Government Actuary's Department

Estimates Memorandum

for the 2020-21 Supplementary 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 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 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 compared with last year:

Net Spending total Amounts sought this year (Supplementary Estimate 2020-21)		**Difference (+/-) compared to original budget last year (Main Estimate 2020-21)**	**Difference (+/-) compared to final outturn last year (Outturn 2019-20)**
Resource DEL	+£0.002m	+£0.001m	+£0.721m
Capital DEL	+£0.150m	-£0.050m	-£0.025m
Resource AME	+£0.050m	+£0	+£0.048m

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1.4 Key drivers of spending changes since original budget

There is a movement of £111k from non-ringfenced to ringfenced RDEL. This is as a result of a system issue which caused under-depreciation of some of our building assets. We have carried out exhaustive checks and this issue only applies to this small set of assets. We have corrected this and implemented a new control to ensure this does not happen again in future.

The net resource DEL remains unchanged between the Main Estimate 2020-21 and the Supplementary Estimate 2020-2021 other than a token £1,000 increase to RDEL. This has been applied in order to allow Parliament to vote on a change in control total.

We are also surrendering £50k of our CDEL for 2020-21. We are forecasting an underspend on CDEL this year because of reduced spend on on-site hardware as we make greater use of off-site and Cloud backup and services.

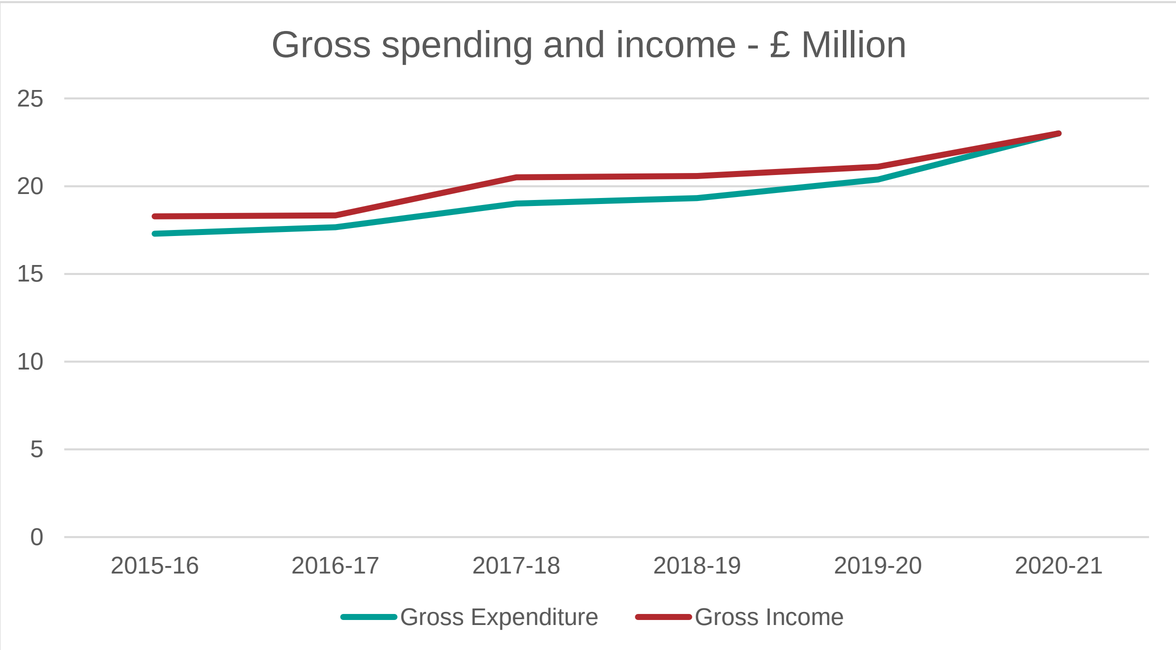
There are no other spending changes since the original budget.

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 2020-21.



1.7 Administration costs and efficiency plans

Net Spending total Amounts sought this year (Supplementary Estimate 2020-21)		**Difference (+/-) compared to original budget last year (Main Estimate 2020-21)**	**Difference (+/-) compared to final outturn last year (Outturn 2019-20)**
Resource DEL	+£0.002m	+£0.001m	+£0.721m

Capital DEL	+£0.150m	-£0.050m	-£0.025m
Resource AME	+£0.050m	+£0	+£0.048m

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 withing 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

GAD does not receive funding for RDEL expenditure. RDEL is instead funded through income generated by GAD from providing:

- actuarial services
- rental income earned from our subtenants

The CDEL and AME spending is funded through the Spending Review and the Mains and Supplementary Estimates process.

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 between Main Estimate and the Supplementary Estimate as follows:

Financial Year 2020-21	**2020-21 Main Estimate £m**	**2020-21 Supplementary Estimate £m**	**Variance £m**	**Commentary**
Resource DEL				
Gross Income				
Actuarial Income	(21.463)	(21.463)	0	
Rental Income	(1.544)	(1.544)	0	
Total Gross Income	**(23.007)**	**(23.007)**	0	
Gross Expenditure				
Total Gross Expenditure	**23.008**	**23.009**	**0.001**	Token £1k change to enable Parliament to vote on the Supplementary Estimate.
Net Del Resource	**0.001**	**0.002**	**0.001**	

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

Financial Year 2020-21	2020-21 Main Estimate £m	2020-21 Supplementary Estimate £m	Variance £m	Commentary
Capital DEL	0.200	0.150	-0.050	We are surrendering £50k of our CDEL for 2020-21. We are forecasting an underspend on CDEL this year because of reduced spend on on-site hardware as we make greater use of off-site and Cloud backup and services. This reduction will reduce our CDEL control total from £200k to £150k.

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

Financial Year 2020-21	2020-21 Main Estimate £m	2020-21 Supplementary Estimate £m	Variance £m	Commentary
Resource AME Provisions	0.050	0.050	0	No change.

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 (Supplementary Estimate 2020-21)		Difference (+/-) compared to original budget last year (Main Estimate 2020-21)		Difference (+/-) compared to final outturn last year (Outturn 2019-20)	
		£m	%	£m	%
Depreciation	£0.516m	+£0.112m	+28%	+£0.135m	+35%

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
1.1 Break even	£0
1.2 Total fee income (net of write-off)	£21.5m
1.3 Actuarial utilisation	61%
1.4 Resource capacity as % of target	100%

3. Processes	Aim 2020/21
3.1 % of major projects on plan	90%
3.2 AST work as a percentage of total actuarial income	25%
3.3 Revenue from projects using non-standard Mantle functionality	£1.0m
3.4 % of accepted internal audit recommendations implemented by the agreed date.	100%

2. Clients	Aim 2020/21
2.1 New business wins	£9.9m
2.2 Stretch fee income forecast	£0.7m
2.3 Engagement with top clients	100%
2.4 Promotional footprint	100%

4. People and Inclusion	Aim 2020/21
4.1 Employee Turnover rate	12%
4.2 Numbers recruited this year	30
4.3 L&D spend to date as % of plan	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 2019-20 Audit of Annual Report and Accounts:

The NAO did not identify any material misstatements or issues.

GIAA findings and recommendations:

Two final reports from the 2020-21 Internal Audit Plan have been issued covering GAD's staff transfers work and Information Assurance and Governance.

These reports have recommended a number of medium and low priority actions which GAD management have accepted and are in the process of implementing. The Information Assurance and Governance report also included a high priority action which – following recent changes to the staff supporting GAD via its IT arrangements with GLD - was to appoint an IT Security Officer (ITSO), an action which it was already addressing. GAD have since appointed an ITSO who started work in January 2021.

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
25 January 2021