

The Government Actuary's Department

Annual Report and Resource Accounts 2008-09

(For the year ended 31 March 2009)

Presented pursuant to the GRA Act 2000 c.20. s6

The Government Actuary's Department

**Including the Annual Departmental Report and the
Resource Accounts**

2008 – 09

(For the Year Ended 31 March 2009)

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Annual Report and Resource Accounts: The Government Actuary's Department**INTRODUCTION**

This document contains the Annual Report and Resource Accounts of the Government Actuary's Department (GAD) for the year 1 April 2008 to 31 March 2009. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FRoM) for 2008-09.

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 all 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 2008-09;
- Public Expenditure Statistical Analyses 2008 which present the overall Government expenditure outturn figures and plans for 2003-04 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

About the Government Actuary's Department

GAD is an actuarial consultancy working within government, and offering actuarial services 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 provides services in the following areas:

- Pensions
- Life Insurance
- General Insurance
- Social Security
- Investment and Risk, and
- Healthcare

GAD's funding is almost entirely found 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. Against that background, and given that GAD serves its clients in competition with actuarial consultancies in the private sector, it is essential for GAD to be a provider of high quality actuarial services to government and public sector bodies around the world.

On 31 March 2009 GAD employed 128 staff, of whom 54 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

- 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 Pensions Regulator and the Pension Protection Fund.

Insurance

GAD provides a broad range of actuarial services:

- 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; and
- Developing training programmes for supervisors.

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 Social Security Administration Act 1992 there is 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 report was published in January 2009, reference Cm 7312).

Legislation also requires a Quinquennial Review by the Government Actuary on the long-term financial prospects for the National Insurance Fund. The analysis for the next Quinquennial Review is in progress and the report is expected to be published in the Autumn of 2009.

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

Early in 2009 GAD added advice on Investment and Risk to its range of services. 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, and
- Advice to government, e.g. in relation to the toxic assets recently uncovered in the banks and mortgage lenders.

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 Kitty Ussher MP until 5th October 2008 and thereafter by Ian Pearson 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, was held by Andrew Johnston MA, FIA on a temporary basis until 30 April 2008 when HM Treasury appointed Trevor Llanwarne MA, FIA, through open competition. From 1 May 2008 Andrew Johnston reverted to his former role as Deputy Government Actuary.

The Deputy Government Actuary, Head of Actuarial Operations, Director of Finance and Director of Personnel report to the Government Actuary, who is the Head of Department and Accounting Officer. There were five business units covering the UK public service and wider public sector pensions plus pensions policy. A further two business units cover social security and overseas pensions, and insurance. Each of these units is headed by a Chief Actuary. The Director of Finance is responsible for finance, information technology and office services and the Director for Personnel is responsible for human resources.

	Number	Pay band (£000s)
Government Actuary	1	148-208
Deputy Government Actuary*	1	116-149
Head of Actuarial Operations	1	116-149
Chief Actuaries**	8	97-131

* Andrew Johnston will retire on 1 July 2009

** An additional Chief Actuary was recently recruited to set up and head a new stream of work on risk and investment.

The Management Board was chaired by Andrew Johnston in April and thereafter by Trevor Llanwarne. The other members of the Management Board during the year were:

George Russell MA, FIA	Head of Actuarial Operations
Kevin Down BSc, ACMA	Director of Finance
Simon Bancroft-Rimmer	Director of Personnel
Jan Smith BA FIDM	Non-Executive Director
Graham Bartlett FCMA	Non-Executive Director

Attendance at Management Board meetings in 2008-09

Number of meetings	11
Number of meetings attended by:	
Trevor Llanwarne	10
Andrew Johnston	3
Kevin Down	11
Simon Bancroft-Rimmer	9
George Russell	11
Graham Bartlett	10
Jan Smith	11

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 22-24.

Governance

The Management Board meets monthly (normally with the exception of August). The aim of the Board is to advise the Government Actuary. It 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 the key high level issues affecting the Department. Day-to-day operational issues are delegated to the Support Operations Committee and the Technical Committee.

Audit Committee

GAD's Audit Committee currently has two posts which are filled by Non-Executive Directors, Graham Bartlett (chairman) and Jan Smith. During the year there was a third independent member, Mike Butler, until he stood down from the role in March 2009. The Government Actuary, Director of Finance, Deputy Government Actuary, External Auditors and Internal Auditors are invited to attend the Committee, which normally meets four or five times a year.

Attendance at Audit Committee meetings in 2008-09

Number of meetings	5
Number of meetings attended by:	
Graham Bartlett (Chairman) (NED)	4
Jan Smith (NED)	5
Mike Butler (Independent Member)*	4
Other Attendees	
(Accounting Officer)	5
(Deputy Government Actuary)	1
(Director of Finance)	5
(Internal Audit)	5
(External Audit)	5

* Mike Butler resigned from the Audit Committee with effect from 1 March 2009

The Efficiency Programme

GAD is subject to a 5% reduction per year in its Departmental Expenditure Limit in the current CSR 07 period (2008-09 to 2010-11).

The Department operates in competition with other suppliers of actuarial services. This competitive pressure means GAD must operate efficiently in order to win and retain business by providing relevant services to clients. Efficiency and effectiveness are imperatives for the Department.

Due to increasing demands for GAD's services the Department is currently experiencing a period of growth in the number of its actuarial staff delivering services directly to clients, resulting in sizeable increases in income.

Other strands of GAD's VfM programme include:

- Increasing the total amount of time that actuarial staff spend on chargeable activities. Utilisation rates of actuaries and total hours per working day are closely monitored and kept under active review to ensure the Department maximises income relative to costs.
- A procurement exercise is currently underway to award a contract for the provision of pension valuation software for the next five years. The software that is used and the way internal processes are designed to

work alongside the software will aim to be consistent with full delivery to meeting client demands (including demands for value for money).

- More efficient estate management by reviewing accommodation requirements. GAD is currently reviewing accommodation requirements and moved within Finlaison House in April 2009 to release space which has been let to a sub-tenant. GAD is also working with OGC in planning a move to vacant space within the Government Estate during 2010, transferring the remainder of the lease on Finlaison House to another government department.

Strategy

Since the arrival of Trevor Llanwarne as Government Actuary in May 2008 the Department has undertaken a major review of its strategic aims resulting in the new aims reported on page 3. Alongside the aims GAD has defined a set of commitments to provide quality service and the values by which we operate. Surveys were issued to both our clients and staff requesting feedback on the performance of the Department. The responses from clients showed that although there is already a reasonably good satisfaction rating there are still areas GAD can work on to improve its relationship with clients. The internal response from staff also identified some areas to be addressed.

Building on client relationships is crucial to GAD. Following the client survey the Government Actuary hosted four client receptions (three in London and one in Edinburgh) to share the results of the survey and present plans for the future of GAD. This was also an opportunity for clients to meet GAD staff and discuss current and future work requirements.

This positive approach is already reaping benefits as work demands from clients have significantly increased throughout the past year and are continuing to do so. The longer term aim is to offer a growth in the range of services GAD can offer to clients by diversifying into new areas of work in Investments, Risk, Demography and Long Term Care. The benefits of this increase in work volumes has also meant GAD has managed to reverse the trend of actuaries leaving GAD and in fact 2008/09 has seen staff numbers of actuarial personnel increasing by 31. As growth in our services widens this will not only improve our finance stream through increased client demand but also enable GAD to offer more fulfilling career paths for its staff within the Department.

In order to expand the services available in GAD the Department has recently employed a senior actuary to head and develop a new section concentrating on Investment and Risk. To further improve client relations we have also appointed a senior actuary to lead on sales, marketing and client relations, responsible for tendering for new work and to ensure that clients have a senior contact in GAD whom they can liaise with.

MANAGEMENT COMMENTARY

Operating Review

The strategy review initiated by the Government Actuary on taking up his post in May 2008 gave a clear context for the Department's continuing focus on improving service delivery and strengthening client relationships. A key output of the review was the development of a clear statement of GAD's aims, values and commitment to service, agreed after discussion and consultation with staff and clients. A series of seminars on communication, client service and risk took place to enable staff to focus on managing risk and key items emerging from the client survey. Regular staff updates from the Government Actuary and the publication of GAD Management Board minutes support continued staff involvement.

The first fruits of our improved client focus have been seen in the increased demands for our services in 2008/09 from both our UK and overseas clients, with the Department delivering a diverse range of actuarial advice - ranging from crucial advice on all aspects of public sector pension scheme financing and reporting, to a variety of distinctive policy topics calling for innovative advice. We were able to meet these increased demands through a judicious blend of permanent and temporary recruitment across all areas of our business. As a result, the Department was in a very strong financial position at the year end, with all financial targets being met and income from advice to clients being 19% more than the corresponding figure in 2007/08.

Public sector pensions continue to be GAD's predominant area of activity. GAD advises most of the main public service pension schemes on all actuarial aspects of their operation, including accounting for pension costs, and gave extensive public pensions policy advice to HM Treasury; we also advised other government departments and agencies on pensions issues specific to them. During 2008/09 we undertook a comprehensive review of the actuarial factors used by the Public Sector Transfer Club, and also the factors determining individual transfer payments from public service pension schemes.

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.

We have undertaken a review of our pension scheme actuarial valuation systems, with evaluation work well-advanced.

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 detailed implementation of the Financial Assistance Scheme. The Government Actuary provided 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).

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 established social security clients in, for example, the Channel Islands, Ghana and the Falkland Islands, overseas work continues at a very satisfactory level. As part of the Government Actuary's strategy review, we have clarified our criteria for accepting international assignments.

Flowing from the Government Actuary's strategic review, the structure of the Department's actuarial teams was reviewed, to further clarify reporting and accountability: the pensions and social security teams are now overseen by the Head of Actuarial Operations, while the Government Actuary has direct oversight of the insurance team. A dedicated team has been established to consolidate and strengthen GAD's key role on the pensions aspects of the transfers of staff, both from the public sector to the private sector and within the public sector. We expanded the resources of our research team by direct recruitment, strengthening our ability to support and anticipate client requirements. We have also established a regular series of knowledge-sharing meetings for actuarial staff on a variety of topics to deepen knowledge and understanding across the full spectrum of the Department's activities.

The structures now in place should facilitate improved forward planning, allocation and prioritisation of client demands. To support client communication and service delivery, a client database has been established.

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 limited Government Secure Intranet (GSI) facility was put in place to ensure appropriate protection, where necessary, for communications with clients.

GAD has not suffered any protected personal data related incidents during 2008-09 or in previous financial years.

There have been two events worthy of note in relation to work conducted some years ago. Firstly, the ongoing public interest in Equitable Life has resulted, within the last year, in professionalism complaints against nine of our former employees. This is being investigated by the Accountancy and Actuarial Discipline Board (AADB). As a responsible employer a limited amount of legal support is being provided. Secondly, the Police Federation won a judicial review against the Home Office and GAD in relation to the effective date from which more generous commutation factors should apply for some police officers retiring before October 2007. The rationale for the judgement is causing GAD to review more widely the basis of giving advice in the future for public sector schemes.

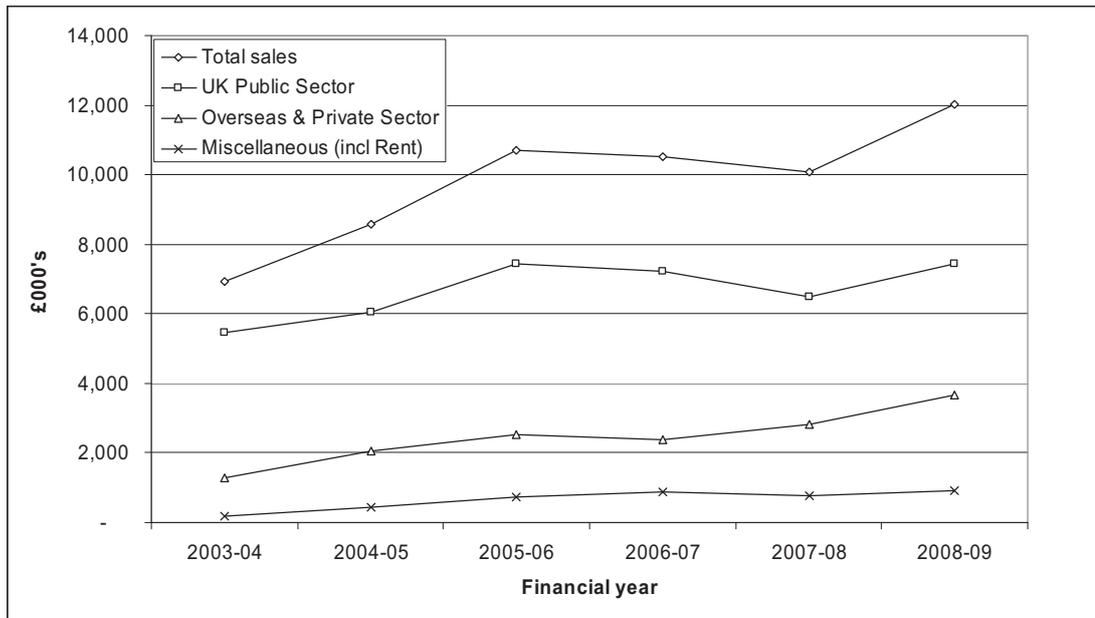
Pension benefits of GAD's Management Board members are shown in the Remuneration Report (pages 22-24). Information on staff pensions is given in note 1.11 of the annual accounts.

Financial Review

2008-09 has been a very successful year for GAD and our accounts reflect that the Department's financial position at year end was within the agreed resource and cash limits. An increase in demand for actuarial advice from existing and new clients across all areas of our business resulted in sales growth of 19% compared to the previous financial year. The value of sales recorded in 2008-09 reached an all-time high of just over £12m compared to £10.1m in the previous year, as reflected in the graph shown below. This marked turnaround in the Department's trading performance over the past year has meant GAD investing heavily in the recruitment of additional actuarial staff at both qualified and trainee level to meet client demand and to be able to improve the level of service provided.

After two years of decline in service demand from the UK Public Sector GAD in 2008-09 managed to reverse the trend and increased its business in this sector by 14%. Client demand from overseas and private sector clients over the past year remained strong with sales increasing again by a further 30%.

Other miscellaneous sales which mainly represent rent from sub-tenants and the provision of shared corporate services increased by 17% due to increases in rent and associated building costs, and because extra shared services were requested from a new tenant who recently moved into the building.



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

Capital investment over the past year amounted to £178k and covered the purchase of software and the normal replacement cycle of IT hardware and furniture.

The Client Liaison Team was again very effective at keeping on top of our client debt. At the end of the financial year our trade debtor balance had increased by £132k which, considering sales had increased by £2m throughout the year, is a modest increase.

Cash flow continues to be a challenge. As a repayment department GAD relies on fee income to cover most of its expenditure and efficient debt controls are essential. GAD had a bank balance (£156k) at the close of 2007-08. This sum had to be returned to the Consolidated Fund under government accounting rules. Until it was surrendered in August 2008 this sum, along with a £400k advance from the Contingencies Fund (repaid in January 2009), underpinned the Department's bank balance at the beginning of the financial year until client receipts earned in 2008-09 started to be received. At the close of the financial year GAD's bank balance closed at just over £320k.

Expenditure on salaries increased by 22% from £7.2m in 2007-08 to £8.8m in 2008-09. As GAD's sole role is to provide actuarial advice, salary costs of our professional workforce supported by a small back office is by far the department's major source of expense. Included in this total is a charge of £764k to reflect a provision for the early retirement of the Deputy Government Actuary.

Staff costs continue to be the largest element of GAD's budget, accounting for 71% of total expenditure, with the next most significant item being accommodation charges, which account for 17%.

The accounts show that GAD's non-staff administration costs in 2008/09 increased by £505k. The requirement to increase our staff numbers meant that recruitment costs increased significantly by over £130k compared to costs incurred in 2007-08. In addition to recruiting extra staff GAD engaged additional actuaries on a temporary basis through using agencies, which again increased costs under this expenditure subhead. Other areas of administration costs that have seen increases are consultancy and building service costs.

The additional consultancy costs relate to the legal advice that GAD takes in respect of the legal aspects of pension passport work. An increase in accommodation services to our tenants contributed to the increase of building service costs. Costs in both of these areas are recharged to clients or tenants.

Below are set out two 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 1 Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2008-09	2007-08
	<u>£000</u>	<u>£000</u>
Net Resource Outturn	(390)	(672)
Net Operating Cost	(390)	(672)
Resource Budget Outturn	(390)	(672)
Of which		
<i>Departmental Expenditure Limits (DEL)</i>	(370)	(657)
<i>Annually Managed Expenditure (AME)</i>	(20)	(15)

Table 2 Income and Expenditure on a Resource Basis for the year ended 31 March 2009

	2008-09	2007-08
	<u>£000</u>	<u>£000</u>
Expenditure		
Staff costs	8,839	7,238
General administrative costs	3,516	3,011
Movements in work in progress	(364)	75
Non cash costs	413	441
Total Expenditure	12,404	10,765
Income		
Fees and charges to other Government Departments	7,072	6,030
<i>Of which: Income from sub-tenants</i>	912	778
: <i>Fees and charges to National Insurance Fund</i>	399	187
Fees and charges to the wider public sector and others	4,942	4,063
Total Income	12,014	10,093
Net Operating Cost	390	672
CFER payable	43	-
Purchase of fixed assets	178	63
Non cash items	(413)	(441)
Adjustment for changes in working capital	508	134
Changes in creditors falling due in more than one year	58	(94)
Setting up provision	(764)	-
Net Cash Requirement for the year	-	334

Payment of Suppliers

The Department adheres to the Better Payment Practice Code. The 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 upon 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 2008-09 has been based on continuous monitoring of payments since the start of the year. On this basis 99.2% of GAD's payments were paid within 30 days and 71.41% within 10 days since December 2008. The total number of invoices amounted to 1,968 of which 15 were paid late against the 30 day target and 227 against the 10 day target. The equivalent figures for 2006-07 and 2007-08 on the 30 day target were 99.1% and 98% respectively. Figures for previous years based on a 10 day target are not available. No interest payments were made in 2008-09 to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

Expenditure on Consultancy and Professional Services

During 2008-09 GAD spent £145,000 (2007-08 £44,000) on consultancy and professional services. This included advice on computer consultancy (£7,000), welfare and employment issues (£17,000) and legal advice on various contract issues (£121,000).

Financial Outturn

GAD's financial outturn for 2008-09 is reported in different ways. The Resource Accounts show a net operating cost for 2008-09 of £390,000, against an estimate of £603,000 (page 30), budgetary expenditure of £12,404,000 on resources (page 30) and £178,000 on capital (page 33). The Tables in Notes 2 and 4 (pages 38 and 39) reconcile these figures.

The Common Core Tables below (pages 14-18) show GAD's outturn figures and plans on a resource budget basis. Tables 1-5 show expenditure and plans over the period 2003-04 to 2010-11. Table 6 shows staffing figures over the same period.

Resource budget and resource outturn figures for 2007-08 and 2008-09 in the accounts statements differ from the figures in the core tables due to the treatment of losses on disposal of fixed assets. In the Resource Accounts the losses on disposal figure appears in the Operating Cost Statement and on the face of the Part II Schedule in the Main Estimates. However in budgetary terms this is a capital item and so has to be removed from the resource budget to avoid double counting.

Comprehensive Spending Review 2007

As part of the CSR07 settlement GAD agreed with HM Treasury a new set of performance management indicators covering the three year spending review period 2008-09 to 2010-11. These new targets are set out below with the Department's benchmark values based on GAD's position as at the close of the 2008-09 financial year.

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			
		March 2007-08 baseline values	March 2008-09 value
Target 1	To maintain the volume of our Central Government business (including the NHS and regulators) and to exceed 1% annual growth in fee income net of fee increases	£5,066K	£5,735K
Target 2	To maintain our business volumes in the wider public sector between 2008-09 and 2010-11	£1,238K	£1,297K
Objective 2 – Provide the actuarial advice necessary for the regulation and supervision of financial institutions overseas			
Target 3	To maintain the volume of business on overseas contracts between 2008-09 and 2010-11	£1,813K	£2,456K
General Objective – To provide mainly public sector clients with independent, professional actuarial advice of the highest quality*			
Target 4	To manage our finances within the Spending Review settlement	Target met. The Resource Accounts show that GAD operated within resource and cash limits agreed with HM Treasury during 2007-08.	Target met
Target 5	To produce a revised client survey during 2007-08 which provides an improved qualitative measure of service, and in the light of the results, agree targets between 2008-09 and 2010-11	A revised client survey was completed in 2006-07. Following the appointment of the new Government Actuary during 2008-09 a completely new survey was developed. GAD will agree appropriate targets for improvement in client responses for subsequent years with the Treasury.	
Target 6	To control overheads by keeping corporate services staff costs below 15% of total staff costs	Target met. Corporate services costs accounted for 12.5% of total staff costs.	Target met. Corporate service costs accounted for 10.8% of total staff costs

* This general objective has been replaced by the new aims set out on page 3.

Core Tables

Table 1: Total Departmental Spending								£'000
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Resource budget								
<i>Resource DEL</i>								
Government Actuary's Department	822	557	-553	263	655	366	542	528
Total resource budget DEL	822	557	-553	263	655	366	542	528
<i>of which: Near-cash</i>	504	189	-967	-194	231	-23	55	54
<i>Resource AME</i>								
Government Actuary's Department	91	-	82	50	15	20	46	46
Total resource budget AME	91	-	82	50	15	20	46	46
<i>of which: Near-cash</i>	-	-	-	-	-	-	-	-
Total resource budget	913	557	-471	313	670	386	588	574
<i>of which: depreciation</i>	267	226	347	370	306	273	402	392
Capital budget								
<i>Capital DEL</i>								
Government Actuary's Department	1,506	356	381	178	63	178	217	212
Total capital budget DEL	1,506	356	381	178	63	178	217	212
Total capital budget AME	-	-	-	-	-	-	-	-
Total capital budget	1,506	356	381	178	63	178	217	212
Total departmental spending†								
Government Actuary's Department	2,152	687	-437	121	427	291	403	394
Total departmental spending†	2,152	687	-437	121	427	291	403	394
<i>of which:</i>								
Total DEL	2,152	687	-437	121	427	291	403	394
Total AME	-	-	-	-	-	-	-	-

† 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							
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Resource DEL								
Government Actuary's Department	822	557	-553	263	655	366	542	528
<i>of which:</i>								
Government Actuary's Department	822	557	-553	263	655	366	542	528
Total resource budget DEL	822	557	-553	263	655	366	542	528
<i>of which:</i>								
Near-cash	504	189	-967	-194	231	-23	55	54
<i>of which: †</i>								
Pay	5,440	6,204	7,138	7,142	7,238	8,839		
Procurement	-4,936	-6,015	-8,105	-7,336	-7,007	-8,862	-8,583	-8,374
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-
Current grants to local authorities	-	-	-	-	-	-	-	-
Depreciation	176	226	265	320	291	253	356	346
Resource AME								
Government Actuary's Department	91	-	82	50	15	20	46	46
<i>of which:</i>								
Government Actuary's Department	91	-	82	50	15	20	46	46
Total resource budget AME	91	-	82	50	15	20	46	46
<i>of which:</i>								
Near-cash	-	-	-	-	-	-	-	-
<i>of which: †</i>								
Pay	-	-	-	-	-	-	-	-
Procurement	-	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-
Current grants to local authorities	-	-	-	-	-	-	-	-
Depreciation	91	-	82	50	15	20	46	46
Total resource budget	913	557	-471	313	670	386	588	574

† The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but are not included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.

Table 3: Capital Budget DEL and AME

	£'000							
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Capital DEL								
Government Actuary's Department	1,506	356	381	178	63	178	217	212
<i>of which:</i>								
Government Actuary's Department	1,506	356	381	178	63	178	217	212
Total capital budget DEL	1,506	356	381	178	63	178	217	212
<i>of which:</i>								
Capital expenditure on fixed assets net of sales†	1,506	356	381	178	63	178	217	212
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-
Net lending to private sector	-	-	-	-	-	-	-	-
Capital support to public corporations	-	-	-	-	-	-	-	-
Capital support to local authorities††	-	-	-	-	-	-	-	-
Capital AME								
Total capital budget AME	-	-	-	-	-	-	-	-
Total capital budget	1,506	356	381	178	63	178	217	212
<i>Of which:</i>								
Capital expenditure on fixed assets net of sales†	1,506	356	381	178	63	178	217	212
Less depreciation†††	267	226	347	370	306	273	402	392
Net capital expenditure on tangible fixed assets	1,239	130	34	-192	-243	-95	-185	-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							
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
<i>Assets and Liabilities on the balance sheet at end of year:</i>								
Assets								
Fixed Assets	1,710	1,858	1,971	1,829	1,859	1,513	1,059	911
<i>of which:</i>								
Intangible	139	317	366	231	167	196	225	144
Tangible	1,571	1,541	1,605	1,598	1,692	1,317	834	767
<i>of which:</i>								
Re-Fit of Building	1,276	1,210	1,227	1,294	1,453	1,121	638	504
IT Hardware	153	166	214	178	130	97	95	85
Office Furniture	142	165	164	126	109	99	101	178
Current assets	3,008	2,998	4,352	3,768	3,050	3,791	3,791	3,791
Liabilities								
Creditors (< 1 Year)	690	986	1,815	1,670	801	1,034	908	908
Creditors (> 1 Year)	440	824	1,208	1,439	1,533	1,475	1,380	1,282
Provisions	22	14	6	-	-	764	562	489
Total Capital employed	3,566	3,032	3,294	2,488	2,575	2,031	2,000	2,023

Table 5: Administration Costs

	£'000							
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Administration Expenditure								
Paybill	5,440	6,204	7,138	7,142	7,238	8,839	-	-
Other	2,443	3,080	2,994	3,629	3,510	3,541	-	-
Total administration expenditure	7,883	9,284	10,132	10,771	10,748	12,380	13,039	12,720
Administration income	-7,061	-8,727	-10,685	-10,508	-10,093	-12,014	-12,497	-12,192
Total administration budget	822	557	-553	263	655	366	542	528
Analysis by activity								
Government Actuary's Department	822	557	-553	263	655	366	542	528
Total administration budget	822	557	-553	263	655	366	542	528

Table 6: Staff Numbers

	Numbers of Staff employed							
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Summary								
Civil Service Full Time equivalents	101	106	108	100	100	107	130	136
By Business Area								
Objective 1	69	75	78	78	77	83	93	99
Objective 2	32	31	30	22	23	24	37	37

Recruitment and Staff Turnover

GAD recruited eight qualified actuaries and twenty two trainee actuaries. One qualified actuary joined GAD on a re-appointment. One trainee actuary and two qualified actuaries resigned and one qualified actuary retired. Five administrative staff were appointed during the year. Four administrative staff left the Department - three transferred to other government departments and one reached the end of their contract.

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. A number of improvements have been made to the recruitment process following an on-site audit in 2008.

Staff recruited who took up post during 2008-09

	Male	Female
Actuaries	6	3
Trainee Actuaries	15	7
Support staff	1	4
Total	22	14

Qualified Actuaries

On 31 March 2009 there were 54 qualified actuaries in post. As in previous years some retired GAD actuaries were used on an ad-hoc consultancy basis on specific projects.

Trainee Actuaries

22 trainee actuary appointments were made during the year, including those from the 2007-08 Trainee Actuary Open Competition. On 31 March 2009, there were 42 trainee actuaries in post.

HR Review

A fundamental review of HR policies and practice was undertaken in 2008 and an action plan set in place for improvements. As a result a comprehensive Staff Handbook is now available to all staff, the appraisal process revised, a competence framework introduced, contracts of employment have been revised, personnel records standardised, a skills audit was undertaken and a learning and development programme has been devised. Further action will be undertaken in 2009 as the HR team takes forward a strategy of continuous improvement.

Staff in Post as at 31 March 2009

	Staff in Post
Actuaries	54
Trainee Actuaries	42
Support Staff	32
Total	128

Sickness Absence

The Management Board monitors sick absence on a monthly basis against the published sick absence policy. Excluding one long term sick absentee the average sick absence per head for the period April 2008 to March 2009 was 5.1 days. Including the long term absentee brings this figure to 7.5 days. GAD is actively managing the long term absence with a view to resolving this issue in 2009.

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 bring on talent. Throughout the year, the GAD management team entered into regular dialogue with the recognised trade union on matters affecting staff.

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 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. There are a number of operating committees under the Management Board to encourage direct staff input into Departmental decision making.

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 continued 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 and leadership and programmes of study leading to professional qualifications at appropriate levels. GAD is committed to the principles of Investors in People (IiP) and seeks to develop staff to an appropriate level, so that they can discharge their duties as effectively as possible.

Environmental and Social and Community issues

GAD is committed to reducing its Environmental Impact by working toward achieving the targets set out in the 'Sustainable Operations on the Government Estate (SOGE)'. GAD has assessed its Environmental Aspects and has put in place a number of initiatives as part of working towards achieving ISO14001 accreditation for its Environmental Management System (EMS).

- In order to reduce CO₂ emissions all of GAD's electricity is sourced from 100% renewable resources. The Department has signed up to the cycle scheme to encourage staff to cycle all or part of their journey to work and audio conference facilities have been installed to reduce the need for travel to and from meetings.
- The Department recycles all its paper and toner cartridges.
- Computers and printers no longer required are taken away for reuse by various charities.
- Energy saving lighting is installed throughout the building and photocopiers and printers have energy saving modes fitted as standard.
- The building is cleaned using modern bio-degradable and environmentally friendly chemicals which are subsequently correctly disposed of by external contractors to cut down on pollution.

Auditor

The Comptroller and Auditor General is the statutorily appointed auditor for GAD's accounts. The notional cost of audit services in 2008-09 was £46,000 (2007-08: £44,000) plus an additional notional cost of £10,000 for undertaking an additional audit of GAD's accounts under the new IFRS standards. No fees, either actual or notional, were incurred for non-audit work (2007-08: £nil).

The Accounting Officer confirms that:

- there is no relevant audit information of which the auditors are unaware;
- he has taken all steps he ought to ensure that they are aware of relevant audit information; and
- he has taken all the steps he ought to establish that the entity's auditors are aware of the information.

Trevor Llanwarne
Government Actuary
Accounting Officer

DATE 26 June 2009

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 took up the post on 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 was appointed through promotion routines overseen by the Civil Service Commissioners and is automatically a member of the Management Board. The Head of Actuarial Operations, 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.

Disclosure of salary, pension and compensation information for 2008-09

The following sections provide details of the remuneration and pension interests of the Management Board Members. These details are shown in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by HM Treasury and have been audited. These figures have been supplied by the Department for Work and Pensions.

In addition to those listed in the table, the Government Actuary's Department has two non-executive directors (NEDs) 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 (see Note 7a for more details).

	2008-09		2007-08	
	Salary £000's	Benefits in Kind	Salary £000's	Benefits in Kind
Trevor Llanwarne <i>Government Actuary</i>	180-185*	-	-	-
Chris Daykin <i>Government Actuary</i>	-	-	195-200	-
Andrew Johnston <i>Deputy Government Actuary</i>	145-150	-	150-155	-
George Russell <i>Head of Actuarial Operations</i>	125-130	-	115-120	-
Kevin Down <i>Director of Finance</i>	60-65	-	50-55	-
Simon Bancroft Rimmer <i>Director of Personnel</i>	45-50	-	45-50	-

*Including bonus of £15,000.

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 bonus reflects the maximum agreed bonus for senior civil servants which has been set at £15,000. Under his contract the GA is entitled to a performance related bonus of up to £25,000 in respect of his first year in employment to 31 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.

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 31/3/09 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/09	CETV at 31/03/08*	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Trevor Llanwarne ¹ <i>Government Actuary</i>	0-5	2.5-5	56	-	50
Chris Daykin <i>Government Actuary</i>	-	-	-	2,217	-
Andrew Johnston ² <i>Deputy Government Actuary</i>	60-65 Plus lump sum of 185-190	0-2.5 Plus lump sum of 0-2.5	1,221	1,137	7
George Russell <i>Head of Actuarial Operations</i>	25-30	0-2.5	372	327	20
Kevin Down <i>Director of Finance</i>	10-15 Plus lump sum of 40-45	0-2.5 Plus lump sum of 2.5-5	193	164	17
Simon Bancroft- Rimmer <i>Director of Personnel</i>	10-15 Plus lump sum of 40-45	0-2.5 Plus lump sum of 0-2.5	207	188	5

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

1. Trevor Llanwarne joined the Department as Government Actuary on 1st May 2008.
2. Andrew Johnston was acting Government Actuary during April 2008 and reverted back to his former grade of Deputy Government Actuary on 1st May 2008.

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 good quality 'money purchase' stakeholder pension with a significant 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 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump

sum. **Classic plus** is essentially a hybrid with benefits 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

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 cash equivalent transfer value 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 calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Trevor Llanwarne

Government Actuary

Accounting Officer

DATE 26 June 2009

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, taking into account the size of the Department and the nature of its operations and risks. The system of internal control has been in place in the Government Actuary's Department for the year ended 31 March 2009 and up to the date of approval of the accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The Department has established and maintains a risk register. Any risks exceeding the Department's risk appetite are referred to the Management Board for consideration.

4. The risk and control framework

Responsibility for maintaining and reviewing the risk register lies with the Support Operations Committee, which also oversees the detailed management of risks on behalf of the Management Board. GAD's risk management strategy and policies have been formally documented.

The Department has established the following processes:

- The Management Board meets 11 times a year to consider the plans and overall strategic direction of the Department.
- Strategic aims are considered annually by the Management Board.
- 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.
- The Support Operations Committee, which is chaired by the Director of Finance, deals with support operational issues. Professional and technical matters are dealt with by the Technical Committee which meets on a 6 weekly basis. There is also an Audit Committee which normally meets 5 times a year (but can request extra meetings when necessary), which reports directly to the Accounting Officer and the Management Board.
- Responsibility for controlling and maintaining the departmental risk register falls within the remit of the Support Operations Committee, which is also responsible for looking at any items of risk which are a cause for concern. Each risk recorded on the register is owned and managed by a nominated member of staff. Any risks identified as exceeding the agreed risk appetite by the Support Operations Committee are brought to the attention of the Management Board.
- All new infrastructure projects require a project impact assessment as part of the initiation process and follow the OGC Gateway review process. Major such projects are also subject to a Post Implementation Review to ensure that the Department learns lessons from each implementation.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. Assurance comes from the work of Internal Audit and the executive managers within the Government Actuary's Department who have responsibility for the development and maintenance of the internal control framework, as well as by 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 Management Board and the Audit Committee.

The annual report by the Head of Internal Audit (HIA) gave a substantial assurance on GAD's Risk Management, Governance and Control arrangements. Limited assurance was given on IT key controls and an action plan has been drawn up to address these areas. A clear IT strategy will be developed as part of the move to a new building, Business Continuity Plans will be tested and a project plan to achieve ISO27001 will be put in place. The HIA report is supplemented by the formal system of assurance statements with all Board Members, Chief Actuaries and Heads of Central Service functions providing a signed statement.

An action plan to improve the effectiveness of the Personnel function has made good progress, further substantiated by follow-up audit checks carried out in June 2009. Notable actions during the year include the introduction of a staff handbook which is the single point of reference for HR policies, a major review of the Performance Management system, substantially improved recruitment processes, a career map, bi-annual staff opinion surveys and the introduction of a competence framework. Action will be taken during 2009/10 to address minor remaining control weaknesses identified by Internal Audit through the implementation of the revised performance management process, the launch of a comprehensive range of learning and development activity, improvements to HR data systems and further improvements to recruitment processes.

GAD's business involves handling large amounts of data which sometimes contains personal information about individuals. GAD has carried out a self-assessment using the Information Assurance Maturity Model and engaged independent consultants to carry out an assessment of compliance with the requirements of the Security Policy Framework. Both of these reviews identified areas where GAD does not meet the required standards and action will be taken to address these shortcomings. GAD has not suffered any protected personal data related incidents during 2008-09 or in previous financial years.

The Audit Committee reviewed its own effectiveness during the year and identified some areas where the Committee could further improve its oversight of GAD's governance arrangements.

In addition, the effectiveness of the system of internal control is considered in the following ways:

- Two non-executive Directors sit on the Management Board in line with best practice, and with particular regard to the increasing transparency and rigour of the risk management process.
- The Audit Committee, which consisted of the two non-executive Directors and a further independent member, reviews the priorities for risk assessment in the Department and agrees a timetable and yearly plan for Internal Audit.
- Internal Audit acts independently in providing advice to the Accounting Officer and to the Management Board and also makes direct recommendations to representatives on the Management Board if they feel that additional audit activity is required on specific topics.

Senior Management Team Members also contribute to and participate actively in the profession. Up-to-date knowledge of the latest professional developments is shared through the Technical Committee, which reports to the Management Board.

Trevor Llanwarne
Government Actuary,
Accounting Officer

DATE 26 June 2009

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

I certify that I have audited the financial statements of the Government Actuary's Department for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Management Commentary excluding Table 1 and the Core Tables, included in the Annual Report, is consistent with the financial statements. I also report whether in all 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.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Introduction, Management Structure and Governance, the Core Tables, and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of

the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Management Commentary excluding Table 1 and the Core Tables, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date: 30 June 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Statement of Parliamentary Supply Summary of Resource Outturn 2008-09

	Notes	2008 - 2009				2007-08			
		Estimate		Outturn					
		<i>Gross Expenditure</i>	<i>A-in-A</i>	<i>Net Total</i>	<i>Gross Expenditure</i>	<i>A-in-A</i>	<i>Net Total</i>	<i>Net Total Outturn Compared with the Estimate: Saving/ (Excess)</i>	<i>Prior Year Outturn</i>
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Request for Resources 1	2 & 3	13,411	12,808	603	12,404	12,014	390	213	672
Total Resources		13,411	12,808	603	12,404	12,014	390	213	672
Non-operating Cost Appropriated in Aid		-	-	-	-	-	-	-	-

Net Cash Requirement 2008-09

	Notes	2008 - 2009		2007-08		
		<i>Estimate</i>		<i>Outturn (Net Total)</i>	<i>Net Total Outturn Compared with the Estimate: Saving/ (Excess)</i>	<i>Prior Year Outturn</i>
		£'000	£'000	£'000	£'000	£'000
Net Cash Requirement	4	279	-	279	334	

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

	Notes	2008-09 Forecast		2008-09 Outturn	
		<i>Income</i>	<i>Receipts</i>	<i>Income</i>	<i>Receipts</i>
		£'000	£'000	£'000	£'000
Income payable to the Consolidated Fund					
Total	5 & 6	-	-	1	44

An explanation of the variances between Estimate Net Cash Requirement / Net Total Resources and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 35 to 51 form part of these accounts.

Operating Cost Statement

For the year ended 31 March 2009

	Notes	2008-09		2007-08	
		£'000	£'000	£'000	£'000
Administration Costs					
Staff Costs	7	8,839		7,238	
Other administration costs	8	3,929		3,452	
Movement in Work in Progress	12	(364)		75	
Gross Administration Costs		12,404		10,765	
Operating Income	9	(12,014)		(10,093)	
Net Operating Cost			390		672

Statement of Recognised Gains and Losses

For the Year ended 31 March 2009

	Notes	2008-09	2007-08
		£'000	£'000
Net gain / (loss) on revaluation of Tangible Fixed Assets	18	(247)	261
Net gain on re-lifing of Tangible Fixed Assets	18	0	13
Recognised gains and losses for the Financial Year		(247)	274

The notes on pages 35 to 51 form part of these accounts.

Balance Sheet

As at 31 March 2009

	Notes	31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	10	1,317		1,692	
Intangible assets	11	196		167	
			1,513		1,859
Current Assets					
Work-in-Progress	12	724		360	
Debtors	13	2,745		2,534	
Cash at bank and in hand	14	322		156	
		3,791		3,050	
Creditors (Amounts falling due within one year)	15	(1,034)		(801)	
Net Current Assets			2,757		2,249
Total Assets less Current Liabilities			4,270		4,108
Creditors (Amounts falling due after one year)	15		(1,475)		(1,533)
Provisions for Liabilities and Charges	16		(764)		-
			2,031		2,575
Taxpayers' Equity					
General fund	17		1,793		2,090
Revaluation reserve	18		238		485
			2,031		2,575

Trevor Llanwarne
Government Actuary
Accounting Officer

26 June 2009

The notes on pages 35 to 51 form part of these accounts.

Cash Flow Statement

For the year ended 31 March 2009

	Notes	<u>2008-09</u>	<u>2007-08</u>
		£'000	£'000
Net cash inflow/(outflow) from operating activities	19a	221	(271)
Capital expenditure and financial investment	19b	(178)	(63)
Financing	19c	123	(460)
Increase/(Decrease) in cash in the period	19d	<u>166</u>	<u>(794)</u>

The notes on pages 35 to 51 form part of these accounts.

Statement of Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

	Note	2008-09			2007-08		
		Gross	Income	Net	Gross	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
AIM:							
To provide mainly public sector clients with independent, professional, actuarial advice of the highest quality at a reasonable cost.							
Objective 1							
To provide the actuarial advice to Government Departments and other GAD clients in respect of employer-sponsored pension arrangements (particularly the main public service schemes) and other employee benefits.	20	9,106	7,699	1,407	7,684	6,765	919
Objective 2							
To provide the social security projections, demographic analysis and actuarial advice necessary to underpin Ministerial decision-making in social security and pensions policy and provide the actuarial advice necessary for the regulation and supervision of financial institutions.	20	3,298	4,315	(1,017)	3,081	3,328	(247)
Net Operating Costs	20	12,404	12,014	390	10,765	10,093	672

The notes on pages 35 to 51 form part of these accounts.

NOTES TO THE RESOURCE ACCOUNTS**1. Statement of Accounting Policies**

These financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Government Actuary's Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Government Actuary's Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under the *FReM* the Department is also required to prepare 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 fixed assets at their value to the business by reference to their current costs. As allowed in the FReM 2008-09, the Department revalues its fixed assets for modified historic cost accounting purposes. Computer equipment and office furniture are revalued at year end, while building fit-out costs are revalued at the start of the year when the appropriate indices are available.

1.2 Intangible Fixed 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.

1.3 Tangible Fixed Assets***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.

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.

1.4 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:

<i>Computer – Printers and Servers</i>	<i>4 years</i>
<i>Computer – Other Hardware</i>	<i>3 years</i>
<i>Computer - Software small packages</i>	<i>4 years</i>
<i>Major software packages</i>	<i>8 years</i>
<i>Actuarial Valuation software</i>	<i>4 years</i>
<i>Office Furniture</i>	<i>10 years</i>
<i>Enhancements to Finlaison House</i>	<i>10 years</i>
<i>Fit-out costs for Finlaison House</i>	<i>20 years</i>

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. Some recent minor enhancements to the building are depreciated over ten years.

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. GAD's commitments are disclosed in note 22. There are no finance leases.

1.7 Work-in-Progress

Work-in-Progress 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 2009.

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.

1.9 Administration Expenditure

Administration costs reflect the costs of running GAD, as defined under the Administration Cost Control Regime.

1.10 Capital Charge

A non-cash charge, reflecting the cost of capital utilised by GAD, is included in operating costs and calculated as 3.5 per cent on 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.

1.11 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.

1.12 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. In accordance with the FReM, future provisions have been discounted on an annual basis.

1.13 Value Added Tax

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

2. Analysis of Net Resource Outturn

	2008-09						2007-08		
	Outturn						Estimate		Outturn
	Administration	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	Prior Year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for resources 1									
Providing an actuarial consultancy service	12,404	-	-	12,404	12,014	390	603	213	672
Resource Outturn	12,404	-	-	12,404	12,014	390	603	213	672

The Total Resource Requirement differs from the estimate as GAD's expenditure was lower, relative to income, than planned. The Net Cash Requirement differed from the estimate due to increased income. Detailed explanations of the variances are given in the Operating and Financial Review.

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

3(a) Reconciliation of net resource outturn to net operating cost

	2008-09		2007-08	
	Outturn	Supply Estimate	Outturn Compared with estimate	Prior Year Outturn
	£'000	£'000	£'000	£'000
Net Resource Outturn	390	603	213	672
Net operating cost	390	603	213	672

3(b) Outturn against final Administration Budget

	2008-09		2007-08
	Budget	Outturn	Prior Year Outturn
	£'000	£'000	£'000
Gross Administration Budget	13,411	12,404	10,765
Income allowable against the Administration Budget	(12,808)	(12,014)	(10,093)
Net outturn against final Administration Budget	603	390	672

4. Reconciliation of Resources to cash requirement

	Notes	2008-09		Net Total outturn compared with estimate: saving/ (excess)
		£'000	£'000	
Resource Outturn		603	390	213
Capital				
Acquisition of Fixed Assets	10,11	222	178	44
Investments		-	-	-
Non Operating A-in A				
Proceeds of Fixed Assets Disposals		-	-	-
Accruals Adjustments				
Non Cash Items	8	(553)	(413)	(140)
Changes in Working Capital other than Cash		-	508	(508)
Changes in creditors falling due after one year	15	-	58	(58)
New Provision set up	16	-	(764)	764
Use of Provision	16	7	-	7
Excess cash receipts surrenderable to the Consolidated Fund	5	-	43	(43)
Net Cash Requirement		279	0	279

5. Analysis 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.

	Forecast 2008-09		Outturn 2008-09	
	Income	Receipts	Income	Receipts
	£'000	£'000	£'000	£'000
Excess Cash surrenderable to the Consolidated Fund	-	-	-	43
Other Non-operating Income and receipts not classified as A-in-A	-	-	1	1
Total income payable to the Consolidated Fund	-	-	1	44

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

	2008-09	2007-08
	£'000	£'000
Operating income	12,014	10,093
Income authorised to be appropriated in Aid	(12,014)	(10,093)
Operating income payable to the Consolidated Fund	-	-

7. Staff Numbers and related costs**a) Staff costs comprise:**

	2008-09			2007-08
	Permanently employed staff	Non- Executive Directors	Total	Prior Year Outturn
	£'000	£'000	£'000	£'000
Wages and Salaries	6,853	14*	6,867	5,457
Social Security Costs	585	1	586	530
Other Pension Costs	1,386	-	1,386	1,251
Total	8,824	15	8,839	7,238

* G Bartlett £6K

* Ms J Smith £8K

More details on remuneration policy can be found in the Remuneration Report.

For 2008-09, contributions of £1,385,531 (2007-08: £1,251,038) were paid to the PCSPS at rates prescribed by the Treasury on the advice of the Scheme Actuary. These rates were in the range of 17.1 - 25.5 per cent (2007-08 same rates) of pensionable pay, according to salary level.

b) Average Number of persons employed

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

Objectives	2008-09	2007-08
1. To provide the actuarial advice to government departments and other GAD clients in respect of employer-sponsored pension arrangements (particularly the main public service schemes) and other employee benefits.	83	77
2. To provide the social security projections, demographic analysis and actuarial advice necessary to underpin Ministerial decision-making in social security and pensions policy and provide the actuarial advice necessary for the regulation and supervision of financial institutions.	24	23
Total	107	100

8. Other administration costs

	2008-09	2007-08
	<u>£'000</u>	<u>£'000</u>
Rates and building service costs	742	648
Rent of building	1,456	1,433
Photocopying	23	23
Consultancy	145	44
Agency and other temporary staff costs	101	38
Internal Audit Fees	19	18
Recruitment	252	118
Travel, subsistence and hospitality	133	137
Training	156	122
Subscriptions	80	81
Computer running costs	252	205
Telecommunications	58	59
Stationery and publications	62	57
Other costs	<u>37</u>	<u>28</u>
	3,516	3,011
Non cash items:		
Depreciation and amortisation of fixed assets	252	291
Loss on revaluation of fixed assets	19	15
Loss on disposal of fixed assets	6	2
Cost of capital charge	80	89
Auditor's remuneration	<u>56</u>	<u>44</u>
	413	441
Total	<u>3,929</u>	<u>3,452</u>

9. Operating Income

The Department has a small net resource requirement to cover "core" activities which cannot be ascribed to specific clients. The "core" activities relate to miscellaneous work for Ministers.

	2008-09		2007-08	
	Appropriated in Aid	Payable to the Consolidated Fund	Total Income	Total Income
	£'000	£'000	£'000	£'000
Operating income, analysed by classification and activity, is as follows:				
Administration Income				
Receipts from other government departments	7,072	-	7,072	6,030
<i>of which Receipts from :</i>				
<i>Sub Tenants</i>	912	-	912	778
<i>National Insurance Fund</i>	399	-	399	187
Receipts from the wider public sector and overseas clients	4,942	-	4,942	4,063
Total	12,014	-	12,014	10,093

10. Tangible Fixed Assets

	Office Furniture and Equipment	Computer Equipment	Leasehold Building	Total 2008-09
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2008 *	289	368	1,901	2,558
Additions	12	41	-	53
Disposals	(83)	(221)	-	(304)
Revaluation of re-lifed assets	-	-	-	-
Revaluation	10	(18)	(329)	(337)
At 31 March 2009	228	170	1,572	1,970
Depreciation				
At 1 April 2008 *	180	238	448	866
Charged in year	23	65	81	169
Disposals	(79)	(221)	-	(300)
Revaluation	6	(10)	(78)	(82)
At 31 March 2009	130	72	451	653
Net Book Value at 31 March 2009	98	98	1,121	1,317
Net Book Value at 31 March 2008	109	130	1,453	1,692
Asset financing:				
Owned	98	98	1,121	1,317

*During 2008/09 a review of the fixed asset register was carried out. It was found that a number of assets had been fully depreciated by the end of 2002 but had not been removed from the brought forward costs. These disposed items have now been removed from the fixed asset register and included as part of the disposals for 2008/09.

11. Intangible Fixed Assets

	Computer Software
	<u>£'000</u>
Cost or Valuation	
At 1 April 2008 *	469
Additions	125
Disposals	(197)
Revaluation	<u>(23)</u>
At 31 March 2009	374
Amortisation	
At 1 April 2008 *	302
Charged in year	83
Disposals	(195)
Revaluation	<u>(12)</u>
At 31 March 2009	178
Net Book Value at 31 March 2009	<u>196</u>
Net Book Value at 31 March 2008	<u>167</u>

*During 2008/09 a review of the fixed asset register was carried out. It was found that a number of assets had been fully depreciated by the end of 2002 but had not been removed from the brought forward costs. These disposed items have now been removed from the fixed asset register and included as part of the disposals for 2008/09.

12. Work in Progress

	2008-09	2007-08
	<u>£'000</u>	<u>£'000</u>
Value of time worked but not billed	<u>724</u>	<u>360</u>

13. Debtors**13(a) Analysis by type**

	2008-09	2007-08
	£'000	£'000
Trade debtors (i)	2,485	2,353
Deposits and advances	43	29
Prepayments	217	143
Other Debtors	-	9
Total (ii)	2,745	2,534

(i) Trade debtors are shown net of a provision for bad debts of £24,000 (2007-08, £24,000)

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

13(b) Intra-Government Balances

	2008-09	2007-08
	£'000	£'000
Balance with Central Government Bodies	1,248	1,117
Balance with NHS Trusts	48	56
Balance with local authorities	7	2
<i>Sub-total intra-government balances</i>	<i>1,303</i>	<i>1,175</i>
Balance with bodies external to government	1,442	1,359
Total	2,745	2,534

14. Cash at Bank and In Hand

	2008-09	2007-08
	£'000	£'000
Balance at 1 April	156	950
Net change in cash balances	166	(794)
Balance at 31 March	322	156
The following balances at 31 March were held at:		
Office of H M Paymaster General plus cash in hand	322	156
	322	156
The balance at 31 March comprises:		
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	-
Other amounts due to the Consolidated Fund	322	156
Total	322	156

The Office of HM Paymaster General provides a current account banking service.

During the year, the Department held a commercial bank account. The balance of funds held in the commercial bank account on 31 March 2009 was £8,837.85 and this represents third party deposits (refer to Note 26 for further information).

15. Creditors**15(a) Analysis by type**

	<u>2008-09</u>	<u>2007-08</u>
	£'000	£'000
Amounts falling due within one year		
VAT payable	394	514
Trade creditors	4	3
Accommodation Creditor	91	89
Accruals	97	39
Prepayment	126	-
Consolidated Fund Creditor for cash unspent at year end	322	156
	<u>1,034</u>	<u>801</u>
Amounts falling due after more than one year		
Accommodation Creditor	1,475	1,533
	<u>2,509</u>	<u>2,334</u>

15(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	£'000	£'000	£'000	£'000
	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>
Balance with Central Government Bodies	842	681	-	-
Balance with bodies external to government	192	120	1,475	1,533
	<u>1,034</u>	<u>801</u>	<u>1,475</u>	<u>1,533</u>

GAD has an agreement with HM Revenue and Customs to pay over only that VAT on invoices paid by clients and to exclude VAT due to them on invoices issued but unpaid by clients.

16. Provision for Liabilities and Charges

The Department's provision for liabilities and charges comprised a provision for early retirement costs as follows:

	<u>2008-09</u>
	£'000
Balance at 1 April 2008	-
Provided in year	764
Provision utilised in year	-
Balance at 31 March 2009	<u>764</u>

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.

17. General Fund

The General Fund represents the total net assets less liabilities of the Department, to the extent that the total is not represented by other reserves.

	<u>2008-09</u>	<u>2007-08</u>
	£'000	£'000
General Fund at 1 April	2,090	2,277
Net Parliamentary Funding:		
Drawn Down	128	222
Deemed Supply	151	286
Supply Creditor - current year	(322)	(156)
Excess Cash surrenderable to the Consolidated Fund	-	-
CFER Creditor	-	-
Net Transfer from Operating Activities		
Net Operating Cost	(390)	(672)
Other CFER	-	-
Non Cash Charges (see Note 8):		
Cost of capital charge	80	89
Auditors' remuneration	56	44
Net Increase / (Decrease) in General Fund	(297)	(187)
General Fund at 31 March	<u>1,793</u>	<u>2,090</u>

18. Revaluation Reserve

	<u>2008-09</u>	<u>2007-08</u>
	£'000	£'000
Balance at 1 April	485	211
Arising from revaluation during the year	(247)	261
Arising from re-lifing of tangible fixed assets	-	13
Arising on disposals during the year	-	-
Balance at 31 March	<u>238</u>	<u>485</u>

The Revaluation Reserve reflects the unrealised elements of the cumulative balance of indexation and revaluation adjustments.

19. Notes to the Cash Flow Statement

a. Reconciliation of operating cost to operating cash flows

	2008-09	2007-08
	£'000	£'000
Net Operating Cost	(390)	(672)
Restatement adjustment	-	-
Adjustments for non-cash transactions	413	441
Release from Revaluation Reserve	-	-
(Increase)/Decrease in Work in Progress	(364)	75
(Increase)/Decrease in Debtors	(211)	(152)
(Decrease)/Increase in Creditors	67	(57)
(Decrease)/Increase in Creditors falling due in more than one year	(58)	94
Setting up Provision	764	-
Adjustments for use of Provision	-	-
Net cash (inflow)/outflow from operating activities	221	(271)

b. Analysis of Capital Expenditure and Financial Investment

	2008-09	2007-08
	£'000	£'000
Tangible Fixed Assets additions	(53)	(35)
Intangible Fixed Assets additions	(125)	(28)
Proceeds of disposals of fixed assets	-	-
Total Additions	(178)	(63)

c. Analysis of Financing

	2008-09	2007-08
	£'000	£'000
From the Consolidated Fund (Supply): current year	279	508
Cash surrender of prior year's unspent supply	(156)	(950)
Cash surrender of prior year debtor resulting from a machinery of government transfer	-	(18)
Net Financing	123	(460)

d. Reconciliation of net cash requirement to increase/(decrease) in cash

	2008-09	2007-08
	£'000	£'000
Net Cash Requirement for the year (see Statement of Parliamentary Supply)	43	(334)
From the Consolidated Fund (Supply): current year	279	508
Receipt of Prior Year debtor resulting from a machinery of government transfer	-	(18)
Cash surrender of prior year's unspent supply	(156)	(950)
Amounts due to the Consolidated Fund received and not paid over	-	-
Increase/(Decrease) in Cash	166	(794)

20. Notes to the Operating Cost Statement by Departmental Strategic Objectives

a. Current Expenditure has been allocated as follows:

	<u>2008-09</u>	<u>2007-08</u>
	£'000	£'000
Objective One	9,106	7,684
Objective Two	3,298	3,081
Total	<u>12,404</u>	<u>10,765</u>

b. Capital employed by Departmental Strategic Objectives has been allocated as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
	£'000	£'000
Objective One	1,491	1,838
Objective Two	540	737
Total	<u>2,031</u>	<u>2,575</u>

Administration costs have been allocated to objectives, wherever possible, in accordance with the Department's normal management accounting policies, or have been allocated on the basis of staff numbers attributed to objectives. GAD's capital is employed exclusively for administration purposes: its distribution between objectives is treated in exactly the same way as the related gross administration cost.

21. Capital Commitments

The Department's capital commitments at 31 March 2009 were £Nil (31 March 2008: £Nil).

22. Commitments under operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below.

	<u>2008-09</u>	<u>2007-08</u>
	£'000	£'000
Land and Buildings		
Lease expiring in more than five years	1,491	1,455

23. Contingent Liabilities and Contingent Assets

As at 31 March 2009, the Department did not have any contingent liability or contingent asset.

24. 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. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. GAD is not therefore exposed to significant liquidity risks.

Interest rate risk

The Department's financial assets and liabilities are not exposed to interest rate risks.

Interest rate profile

The following two tables show the interest rate and currency profiles of the Department's financial liabilities and assets.

Table 1 - Financial assets

	Total	Floating-rate financial assets	Fixed-rate financial assets	Non-interest bearing financial assets (i)		Total	Floating-rate financial assets	Fixed-rate financial assets	Non-interest bearing financial assets
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
At 31 March 2009:					At 31 March 2008:				
Sterling	322	-	-	322	Sterling	156	-	-	156
Trade Debtors less than 1 year	2,485	-	-	2,485	Trade Debtors less than 1 year	2,353	-	-	2,353
Other	-	-	-	-	Other	-	-	-	-
Gross financial assets	2,807	-	-	2,807	Gross financial assets	2,509	-	-	2,509

(i) The Department's non-interest bearing financial assets comprise cash at bank and in hand of £321,915.41, and trade debtors of £2,485,000.

Table 2 - Financial liabilities

	Total	Floating-rate financial liabilities	Fixed-rate financial liabilities	Non-interest bearing financial liabilities		Total	Floating-rate financial liabilities	Fixed-rate financial liabilities	Non-interest bearing financial liabilities
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
At 31 March 2009:					At 31 March 2008:				
Sterling	-	-	-	-	Sterling	-	-	-	-
Trade Creditors less than 1 year	4	-	-	4	Trade Creditors less than 1 year	4	-	-	4
Other	-	-	-	-	Other	-	-	-	-
Gross financial liabilities	4	-	-	4	Gross financial liabilities	4	-	-	4

Foreign currency risk

Fees payable in foreign currency amounted to 13.1% of total turnover in 2008-09. The policy on foreign currency receipts is to account for them at the conversion value on receipt, accepting fluctuations in currency movements and not hedging against these movements. During 2008-09, HM Treasury gave permission for GAD to retain the gains from foreign currency exchange as part of its income. Foreign currency expenditure is minor.

Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2009.

Table 3 - Fair Values

	<u>Book value</u>	<u>Fair value (i)</u>	<u>Basis of fair Valuation</u>
	£'000	£'000	
At 31 March 2009			
Primary financial instruments:			
Financial assets:			
Cash at bank	322	322	Note (i)
Financial liabilities:			
Provisions	764	764	

Note (i) Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% a year in real terms.

24.1 Financial Guarantees, Indemnities and Letters of Comfort

As at 31 March 2009, the Department did not have any financial guarantees, indemnities or letters of comfort (31 March 2008, £Nil).

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 9. Note that receipts from other government departments include rent and facilities management charges received from the Commission for Social Care Inspection (April to September 2008), the Human Tissue Authority (HTA) and the Ministry of Defence (from October 2008) as sub-tenants of the property of Finlaison House. In 2008-09 the total net income from these sub-tenants was some £912,000 (2007-08, £778,000).

Details of balances outstanding with other government departments are shown in the Debtors and Creditors (Notes 13 and 15).

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

	<u>2008-09</u>	<u>2007-08</u>
	£'000	£'000
Opening balance at 1 April 2008/2007	9	11
Net receipts/(payments)	-	(2)
Closing balance at 31 March 2009/2008	<u>9</u>	<u>9</u>

The Department has a custodial role to ensure the safekeeping of client deposits. As at 31 March 2009, these amounted in total to £8,837.85 (31 March 2008: £8,837.85) An analysis of the movements on these accounts is shown in the table above.

27. Entities within the Departmental Boundary

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

28. Events after the Balance Sheet Date

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

29. Date of Authorisation of Accounts

This set of financial statements were authorised for issue on 30 June 2009.



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