

# Estimates Memorandum

## for the 2020-21 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) and a provision for a historic injury benefit.

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 2020-21)		Compared to final budget last year  (Supplementary Estimate 2019-20)	Compared to original budget last year  (Main Estimate 2019-20)
Resource DEL	+£0.001m	+£0.002m	+£0.001m
Capital DEL	+£0.200m	+£0.200m	+£0.200m
Resource AME	+£0.050m	+£0.141m	+£0.141m

## 1.4 Key drivers of spending changes since last year

The net Resource DEL and Capital DEL remain unchanged between the Main Estimate 2020-21 and the Main Estimate 2019-20. The net resource DEL was increased by a notional £1,000 at the Supplementary Estimates 2019-20 to allow for a movement of budget from non-ringfenced to ringfenced RDEL to accommodate an increase in depreciation expense.

Resource AME has reduced compared to the prior year. In prior years an increase of £161k was added to the dilapidation provision each year which required Resource AME cover. An updated valuation (by a professional valuer) identified a reduction in the value of the required provision, as a result we require lower RAME cover.

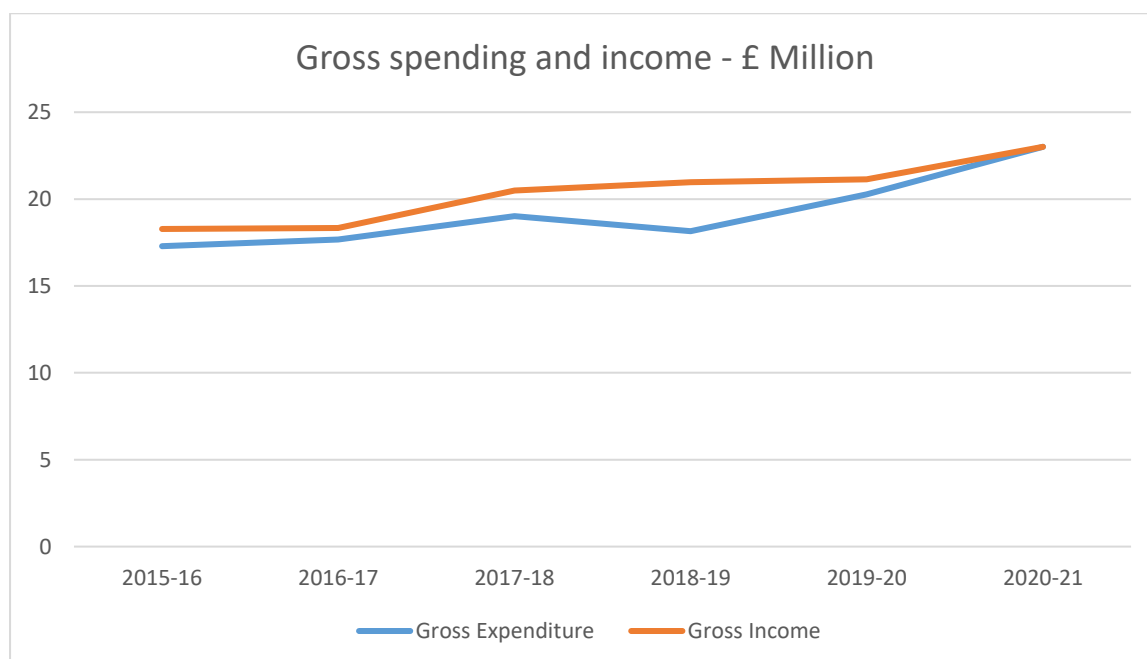
The provision is required to comply with relevant accounting standards, the terms of the lease for Finlaison House (GAD's HQ) and current level of anticipated costs.

## 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 five years, current and future spending plans.



## 1.7 Administration costs and efficiency plans

<b>Net Spending total Amounts sought this year (Main Estimate 2020-21)</b>	<b>Compared to original budget last year (Supplementary Estimate 2019-20)</b>	<b>Compared to original budget last year (Main Estimate 2019-20)</b>
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Resource DEL	+£0.001m	+£0.002m	+£0.001m
Capital DEL	+£0.200m	+£0.200m	+£0.200m

There were no changes between the Main Estimate 2020-21 and the Main Estimate 2019-20 on DEL spend.

All resource DEL is within the administration costs limit. GAD has achieved efficiencies through outsourcing its payroll function to a specialist provider and transferring its IT function to another government agency.

## 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 2020-21 Main Estimate and 2019-20 Supplementary Estimate as follows:

Financial Year 2020-21	2020-21 Main Estimate £m	2019-20 Supplemen tary Estimate £m	Variance £m	Commentary
<b>Resource DEL</b>				
<b>Gross Income</b>				
Actuarial Income	(21.463)	(20.823)	(0.640)	Increased client demand as well as a moderate increase in fee rates.
Rental Income	(1.544)	(1.441)	(0.103)	Increase in rents charged to our subtenants in accordance with Finlaison House lease agreement.
<b>Total Gross Income</b>	<b>(23.007)</b>	<b>(22.264)</b>	<b>(0.743)</b>	
<b>Gross Expenditure</b>				
Actuarial related costs	16.762	16.591	0.171	Increase in actuarial head count and related costs resulting from increased client demand.
Central services costs	6.246	5.675	0.571	Increase in rent in accordance with Finlaison House agreement as well as increase in IT costs due to modernisation requirements identified as a result of outsourcing our

				IT to another government agency. This has also caused an increase in depreciation as a result of increased IT capital purchases.
<b>Total Gross Expenditure</b>	<b>23.008</b>	<b>22.266</b>	<b>0.742</b>	
<b>Net Del Resource</b>	<b>0.001</b>	<b>0.002</b>	<b>0.001</b>	

The table below compares GAD's **Capital DEL** for 2020-21 Main Estimate and 2019-20 Supplementary Estimate as follows:

<b>Financial Year 2020-21</b>	<b>2020-21 Main Estimate £m</b>	<b>2019-20 Supplementary Estimate £m</b>	<b>Variance £m</b>	<b>Commentary</b>
<b>Capital DEL</b>	<b>0.200</b>	<b>0.200</b>	<b>0</b>	No change

The table below sets out GAD's **Resource AME** for 2020-21 Main Estimate and 2019-20 Supplementary Estimate as follows:

<b>Financial Year 2020-21</b>	<b>2020-21 Main Estimate £m</b>	<b>2019-20 Supplementary Estimate £m</b>	<b>Variance £m</b>	<b>Commentary</b>
<b>Resource AME Provisions</b>	0.050	0.141	0.091	A revaluation of our dilapidation provision by professional valuers concluded that the annual increases to the provision were no longer appropriate. We therefore require less RAME cover.

## 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:

<b>Ring fenced budgets Amounts sought this year (Main Estimate 2020-21)</b>	<b>Compared to original budget last year (Supplementary Estimate 2019-20)</b>	<b>Compared to original budget last year (Main Estimate 2019-20)</b>
Depreciation	£0.404m	£0.385m

## 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 in the Estimates support all of the objectives set out in 1.1 above.

### 3.2 Measures of performance against each priority

GAD's annual business plan sets out the high level objectives for the year. The business plan is published on GAD's intranet and is not circulated externally.

The monthly Management Information packs then report performance under the high level objectives set in the business plan. This is done through a balanced scorecard which is made up of four quadrants: financial, clients, processes and people, each of which has four key performance measures which are agreed as part of the business planning process. The targets for 2020-21 are as follows:

1. Finance	Aim 2020/21	3. Processes	Aim 2020/21
1.1 Break even	£0	3.1 % of major projects on plan	90%
1.2 Total fee income (net of write-off)	£21.5m	3.2 AST work as a percentage of total actuarial income	25%
1.3 Actuarial utilisation	61%	3.3 Revenue from projects using non-standard Mantle functionality	£1.0m
1.4 Resource capacity as % of target	100%	3.4 % of accepted internal audit recommendations implemented by the agreed date.	100%

2. Clients	Aim 2020/21	4. People and Inclusion	Aim 2020/21
2.1 New business wins	£9.9m	4.1 Employee Turnover rate	12%
2.2 Stretch fee income forecast	£0.7m	4.2 Numbers recruited this year	30
2.3 Engagement with top clients	100%	4.3 L&D spend to date as % of plan	100%
2.4 Promotional footprint	100%	4.4 Diversity – % female recruits	50%

The performance pack is reviewed by both the Department's Executive Committee and Management Board. The monthly management information packs are not published externally; however, 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 2018-19 Audit of Annual Report and Accounts:**

The NAO did not identify any material misstatements or issues.

#### **GIAA findings and recommendations:**

Four final reports from the 2019-20 Internal Audit Plan have been issued, covering the new HR and Payroll system, Actuarial Assurance Map validation, upgrade of our finance system Open Accounts and Key Financial Controls.

These reports have recommended a number of medium and low priority actions which GAD management have accepted and are in the process of implementing.

### **3.4 Major projects**

Not applicable.

## **4. Other information**

### **4.1 Additional specific information required by the select committee**

Not applicable.

## **5. Accounting Officer Approval**

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website. The information in this Estimates Memorandum has been approved by myself as Accounting Officer.



Martin Clarke  
Accounting Officer  
1 May 2020