
	<b>1,693</b>	<b>1,223</b>	<b>911</b>
Amounts falling due after more than one year:			
Other payables, accruals and deferred income	1,380	1,475	1,533
Total	<b>3,073</b>	<b>2,698</b>	<b>2,444</b>



**18.1 Intra-Government Balances**

	Amounts falling due within one year			Amounts falling due after one year		
	2009-10 £000	2008-09 £000	2007-08 £000	2009-10 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	1,113	842	681	-	-	-
Balances with local authorities	-	-	-	-	-	-
Balances with NHS trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-	-	-
Subtotal: intra-government balances	1,113	842	681	-	-	-
Balances with bodies external to government	580	381	230	1,380	1,475	1,533
Total trade payables at 31 March	<b>1,693</b>	<b>1,223</b>	<b>911</b>	<b>1,380</b>	<b>1,475</b>	<b>1,533</b>

**19. Provisions for liabilities and charges**

	Early departure costs £000	Other £000	Total £000
Balance at 1 April 2009	764	-	764
Provided in the year	-	571	571
Provisions not required written back	-	-	-
Provisions utilised in the year	(338)	-	(338)
<b>Balance at 31 March 2010</b>	<b>426</b>	<b>571</b>	<b>997</b>

	Early departure costs £000	Other £000	Total £000
Balance at 1 April 2008	-	-	-
Provided in the year	764	-	764
Provisions not required written back	-	-	-
Provisions utilised in the year	-	-	-
<b>Balance at 31 March 2009</b>	<b>764</b>	<b>-</b>	<b>764</b>

## Analysis of expected timing of cash flows

	Early departure costs £000	Other £000	Total £000
In the remainder of the Spending Review period (to 2010)	73	59	132
Between 2011 and 2015	353	124	477
Between 2016 and 2020	-	112	112
Thereafter	-	276	276
<b>Balance at 31 March 2010</b>	<b>426</b>	<b>571</b>	<b>997</b>

**19.1 Early departure costs**

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

**19.2 Other**

The only other provision is Injury Benefits Allowance. A GAD employee has been awarded an injury allowance under the Civil Service Injury Benefit Scheme during the financial year. As a result GAD is responsible for making injury payments that fall due after the year end. These payments are uncertain in timing and amount.

**20. Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives**

Programme grants and other current expenditures have been allocated as follows:

	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>
Objective 1	13,391	9,105
Objective 2	2,479	3,319
Total	<b>15,870</b>	<b>12,424</b>

Income by Departmental Strategic Objectives has been allocated as follows:

	<b>2009-10</b> <b>£000</b>	<b>2008-09</b> <b>£000</b>
Objective 1	12,264	7,640
Objective 2	2,270	4,315
Total	<b>14,534</b>	<b>11,955</b>

**Capital Employed by Departmental Strategic Objectives at 31 March**

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Objective 1	895	1,368
Objective 2	166	498
Total	<b>1,061</b>	<b>1,866</b>

## 21. Capital commitments

	2009-10 £000	2008-09 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant and equipment	-	-
Intangible assets	43	-

\* SuperVal licenses - GAD had entered into a contract to purchase a number of SuperVal (pension valuation software) licenses as at 31<sup>st</sup> March 2010. 80% of payment had been made before the year end. The figure above represents the remaining 20% to be paid.

## 22. Commitments under leases

### 22.1 Operating leases

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

	2009-10 £000	2008-09 £000
<b>Obligations under operating leases comprise:</b>		
<hr/>		
Buildings (rent of office building *)		
Not later than one year	1,529	1,491
Later than one year and not later than five years	6,509	6,350
Later than five year	15,619	17,307
<hr/>		
Scottish Office lease		
Not later than one year	3	-
Later than one year and not later than five years	-	-
<hr/>		
Other (Office equipment **)		
Not later than one year	10	10
Later than one year and not later than five years	13	23
Later than five year	-	-
<hr/>		
	<b>23,683</b>	<b>25,181</b>
<hr/>		
Subtenants lease ***		
Not later than one year	637	549
Later than one year and not later than five years	-	329
<hr/>		

\* Lease of the building is transferable.

\*\* Office equipment comprise photocopiers, water coolers and franking machines.

\*\*\* Subtenant leases comprise rental income from subletting to MoD (Oct 2009 to Nov 2010) and HTA (April 2010 to March 2011).

No assets are held under finance leases.

**23. Contingent liabilities disclosed under IAS 37**

As at 31 March 2010, the department did not have any contingent liability or contingent assets.

**24. Losses and special payments**

No losses and special payments were incurred.

**25. Related-party transactions**

GAD has had a significant number of transactions with government departments and other central government bodies. Major clients using the Department's services included the Department for Work and Pensions, the Cabinet Office, the Ministry of Defence, the Home Office, HM Treasury, HM Revenue & Customs and the Department for Children, Schools and Families.

A summary of Operating Income from government and non-government bodies is shown at Note 10. Note that receipts from other government departments include rent and facilities management charges received from the Human Tissue Authority (HTA) and the Ministry of Defence (from October 2008) as sub-tenants of the property of Finlaison House. In 2009-10 the total net income from these sub-tenants was some £1,169,000.

None of the Management Board Members, key managerial staff or other related parties has undertaken any material transactions with GAD during the year.

**26. Third-party assets**

The Department has a custodial role to ensure the safekeeping of client monies in a small number of cases where GAD has requested a deposit prior to undertaking work. As at 31 March 2010, these amounted in total to £8,000 (31 March 2009: £9,000).

These are not departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities.

**27. Entities within the departmental boundary**

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

**28. Post Balance Sheet Events**

No event was recorded after the Balance Sheet Date which affects the true and fair view of the accounts.

The Accounts were authorised for issue on 19 July 2010

## Annex

## Core Tables

Table 1: Total Departmental Spending

	£'000						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
<b>Resource budget</b>							
<i>Resource DEL</i>							
Government Actuary's Department	450	-662	251	568	-473	999	433
<b>Total resource budget DEL</b>	<b>450</b>	<b>-662</b>	<b>251</b>	<b>568</b>	<b>-473</b>	<b>999</b>	<b>433</b>
<i>Resource AME</i>							
Government Actuary's Department	-8	74	44	15	783	285	40
<b>Total resource budget AME</b>	<b>-8</b>	<b>74</b>	<b>44</b>	<b>15</b>	<b>783</b>	<b>285</b>	<b>40</b>
<b>Total resource budget</b>	<b>442</b>	<b>-588</b>	<b>295</b>	<b>583</b>	<b>310</b>	<b>1,284</b>	<b>473</b>
<i>of which: depreciation</i>	226	347	370	306	271	302	392
<b>Capital budget</b>							
<i>Capital DEL</i>							
Government Actuary's Department	356	381	95	61	178	223	212
<b>Total capital budget DEL</b>	<b>356</b>	<b>381</b>	<b>95</b>	<b>61</b>	<b>178</b>	<b>223</b>	<b>212</b>
<i>Capital AME</i>							
<b>Total capital budget AME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital budget</b>	<b>356</b>	<b>381</b>	<b>95</b>	<b>61</b>	<b>178</b>	<b>223</b>	<b>212</b>
<b>Total departmental spending†</b>							
Government Actuary's Department	572	-554	20	338	217	1,205	293
<b>Total departmental spending†</b>	<b>572</b>	<b>-554</b>	<b>20</b>	<b>338</b>	<b>217</b>	<b>1,205</b>	<b>293</b>
<i>of which:</i>							
Total DEL	580	-546	26	338	-547	972	299
Total AME	-8	-8	-6	-	764	233	-6

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

**Table 2: Resource budget DEL and AME**

£'000

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
<b>Resource DEL</b>							
<b>Government Actuary's Department</b>	<b>450</b>	<b>-662</b>	<b>251</b>	<b>568</b>	<b>-473</b>	<b>999</b>	<b>433</b>
<i>of which:</i>							
Government Actuary's Department	450	-662	251	568	-473	999	433
<b>Total resource budget DEL</b>	<b>450</b>	<b>-662</b>	<b>251</b>	<b>568</b>	<b>-473</b>	<b>999</b>	<b>433</b>
<i>of which: †</i>							
Pay	6,204	7,138	7,142	7,238	8,075	10,332	
Procurement	-6,015	-8,105	-7,336	-7,007	-8,862	-10,015	-8,374
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	
Current grants to local authorities	-	-	-	-	-	-	-
Depreciation	226	265	320	291	252	250	346
<b>Resource AME</b>							
<b>Government Actuary's Department</b>	<b>-8</b>	<b>74</b>	<b>44</b>	<b>15</b>	<b>783</b>	<b>285</b>	<b>40</b>
<i>of which:</i>							
Government Actuary's Department	-8	74	44	15	783	285	40
<b>Total resource budget AME</b>	<b>-8</b>	<b>74</b>	<b>44</b>	<b>15</b>	<b>783</b>	<b>285</b>	<b>40</b>
<i>of which: †</i>							
Pay	-	-	-	-	-	-	-
Procurement	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-
Current grants to local authorities	-	-	-	-	-	-	-
Depreciation	-	82	50	15	19	52	46
<b>Total resource budget</b>	<b>442</b>	<b>-588</b>	<b>295</b>	<b>583</b>	<b>310</b>	<b>1,284</b>	<b>473</b>

† The economic category breakdown of resource budgets only shows the main categories, so may not sum to the total. The breakdown may even exceed the total where further income scores in resource budgets.

**Table 3: Capital Budget DEL and AME**

£'000

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
<b>Capital DEL</b>							
Government Actuary's Department	356	381	95	61	178	223	212
<i>of which:</i>							
Government Actuary's Department	356	381	95	61	178	223	212
<b>Total capital budget DEL</b>	<b>356</b>	<b>381</b>	<b>95</b>	<b>61</b>	<b>178</b>	<b>223</b>	<b>212</b>
<i>of which:</i>							
Capital expenditure on fixed assets net of sales†	356	381	95	61	178	223	212
Capital grants to the private sector and abroad	-	-	-	-	-	-	-
Net lending to private sector	-	-	-	-	-	-	-
Capital support to public corporations	-	-	-	-	-	-	-
Capital support to local authorities††	-	-	-	-	-	-	-
<b>Capital AME</b>							
<b>Total capital budget AME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital budget</b>	<b>356</b>	<b>381</b>	<b>95</b>	<b>61</b>	<b>178</b>	<b>223</b>	<b>212</b>
<i>Of which:</i>							
Capital expenditure on fixed assets net of sales†	356	381	95	61	178	223	212
Less depreciation†††	226	347	370	306	271	302	392
Net capital expenditure on tangible fixed assets	130	34	-275	-245	-93	-79	-180

† Expenditure by the department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

††† Included in Resource Budget.

**Table 4: Capital Employed**

	£'000						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
<i>Assets and Liabilities on the balance sheet at end of year:</i>							
<b>Assets</b>							
Fixed Assets	1,858	1,971	1,829	1,859	1,513	1,181	1,100
<i>of which:</i>							
Intangible	317	366	231	167	196	244	250
Tangible	1,541	1,605	1,598	1,692	1,317	937	850
<i>of which:</i>							
Re-Fit of Building	1,210	1,227	1,294	1,453	1,121	773	600
IT Hardware	166	214	178	130	97	88	60
Office Furniture	165	164	126	109	99	76	190
Current assets	2998	4,352	3,768	3,050	3,791	3,950	3,480
<b>Liabilities</b>							
Creditors (< 1 Year)	986	1,815	1,670	801	1,034	1,693	1,300
Creditors (> 1 Year)	824	1,208	1,439	1,533	1,475	1,380	1,282
Provisions	14	6	-	-	764	997	866
<b>Total Capital employed</b>	<b>3,032</b>	<b>3,294</b>	<b>2,488</b>	<b>2,575</b>	<b>2,031</b>	<b>1,061</b>	<b>1,132</b>



**Table 5: Administration Costs**

	£'000						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
<b>Administration Expenditure</b>							
Paybill	6,204	7,138	7,142	7,238	8,075	10,332	
Other	2,973	2,885	3,534	3,421	3,460	5,201	
<b>Total administration expenditure</b>	<b>9,177</b>	<b>10,023</b>	<b>10,676</b>	<b>10,659</b>	<b>11,535</b>	<b>15,533</b>	<b>12,625</b>
Administration income	-8,727	-10,685	-10,508	-10,093	-12,014	-14,534	-12,192
<b>Total administration budget</b>	<b>450</b>	<b>-662</b>	<b>168</b>	<b>566</b>	<b>-479</b>	<b>999</b>	<b>433</b>
<b>Analysis by activity</b>							
Government Actuary's Department	450	-662	168	566	-479	999	433
<b>Total administration budget</b>	<b>450</b>	<b>-662</b>	<b>168</b>	<b>566</b>	<b>-479</b>	<b>999</b>	<b>433</b>

**Table 6: Staff Numbers**

	Numbers of Staff employed						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
<b>Summary</b>							
<b>Civil Service Full Time equivalents</b>	<b>106</b>	<b>108</b>	<b>100</b>	<b>100</b>	<b>107</b>	<b>132</b>	<b>140</b>
<b>By Business Area</b>							
Objective 1	75	78	78	77	83	115	100
Objective 2	31	30	22	23	24	17	40

**Notes:**

1. Although PES 2010 (09) also requires Tables 7 – 9 – “Spending by country and region”, “Spending per head by country and region” and “Spending by function or programme by country or region”, during the majority of 2009-10 GAD only had a London office where all the expenditure was incurred, until the Scotland Office was opened in early 2010, however no significant expenditure has been incurred, or income generated, through this office for the period to the year end.
2. These tables are unaudited.



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