



Estimates Memorandum

Government Actuary's Department

Main Estimate 2021-22

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 compares with last year:

Spending Total Amounts sought this year (Main Estimate 2021-22)		Difference (+/-) compared to final budget last year (Supplementary Estimate 2020-21)	Difference compared to original budget last year (Main Estimate 2020-21)
Resource DEL	+£0.001m	-£0.001m	+£0
Capital DEL	+£0.200m	+£0.050m	+£0
Resource AME	+£0.050m	+£0	+£0



1.4 Key drivers of spending changes since last year

The Resource DEL, Capital DEL and Resource AME remain unchanged between the Main Estimate 2021-22 and the Main Estimate 2020-21.

The net resource DEL was increased by a token £1k at the Supplementary Estimate 2020-21 to allow for a movement of budget from non-ringfenced to ringfenced RDEL to accommodate an increase in depreciation expense.

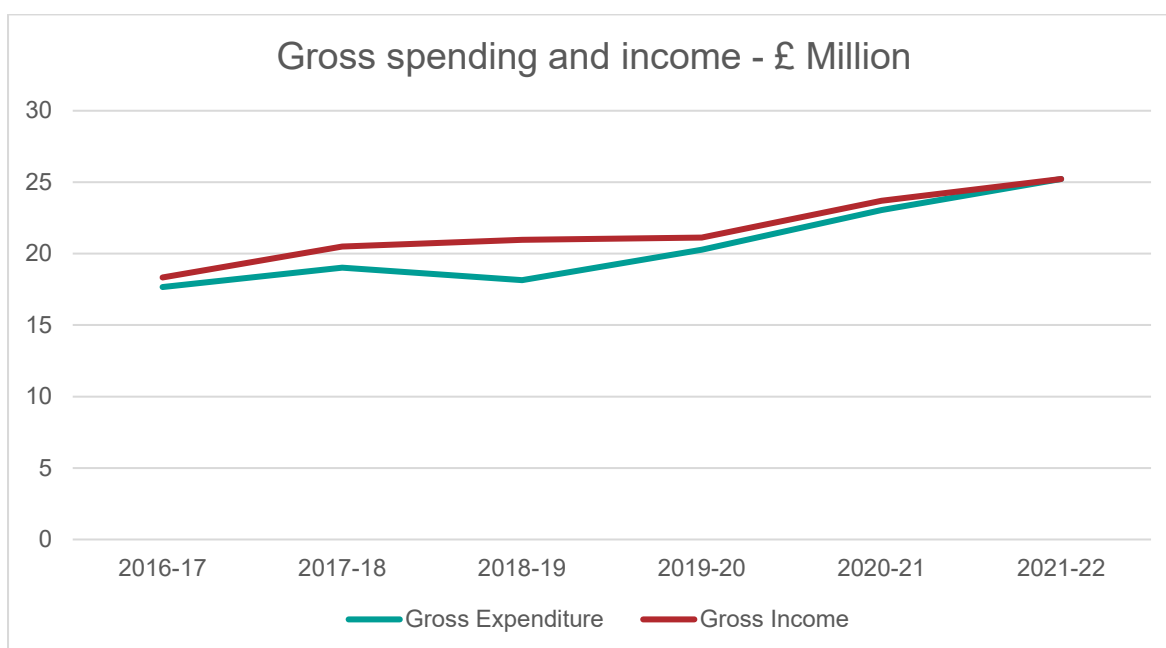
There is a £50k increase in the Capital DEL compared to the Supplementary Estimate 2020-21. At the Supplementary Estimate 2020-21 GAD surrendered £50k of the CDEL budget for 2020-21 due to reduced spend on on-site hardware as GAD makes greater use of off-site and Cloud backup and services

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 future spending plans.



1.7 Administration costs and efficiency plans

Spending Total Amounts sought this year (Main Estimate 2021-22)		Difference (+/-) compared to final budget last year (Supplementary Estimate 2020-21)	Difference compared to original budget last year (Main Estimate 2020-21)
Resource DEL	+£0.001m	-£0.001m	+£0
Capital DEL	+£0.200m	+£0.050m	+£0
Resource AME	+£0.050m	+£0	+£0

There were no changes between the Main Estimate 2021-22 and the Main Estimate 2020-21 on DEL spend.

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

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 Estimate 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 2021-22 Main Estimate and 2020-21 Supplementary Estimate as follows:

Financial Year 2021-22	2021-22 Main Estimate £m	2020-21 Supplementary Estimate £m	Variance £m	Commentary
Resource DEL				
Gross Income				
Actuarial Income	(23.600)	(21.463)	(2.137)	Increased client demand as well as a very limited increase in fee rates.
Rental Income	(1.624)	(1.544)	(0.080)	Increase in rents charged to our subtenants passing through increased lease costs.
Total Gross Income	(25.224)	(23.007)	(2.217)	
Gross Expenditure				
Total Gross Expenditure	25.225	23.009	2.216	Increase in direct staff costs as a result of increased client demand. Rise in IT spend as a result of move of applications to the cloud and enhanced cyber security. Contractual increase in rental costs in line with the lease agreement.
Net Del Resource	0.001	0.002	(0.001)	

The table below compares GAD's **Capital DEL** for 2021-22 Main Estimate and 2020-21 Supplementary Estimate as follows:

Financial Year 2021-22	2021-22 Main Estimate £m	2020-21 Supplementary Estimate £m	Variance £m	Commentary
Capital DEL	0.200	0.150	0.050	Although GAD surrendered £50k of the CDEL budget in the 2020-21 Supplementary Estimate, the requirement returns to £200k in 2021-22 to fund planned asset refresh.

The table below sets out GAD's **Resource AME** for 2021-22 Main Estimate and 2020-21 Supplementary Estimate as follows:

Financial Year 2021-22	2021-22 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 (Main Estimate 2021-22)	Difference (+/-) compared to original budget last year (Supplementary Estimate 2020-21)		Difference (+/-) compared to final outturn last year (Main Estimate 2020-21)		
	£m	%	£m	%	
Depreciation	£0.391m	-£0.125m	-24%	-£0.013m	-3%

There was an increase in depreciation in 2020-21 which can be seen in the Supplementary Estimate 2020-21 figures. This was as a result of a system issue which caused under-depreciation of some of GAD's building assets. GAD have carried out exhaustive checks and this issue only applied to a small set of assets. This was corrected in 2020-21 and GAD has implemented a new control to ensure this does not happen again in future.

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 2021-22 are as follows:

1. Finance	Aim 2021-22	3. Processes	Aim 2021-22
1.1 Break even	£0.0m	3.1 Major projects on plan	90%
1.2 Total fee income (net of write-off)	£23.6m	3.2 AST work as % of total actuarial income	32%
1.3 Actuarial utilisation	60%	3.3 Number of staff experienced in R, Mantle, SAS, Python or Tableau	50
1.4 Resource capacity relative to demand	100%	3.4 Proportion of medium / high internal audit recommendations on time	100%

2. Clients	Aim 2021-22	4. People & Inclusion	Aim 2021-22
2.1 New business wins	£8.0m	4.1 Annualised employee turnover rate	12%
2.2 Proportion of revenue target unknown	0%	4.2 Recruitment exercises achieving planned intake	90%
2.3 Engagement with top clients	100%	4.3 Proportion of L&D metrics on track	90%
2.4 Promotional footprint	100%	4.4 Proportion of D&I metrics on track	67%

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:

Five final reports from the 2020-21 Internal Audit Plan have been issued. These cover GAD's staff transfers work, Information Assurance and Governance, Finance Key Controls, Resource Planning and Client Engagement Management.

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, available on the Scrutiny Unit website.

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

Martin Clarke
Accounting Officer
28 April 2021