



Main Estimate Memorandum 2022-23

1. Overview

1.1 Objectives

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 on actuarial matters.

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 (**Resource AME**) – a net limit for dilapidation provisions in relation to the lease for Finlaison House (GAD's Head quarters) 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 compared with last year:



Net Spending total Amounts sought this year (Main Estimate 2022-23)		Difference (+/-) compared to original budget last year (Supplementary Estimate 2021-22)	Difference (+/-) compared to final outturn last year (Outturn 2021-22)
Resource DEL	£0.187m	-£0.064m	+£1.280m
Capital DEL	£0.350m	+£0.150m	+£0.273m
Resource AME	£0.100m	-£0.080m	+£0.029m

1.4 Key drivers of spending changes since original budget

There is an increase to GAD's Resource DEL compared to the 2021-22 outturn for two reasons. The first is an increase to staff costs as a result of the national insurance contribution uplift. The second is the accounting reclassification impact of implementing IFRS 16. This is purely due to the change in accounting treatment rather than indicative of any change to GAD's underlying spending.

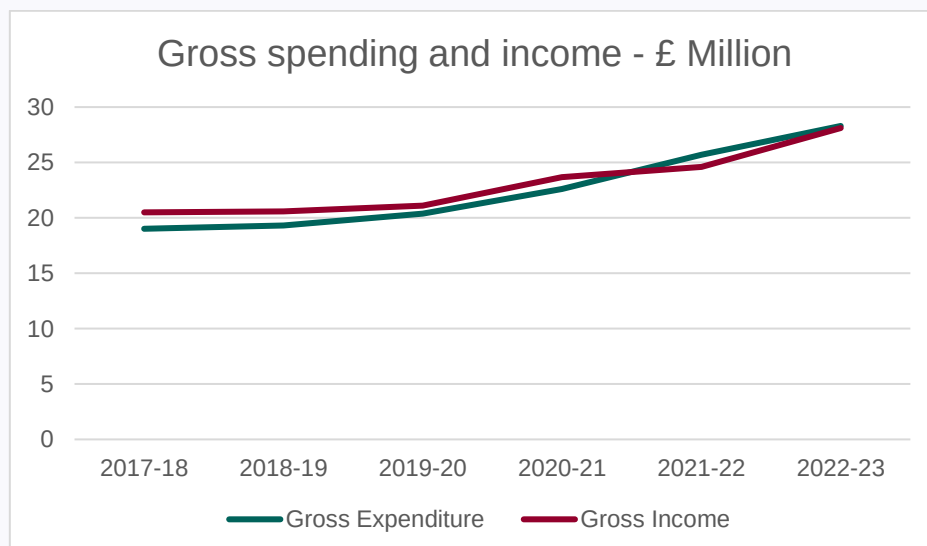
We are expecting an increase in Capital DEL spend in 2022-23 due to the need to refresh our asset base, specifically our IT equipment.

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 and plans presented in Estimates for 2022-23.



1.7 Administration costs and efficiency plans

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Resource DEL	£0.187m	-£0.064m	+£1.280m
Capital DEL	£0.350m	+£0.150m	+£0.273m
Resource AME	£0.100m	-£0.080m	+£0.029m

All resource DEL is within the administration costs limit. GAD has outsourced its payroll function to a specialist provider and has transferred its IT function to another government agency.

GAD continues to centralise routine analysis and data management within a specialist team (Actuarial Services) to improve consistency and efficiency. We are also embedding project management and delivery widely within the department for key client assignments.

1.8 Funding: Spending Review and Budgets

RDEL is mainly funded through income generated by GAD from providing:

- actuarial services
- rental income earned from our subtenants

The remaining RDEL, CDEL and AME spending is funded through the Spending Review and the Main and Supplementary Estimate process.

1.9 Other funding announcements

Not applicable.

2. Spending and income detail

2.1 Explanations of changes in spending and income

The table below compares GAD's **Resource DEL** for the 2022-23 Main Estimate and the 2021-22 Supplementary Estimate as follows:

Financial Year 2022-23	2022-23 Main Estimate £m	2021-22 Supplementary Estimate £m	Variance £m	Commentary
Resource DEL				
Income	(28.110)	(25.224)	(2.886)	We are forecasting increased client demand and an increase in GAD's capacity to meet the client demand. We are also increasing our fees by 3%.
Expenditure	28.297	25.475	2.822	The increase is mainly as a result of the increase in business. There is also an increase to staff costs due to the impact of the national insurance contribution increase.
Net Resource DEL	0.187	0.251	-0.064	

The table below compares GAD's **Capital DEL** for the 2022-23 Main Estimate and the 2021-22 Supplementary Estimate as follows:

Financial Year 2022-23	2022-23 Main Estimate £m	2021-22 Supplementary Estimate £m	Variance £m	Commentary
Capital DEL	0.350	0.200	0.150	This is in line with the spending review. The increase is to fund a planned asset refresh.

The table below sets out GAD's **Resource AME** for the 2022-23 Main Estimate and the 2021-22 Supplementary Estimate:

Financial Year 2022-23	2022-23 Main Estimate £m	2021-22 Supplementary Estimate £m	Variance £m	Commentary
Resource AME Provisions	0.100	0.180	(0.080)	Building works were undertaken at GAD's London offices (Finlaison House) during 2021-22 which resulted in an increase in the value of the dilapidations provision in 2021-22. We're not expecting the same level of change in 2022-23.

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		Difference (+/-) compared to original budget last year (Supplementary Estimate 2021-22)		Difference (+/-) compared to final outturn last year (Outturn 2021-22)	
Amounts sought this year (Main Estimate 2022-23)		£m	%	£m	%
Depreciation	£1.407m	+£1.016m	+260%	+£1.032m	+276%

The significant increase in depreciation is caused by the impact of implementing IFRS 16. The depreciation on the right of use assets significantly increases GAD's overall depreciation figure.

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 2022-23 are as follows:

1. Finance	Aim 2022-23
1.1 Break even	£0.0m
1.2 Fee income (net of write-off)	£25.3m
1.3 Actuarial utilisation	60%
1.4 Resource capacity relative to demand	100%

3. Processes	Aim 2022-23
3.1 Major projects on plan	90%
3.2 AST work as % of total actuarial income	36%
3.3 Proportion of required experts in technical tools	100%
3.4 Proportion of medium / high internal audit recommendations on time	100%

2. Clients	Aim 2022-23
2.1 New business wins	£10.4m
2.2 Known fee income	£25.3m
2.3 Engagement with top clients	95%
2.4 Promotional footprint	100%

4. People & Inclusion	Aim 2022-23
4.1 Annualised employee turnover rate	12%
4.2 Recruitment exercises achieving planned intake	90%
4.3 Proportion of L&D metrics on track	85%
4.4 Proportion of D&I metrics on track	85%

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 2020-21 Audit of Annual Report and Accounts:

The NAO did not identify any material misstatements or issues.

GIAA findings and recommendations:

The GIAA have issued five final reports from the 2021-22 audit programme. The reports cover GAD's Public Sector Pensions work, remote working, Financial key controls, IT strategy and contract management.

These reports have recommended a number of 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 website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

Martin Clarke

Accounting Officer

29 April 2022