



Government
Actuary's
Department

Managing Fiscal Risks

The actuary's role

Colin Wilson, Deputy Government Actuary
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GAD's role within Government

- > Provider of independent analysis within government since 1919
- > Non-ministerial government department (shared service provider)
- > Offers a wide range of actuarial services
 - pension policy and implications
 - social security
 - investment
 - insurance
 - modelling & risk

Mission: To support effective decision-making and robust reporting within government as the first choice provider of actuarial and specialist analysis, advice and assurance



Recent examples of GAD's contributions to public policy

Ogden discount
rate

Pool Re

Balance Sheet
Review

State Pension
Age

Airline
Insolvency
Review

Student loans
sale



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Examples of contingent liabilities within HMG

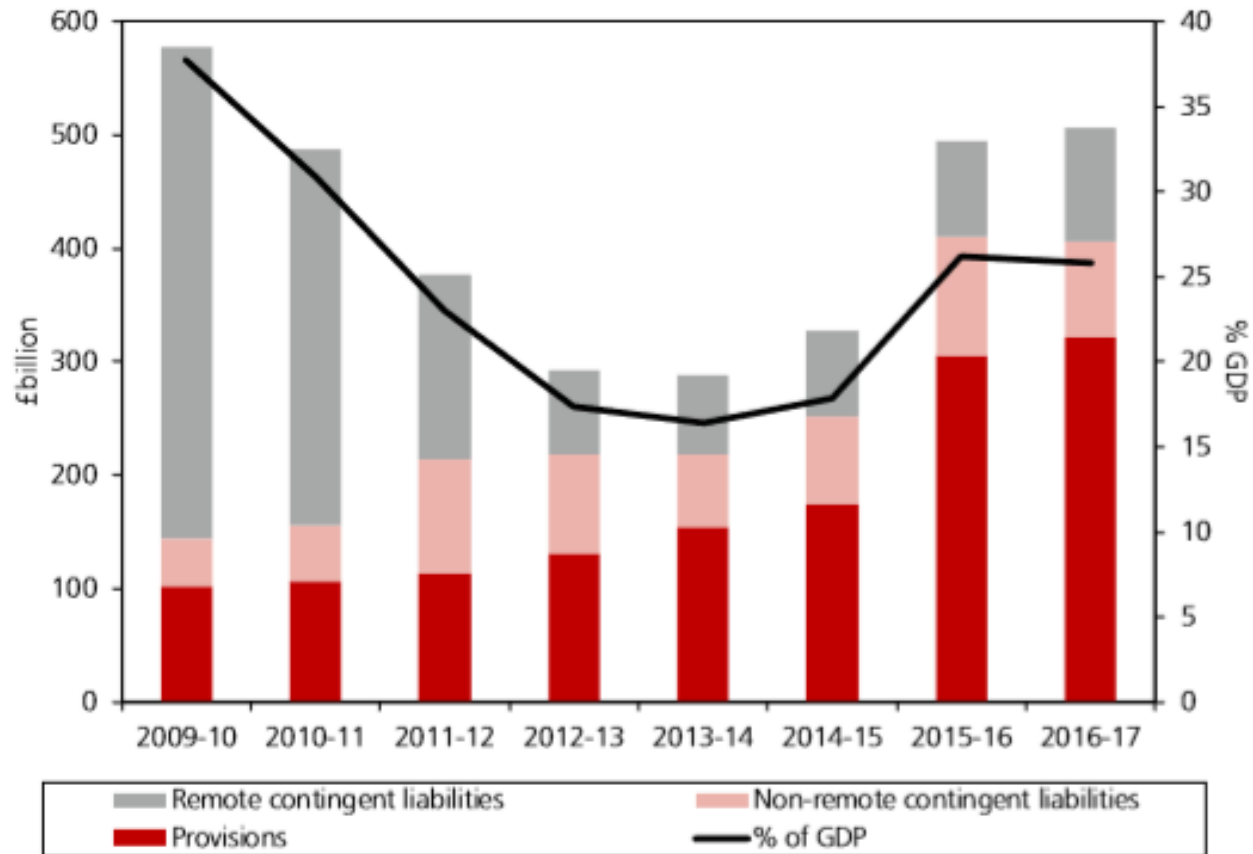


Department for
Business, Energy
& Industrial Strategy





Provisions and contingent liabilities have increased substantially in the Whole of Government Accounts

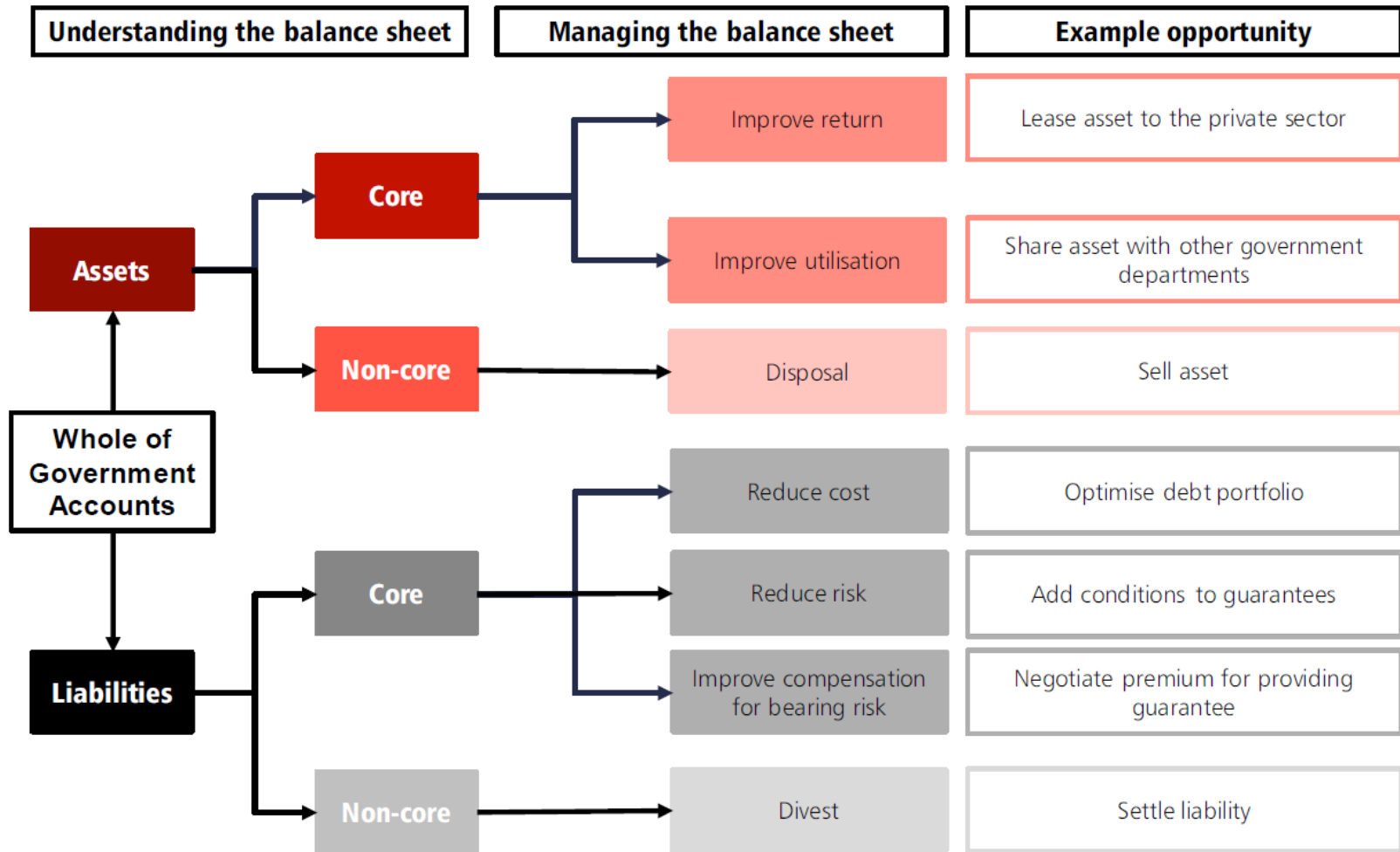


Source:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725913/Managing_Fiscal_Risks_web.pdf



The Balance Sheet Review





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The Contingent Liability Approval Framework



HM Treasury

THE GREEN BOOK

CENTRAL GOVERNMENT
GUIDANCE ON APPRAISAL
AND EVALUATION



HM Treasury

Contingent liability approval
framework:

guidance



Contingent liability approval framework

- > Provides guidance to Government departments on defining and classifying contingent liabilities and a checklist for assessing the contingent liability
- > New contingent liabilities have to go through the approval framework if they have a maximum exposure of £3m or more and are:
 - Novel
 - Contentious
 - Repercussive
- > This will be subject to policy development, HMT approval, Parliamentary notification and approval and reporting.

More information can be found here:

<https://www.gov.uk/government/publications/contingent-liability-approval-framework>



Outcomes of the contingent liability approval framework

Reported at Budget 2018 that since July 2017:

- > Approval regime has been applied to over **60** new contingent liabilities
- > With a total value of **£158 billion**
- > With over **£1 billion** of new liabilities rejected outright
- > Vast majority approved after significant modification to reduce exposure



Contingent liabilities – challenges

- > How to quantify risks within Government?
- > What is the tolerance level of risk across Government?
- > How to provide incentives/challenges to departments to manage risk?
- > How to share best practices in managing risk across departments?

Example of risk management in practice: Risk Protection Arrangement





Contingent liabilities – key points

- > A diverse range of risks exist within government for a variety of policy reasons
- > Government guidance (Green Book and Managing Public Money) outlines circumstances when it is appropriate for a department to retain or pass on this risk
- > Understanding and, where possible, quantifying these risks helps to ensure costs are borne in the most appropriate place and incentivises cost-effective risk reduction

“Liabilities that are monitored are better managed”