

Estimates Memorandum

for the 2019-20 Main Estimate

for the Government Actuary's Department

1. Overview

1.1 Objectives

GAD is the Government Actuary's Department. GAD is a non-ministerial department which provides actuarial and specialist analysis, advice and assurance to clients in both the public sector (UK and overseas) and the private sector where this is consistent with government policy and does not impair our ability to serve the UK government. GAD has unrivalled experience and expertise in advising the UK public service.

1.2 Spending controls

GAD's net spending is broken down into three spending totals, for which Parliament's approval is sought. These are as follows:

- Resource Departmental Expenditure Limit (**Resource DEL**) - a net limit comprising day to day running costs, less income from actuarial services provided and income from sub-letting of spare accommodation in our leasehold property.
- Capital Departmental Expenditure Limit (**Capital DEL**) – investment in capital IT equipment and leasehold improvements
- Resource Annually Managed Expenditure Limit for provisions for liabilities (**Resource AME**) – a net limit for dilapidation provisions in relation to the lease for Finlaison House (GAD's HQ).

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require GAD to pay out cash in year.

1.3 Comparison of net spending totals sought

The table below shows how the net spending totals sought for GAD compares with last year:

Spending Total Amounts sought this year (Main Estimate 2019-20)		Compared to final budget last year (Supplementary Estimate 2018-19)	Compared to original budget last year (Main Estimate 2018-19)
Resource DEL	+£0.001m	-£0.029m	+£0.001m
Capital DEL	+£0.200m	+£0.230m	+£0.200m
AME Resource	+£0.141m	+£0.560m	+£0.141m

1.4 Key drivers of spending changes since last year

There were no changes between the Main Estimate 2019-20 and the Main Estimate 2018-19.

However in 2018-19 there was a voted Supplementary Estimate for an increase to Capital DEL by £0.03m funded by a corresponding reduction in Resource DEL to cover additional capital expenditure for the financial year 2018-19 which related to IT equipment to support the Department's flexible and remote working initiatives.

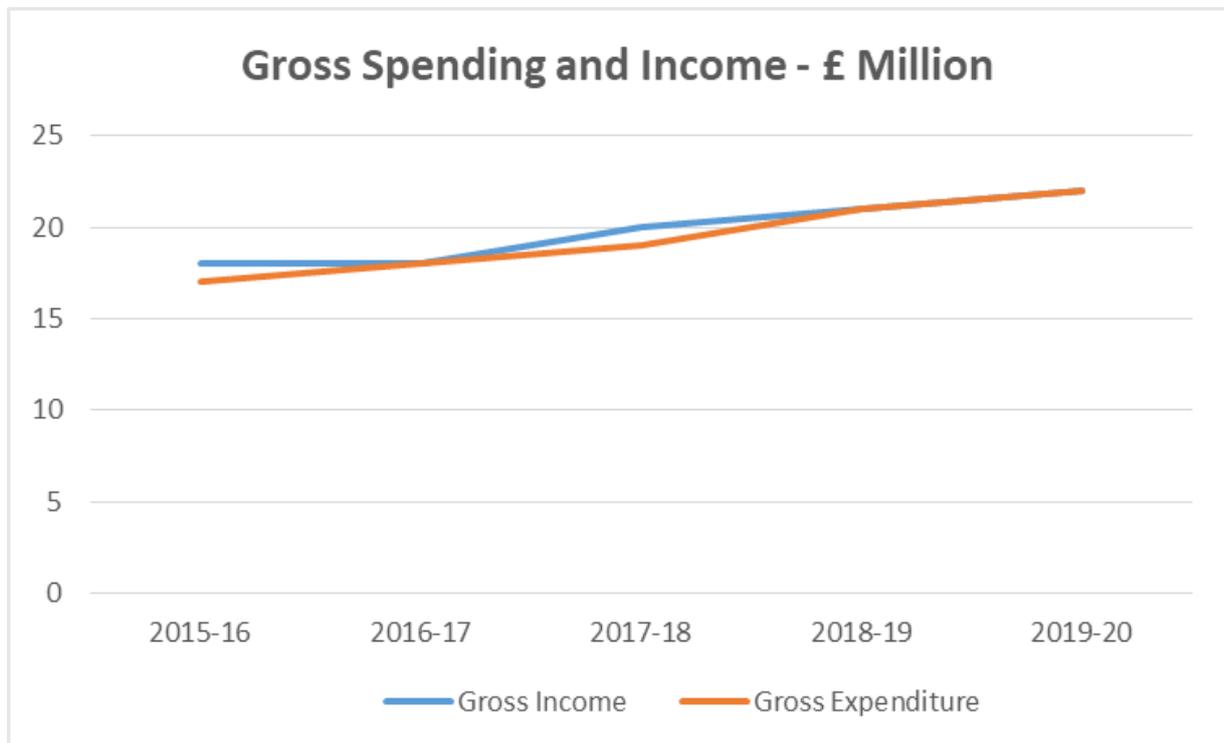
In 2018-19 voted Supplementary Estimate, there was an increase to Resource AME of £0.419m to provide for the annual dilapidation provision for Finlaison House. The provision was required to comply with relevant accounting standards, the terms of the lease for Finlaison House (GAD's HQ) and current level of anticipated costs.

1.5 New policies and programmes; ambit changes

Not applicable.

1.6 Spending and income trends

The chart below shows overall resource DEL spending and income trends for the last three years, current and future spending plans.



1.7 Administration costs and efficiency plans

Net Spending total Amounts sought this year (Main Estimate 2019-20)		Compared to original budget last year (Supplementary Estimate 2018-19)	Compared to original budget last year (Main Estimate 2018-19)
Resource DEL	+£0.001m	-£0.029m	+£0.001m
Capital DEL	+£0.200m	+£0.230m	+£0.200m
Resource AME	+£0.141m	+£0.560m	+£0.141m

There were no changes between the Main Estimate 2019-20 and the Main Estimate 2018-19.

All resource DEL is within the administration costs limit. During the year GAD are working to deliver the next stages of its workforce flexibility and mobility projects, as well as outsourcing its payroll function to a specialist provider, the Department is also exploring opportunities to transfer its IT function to another government agency. It has also worked extensively in-year to upgrade its actuarial and analysis software, a project which will complete in the next financial year.

1.8 Funding: Spending Review and Budgets

As in Spending Review

1.9 Other funding announcements

Not applicable.

2. Spending detail

2.1 Explanations of changes in spending and income

The table below compares GAD's **Resource DEL** for 2019-20 Main Estimate and 2018-19 Supplementary Estimate as follows:

Financial Year 2019-20	2019-20 Main Estimate £m	2018-19 Supplementary Estimate £m	Variance £m	Commentary
Resource DEL				
Gross Income				
Actuarial Income	(20.823)	(19.580)	(1.243)	Increased client demand as well as moderate increase in fee rates
Rental Income	(1.441)	(1.397)	(0.044)	Increase in rents in accordance with Finlaison House lease agreement
Total Gross Income	(22.264)	(20.977)	(1.287)	

Gross Expenditure				
Actuarial related costs	16.591	15.254	1.337	Increase in actuarial head count and related costs resulting from increased client demand
Central services costs	5.674	5.694	(0.020)	RDEL virement to CDEL in 2018-19 an increase of £0.030 and increase in 2019-20 of ring fence depreciation by £0.010m
Total Gross Expenditure	22.265	20.948	1.317	
Net Del Resource	0.001	(0.029)	0.030	

The table below compares GAD's **Capital DEL** for 2019-20 Main Estimate and 2018-19 Supplementary Estimate as follows:

Financial Year 2019-20	2019-20 Main Estimate £m	2018-19 Supplementary Estimate £m	Variance £m	Commentary
Capital DEL	0.200	0.230	(0.030)	Additional capital expenditure required in 2018-19 for IT equipment to facilitate increased workforce flexibility and remote working. Reduces to lower level thereafter.

The table below sets out GAD's **Resource AME** for 2019-20 Main Estimate and 2018-19 Supplementary Estimate as follows:

Financial Year 2019-20	2019-20 Main Estimate £m	2018-19 Supplementary Estimate £m	Variance £m	Commentary
Resource AME Provisions	0.141	0.560	0.419	Additional Dilapidation provision required in relation to the lease for Finlaison House (GAD's HQ) to cover for financial year 2018-19 only.

2.2 Restructuring

Not applicable.

2.3 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets:

Ring fenced budgets Amounts sought this year (Main Estimate 2019-20)		Compared to original budget last year (Supplementary Estimate 2018-19)	Compared to original budget last year (Main Estimate 2018-19)
Depreciation	£0.35m	£0.34m	£0.34m

2.4 Changes to contingent liabilities

Not applicable.

3. Priorities and performance

3.1 How spending relates to objectives

GAD's administration costs support all of its objectives. Hence all the Expenditure under subheads A, B and C in the Estimates support all of the objectives set out in 1.1 above.

3.2 Measures of performance against each priority

A key element of the Department's governance framework is the monthly management information pack which includes financial and performance information. The latter includes a balanced scorecard made up of four quadrants: financial, clients, processes and people, each of which has five key performance measures, the targets for which are agreed as part of the business planning process. The performance pack is reviewed by both the Department's Executive Committee and Management Board. We are of course happy to discuss detail if required.

3.3 Commentary on steps being taken to address performance issues

NAO findings and conclusion from 2017-18 Audit of Annual Report and Accounts:

- **Presumed risk of fraud due to management override of controls-** NAO did not identify any material misstatements, instances or irregularities which suggest that there have been incidences of management override of controls.
- **Presumed risk of fraud in revenue recognition-** NAO's audit work has provided sufficient assurance that the financial statements have not been materially misstated through fraudulent revenue recognition.

- **Recognition and measurement of the dilapidation provision-** NAO's audit work has provided sufficient assurance that the amounts recognised in the financial statements in respect of this provision (including prior period restatements) are materially correct.
- **Regularity, propriety and losses-** NAO found no issues of irregularity or impropriety during their audit and there were no losses or special payments that required disclosure in the accounts.
- **£nil audit adjustments** - NAO did not identify any misstatements above their error reporting threshold of £7k which required adjustment in the financial statement.
- **£nil unadjusted misstatements** - NAO did not identify any misstatements above their error reporting threshold of £7k which have been left unadjusted in the financial statements.

GIAA findings and recommendations:

The entire GIAA Audit plan has been delivered for 2018-19 with 8 reports issued with a number of medium and low priority actions which GAD management have accepted.

Recommendations from 5 of these reports have been fully implemented with the rest in the process of being implemented.

3.4 Major projects

GAD is currently transitioning to a new Pension Valuation System called Mantle. The project is expected to complete in 2019-20.

4. Other information

4.1 Additional specific information required by the select committee

Not applicable.

5. Accounting Officer Approval

The following individual is responsible for the expenditure within this Estimate:

Accounting Officer:

Martin Clarke