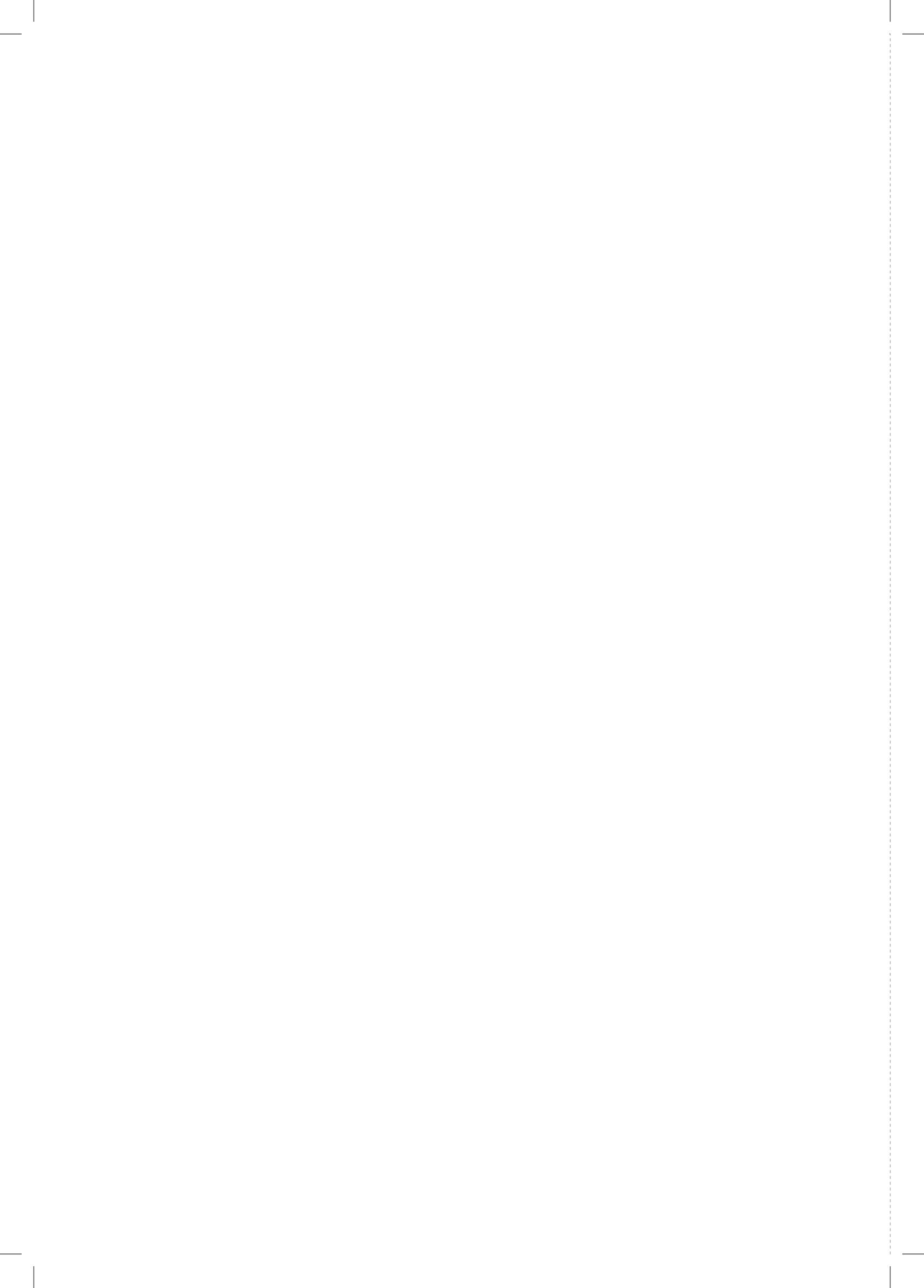


Annual Report and Accounts

2018/19





Met Office Annual Report and Accounts 2018/19

Presented to Parliament pursuant to section 4(6) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990

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 **St Ives**
Cornwall, England



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Introduction from the Chairman



ROB WOODWARD

It's a huge privilege to be appointed as Chairman to such a prestigious organisation, particularly at a time when the importance of weather forecasting and climate science has never been greater. I recognise that the Met Office has been through a challenging period and I'd particularly like to thank Sir John Beddington for his outstanding Chairmanship throughout. My intention – shared by the Board – is to ensure the organisation continues to be well governed and advances its position at the forefront of weather and climate science.

With this in mind, I'm thrilled that we were able to recruit Professor Penelope Endersby as the Met Office's first female Chief Executive. Since joining in December, she has already made a significant positive impact on operations. A leading voice in the scientific arena, she brings deep experience and fresh perspective, and the Board is looking forward to working with Penelope and the Executive on developing strategy during 2019. Similarly, I'm delighted to welcome Hunada Nouss as a non-executive director and Chair of the Audit and Risk Assurance Committee (ARAC). Her experience working in senior roles across both the private sector and Government is highly valued, and she brings additional financial and operational expertise to the Met Office.

Over the past year, we've continued to deliver against our corporate plan and fulfil our purpose: to work at the forefront of weather and climate science for protection, prosperity and well-being. Key to this is turning science into relevant, innovative services, and one of my key priorities has been to ensure that the Board maintains strong connections with as many stakeholders as possible so that we can better understand their current and future needs. Together, the Board and I have visited a large number of stakeholders over several months, holding meetings on client sites. These interactions are informing the continual improvements we make to our services.

Raising public awareness about the weather and its impact is a crucial part of what we do, and delivering this depends on strong partnerships. This was the fourth year that the Met Office and Met Éireann jointly ran the 'Name our Storms' scheme, which has become firmly established in public consciousness. We also launched the WeatherReady campaign in partnership with the Cabinet Office, which provides year-round expert advice on travel, health and well-being, as well as advice on how to protect homes and properties during severe weather. This is a fine example of how the Met Office turns cutting-edge, multi-disciplinary science into accessible, practical information that directly benefits society and our economy.

This year, we sought to strengthen our partnerships still further with our first ever Tech Storm conference. This brought together a host of organisations and explored how to turn the latest technological solutions into outstanding services that deliver value to the economy.

Overseas, we continue to support the Government's international agenda with world-class services that advance climate and forecasting research to bring tangible benefits on the ground. For example, we're currently working with UK aid experts to help prevent major cholera outbreaks in war-torn Yemen. Using ground-breaking modelling, our rainfall predictions are helping to identify areas most at risk of a cholera outbreak, allowing aid experts to deliver vital, targeted support that reduces suffering and saves lives.

It's heartening to see how our insistence on turning science and cutting-edge technology into accessible, innovative services is helping our partners and multiple government departments deliver clear societal and economic benefits for the UK and beyond. This is essential work. As severe weather becomes more frequent and the world's nations face the challenge of climate change, the Met Office is ready to play an ever more crucial role in helping the global community mitigate impacts and build resilience.

“

The Met Office turns cutting edge, multi-disciplinary science into accessible, practical information that directly benefits society and our economy.

”

Chief Executive's summary

PROFESSOR PENELOPE ENDERSBY



Since joining as Met Office Chief Executive in December 2018, I've been deeply impressed by the sheer breadth and reach of this world-class organisation. Its work in forecasting and climate science is well known, but the extent of the benefits (£30 billion over 10 years) this brings may be less well understood, both in the UK and internationally.

Through my recruitment and induction, I discovered a huge range of impactful partnerships across government and internationally, from the Department for International Development (DFID), to the Ministry of Defence, to European and world meteorological organisations. Our recent work during Cyclone Idai is a case in point and was commended by Ministers and members of both Houses of Parliament.

Met Office modelling provided early sight of the potential landfall of this cyclone, which DFID and other relevant departments responded to quickly. Our detailed briefings to them, as well as in-country organisations, enabled staff and resources to be in the region before the cyclone hit. When faced with such devastating weather, the international meteorological community pulls together, and we were pleased that we could support national meteorological services in the region during this challenging period.

At home, our forecasting services continue to bring people relevant, actionable information. For example, we provided accurate forecasts and warnings ahead of Storm Deirdre last December in time for the public and our service users to avoid the worst of its impacts, including freezing rain – a notoriously hard weather condition to predict.

I appreciate the positive feedback we received at our Awards for Excellence in December from civil contingency and national resilience lead Paul Netherton, Deputy Chief Constable for Devon and Cornwall Police. We were also presented with an award for our services supporting Heathrow Airport, which have helped it continue to run smoothly during severe winter weather.

Our work with Heathrow is another example of one of the many ways we support the Government's Industrial Strategy, in this case keeping the country moving and businesses open. Our services help boost productivity, enabling industry to capitalise on weather information and plan operations and supply chains efficiently. We're also supporting the South West's growth ambitions, championing its science and technology strengths and building the region's skills through support for the new Institute of Technology and our growing apprenticeship schemes with the University of Exeter and Exeter College.

Overall this year, we met the vast majority of our targets, including all those covering scientific quality. This makes us the number one national meteorological service in terms of accuracy and our publications. Our Business Group profit stands at £2.4m.

We set – and met – ambitious targets for quality, training, finance and efficiency, as part of implementing our Transformation and Efficiency programme. Besides improving access to data and raising productivity, this initiative has also enabled us to mature the way we justify, scope, assure and deliver large or complex projects. As Chief Executive, I'm making sure these learnings will not be lost as we transition to delivering our new emerging strategy.

To work at the Met Office is to be at the very forefront of weather and climate science. I'd like to thank Nick Jobling for his assured leadership as acting Chief Executive and also the entire Met Office staff for welcoming me into the role. I have also been grateful for the support and expertise of our Board, especially our Chairman, Rob Woodward. Rob's experience in technologically innovative businesses and media complements my own science background, and it's a pleasure to work with him.

People here are passionate about what we do. They know that the advice we give improves people's



People here are passionate about what we do. They know that the advice we give improves people's quality of life – and saves lives too.



 **Tongue**
Scotland

quality of life – and saves lives too. This passion extends beyond the Met Office's day-to-day activities. For example, Met Office meteorologist Josh Bratchley was part of the specialist diver team involved in the high-profile rescue of 13 young people trapped in a cave in Thailand. Our staff also share a commitment to conservation and this year chose Surfers Against Sewage as the Met Office's official partner charity for the next three years. This marine conservation charity campaigns against environmental pollution and is currently focused on reducing and removing single-use plastic waste from our oceans. I share with a great many of our staff a love of the natural environment and this charity really chimes with our personal and corporate values.

The Met Office has a long history of providing cutting-edge forecasts and weather information. This year, the World Meteorological Organization (WMO) officially designated six of our UK observing sites as 'Centennial Stations' in recognition of having provided reliable observations for over 100 years. As well as this reliability, we innovate in response to the ever-growing need for weather and climate change information.

Supercomputing at the Met Office is an essential capability that underpins all our services and deliverables. To avoid downtime when our current supercomputer reaches end of life in 2021-22, we're making a case for funding a replacement that will provide a significant increase in capacity. I'm delighted that the Strategic Outline Case for our

Supercomputing 2020+ programme has been approved by the Department for Business, Energy & Industrial Strategy (BEIS). We're now working on the next phase of our investment case to present to BEIS and the Treasury in October. This new supercomputer is essential for ensuring we remain the trusted, authoritative source of all weather and climate information in the UK. It also offers opportunities to bridge to future hyperscale computing architectures bringing the very latest techniques and partners to the South West region.

Ultimately, we're here to make people's lives better, safer, happier and more prosperous. Investment in both technology and our people will enable us to continue providing accurate weather and climate advice founded on world-class science.

Chief Scientist's statement

PROFESSOR STEPHEN BELCHER



This year has truly demonstrated the tangible impact of pairing the world-class talent of our scientists with significant supercomputing capability. Now, more than ever, we're generating detailed, relevant forecasts and climate change projections that enable communities to develop resilience and support growth – both in the UK and internationally.

This has been particularly apparent with the launch of the latest set of UK Climate Projections (UKCP18), delivered by the Met Office on behalf of the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (Defra). These make use of the latest modelling developed at the Met Office, which has only been made possible by our supercomputer. Significantly, we involved key stakeholders in the development of UKCP18 to ensure the projections directly addressed user needs. For the first time, we have shifted away from looking at climate change trends and average conditions in the future, to examining what the weather conditions in a changing climate might look like. This breakthrough is providing actionable information for decision-makers, from water companies to the Government.

The supercomputer's new modelling capabilities have also opened up possibilities in our international work.

In partnership with the Department for International Development (DFID), the Met Office has led a programme of modelling and research to understand how weather systems affect Africa, gaining insights into urban flooding, the impact of weather on agriculture, and the possibilities for hydro-electric power across the continent. We also continue to collaborate with weather and climate scientists in China, providing services that include long-range rainfall forecasts for the Yangtze basin – a critical area for the country. Also in partnership with DFID and the World Bank, the Asia Regional Resilience to a Changing Climate programme of work was started this year. Asia is highly vulnerable to natural disasters and this programme is providing new technologies and innovations to improve access to climate information and early warning systems to over 30 million people in Bangladesh, Pakistan, Nepal and Afghanistan.

Last year saw some significant new weather records in the UK. February's daily maximum temperatures were the highest on record and the summer of 2018 was the joint warmest since records began. It was also the driest summer in over 15 years and the sunniest since 1995. Of course, these weather records are occurring within the context of climate change resulting from rising greenhouse gas levels in the atmosphere. We know

that this will continue to alter the likelihood of heatwaves in the UK in the future; by 2050 we expect that the chance of the UK seeing similar summer temperatures to those seen in 2018 will be about 50% – in other words every other year.

In 2019 we expect to see a continued rise in carbon dioxide levels, and the forecast for the global average surface temperature up to 2023 is predicted to be near, or exceeding 1 °C above pre-industrial levels. This highlights more than ever the challenge that nations face to honour the commitment made in the Paris Agreement to keep global warming below 2 °C above pre-industrial temperatures and to pursue even greater efforts to limit temperature rise to below 1.5 °C. The Met Office's pioneering work in developing near-term climate predictions plays a crucial role in helping governments track their progress towards these goals. We were the first to produce an operational decadal climate system, motivated by the need for governments to have this information.

We are continually improving our climate and weather advice and a major upgrade to our forecast model in 2018 has made our forecasts of maximum and minimum temperatures over the UK significantly better. The benefits from this upgrade were seen when it was run in experimental mode during the heatwave conditions



Now, more than ever, we're generating detailed, relevant forecasts and climate change projections that enable communities to develop resilience and support growth – both in the UK and internationally.



Walney Extension
Irish Sea

of last summer and we will see the improvements to our operational forecasts of extreme temperature conditions in the future.

Another major upgrade in our forecasting capabilities will arrive soon with a new system for post-processing our numerical model output. The IMPROVER project provides high-quality, blended forecasts at every location rather than just selected sites, and also includes probability

information alongside the most likely outcome, giving a much richer data source for services.

As Chief Scientist I'm very proud of the contribution we make to the international research community. Our scientists continue to receive prestigious awards in recognition of their work, achievements which reflect our exceptional pool of talent. To pick just one example, I was delighted when one of our early

career researchers, Annelize van Niekerk, won the Royal Meteorological Society's L.F. Richardson Prize for her work on the effects of mountains on weather and climate models. This expertise, combined with our supercomputing capability, means that we can continue turning ground-breaking science into effective services for our users – both in the UK and around the world.

About the Met Office

We combine deep expertise and world-class research to deliver accessible, relevant weather and climate services that support people's prosperity and well-being – both now and for the future.

Using millions of observations every day, the powerful capacity of our supercomputer and advanced atmospheric models, we generate thousands of tailored forecasts and briefings, every single day. Recognised as one of the world's most accurate forecasters, businesses, governments and individuals rely on us to make informed decisions.

Tangible benefits

The social and economic benefits of these services run broad and deep. As a direct result of our services, airlines are able to reduce costs and run safely, retailers can adapt their offering in response to upcoming weather and consumer trends, and energy providers can improve output and productivity. The UK armed forces use our briefings to plan missions around the weather, while scientists in the Antarctic use them to conduct their research safely.

Through the UK's National Severe Weather Warning Service, government, businesses and individuals are able to protect assets and minimise the risks of severe weather. Our innovative content and delivery platforms, such as the Met Office weather app, ensure every one of our forecasts and briefings is easy to access and understand.

 **Skomer Island**
South Wales



Climate change research

Met Office climate science and research helps shape the worldwide response to the impacts of a changing climate. We provide evidence on climate change to the UK Government and internationally through the Intergovernmental Panel on Climate Change. Met Office climate services are helping governments, businesses and other organisations to understand the impacts of a changing climate, manage risks and seize the opportunities it brings. Through the Strategic Priorities Fund, we are running two programmes that aim to tackle the impacts of climate change on our towns, cities and countryside, and the impacts of air quality on health.

A culture of collaboration

Much of our strength lies in the expertise and dedication of our people and collaborative relationships with partner organisations around the globe. The Met Office values the expertise and dedication of its staff, and we continue to improve the diversity of our workforce. We recognise our responsibility to engage and inspire the next generation of scientists, and deliver educational outreach programmes in Science, Technology, Engineering and Maths (STEM) subjects through school visits and Met Office Science Camps.

Through strong partnerships with national meteorological services, we continually build capacity, advance science, and improve the weather and climate services we provide. We also support businesses, agencies and governments in making both short- and long-term decisions that help make the world a safer and more resilient place.

Performance review

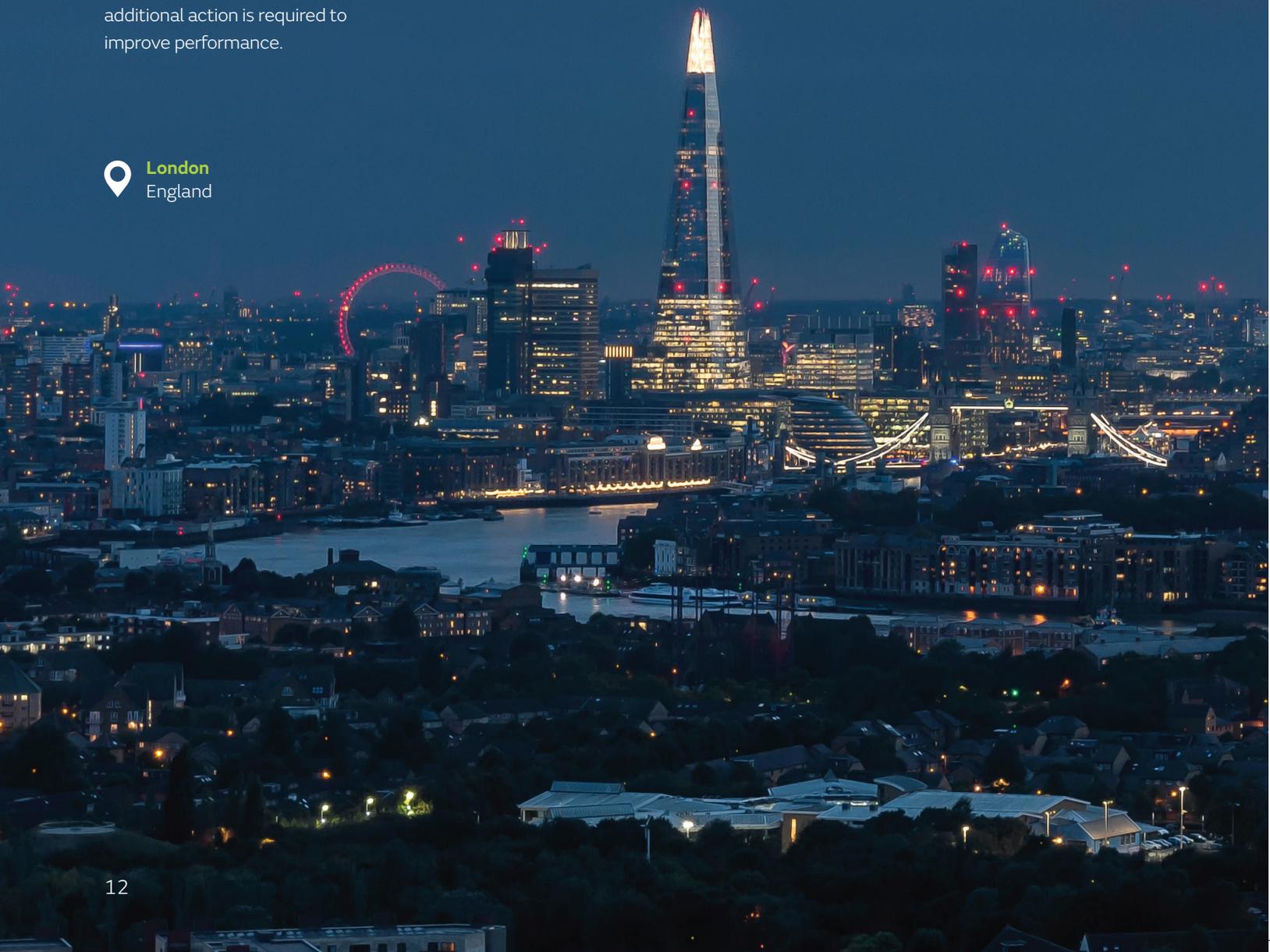
Summary

Our Key Performance Indicators (KPIs) come from our Corporate Plan and are linked to our objectives. These measures are set and agreed by the Met Office Board each year as a representative basket of measures for the performance of the organisation. Performance against these measures is then linked to Met Office-wide corporate performance pay. This encourages employee engagement in driving the performance of the Met Office, as all employees can benefit. Progress is communicated to all staff through monthly briefings. Appropriate action plans are formed where additional action is required to improve performance.

Our purpose

To work at the forefront of weather and climate science for protection, prosperity and well-being.

 **London**
England



Our purpose

Our purpose is at the heart of everything we do.

4 priorities

Our Plan sets out four priorities to help focus on this.

18 objectives

We have 18 objectives to help us achieve our priorities.

Tools

A selection of themes to help us meet these objectives.



Our priorities

Deliver world-class services that enable people and businesses to make better decisions about how the weather and climate affect them

Getting the right information to people and businesses is at the core of what we do. For 2018/19 our key customers have confirmed that we have met their requirements as set out in our service delivery agreements. We have also undertaken work to further improve our resilience as we manage a period of change in the Met Office. Our new service management software, ServiceNow, was launched in April 2018 and achieved operational acceptance in September 2018. This has enabled us to both manage our business continuity more effectively and improve our customer experience.

We also built on our work as a commissioning body delivering new science and services for the UK Government and globally. Our work with the Newton fund expanded to include new partners in India, and we continued to work with the Department for International Development on delivery of the WISER programme.

As well as providing services to governments and other customers, it is important that we ensure that the public are aware of, and trust, our forecasts. This is particularly important for extreme weather events and warnings. We use surveys to measure this, and these surveys continue to show high levels of both awareness and trust.

Underpinning all our services to both our customers and the public is the Unified Model; our numerical model of the atmosphere used for both weather and climate applications. We monitor the performance of the model on an ongoing basis, comparing it to other models around the world. In 2018/19 we maintained our position as the most accurate operational forecaster in the Global Numerical Weather Prediction Forecast Accuracy Ranking.

Maintain our world-leading science and underpinning capability as the foundation of our services, and in so doing support the UK's global position of excellence in research and innovation

We continue to deliver world-leading research and papers co-authored by Met Office staff were cited 25,088 times and by 779 organisations.

Building on our research we can exploit our supercomputer's new modelling capabilities. This has been particularly apparent with the launch of the latest set of UK Climate Projections (UKCP18), delivered by the Met Office on behalf of the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (Defra). These make use of the latest modelling developed at the Met Office, which has only been made possible by our supercomputer.

We also continue to enhance and maintain an observations network that forms the basis of our weather forecasts and climate information. During 2018/19 we continued to meet or exceed our strict availability and timeliness targets. We also completed work to develop an observations quality metric and baseline for use from 2019/20 onwards.

 **Staffordshire**
England



Transform how we work to make us fit for the future

Our Corporate Plan sets us the challenge of transforming our organisation and our Transformation and Efficiency programme continues to deliver against our objectives for achieving this.

Implementation of both ServiceNow (service management) and Dynamics 365 (stakeholder information management), was successfully completed during the year. Both replaced existing legacy systems and will provide improved, more streamlined experiences for our customers.

Our People and Processes programme also completed projects to restructure areas involved with customer engagement, as well as work to reduce management and overheads.

As well as changing how we work, a key part of the transformation process will be to deliver £15m of annual savings by 2020. We remain on track to deliver with £12.2m of savings achieved at the end of 2018/19. This was £2.6m higher than our target for the year.

We were not able to meet our KPIs for ensuring our data is discoverable and accessible using industry standards. One element of the KPI was successfully delivered and key data sets are now accessible to operational meteorologists through our new ServiceHub. However, we were not able to make some data available to external customers by March 2019 as planned. This was due to changes to our work on developing publicly available tools, that will make it easier for a wider range of external users to access data.

Deliver social and economic benefits to the UK Government, business and the general public

Using models developed by independent economists as part of our General Review in 2016, we continue to monitor our delivery of socio-economic benefits and we remain on track to deliver the £30 billion of economic benefits to the UK economy over ten years.

We continue to deliver the benefits from our investment in supercomputing capacity. To ensure our supercomputing capability continues to keep pace with our science in delivering forecast improvements, work has also started on preparing for the next generation of supercomputers, with a Strategic Outline Case being completed and submitted.

Our Business Group also exceeded its targets by delivering a £2.4m profit and £24.3m of revenue in 2018/19. 1% of this revenue is re-invested into a rolling programme of activities designed to help UK industries make their operations safer and more effective.

Corporate measures

This includes measures of our financial performance and work on sustainability and compliance. Further information on our financial performance is included in the financial review section.

The Met Office is committed to delivering our objectives in a sustainable way by continuing to set challenging targets. All elements of the sustainability KPI were exceeded. We continue to strengthen our engagement with the wider community through STEM events and Science Camps.

We also met our target to gain certification against the most recent versions of ISO9001 and 14001, demonstrating our continued commitment to maintaining robust quality and environmental management systems.

Financial review

Summary

The Met Office met all three of its financial key performance indicators for the year:

Key performance indicator	Target (£m)	Achieved (£m)
Total revenue	238.5	239.1
Total operating profit – before investment and one-off charges	24.6	27.2
Business Group operating profit	1.1	2.4

 **Crantock**
Cornwall, England

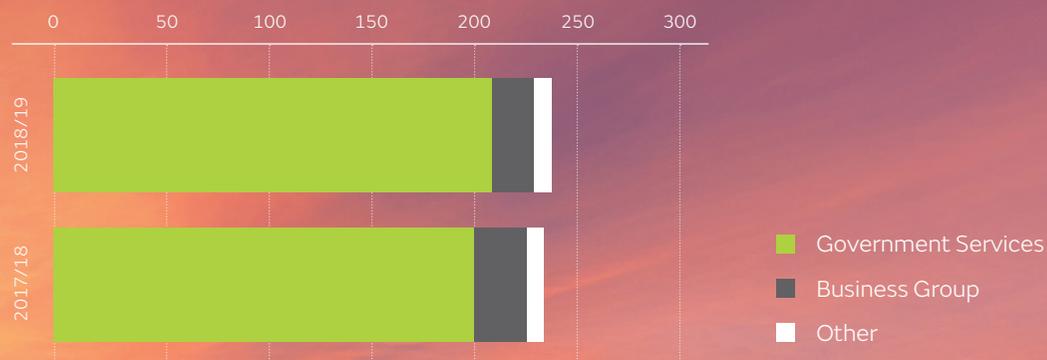


Summary financial performance 2018/19



Total revenue was £9.1m higher than 2017/18, but was consistent with our targets. We increasingly work as a commissioning body delivering new science and services for the UK Government and globally. Our revenue for this work increased by £6.4m compared to 2017/18, reflecting delivery of the Newton Fund and WISER programme. Increased revenue was also generated through our Public Weather Service (£1.6m). This largely reflects work delivered under the core Public Weather Service contract but also includes a smaller increase in data sales.

Revenue



Operating costs

Operating costs increased by £26m compared to 2017/18. This includes a £5.8m provision for potential costs arising from a recovery process initiated by the European Union under their 7th Framework Programme for Research and Technological Development (FP7) funding framework. £8m of this increase is also due to one-off provisions being reversed in the previous year.

There was a planned increase in costs (£4.9m) for our transformation portfolio, enabling several key milestones to be delivered. This contributed to cost savings being delivered ahead of schedule, with £12.2m of cost reductions and efficiencies delivered, £2.6m higher than target. Our work as a commissioning body means increasing use of expertise from outside the Met Office. The value of services bought in increased by £4m, reflecting an increase in work in this area. Contractor costs increased by £2m, reflecting both increased short-term cover during a period of change and the need to access specific skills, particularly in technology.

Dividends

Total dividends payable to our owner, the Department for Business, Energy and Industrial Strategy (BEIS) are £8.5m (2017/18 £8.5m).

Cash flows and liquidity

Cash balances totalled £61.2m as at 31 March 2019 compared to £67.2m as at 31 March 2018. Significant investments in satellite programmes (£55m) were partly offset by the receipt of loan funding (£40m) from BEIS. The Met Office holds cash deposits primarily to meet its short-term operating commitments. In the short to medium-term capital contributions to meet satellite programme obligations are expected to reach their peak in the next financial year.

Borrowings

Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office's sponsor department, BEIS. Therefore, exposure to liquidity risk is limited to these arrangements. As at 31 March 2019, £91m in loans were outstanding (31 March 2018, £58m). Loan funding requirements are anticipated to increase further over forthcoming years to finance the UK contribution to satellite programmes.



Cost changes



Sustainability summary

Overall strategy for sustainability

At the Met Office, we are committed to meeting our objectives in a sustainable way. This means minimising our environmental impact, acting in a positive way in our dealings with our staff, customers and suppliers, and maximising our contribution to the wider community.

Energy

The energy consumed by our headquarters-based High Performance Computer (HPC) accounts for most of our energy consumption and associated emissions. Electricity and gas consumption for HQ are at a steady state.

Our solar photo voltaic installation at our Exeter head office continues to meet its projected outputs.

Travel

Our travel policy encourages staff to question whether their planned travel is essential. If the trip is necessary then staff are encouraged to use the most sustainable form of transport. We calculate the emissions from all of our business journeys and are continually looking at ways to minimise these, such as investment in video conferencing and smarter ways of working.



Wadebridge
Cornwall, England



Greenhouse gas emissions (GHG)		2015/16	2016/17	2017/18	2018/19
Non-financial indicators (tCO ₂ e)	Total gross emissions for scopes 1 & 2 (including white fleet)	18,258	19,251	21,385	17,702
	Gross emissions scope 3 - business travel (less white fleet)	1,541	1,570	1,484	1,694
Related energy consumption (MWh)	Electricity: non-renewable	37,530	43,904	56,838	57,716
	Electricity: renewable	-	-	-	-
	Electricity: good quality combined heat and power	-	-	-	-
	Self-generated renewable (solar panel installation at Exeter)	231	105	224	234
	Natural gas	3,889	5,383	5,221	5,468
	Gas oil (diesel)	149	65	61	-
Financial indicators (£)	Expenditure on energy	3,704,861	4,697,680	5,875,046	6,704,577
	Expenditure on business (administrative) travel	2,382,879	2,202,420	2,217,499	2,013,875
	Expenditure on Carbon Reduction Commitment Energy Efficiency Scheme allowances	291,658	317,881	347,896	286,772

Waste		2015/16	2016/17	2017/18	2018/19
Non-financial indicators (t)	Total waste arising	206.91	231.13	187.10	170.80
	Recycled and re-used	178.42	142.01	124.63	107.30
	Information communication technology waste recycled and re-used (externally)	8.24	24.38	9.47	14.21
	Composted	17.66	20.51	27.60	9.60
	Anaerobic digestion	30.27	32.41	32.18	30.49
	Incinerated/energy recovery	10.97	33.61	27.96	32.24
	Landfill	17.35	3.13	0.52	0.80
Financial indicators (£)	Total disposal cost	84,151	85,340	87,783	91,317

Waste

In 2018/19, our total waste arising was 170.8 tonnes – a decrease on our 2017/18 figure of 187.1 tonnes. We continue to strive to keep our total waste to a minimum through initiatives such as selling old office furniture for re-use and ensuring that all our IT waste is either re-used or recycled. Since December 2015, we have been sending all our residual waste for incineration for Energy from Waste at a local facility in Plymouth. To reduce single-use cardboard cup usage, we offer a discount on drinks purchased in a reusable cup.

During the year works took place at our Exeter head office to improve our car parking and cycling infrastructure. This resulted in 853 tonnes of waste of which 151 tonnes of concrete and hardcore was recycled and re-used by a local concrete, asphalt and aggregate supplier and 702 tonnes of sub soil and top soil was re-used or sent to land fill by local suppliers.

We work closely with our suppliers and contractors to ensure that they remove all of their waste and packaging from our sites. At our headquarters contractors are briefed on our waste and recycling policies.

Recycling

In 2018/19, we achieved a recycling rate of 62.8% and a recovery rate of 36.9% which means that less than 1% of our waste went to landfill. We currently recycle cardboard, metal, batteries, information communication technology/electrical items, glass, green waste and all types of plastic. We have a wide range of recycling facilities on site which staff are encouraged to use.

Water		2015/16	2016/17	2017/18	2018/19	
Non-financial indicators (m ³)	Water consumption	Imported (potable)	37,899	27,740	33,280	35,694
		Abstracted (borehole)	15,457	26,857	21,334	20,019
		Grey water (harvested rainwater)	-	-	-	-
		Recycled water (discharge from cooling towers)	6,628	7,907	6,499	7,149
Financial indicators (£)	Water supply costs	75,623	55,957	66,467	68,311	

Finite resources (Water)

We have metering at our headquarters to monitor and record our onsite water usage, most of which goes to cool our HPC.

Due to the new HPC, we have an increased need to use water for cooling. We are able to use a mix of mains water and softened borehole water for this purpose but have yet to increase our water softening capability to meet all the increased demand from the borehole.

Sustainable procurement

We engage actively with Small and Medium-sized Enterprises (SMEs), open up more opportunities to the wider market and split procurements into lots. As a result, we are making good progress towards the Government target of 33% of spend with SMEs by 2022, with 25% achieved in 2018/19, up 4% on the previous year.

As a signatory to the Government Prompt Payment Code, we are committed to making timely payments to suppliers, and are actively promoting and assessing strategic suppliers' equivalent terms to their related sub-contractors.

Biodiversity action planning

We are proud to have retained the Wildlife Trusts' Biodiversity Benchmark Award for our headquarters site where our staff-led Biodiversity Working Group continues to work closely with colleagues in our Property Management team to protect and enhance biodiversity. Our ongoing work includes grassland management to benefit different butterfly species as well as the addition of nettle patches. We continue to conduct butterfly and bird surveys and record species observations so we can monitor the impact our work is having.

Professor Penelope Endersby
Chief Executive
25 June 2019

Corporate governance report

Directors' report

The following items, required as part of the Directors' report, are included in the Governance Statement on page 25:

- Composition of the Met Office Board.
- Disclosure of other interests held by members of the Met Office Board.
- Disclosure of personal data-related incidents.

Statement of the Met Office and Accounting Officer's responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973, HM Treasury has directed the Met Office to prepare a statement of accounts for the 2018/19 financial year in the form and on the basis set out in the Accounts Direction issued on 20 December 2018 and in guidance on accounting for grants received during 2017.

Accounts are prepared on an accruals basis and must give a true and fair view of the Met Office's state of affairs as at 31 March 2019 and of the income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive of the Met Office as the Accounting Officer for the Trading Fund. Her responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances, for which she is answerable, for keeping of proper records and for safeguarding the Met Office's assets, are set out in Managing Public Money published by HM Treasury.

The Accounting Officer confirms that there is no relevant information of which the auditors are unaware and that she has taken all necessary steps to ensure they have been made aware of all relevant audit information throughout the business.

The Accounting Officer also confirms that she takes personal responsibility for the annual report and accounts and the judgements required to ensure that they are fair, balanced and understandable.

Governance statement

Scope of responsibility and purpose of the governance statement

As Accounting Officer, it is my responsibility to ensure that there is a sound system of governance, risk management and internal control in place; and that Met Office business is conducted in accordance with Managing Public Money to ensure public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

I was appointed Chief Executive and Accounting Officer with effect from 5 December 2018, taking over from Nick Jobling, who had been acting Chief Executive and Interim Accounting Officer. I had a comprehensive and detailed handover from Nick and sought specific assurance from him around the effective operation of controls in the period from 1 April 2018 to 4 December 2018. I paid particular attention to the governance and management control issues which were outlined in last year's statement, and the subsequent programme of audits and corrective actions to assure myself that these have been adequately addressed. Nick has returned to his previous role of Chief Financial Officer.

The Governance statement, for which I, as Accounting Officer, take personal responsibility, gives a clear understanding of the dynamics of the Met Office and its control structures. These control structures provide an adequate insight into the business of the Met Office and its use of resources to enable me to make informed decisions about progress against business plans and, if necessary, steer performance back on track. In doing this, I am supported by a governance framework that includes the Met Office Board, its committees, internal and external audit and senior management.

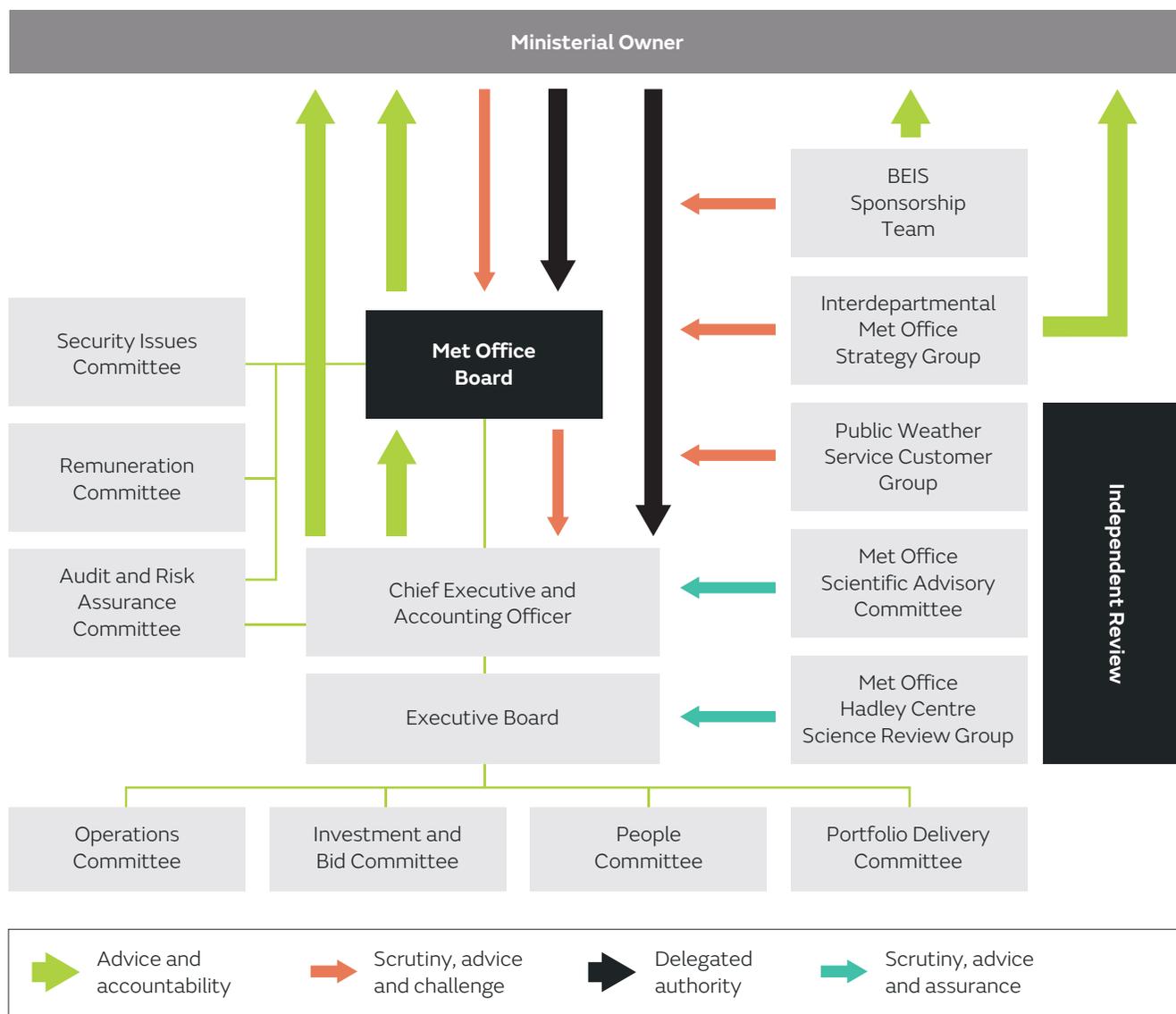
This statement also explains how the Met Office has complied with the principles of good governance and reviews the effectiveness of these arrangements.

Governance structure

Our governance structure

As a response to the governance issues identified last year, we have developed our governing body structures below the Executive Board to simplify governance and clarify accountability. We established four new committees (Operations, Investment and Bid, People and Portfolio Delivery), with a series of working groups that report to these committees. These changes will improve the co-ordination, oversight, transparency and accountability of our most important business activities and improve the information flow to the Executive Board. Together these changes provide us with more confidence in the management and leadership of the Met Office and enable us to implement strategy with agility and pace.

In addition to these formal governance arrangements, we have re-iterated the importance of enabling individual staff to raise issues of concern. A "Raising Concerns" campaign in July 2018 sought to ensure staff have the confidence to raise concerns, and an understanding of how to do so. Areas covered include grievances, fraud and bribery, bullying and harassment, health and safety, use of the whistleblowing process and reporting a breach of the Civil Service Code.



There are a number of working groups providing specialist advice to the individual committees.

Role of the Met Office Board

The Met Office Board supports and challenges the executive team and carefully scrutinises its proposals and performance, particularly in relation to the development of the Met Office’s long-term business strategy and delivery of the approved Corporate Plan, including performance against Key Performance Indicators. In addition, the Met Office Board takes an overview of corporate risk and works with the Executive Board to agree the organisation’s risk appetite.

Met Office Board composition

The Chairman is responsible for leading the Board and ensuring

that it is effective in discharging its role. He is supported by additional non-executive directors, chosen to ensure an appropriate mix of skills and experience. The Met Office Board has three committees: the Audit and Risk Assurance Committee, the Remuneration Committee and the Security Issues Committee, each chaired by a non-executive board member.

Rob Woodward was appointed Chairman of the Board with effect from 1 July 2018. He took over from the interim Chairman, Sir John Beddington, who has remained on the Board as a non-executive member.

Hunada Nouss was appointed as a new non-executive director to the Board.

She attended her first meeting on 1 October 2018 and replaced Dame Mary Keegan, who stood down at the end of her term in August 2018. Hunada Nouss also chairs the Board’s Audit and Risk Assurance Committee.

Met Office Board activities in 2018/19

During 2018/19, the Met Office Board met seven times, which included a special meeting to discuss the Annual Report and Accounts. A summary of each Board meeting is published on the Met Office website. Themes discussed at Board meetings during 2018/19 included: the Met Office’s corporate strategy, targets, performance, risks and

achievements towards its purpose. In this context, the Board discussed and monitored progress towards the organisation's key corporate priorities and objectives, its ongoing programme of transformation and efficiency, including a redundancy programme, developments in science and technology, development of its people, performance of the Met Office Business Group, activities in relation to business continuity, security and resilience, the business case for its next supercomputer, the UK's exit from the European Union, successful bids as a fund manager, and the release of the UK's latest climate projections (UKCP18). The Board also discussed issues relating to corporate governance and a change in its Chief Executive. Two of the Board meetings were held at the site of key strategic partners – at Heathrow Airport and Highways England, and the Board intends to hold meetings at other customers' locations in the future.

Audit and Risk Assurance Committee

The Committee met three times during 2018/19. Results of the Internal Audit team's work, including assurance ratings for individual audits and summaries on the progress of the implementation of agreed actions were reported to members of the Committee on a monthly basis, as well as at each Committee meeting. The Committee reported to the Met Office Board after each meeting. The nature and status of key corporate risks is reported routinely to the Audit and Risk Assurance Committee, along with details of mitigating actions being taken. Where necessary, the Committee challenges management to gain the assurance it needs over the robustness of these actions.

BEIS Sponsorship Team

The BEIS Sponsorship Team advises BEIS Ministers on the management of the Government's interest in the Met Office. A BEIS representative sits on the Met Office Board and its committees.

Executive Board and Committees

In my role as Chief Executive, I am responsible for the day-to-day leadership and management of the Met Office. I am accountable to the Ministerial Owner and the Met Office Board (acting, where appropriate, on the Ministerial Owner's behalf) for the performance of the Met Office in accordance with the Met Office Framework Document and Corporate Plan. I am also Accounting Officer for the Met Office, personally responsible and accountable to Parliament for the organisation and quality of management in the Met Office, including its use of public money and the stewardship of its assets. As Chief Executive I chair the Executive Board, which is responsible for supporting me in the implementation of the strategy agreed by the Met Office Board.

Additional review bodies

The following bodies provide additional independent review of Met Office activities:

- **Met Office Scientific Advisory Committee (MOSAC)** – provides an independent assessment of the quality and relevance of the Met Office's scientific research which underpins our weather, climate and oceanographic services. The Committee comprises external independent experts in the field of climate science, meteorology, oceanography or numerical weather prediction drawn from UK universities, and from meteorological services and climate institutions of other countries. MOSAC was chaired by Dr Gilbert Brunet during 2018/19.
- **Met Office Hadley Centre Science Review Group (SRG)** – provides an independent review, on behalf of BEIS and the Department for Environment, Food and Rural Affairs, of the climate research carried out by the Met Office Hadley Centre for Climate Science and Services. The SRG was chaired by Professor Ted Shepherd during 2018/19.
- **Interdepartmental Met Office Strategy Group (IMOSG)** – comprising relevant government departments, the devolved administrations and the Met Office, IMOSG meets periodically to review, at a strategic level, Government's overall priorities for the Met Office.
- **Public Weather Service Customer Group (PWSCG)** – oversees the Public Weather Service from a customer point of view, ensuring the quality, suitability and value for money of the service provided. The PWSCG comprises independent members and representatives from government departments, agencies, emergency responders, local authorities, the Scottish and Welsh Governments and the Northern Ireland Assembly. The PWSCG was chaired by Dr Wyn Williams during 2018/19 and its Annual Report is available through the Met Office website.

Board and Committee attendance for the period 1 April 2018 to 31 March 2019

Board or committee member	Dates served	Met Office Board	Audit and Risk Assurance Committee	Remuneration Committee	Security Issues Committee
Total meetings during period		7	3	2	2
Non-Executive Directors					
Professor Sir John Beddington Interim Chairman (Non-Executive Director)	Until 30 June 2018 (From 1 July 2018)	5/7	-	1/2	2/2
Rob Woodward Chair	From 1 July 2018	5/5	-	1/1	1/1
David Burrige		7/7	2/3	2/2	-
Dame Mary Keegan Chair of ARAC	Until 31 August 2018	2/3	1/1	1/1	-
Robert Drummond		6/7	3/3	2/2	-
Catherine Quinn Chair of Remuneration Committee		6/7	3/3	2/2	1/2
John Kimmance		7/7	-	2/2	2/2
Hunada Nouss Chair of ARAC	From 1 October 2018	3/3	2/2	1/1	-
Paul Hadley	Until 1 October 2018	4/4	1/1	1/1	1/1
Stephanie Hurst	From 2 October 2018	3/3	1/2	1/1	-
Executive Directors					
Nick Jobling Acting Chief Executive (Chief Financial Officer)	Until 4 December 2018 (From 5 December 2018)	7/7	3/3	1/1	-
Professor Penelope Endersby Chief Executive	From 5 December 2018	2/2	1/1	-	-
Professor Stephen Belcher Chief Scientist		7/7	-	-	-
Phil Evans Chief Operating Officer		7/7	-	-	-
John Taylor Interim Chief Financial Officer	Until 6 December 2018	5/5	2/2	-	-

Note: Professor Penelope Endersby, Nick Jobling and John Taylor were not members of ARAC but are regular attendees and are therefore included for completeness.

Work of the Met Office Board and Committees

Evaluation of Board performance

The performance of the Met Office Board and the Audit and Risk Assurance Committee was evaluated using a structured questionnaire. The review highlighted no serious issues, and the Board endorsed the implementation of recommendations for improvement.

Conflicts of interest

The Met Office maintains a public Register of Interests that details company directorships and other significant interests held by Board members which may conflict with their responsibilities. The register is reviewed at least on an annual basis. Where appropriate, conflicts of interest were declared during 2018/19 and, where there was any perceived conflict, the member in question was excluded from the relevant conversation and any decisions made on that subject. The register is available to view by applying in writing to my Private Secretary at the Met Office, FitzRoy Road, Exeter EX1 3PB.

Compliance with the Corporate Governance Code

Where applicable, the Met Office has complied during 2018/19 with the provisions of corporate governance in central government departments: Code of good practice April 2017.

Risk management

Risk management strategy and how the risk profile is managed

The Met Office Corporate Plan describes the direction of the organisation and highlights key corporate objectives for the period 2016 to 2021. Each directorate derives its objectives from the Plan; these are cascaded to form individual objectives. Performance is represented on a Corporate Dashboard and covers all business areas, corporate objectives and Key Performance Indicators (KPIs).

Assessing and managing risk is embedded within day-to-day business management across the Met Office. Directors and other senior leaders play a vital role in the identification, mitigation and, if necessary, escalation of risks as appropriate across all business areas, programmes and projects.

Our risk management approach is designed to achieve a cost-effective balance between mitigation and acceptance of risk, with targets set for individual risks. Our risk management process supports the ongoing identification, quantitative and qualitative assessment, ranking and reporting of risks and assesses the significance of the risks against our corporate risk appetite.

This approach enables us to understand the scale of the risks we face and to respond in an appropriate, effective and efficient manner.

Accountability and responsibility framework for risk management

The Met Office Board provides an external perspective to all corporate risks. The Board reviewed the most serious risks threatening strategic objectives in November 2018 and again in March 2019 (see also Key risks and issues arising on page 30).

The Executive Board drives risk management from the top down, and ensures all major decisions are subject to risk assessment and effective mitigation actions. The Executive Board identifies and manages risk in accordance with defined risk appetite. Individual Executive Board members review risks within their directorate at least quarterly and corporate risks are formally reviewed at Executive Board meetings on a quarterly basis. Between these quarterly reviews, a monthly summary is provided.

The monthly Operations Committee, chaired by the Chief Operating Officer, reviews actions on all corporate and significant business risks and is the main champion of risk management within the Met Office. It supports and challenges the Met Office executive team in identifying risks and opportunities, highlighting where risks are being ineffectively managed and addressing these areas with management.

The Associate Directors and senior management ensure that they understand the risk policy, process and reporting requirements, ensuring that a risk register is compiled and maintained for each major activity, and escalate risks to the Operations Committee in conjunction with the Corporate Risk and Benefits Manager as required.

Risk management information is used:

- to inform the annual planning process, especially at business area and corporate objective level;
- at all levels in the organisation, i.e. corporate, individual business areas and projects, with escalation procedures clearly established;
- to inform key business decision-making processes such as corporate investment appraisals; and
- to inform the assurance needs of the organisation.

Risk management assurance

The Corporate Risk and Benefits Manager works across all levels of the Met Office to ensure risks are managed, reported and mitigated effectively. They undertake quality assurance checks throughout the year to encourage compliance with corporate risk management protocols and identify areas of the business where risk management practices require strengthening. In support of this, risk management training sessions have been delivered during the year and are ongoing. The purpose of these is to raise awareness of the value of risk management and offer practical advice on implementing effective management actions.

An increased focus is being placed on the role of risk owners in managing more significant/strategic risks, and in meeting the information needs of internal and external stakeholder groups charged with managing and supporting the organisation.

The Audit and Risk Assurance Committee reviews the risk register at each of its meetings and seeks assurances from risk owners and the Corporate Risk and Benefits Manager on the management of risk.

Risk appetite

Risk appetite is defined as the level of risk the organisation is willing to face to achieve its objectives and our risk appetite framework recognises that different objectives can have differing levels of risk tolerance. With reference to risk appetite we can apply appropriate levels of mitigation to risks dependent on whether a risk is assessed as falling within or outside our appetite. In this way we can ensure our risks are prioritised and that we are making efficient use of our resources in managing the key risks. The organisation's Risk Appetite Framework is based on "Thinking about Risk, Managing your risk appetite: A practitioner's guide" HM Treasury, November 2006. Our risk appetite is directly aligned to the corporate objectives outlined in the Corporate Plan and is framed against the four risk impact categories of reputation, finance, operational delivery and compliance. This provides a granular view of the risk appetite for each corporate objective. Our risk appetite was last updated, reviewed and approved by the Met Office Board in October 2018. It will be reviewed again commensurate with any update to the organisation's corporate objectives.

Key risks and issues arising

2018/19 has been a year in which significant corporate risks and issues have had to be managed, the number of which has risen slightly over the course of the year. The risk portfolio has included the following key risks:

- ensuring the requirements and technical options for our next supercomputer investment are fully considered. A HM Treasury Green Book Outline Business Case is being prepared and is due to be submitted to BEIS for approval in October 2019. Separately, approval of the investment is also required (timescale currently unknown) and this is linked to the upcoming Spending Review;

- ensuring we are aligned with our compliance obligations. In 2018/19 these were principally ensuring our compliance with General Data Protection Regulations (GDPR) legislation and securing continued ISO 9001:2015 certification;
- maintaining operational resilience, which is a priority for the organisation. We have focused on protecting and improving the resilience of our key services and staff and this continues to be an area of focus;
- ensuring potential impacts on the Met Office from the UK's exit from the EU have been identified and that we have appropriate mitigations and/or contingency plans in place for those impacts;
- ensuring that our programme of Transformation and Efficiency delivers the required savings and changes to our people, processes and technology to place us in a strong position for the future, being careful to ensure that it does not have an adverse impact on our operational resilience as we make the required changes; and
- managing our response to, and the impact of, a finding by the European Commission's Common Audit Service that a financial adjustment should be made in the Commission's favour in relation to grant monies historically received by the Met Office from the Commission pursuant to the 7th Framework Programme for Research and Technological Development. See Internal audit annual opinion and Significant governance and control issues below.

Other control and governance structures

Internal financial control

The Met Office's system of internal financial control aims to ensure accountability for expenditure and stewardship of assets. The system includes policies and controls on delegation of authorities and regular reporting against budgets, forecasts and KPIs. Significant investments or bids are subject to additional formal authorisation by the Investment and Bid Committee, Executive Board or Met Office Board depending on their value.

Counter fraud

During the past year, the Met Office has developed closer engagement with the Cabinet Office Fraud Centre of Excellence and has been a regular contributor at the BEIS Counter Fraud Network Meetings. Additionally, we now have a representative within the Cross-Government Counter Fraud Champions Network. Within the internal audit team, we now have four members qualified as Accredited Counter Fraud Specialists. We have successfully held the first Met Office Fraud Awareness Week, which included speakers from BEIS and represented further useful engagement with the counter fraud team there, as well as raising awareness within the organisation. We have also continued to run Fraud Risk Workshops within the business to assist with the identification of fraud risks from the bottom up as well as the top down.

Alexander tax review

The processes in place to promote transparency of the tax arrangements of our non-employed staff are fully compliant with the provisions in the Review of the tax arrangements of public sector appointees, HM Treasury, 2012.

Business critical models

Processes to develop business critical models such as the Met Office Unified Model are segregated to preserve operational resilience and incorporate quality assurance protocols to validate the effectiveness of any model improvements. In doing so, these processes are compliant with the principles in The Aqua Book: Guidance on Producing Quality Analysis for Government.

Governance of knowledge and information assets

In response to the need to clarify accountabilities and to make decision-making more efficient and transparent, a comprehensive review of the governance of data and corporate information assets was undertaken. The changes were approved and rolled out to support the launch of the new Data Strategy Framework and governance framework in November 2018. The Knowledge and Information Management Strategy was updated, and changes made to clarify and simplify the governance of corporate information and to ensure we have embedded the principles behind the new General Data Protection Regulation (GDPR) requirements.

The Chief Information Officer and Senior Information Risk Owner have delegated authority from the Executive in connection with knowledge and information management governance and policy making. The Chief Information Officer is also the executive lead for data, with overall accountability and ownership of the organisation's non-corporate data. These roles are supported by Information Asset Owners (IAOs) with accountabilities for data and data services, and for corporate information.

Information Asset Guardians support the Data and Corporate IAOs in discharging their responsibilities to ensure information within their information portfolio is fit for purpose, used, shared and managed in accordance with its risk and criticality to delivering Met Office business objectives.

Governance of data and data services

The Executive Lead for Data enforces the principles for data and data services. The Executive Board and its sub-committees provide organisation-wide governance of knowledge and information including data and data services.

A new role – the Head of Data – is responsible for organisation-wide non-corporate data and data services.

There are single accountable owners for each of the four data types across the data management lifecycle, and two demand-side accountable owners for access and best use of public task data and non-public task data (see diagram below).

The new Data Management Group is responsible for implementation of the Data Strategy Framework and Data Policy.

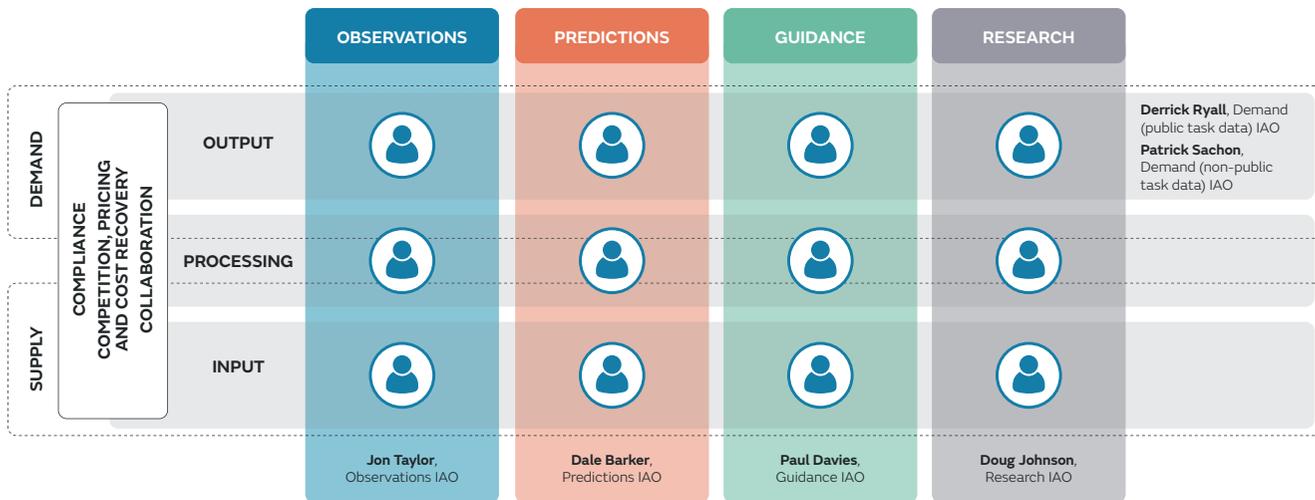
We will monitor the effectiveness of the new governance arrangements over the next 12 months, looking at the clarity and efficiency of decision-making and the delivery of the Data Strategy Plan.

Governance of corporate information

In November 2018 the portfolios for corporate information were simplified to reflect operational technology, personal data and business information with single accountable owners. The Head of Knowledge

and Information Management is responsible for organisation-wide strategy and policy setting for corporate information assets.

The new Corporate Information Management Group (CIMG) is responsible for implementing and embedding the Knowledge and Information Strategy on behalf of the Executive Board, ensuring corporate information storing and sharing is compliant with legislative and security requirements.



The Information Asset Owners are accountable for the supply and demand of data. Supply IAOs are accountable for the inputting and generic processing (e.g. capture, validation, storage) of data. Demand IAOs are accountable for specific processing (e.g. for data products) and access to data via data services. They are supported by Information Asset Guardians and others who are responsible for managing data through its lifecycle.

Information security

We have a Senior Information Risk Owner at Executive Director level who is supported by Information Asset Owners who cover information assets across the whole of the Met Office. One or more Information Asset Guardians support each IAO. This year we have redeveloped information asset ownership to make it more efficient and effective and have received positive feedback as a result. The IAOs work with the SIRO to ensure business critical and sensitive information assets are risk managed appropriately so that the value of our information assets is protected as described by our risk appetite. Wider governance is delivered through the Security and Resilience Board (SRB), which meets regularly and is chaired by the Chief Operating Officer and oversees Met Office security and business continuity/resilience. The SRB reports into the Operations Committee and has several working groups targeted at a lower level on cyber security; policy; physical and personnel security; and resilience. In addition, a working group focused on protecting personal information has been formed. In the year to come there will be a particular focus on delivering the cyber security aspects of our new security and resilience strategy and continuing the work to update our security policies and standards.

When it is released by UK Government in the coming weeks, the Met Office expects to evidence how it complies with the Security Policy Framework and the four Cabinet Office Security Standards by completing the Departmental Security Health Check. The Met Office has maintained certification against the National Cyber Essentials scheme again this year, which helps us to demonstrate a good foundation of information security compliance to our partners and customers.

Protective security is the joint responsibility of the Chief Information Security Officer and Security Manager (Physical and Personnel), who jointly fulfil the role of Departmental Security Officer at the Met Office. In September 2018 a crisis management simulation exercise was held involving a terrorist incident at the Met Office headquarters. The exercise included the Executive Board, and actions to resolve issues identified at the debrief included updates to the crisis management process, updates to documentation and improvements to facilities for crisis management teams.

Controls around the protection of personal data have a high priority. However, there are occasional cases of data losses or breaches of data protection legislation. These are referred to our Legal Compliance Manager to determine the significance and suitability for onward reporting to BEIS, which is the legal data controller, and to determine whether individual cases require reporting to the Information Commissioner's Office (ICO). No data protection incidents were reported to the ICO during 2018/19.

During the year, we completed a formal GDPR Project sponsored by a member of the Executive Board, which has worked closely with all Met Office business areas (and has regularly reported to the Met Office Audit and Risk Assurance Committee) and ensured that the organisation complies with GDPR.

Investments and improvements to cyber security more generally this year include but are not limited to:

- developing a cyber security strategy;
- initiating the definition for a cyber enhancement programme, which will deliver our cyber security strategy, ensuring we meet internal and external stakeholder cyber security expectations;

- reviewing the Met Office cyber security operating model;
- creating an Enterprise Security Architect post;
- improving our cyber risk register;
- targeting our existing cyber monitoring for maximum impact and benefit; and
- extensive external vulnerability assessment of our on-premise infrastructure and establishing an ongoing internal vulnerability assessment capability.

Crypto security audit

All issues raised by an external audit carried out in July 2018 have been fully resolved and a new management team is in place to ensure ongoing compliance with the Ministry of Defence Cryptosecurity Operating Instructions.

Monitoring governance performance and effectiveness

Audit and Risk Assurance Committee report

The Audit and Risk Assurance Committee arranges for management representatives to attend its meetings to explain how corporate risks are being reduced to an acceptable level, or how issues of particular concern identified in internal audits are being managed effectively. During the current year there was specific focus on the Transformation & Efficiency Portfolio, Security & Resilience, GDPR and supercomputing.

The Audit and Risk Assurance Committee annually reviews the effectiveness of the internal and external audit functions and has expressed the view that these functions continue to operate effectively for 2018/19 in the provision of assurance on Met Office standards of governance, risk management and control.

Internal Audit annual opinion

The Head of Internal Audit has given moderate assurance over the adequacy and effectiveness of the Met Office's systems of governance, risk management and internal control. Compared to last year this assurance rating has improved. This is due to improved ratings given for internal audits, implementation by management of actions raised in audits, enhancements made to corporate governance controls and the successful transition to the ISO9001:2015 and ISO14001:2015 standards.

Governance has been a theme for improvement over the last few years and significant improvement has been made in the last 12 months. New Committees are in place: Operations Committee, Investment and Bid Committee, Portfolio Delivery Committee and People Committee. Future changes are planned with the creation of an Enterprise Portfolio Office and a new function covering governance, risk and compliance, reporting to the Chief Executive. From the work conducted this year, five audits raised issues connected to governance.

An emerging theme is the need for a joined-up picture between assurance provided through the Enterprise Portfolio Office on change and change taking place through business as usual activities. Five audit reviews had findings connected to this theme. As the new governance arrangements embed, and become efficient and effective, these types of findings should reduce.

Internal Audit assessed the systems of governance, risk and control through a planned programme of assurance-generating work over the course of the year. A structured risk-based process identified which activities and risks would be audited.

We continue to engage with the BEIS counter fraud network, and held our own fraud awareness campaign in November 2018. There were no fraud specific investigations conducted this year.

Annual assurance statements were obtained from each Executive Director describing the extent to which, and how, they have complied with internal rules and regulations that form a key part of the organisation's governance framework. Internal Audit reviewed these statements to identify any material issues or trends. These statements raised two significant issues. The first related to grant funding from the European Commission for the 7th Framework Programme for Research and Technological Development (FP7). The second issue related to non-compliance with MoD Crypto Security Operating Instructions, which has now been resolved.

Accounting Officer review

I have based my opinion of our system of governance, risk management and internal control on a number of lines of evidence. These include the Internal Audit opinion, findings of external audits including the National Audit Office and ISO9001 and ISO14001 during the year, directors' annual assurance statements, the view of our Audit and Risk Assurance Committee and routine monitoring of performance and control systems through our Executive Board's oversight of directorate and corporate KPIs.

I agree with the Head of Internal Audit's opinion that we have moderate but improving control overall. The improvements have been due to systems and structures we put in place during the last year which should lead us to a position of substantial assurance, but these systems are currently too recent to have been fully proven in operation. We have conducted reviews of each of the governing committees which reflect this immaturity and give us a baseline to focus and measure improvements.

Further improvements are also planned around the adoption of a more widespread learning culture.

Significant governance and control issues

During the course of the year a substantial programme of interventions was conducted to address the governance and control issues identified in the previous year's governance statement. These were initially overseen by the interim Accounting Officer and have been continued under my leadership as Accounting Officer. Several audits, both internal and external, were conducted and a full set of actions tracked through our Audit and Risk Assurance Committee and Board. The vast majority of these are complete, including those related to a streamlined governance structure which is reported earlier in this document. Only a small number of longer-term cultural activities remain ongoing. I am satisfied that these issues are now fully resolved.

The FP7 audit

The issues raised by this audit arose from activity in earlier periods and relate to evidencing time allocations to specific projects. Whilst we disagree with the findings of the audit report, we have nevertheless continued to improve our time-recording systems. We will consider whether the extension of full time recording to the wider business would increase our visibility of activities that are not directly bookable to projects.

Accounting officer's conclusion

Taking into consideration all of the evidence provided with regards to the production of the Annual Governance Statement, I conclude that the organisation's overall governance, risk management and internal control structures are effective.

Remuneration and staff report

Remuneration report

Remuneration policy

The remuneration of those who serve on the Met Office Board is disclosed within this report.

The following Executive members of the Met Office Board were members of the Senior Civil Service:

- Professor Penelope Endersby,
Chief Executive**
(From 5 December 2018)

The following Met Office Board members are also members of the Executive Board and are Met Office employees:

- Nick Jobling,
Interim Chief Executive**
(until 4 December 2018),
Chief Financial Officer
(from 5 December 2018)
- Professor Stephen Belcher,
Chief Scientist**
- Phil Evans,
Chief Operating Officer**

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at <http://civilservicecommission.independent.gov.uk/>

Salary includes gross salary, overtime, non-consolidated pay, recruitment and retention allowances.

Other taxable allowances primarily reflect payments for the provision of temporary accommodation in Exeter. Variability in the amounts paid are due to the timing of claims processed through payroll and not changes in the rate of allowances payable.

Performance-related payments reflect performance levels attained as assessed during the appraisal process. Payments are non-consolidated and non-pensionable and represent part of Executive remuneration, which is at risk and must be re-earned each year. Amounts shown opposite relate to the performance attained in the relevant year and are paid in the following year.

Pay multiples (audited)

The banded remuneration of the highest-paid Director in the Met Office in the financial year 2018/19 was £145,000 to £150,000 (2017/18 £140,000 to £145,000). This was 3.8 times (2017/18 3.7 times) the median remuneration of the workforce, which was £38,260 (2017/18, £37,867). In 2018/19, no employees (2017/18, nil) received remuneration in excess of the highest-paid Director. Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind and severance payments. It does not include employer pension contributions and the Cash Equivalent Transfer Value (CETV) of pensions.

A Cash Equivalent Transfer Value is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

Remuneration (audited)

	2018/19					2017/18				
	Salary	Other taxable allowances	Performance - related pay	Pension benefits ¹	Total	Salary	Other taxable allowances	Performance - related pay	Pension benefits ¹	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
P Endersby (From 5 December)	40-45 (125-130 full year equivalent)	-	- ²	127	165-170	-	-	-	-	-
N Jobling	110-115	-	10-15	57	180-185	100-105	-	0-5	32	135-140
S Belcher	135-140	-	10-15	54	200-205	135-140	-	10-15	53	195-200
P Evans	85-90	15-20	0-5	33	135-140	55-60 (85-90 full year equivalent)	45-50	0-5	52	155-160
R Varley (Until 1 March 2018)	-	-	-	-	-	115-120 (125-130 full year equivalent)	-	-	(2)	110-115
S Noyes (Until 1 August 2017)	-	-	-	-	-	35-40 (95-100 full year equivalent)	-	-	-	35-40

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase of any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

² P Endersby's performance related pay is set under Senior Civil Service arrangements. The amount for 2018/19 had not been finalised at the time of signing

John Taylor was appointed interim Chief Financial Officer between 1 April and 8 December 2018 on a short-term basis to cover the role for the period when the incumbent (Nick Jobling) took up post as interim Chief Executive. He was engaged through an agency at a cost of £180-185k. He was the only off payroll engagement on the Board during the year.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values)

(Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due

to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension entitlements for each director (audited)

	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Professor Penelope Endersby	35-40 plus a lump sum of 85-90	5-7.5 plus a lump sum of 12.5-15	636	516	100
Nick Jobling	25-30	2.5-5	489	397	38
Professor Stephen Belcher	15-20	2.5-5	242	178	32
Phil Evans	35-40 plus a lump sum of 90-95	0-2.5 plus a lump sum of nil	735	642	19

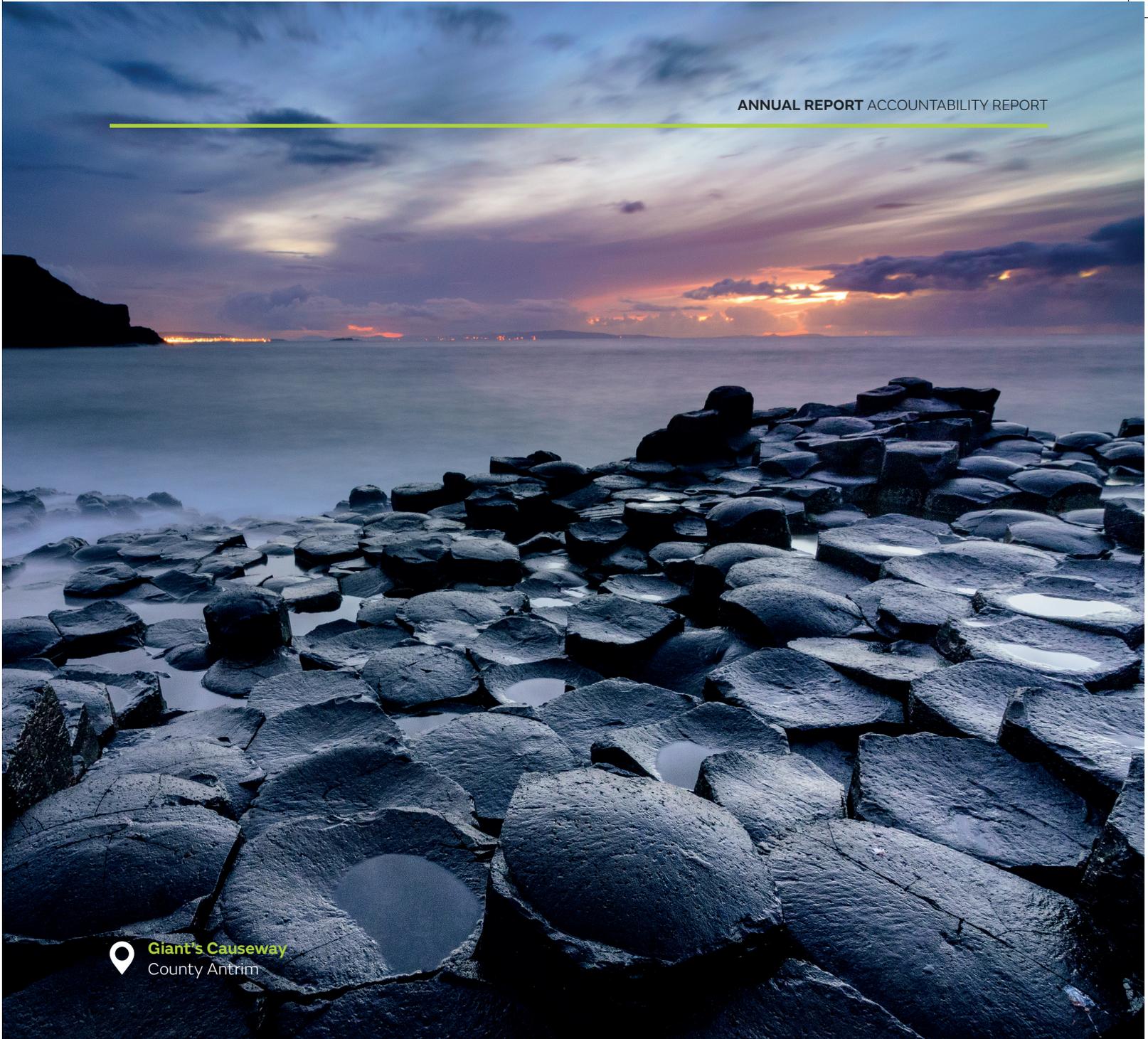
Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in

line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may



opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age

for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Staff report

Staff numbers as at 31 March 2019 (audited)

	Full time equivalents			
	Male	Female	31 March 2019	31 March 2018
Directors	7	2	9	7
Other permanent staff	1,167	618	1,785	1,897
Met Office employees total	1,174	620	1,794	1,904
Temporary/agency staff			85	85
Total			1,879	1,989

Staff costs

	2018/19	2017/18
	£ '000	£ '000
Salaries, performance-related pay and allowances	79,124	70,170
Social security	8,390	8,284
Pension contributions	14,981	14,752
Early retirement and exit costs	3,591	266
Temporary/agency labour costs	7,565	5,856
Total staff costs	113,651	99,328

Salary costs for 2017/18 include a provision release of £8.0m as noted in the financial review on page 19.

Diversity

The Met Office values difference, openness, fairness and transparency to make work a better experience for our employees and help us to achieve our primary objectives.

One of the main objectives of our plan was to transform our pay model to enable us to retain and reward a highly skilled and agile workforce. We have continued to deliver a new pay model that focuses on gender pay equality, is related to performance and enables us to recruit and retain world-class staff while adhering to the Government's pay policy. A copy of our Gender Pay Report is available on our website.

We review our practices to ensure we do not discriminate unfairly or

unlawfully, and actively seek to make the Met Office fully inclusive for all employees and applicants. As part of this we participate in the government's Disability Confident scheme. We have adopted the Workplace Adjustments Passports and introduced mental health awareness training and fully trained mental health first aiders across the organisation.

We support a range of staff-led diversity action groups with participants across the organisation. This improves work-life balance and flexible working for the benefit of all, including disabled employees.

To support and encourage women pursuing education and careers in science, technology, engineering

and maths, we have achieved Bronze Athena Swann accreditation. We provide British Sign Language opportunities with accredited trainers. We provide leadership and commitment to these and similar initiatives by developing and monitoring our Diversity Action Plans and Diversity Policy.

Sickness and absence data

In 2018/19 the average working days lost per person was 5.5 (2017/18 5.6 days).

Expenditure on consultancy

In 2018/19 the Met Office spent £3,871,000 on consultancy costs (2017/18 - £1,675,000).

 Isle of Skye
Scotland



Off-payroll engagements

Off-payroll engagements as of 31 March 2019, at more than £245 per day and that last for longer than six months.

Number of existing engagements as of 31 March 2019	45
Of which...	
Number that have existed for less than one year at time of reporting.	22
Number that have existed for between one and two years at time of reporting.	16
Number that have existed for between two and three years at time of reporting.	5
Number that have existed for between three and four years at time of reporting.	1
Number that have existed for four or more years at time of reporting.	1

New off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	50
Of which...	
Number assessed as caught by IR35.	50
Number assessed as not caught by IR35.	0
Number engaged directly (via PSC contracted to BEIS) and are on the Met Office payroll.	0
Number of engagements reassessed for consistency/assurance purposes during the year.	0
Number of engagements that saw a change to IR35 status following the consistency review.	0

Off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019.

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total number of individuals on payroll and off-payroll that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year.	14

Fees paid to non-executive directors (audited)

	2018/19	2017/18
	£'000	£'000
Rob Woodward (from July 2018)	20-25 (35-40 full year equivalent)	-
Professor Sir John Beddington (As Chair until July 2018, as non-executive director after this date)	25-30	35-40
Dr David Burridge	20-25	20-25
Robert Drummond	15-20	15-20
Catherine Quinn	15-20	15-20
Hunada Nouss (from October 2018)	5-10 (15-20 full year equivalent)	-
Dame Mary Keegan (until August 2018)	5-10 (20-25 full year equivalent)	20-25

Stephanie Hurst and Paul Hadley attended in conjunction with their responsibilities at the Department for Business, Energy and Industrial Strategy and are not entitled to receive separate remuneration in undertaking Met Office duties. John Kimmance does not receive any remuneration in his role as a non-executive director.

Exit packages (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £10,000	-	-	4	13	4	13
£10,000 - £25,000	2	-	18	36	20	36
£25,000 - £50,000	-	-	16	34	16	34
£50,000 - £100,000	-	-	23	34	23	34
£100,000 - £150,000	-	-	10	-	10	-
£150,000 - £200,000	-	-	1	-	1	-
Total number of exit packages by type	2	-	72	117	74	117
Total cost £'000	29	-	4,026	4,215	4,055	4,215

Parliamentary accountability and audit report

Regularity of expenditure (audited)

During the year £5.8m was provided for a potential recovery of funding under the European Union's 7th Framework Programme for Research and Technological Development. As at the date of the annual report, this process is ongoing but is expected to be completed in the 2019/20 financial year. The amounts recommended for recovery by the European Commission's Common Audit Service are presently subject to a separate legal challenge initiated by the Met Office with the support of UK Government.

Remote contingent liabilities

The Met Office owns a 5% share of Mercator Ocean at a cost of €100,000. Mercator Ocean is the co-ordinating entity for Copernicus Marine Services, in which the Met Office participates.

The organisation is a 'société civile' (a not-for-profit organisation) under French law, meaning it has unlimited liability. As a shareholder the Met Office is exposed to liability risk in proportion to the shareholding. The organisation protects its shareholders through contractual mechanisms and through insurance. Also any residual claim would first be met from the assets of the organisation. Any contingent liability is considered to be extremely remote. In addition any contingent liability will cease to exist should the Met Office dispose of the shares, which it is able to do so at cost at any point within the first three years of ownership, and with six months' notice after this point.



Professor Penelope Endersby
Chief Executive
25 June 2019

Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Met Office for the year ended 31 March 2019 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Met Office's affairs as at 31 March 2019 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Met Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Met Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Met Office and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Met Office and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Met Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other information

The Met Office and the Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the

Performance Report or the Accountability Report; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 27 June 2019

 Yorkshire
England



Accounts

Statement of comprehensive income for the year ended 31 March 2019

		2018/19	2017/18
	Notes	£ '000	£ '000
Revenue	3	239,123	229,952
Operating costs	4	(235,637)	(209,661)
Operating profit		3,486	20,291
Finance income	5	238	113
Finance expense	6	(1,482)	(754)
Net finance expense		(1,244)	(641)
Profit for the financial year		2,242	19,650
Dividend payable to Department for Business Energy and Industrial Strategy	12	(8,500)	(8,500)
Retained profit for the year		(6,258)	11,150
Other comprehensive income:			
Net gain on revaluation of property, plant and equipment		7,611	4,570
Net (loss)/gain on revaluation of intangible assets		1,557	1,639
Revaluation reserve realised on disposal of non-current assets		-	(52)
Revaluation reserve realised on impairment of non-current assets		(13)	(69)
Net (loss)/gain on cash flow hedges	15	(2,326)	(4,904)
Other comprehensive income for the year		6,829	1,184
Total comprehensive income for the year		571	12,334

The notes on pages 52-73 form part of these accounts.

Statement of financial position as at 31 March 2019

	Notes	31 March 2019		31 March 2018	
		£ '000	£ '000	£ '000	£ '000
Non-current assets					
Property, plant and equipment	7		165,975		179,097
Intangible assets	8		193,379		147,963
Other financial assets	21		91		88
Total non-current assets			359,445		327,148
Current assets					
Inventories	9	1,744		1,486	
Trade and other receivables	10	57,743		54,774	
Derivative financial assets	15	-		806	
Cash and cash equivalents	11	61,155		67,159	
Total current assets			120,642		124,225
Total assets			480,087		451,373
Current liabilities					
Trade and other payables	12	(83,364)		(71,011)	
Borrowings	14	(10,147)		(6,339)	
Derivative financial liabilities	15	(2,550)		(545)	
Provisions for liabilities and charges	16	(5,993)		(723)	
Total current liabilities			(102,054)		(78,618)
Non-current assets plus net current assets			378,033		372,755
Non-current liabilities					
Trade and other payables	12	(38,182)		(61,562)	
Borrowings	14	(80,723)		(52,007)	
Derivative financial liabilities	15	-		(485)	
Provisions for liabilities and charges	16	(188)		(332)	
Total non-current liabilities			(119,093)		(114,386)
Assets less liabilities			258,940		258,369
Capital and reserves					
Public dividend capital			58,867		58,867
Revaluation reserve			39,979		31,389
General reserve			162,644		168,337
Hedging reserve	15		(2,550)		(224)
Total Government funds			258,940		258,369

The notes on pages 52-73 form part of these accounts.



Professor Penelope Endersby
Chief Executive
25 June 2019

Statement of cash flows for the year ended 31 March 2019

		31 March 2019	31 March 2018
	Notes	£ '000	£ '000
Cash flows from operating activities			
Operating profit		3,486	20,291
Adjustments for non-cash transactions:			
Depreciation charges (net of capital grants)	4, 7	8,887	9,024
Loss on disposal of property, plant and equipment	4	106	273
Loss on revaluation of property, plant and equipment	4	-	21
Amortisation	4, 8	14,027	14,888
Impairment of property, plant and equipment		110	372
Impairment of intangible assets		-	373
Deferred grants released		(166)	(114)
(Increase) / decrease in inventories		(258)	113
(Increase) / decrease in trade and other receivables		(6,431)	24
Increase in trade and other payables		6,328	3,146
Increase / (decrease) in provisions for liabilities and charges		5,126	(12,403)
Net cash inflow from operating activities		31,215	36,008
Cash flows from investing activities			
Payments to acquire satellite data		(55,427)	(49,350)
Payments to acquire property, plant and equipment		(4,763)	(4,513)
Capital grants received	13	-	-
Proceeds from sale of property, plant and equipment		5	340
Payments to acquire intangible assets (excluding satellite data)		(9)	(154)
Payments to acquire other financial assets		-	(88)
Interest received		256	104
Net cash outflow from investing activities		(59,938)	(53,661)
Cash flows from financing activities			
Dividends paid		(8,500)	(4,000)
Loan advances received		40,000	29,000
Loan repayments		(8,781)	(5,324)
Net cash inflow from financing activities		22,719	19,676
Net increase in cash and cash equivalents	11	(6,004)	2,023
Cash and cash equivalents at 1 April		67,159	65,136
Cash and cash equivalents at 31 March	11	61,155	67,159

The notes on pages 52-73 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	Public dividend capital	Revaluation reserve	General reserve	Hedging reserve	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 2017	58,867	29,865	152,623	4,680	246,035
Comprehensive income					
Profit for the financial year	-	-	19,650	-	19,650
Dividend	-	-	(8,500)	-	(8,500)
Retained profit for the year	-	-	11,150	-	11,150
Other comprehensive income					
Movement on foreign currency cash flow hedge	-	-	-	(4,904)	(4,904)
Net gain on revaluation of satellite assets	-	1,639	-	-	1,639
Net gain on revaluation of property, plant and equipment	-	4,570	-	-	4,570
Revaluation reserve realised as impairment of property, plant and equipment	-	(69)	-	-	(69)
Revaluation reserve realised on disposal of property, plant and equipment	-	(52)	-	-	(52)
Transfers between reserves	-	(4,564)	4,564	-	-
Total other comprehensive income	-	1,524	4,564	(4,904)	1,184
Total comprehensive income for 2017/18	-	1,524	15,714	(4,904)	12,334
Balance at 31 March 2018	58,867	31,389	168,337	(224)	258,369
Comprehensive income					
Profit for the financial year	-	-	2,242	-	2,242
Dividend	-	-	(8,500)	-	(8,500)
Retained profit for the year	-	-	(6,258)	-	(6,258)
Other comprehensive income					
Movement on foreign currency cash flow hedge	-	-	-	(2,326)	(2,326)
Net gain on revaluation of satellite data	-	1,557	-	-	1,557
Net gain on revaluation of property, plant and equipment	-	7,611	-	-	7,611
Revaluation reserve realised as impairment of property, plant and equipment	-	(13)	-	-	(13)
Revaluation reserve realised on disposal of property, plant and equipment	-	(37)	37	-	-
Transfers between reserves	-	(528)	528	-	-
Total other comprehensive income	-	8,590	565	(2,326)	6,829
Total comprehensive income for 2018/19	-	8,590	(5,693)	(2,326)	571
Balance at 31 March 2019	58,867	39,979	162,644	(2,550)	258,940

A description of the nature and purpose of each reserve is provided in Note 1.

The notes on pages 52-73 form part of these accounts.

Notes to the accounts

01 Accounting policies

Basis of preparation

These financial statements have been prepared in compliance with an Accounts Direction dated 20 December 2018 in accordance with Section 4(6) (a) of the Government Trading Funds Act 1973. These statements also comply with the principles laid out in the 2018/19 Government Financial Reporting Manual (FReM) issued by HM Treasury, including additional guidance on the treatment of capital grants issued to the Met Office on the 20 February 2015.

The Met Office is domiciled in the United Kingdom and is located at Fitzroy Road, Exeter.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Met Office for the purpose of giving a true and fair view has been selected.

The particular policies adopted by the Met Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

Accounting developments and changes

IFRSs, amendments and interpretations in issue but not yet effective or adopted

During 2018/19 the Met Office adopted IRFS 15 Revenue from Contracts with Customers, and the final part of IFRS 9 Financial Instruments. Additional disclosures and revisions to accounting policies have been made, but there has been no material impact on the financial statements.

There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The Met Office has not adopted any of these revised standards early and none are anticipated to have a future material impact on the financial statements of the Met Office.

IFRS 16 Leases is due to be adopted for 2020/21. It replaces IAS 17, removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on statement of financial position financing) for lessees. IFRS 16 requires the recognition of all leases with terms over 12 months to be recognised as finance leases. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, and a match liability in the statement of financial position.

The Met Office has a number of leases currently recognised as operating leases (see notes 4 and 19). Instead of charges under these leases being recognised directly in the statement of comprehensive income, the cost of these leases will be recognised through depreciation charges of right-of-use assets and finance charges on the associated liabilities. Whilst the overall cost of these leases will remain largely the same, the classification and timing of cost recognition will change. The Met Office will also recognise additional right-of-use assets and lease liabilities.

A summary of the estimated impact on the 2018/19 financial statements if IFRS 16 were applied is as follows:

Statement of financial position		
	£'000	
Right- of-use assets	4,210	
Lease liabilities	(2,806)	
Net impact on statement of financial position	1,404	

Statement of comprehensive income	Operating profit	Retained profit
	£'000	£'000
2018/19 total under IAS 17	3,486	(6,258)
Operating lease costs	1,016	1,016
Depreciation on right-of-use assets	(956)	(956)
Interest on lease liabilities		(98)
2018/19 total under IFRS 16	3,546	(6,296)

Critical accounting policies and key judgements

Revenue from contracts with customers

Revenue comprises the accrued value of services (net of VAT) supplied to the private sector, Government departments and the wider public sector.

The majority of Met Office revenue is recognised against performance obligations delivered over time. These obligations are either simultaneously received and consumed by customers (e.g. forecast services or data sales), or are specialized, with no alternative use and an enforceable right to income for work performed to date (e.g. research).

A smaller number of performance obligations are recognised at a point in time where appropriate (e.g. training). Revenue for these obligations is recognised on completion of the service.

Revenue is either recognised on a cost-plus basis or based on the proportion of total services to be provided where the price is fixed.

Where payments received from customers are greater than the revenue recognised under the contract, the amount in excess of the revenue recognised is treated as a contract liability and included within trade and other payables. Where revenue is recognised as contract activity progresses and subject to the contractual arrangements, revenue is accrued. To the extent that the revenue is in advance of an invoice being raised, the amount is shown as a contract asset within trade and other receivables.

Other revenue

The Met Office receives revenue from funders where an agreement does not meet the requirements of IFRS 15 to be classified as revenue from contracts with customers. The agreements provide for funding to be given where agreed criteria are met or services performed. However, they

do not contain an enforceable right for these services and so cannot be considered performance obligations.

Revenue for these agreements is recognised as the agreed criteria are met or services performed. The amount of funding is fixed and so revenue is recognised based on the proportion of criteria/services which have been met.

Valuation of property, plant and equipment

All property, plant and equipment are carried at fair value. In arriving at fair value a number of methods are used dependent on the nature of the asset.

Freehold land and buildings

Freehold land and buildings in continuing use are revalued by qualified valuers every five years, in accordance with the Practice Statements and Guidance Notes set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS). Valuations are based on fair values for existing use from market-based evidence, except where the asset is considered specialised. These are assets where due to their location and/or specification, market-based evidence is either not available or does not reflect the full characteristics of the asset. Specialised assets are valued on the basis of depreciated replacement cost.

The quinquennial valuations are supplemented by a 'desk based' review carried out by a qualified valuer for the Exeter headquarters building and for other assets by annual indexation using the following indices:

- Specialised property assets - Building tender price index and residential land value index
- Non-specialised property assets - Gross Domestic Product Deflator Index

- Plant and equipment - Gross Domestic Product Deflator Index

Assets classed as Information Technology use historical cost as a proxy for fair value due to the shorter lives of these assets.

Depreciation on revaluation

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

EUMETSAT satellite data

The UK is a member of the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) and the Met Office, as the UK National Meteorological Service, has the right to receive all EUMETSAT data, products and services to fulfil its official duty. The Met Office uses the data to generate its weather forecasts and climate predictions used to deliver services to its customers.

The Met Office makes contributions to satellite programmes operated by EUMETSAT. This share is determined by the UK's Gross National Income compared to other member states. Each programme consists of multiple identical satellites over the life of the programme. These contributions are capitalised as intangible assets as a right to access and utilise data generated by the programme over its useful life.

Satellite programme life cycle and treatment of contributions

Programme stage	Activity	Treatment of contributions
Research	Scoping and design.	Expensed.
Development and construction	Development, construction, launch and commissioning of first satellite in programme.	Capitalised as intangible assets in the course of construction.
Operational	Becomes primary programme. Data received from first satellite. Remaining satellites in programme constructed, launched and commissioned.	Reclassified as satellite data assets and amortised. Additional contributions capitalised.
Post-operational	No longer primary programme. Data continues to be received as satellites maintained as 'hot-spares' or repurposed until final decommissioning.	Expensed.

Treatment of contributions to satellite programmes generating operational data

Contributions are treated differently at each stage of a programme's lifecycle (above).

Valuation

Intangible assets in the course of construction are valued at historic cost. Progress reports provided by EUMETSAT are used to identify any impairments and ensure that the programmes are still viable.

Once a programme becomes operational, it is revalued annually at the lower of depreciated replacement cost (DRC) and value in use.

The value in use calculation measures the expected future cashflows generated from the use of EUMETSAT satellite data and discounts this at an appropriate rate to determine a value that will be generated from the use of the data.

Amortisation

EUMETSAT satellite data assets are amortised using the straight-line method to allocate the costs of the programmes over their estimated useful lives. The amortisation charged in a period is calculated as the net book value of contributions made

to date, plus the estimated amount of contributions over the remainder of the programme's operational life divided by the number of years remaining in the programme's operational life. This method reflects the principle that the economic benefit of satellite data remains constant between individual satellites and over the programme's life.

Judgements and uncertainty in estimating future contributions

The value of contributions by the UK is determined by the UK's Gross National Income (GNI) relative to other member states. The share is fixed for three year periods based on an average GNI in the previous three years. The current contribution rate applies to contributions made between 2018 and until the end of 2020. This is based on relative GNIs between 2013 and 2015. For costs beyond 2020 a small reduction in the UK's contribution rate has been assumed for all future years.

As contributions are paid in Euros, the value of future payments is also sensitive to future changes in exchange rates. Where contributions are hedged, the sterling contract value is used. For un-hedged commitments a single planning rate is used. This rate is reviewed at least annually.

Judgements and uncertainty in estimating useful life

The useful lives of operational satellite programmes are initially based on design lifetimes specified by EUMETSAT. On successful launch of the final satellite in a programme, the useful life of the programme is reviewed and adjusted based on:

- actual lifetime of previous satellites in the programme,
- any issues experienced with existing satellites in a programme,
- expected operational dates for satellites in any successor programme.

Actual useful lives have historically exceeded design lifetimes and programmes have continued to produce data beyond the point where a successor programme has become operational. The useful life of a programme is therefore usually extended to match the expected operational date of its successor programme.

The lifetime is reviewed at least annually as planning assumptions for successor programmes are updated. These planning assumptions are subject to a high degree of uncertainty as the design and construction of the first satellite in the programme carries a high degree of risk.

Current and successor programmes and their life/planning assumptions

Programme	METEOSAT (Geostationary)	EUMETSAT Polar System
Current primary programme	Second Generation (MSG)	First Generation (EPS)
Remaining life at 31 March 2018	4.5 years	4.5 years
Remaining life at 31 March 2019	3.5 years	4.25 years
Successor programme	Third Generation (MTG)	Second Generation (EPSSG)
Planned to be operational	Q3 2022	Q2 2023

De-recognition of satellite data assets

Once a programme has been replaced by its successor, its satellites may continue to generate useful data for an open ended period. Individual satellites may be used as 'hot-spares' and provide backup to the new primary programme or may be repurposed to provide additional data.

Whilst a programme continues to generate data a programme asset is retained in the statement of financial position at a nil net book value. Any asset is only de-recognised when the final satellite in that programme has been decommissioned.

Computer software and software licences

Assets classed as computer software or software licences use historical cost as a proxy for fair value due to the shorter lives of these assets.

Capital grants

Grant funded property, plant and equipment assets are capitalised at their fair value on receipt. Where the donor has imposed a condition on how the future economic benefits embodied in the grant are to be consumed, the grant is deferred within liabilities and is carried forward to

future financial years to the extent that the condition has not yet been met. This will usually result in the grant being deferred until the asset is completed and in active use.

The grant is then released to the income statement to match depreciation costs associated with the asset. Where no condition is imposed, the grant is recognised immediately in the income statement.

Grant-funded assets are otherwise accounted for in the same way as other property, plant and equipment.

European Union 7th Framework Programme for Research and Technological Development reclaim provision

During the year £5.8m was provided for a potential recovery of funding provided under the European Union's 7th Framework Programme for Research and Technological Development. As at the date of the annual report, this process is ongoing but is expected to be completed in the 2019/20 financial year. The amount provided reflects management's judgement of the potential liability based on information available on the date the accounts were authorised for issue.

Key accounting policies**Operating segments**

The operating segments are reported based on financial information provided to the Met Office Executive. The Met Office Executive is considered to be the "Chief Operating Decision Maker" and is responsible for allocating resources and assessing the performance of the operating segments. Each segment has a senior manager who is responsible to the Chief Operating Decision Maker for the operating activities, financial results, forecasts and plans of their respective segments.

The Met Office has two reportable business segments: Government Services and Business Group. Both operating segments derive their revenue from the provision of weather and climate services.

The Met Office derives over 80% of its revenue from public sector bodies. No operating segments have been aggregated to form the reportable segments. The Met Office's management evaluates performance of the segments based on segment revenue and operating profit. Operating profit is further evaluated between that generated from activities falling within or outside the total and Business Group profit Key Performance Indicators.

Research and development

The Met Office receives funding for a variety of research and development activities. This funding is treated as revenue attributable to the relevant business programme. Externally funded research and development costs are recognised based on the stage of completion of the project. Related revenues are recognised on an equivalent basis and in accordance with the revenue recognition policy outlined above. All research expenditure is charged to the income statement. Development expenditure is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the Met Office from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated. Where these criteria are met, it is capitalised as an intangible asset.

Retirement benefits

Met Office staff are covered by civil service pensions arrangements. These are unfunded multi-employer defined benefit schemes. However, since the Met Office is unable to identify its share of the underlying assets and liabilities they are accounted for as defined contribution schemes.

Contributions are paid at rates determined from time to time by the scheme's actuary. The scheme actuary (Aon Hewitt Limited) conducted a full actuarial valuation as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservicepensionscheme.org.uk

Full provision for early retirements is normally made in the year of retirement.

Property, plant and equipment

Recognition

Plant, equipment and information technology expenditure is capitalised where the useful life exceeds three years and the cost of acquisition and installation exceeds £5,000 (excluding VAT).

Networked minor computers and related equipment, which individually do not meet the criteria, have also been capitalised. Certain meteorological equipment installed in commercial aircraft or at sea is not capitalised as it is outside the direct control of the Met Office and has an uncertain operational life.

Depreciation

Freehold land and assets in the course of construction are not depreciated.

Depreciation on other assets is calculated to write-off the cost, or value, by equal instalments over the asset's estimated useful life. The lives assigned to the principal categories of assets are as follows:

Freehold buildings
Not exceeding 50 years

Plant and equipment
3-30 years

**Fixtures and fittings
(inc. leasehold improvements)**
5-25 years

Information technology
2-12 years

Intangible assets

Computer software and licences

Where computer software forms an integral part of any hardware equipment (e.g. an operating system) this is capitalised under the hardware asset as a tangible asset.

Computer software and licences are capitalised where the useful life exceeds three years and the cost of acquisition and installation exceeds £5,000 (excluding VAT).

Amortisation is calculated using the straight-line method to allocate the cost of software and licences over their estimated useful lives of three to five years.

Financial assets

Trade and other receivables

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount or transaction price, and are subsequently carried at amortised cost adjusted for loss allowances for expected credit losses. Loss allowances are measured using lifetime expected credit losses under IFRS 9's simplified model.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and qualifying institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Cash also includes any surplus funds held by EUMETSAT that are attributable to the Met Office.

Other financial assets

The Met Office holds an interest in Mercator Ocean. Mercator Ocean is a not-for-profit entity and co-ordinates the Copernicus marine services, which provides free and open access to constantly updated information about the global ocean and the seas of the

European region. The Met Office has a right to dispose of the interest at the same value as purchased. The interest is therefore held at amortised cost.

Financial liabilities

Trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost.

Borrowings

Borrowings are recognised initially at the proceeds received. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

The Met Office uses derivative financial instruments such as foreign currency contracts to hedge the risks associated with changes in foreign exchange rates in relation to amounts payable to certain international bodies. The payments are in respect of annual subscriptions and contributions, including payments for satellite programmes.

The Met Office policy is to buy forward foreign currency for payments to international bodies as soon as amounts can be reliably estimated. The use of financial derivatives is governed by the Met Office's hedging strategy, approved by the Met Office Executive Board, which provides written principles on the use of financial derivatives consistent with the Met Office's risk management strategy. There is no trading activity in derivative financial instruments.

All the Met Office's derivative financial instruments are designated as cash flow hedging instruments. At the start of a hedging transaction, the Met Office documents the relationship

between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Met Office also documents its assessment, both at the start of the hedging relationship and on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the cash flow of the hedged items.

To the extent that the hedge is effective, changes in the fair value of the hedging instrument arising from the hedged risk are recognised directly in other comprehensive income rather than in the income statement. The ineffective portions of any gain or loss on the hedging instrument are recognised in the income statement.

Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

Capital and reserves

Public dividend capital

Public dividend capital represents the capital invested by the Ministry of Defence in the Met Office on becoming a Trading Fund on 1 April 1996. Following a Machinery of Government change during 2011/12, the public dividend capital held by the Ministry of Defence was transferred to the Department for Business, Innovation and Skills. In 2016 the Department for Business, Energy and Industrial Strategy was created from the Department for Business, Innovation and Skills and the Department of Energy and Climate Change.

Public dividend capital is not an equity instrument as defined in IAS 32 Financial Instruments: Presentation.

General reserve

The general reserve represents the cumulative retained net income (after dividends) since the Met Office became a Trading Fund.

Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets. Increases arising on revaluation are taken to the revaluation reserve. A revaluation decrease is charged to the Revaluation Reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the income statement.

Hedging reserve

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

02 Operating segments

The Met Office has two reportable business segments: Government Services and Business Group. These are disclosed to enable the users of these financial statements to evaluate the nature and financial effects of the Met Office's business activities. Both operating segments derive their revenue from the provision of weather and climate services. The Met Office derives over 80% of its revenue from public sector bodies. No operating segments have been aggregated to form the above reportable segments.

Each segment has a Director who is responsible to the Chief Executive for the operating activities, financial results, forecasts and plans of their respective segments.

The Met Office's management evaluates performance of the segments based on segment revenue and operating profit.

Year ended 31 March 2019					
	Revenue	Depreciation/ amortisation & impairments	Operating profit	Interest receivable	Interest payable
	£'000	£'000	£'000	£'000	£'000
Operating segment:					
Government Services	207,625	22,188	20,517		
Business Group	24,298	726	2,380		
	231,923	22,914	22,897		
Other	7,200		(19,411)	238	(1,482)
Total per financial statements	239,123	22,914	3,486	238	(1,482)

Year ended 31 March 2018					
	Revenue	Depreciation/ amortisation & impairments	Operating profit	Interest receivable	Interest payable
	£'000	£'000	£'000	£'000	£'000
Operating segment:					
Government Services	199,174	23,159	20,956		
Business group	24,678	753	2,236		
	223,852	23,912	23,192		
Other	6,100		(2,901)	113	(754)
Total per financial statements	229,952	23,912	20,291	113	(754)

Depreciation and amortisation amounts are shown net of government grants. Further details of these grants are included in notes 3 and 13.

Government Services

The Met Office provides a range of services to other public sector bodies including Government departments and agencies. These services are gained either on a competed or non-competed basis.

The majority of the Met Office's non-competed services relate to the Met Office's public task, its role as the UK's National Meteorological Service and its support of the Ministry of Defence and other Government departments in respect of weather and climate related services.

Where data or products are required for Met Office's commercial services which are not part of the Met Office's public task or the public task of other public bodies, they are supplied internally within the Met Office on the same terms and conditions as apply to external customers.

Government Services is further analysed by revenue stream as follows:

	2018/19	2017/18
	£'000	£'000
Public Weather Service	117,096	115,636
Defence	28,666	29,744
Other government services	61,863	53,794
	207,625	199,174

Business Group

The Met Office also provides a wide range of competed weather and climate related services to many private and public sector customers. This business is secured on a competed basis, with revenue streams being derived from a number of different sectors including transport, energy, industry, infrastructure and media.

The operating profit derived from this competed business is monitored through the Business Group profit KPI.

Other

This line comprises items that are not part of the Met Office's operating segments but are required to reconcile to the income statement. It includes corporate items which are not allocated to operating segments, such as the cost of Met Office wide initiatives or capabilities that underpin all activities, interest receivable and payable. These items are managed at a corporate level. 2018/19 also includes £7.2m of revenue (2017/18 £6.1m) and costs allocated from PWS funding for the Transformation and Efficiency programme.

No measure of assets or liabilities by segment are reported to the Chief Executive. Assets and liabilities are reported at a total corporate level and managed on that basis.

Geographical analysis

All revenue reported above is derived from external customers. There is no inter-segment revenue. More than 80% of Met Office revenue is derived from UK sources. The Met Office Executive does not review the business on a geographical basis. A geographical analysis would not be necessary to aid users' understanding of these financial statements.

03 Revenue

A. Disaggregation of revenue from contracts with customers

	Government Services		Business Group		Other		Total	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue (contracts with customers)								
Public Weather Service	117,096	115,636	-	-	7,200	6,100	124,296	121,736
Defence	28,666	29,744	-	-	-	-	28,666	29,744
Government International and Core Services	22,686	17,656	-	-	-	-	22,686	17,656
Government Strategic Sectors	26,369	24,936	-	-	-	-	26,369	24,936
Regulated Transport	-	-	12,431	10,361	-	-	12,431	10,361
Other revenue (contracts with customers)	402	547	11,867	14,317	-	-	12,269	14,864
Total revenue (contracts with customers)	195,219	188,519	24,298	24,678	7,200	6,100	226,717	219,297
Other revenue								
UK Newton Fund	11,173	9,636	-	-	-	-	11,173	9,636
EU Horizon 2020 and FP7	1,233	1,019	-	-	-	-	1,233	1,019
Other revenue	207,625	199,174	24,298	24,678	7,200	6,100	239,123	229,952

All revenue relates to products and services transferred over time. More information on the Met Office's reportable segments can be found in note 2.

Other revenue includes income generated by agreements that do not meet the requirements of IFRS 15.

The Met Office is a delivery partner for the Newton Fund Weather and Climate Science for Service Partnership under a grant agreement with BEIS. Revenue is recognised as costs associated with delivery of the programme, by the Met Office and third parties, are incurred. The Met Office also participates in the European Union's Horizon 2020 programme, and its predecessor the 7th Framework Programme for Research and Technological Development. These provide funding for research and innovation activities. The Met Office recognises revenue over time as costs are incurred and to the extent that those costs are recoverable under the rules of each programme.

B. Assets and liabilities related to contracts with customers

	2018/19	2017/18
	£'000	£'000
Receivables included in trade receivables	22,282	20,357
Contract assets included in accrued income	10,455	5,521
Contract liabilities included in deferred income	18,045	16,355

Contract assets relate to amounts owed for work undertaken but for which no invoice has been raised at the reporting date. Contract assets are transferred to receivables when an invoice is raised. Contract liabilities are amounts received in advance from customers. Revenue is recognised and amounts transferred as work against these contracts is completed.

During the period £15,415,000 of revenue was recognised that had been included in the contract liability at the start of the period.

C. Transaction price allocated to remaining performance obligations

The majority of Met Office revenue is derived from agreements with departments or other bodies within the UK Government. Even where agreed for multiple years, the amounts are subject to review as part of the UK Government Budget and Comprehensive Spending Review processes. The actual revenue recognised in each year will depend on performance against priorities agreed with customers during each financial year, and the Met Office's progress against them.

In accordance with the practical expedient in IFRS 15, the Met Office does not disclose information on unsatisfied performance obligations where the original underlying agreement is of less than 12 months duration.

The Met Office has also not disclosed the value relating to unsatisfied performance obligations as at 31 March 2018, in accordance with the transition provision of IFRS 15.

04 Operating costs

		2018/19	2017/18
	Note	£ '000	£ '000
Staff costs			
Salaries, performance-related pay and allowances		79,124	70,170
Social security		8,390	8,284
Pension contributions		14,981	14,752
Early retirement and exit costs		3,591	266
Temporary/agency labour costs		7,565	5,856
Total staff costs		113,651	99,328
Equipment and services (net of government grant income)		55,283	49,184
International services and subscriptions		15,868	14,069
Depreciation (net of government grant income)		8,887	9,025
Amortisation		14,027	14,888
Accommodation		15,510	14,596
Travel and subsistence		4,032	4,794
Other operating costs		8,379	3,777
Total operating costs		235,637	209,661
Operating costs include the following:			
Audit fees		63	58
Apprenticeship levy		373	377
Operating leases - plant and machinery		162	193
Operating leases - other		853	713
Foreign currency losses		357	9
Net loss on disposal of non-current assets		106	273
Loss on revaluation of property, plant and equipment		-	21
Impairment of non-current assets		109	744
Release of government grant income	13	(17,853)	(17,747)
Research and development expenditure		57,983	53,823
International services and subscriptions comprise the following:			
European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT)		3,680	3,196
European Centre for Medium-Range Weather Forecasts (ECMWF)		8,167	7,287
World Meteorological Organization (WMO)		2,334	2,139
Network of European Meteorological Services (EUMETNET)		1,036	798
Other international services and subscriptions		652	649
		<u>15,869</u>	<u>14,069</u>
<p>Membership of these organisations enables the Met Office, on behalf of the UK, to engage in, and benefit from, the European meteorological satellite programme and to receive support in its provision of medium-range weather forecasts and associated research. Membership also enables the Met Office, on behalf of the UK, to promote and benefit from co-operations between members in the exchange of observational data and forecasts, together with a widening range of environmental programmes.</p>			
Government grants are analysed as follows:			
BEIS new supercomputer		16,673	16,613
BEIS polar satellite transfer		647	790
Department for Transport light detection and ranging project		345	230
Environment Agency Weather Radar Network Renewal		166	114
United Kingdom Research and Innovation Monsoon 2 network upgrade		22	-
		<u>17,853</u>	<u>17,747</u>

05 Finance income

	2018/19	2017/18
	£ '000	£ '000
Interest receivable	238	113
Total finance income	238	113

06 Interest payable and similar charges

		2018/19	2017/18
	Note	£ '000	£ '000
On Department for Business, Energy and Industrial Strategy loans repayable within five years	14	1,482	944
Discounting of provisions		-	(190)
Total interest payable and similar charges		1,482	754

07 Property, plant and equipment

The movements in each class of assets were:

	Land and buildings	Fixtures and fittings	Plant and equipment	Information technology	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:						
At 1 April 2018	82,311	10,385	82,189	101,939	1,208	278,032
Additions	-	321	297	3,145	1,665	5,428
Transfers	-	733	128	481	(1,342)	-
Disposals	-	(12)	(2,525)	(1,012)	-	(3,549)
Revaluation	2,994	173	2,040	-	-	5,207
At 31 March 2019	85,305	11,600	82,129	104,553	1,531	285,118
Depreciation:						
At 1 April 2018	1,937	4,661	45,073	47,264	-	98,935
Charged during year	2,055	968	4,187	18,717	-	25,927
Transfers	-	-	-	-	-	-
Impairment	-	73	50	-	-	123
Disposals	-	(7)	(2,418)	(1,012)	-	(3,437)
Revaluation	(3,847)	71	1,371	-	-	(2,405)
At 31 March 2019	145	5,766	48,263	64,969	-	119,143
Net book value:						
At 1 April 2018	80,374	5,724	37,116	54,675	1,208	179,097
At 31 March 2019	85,160	5,834	33,866	39,584	1,531	165,975

Property, plant and equipment (continued)

	Land and buildings	Fixtures and fittings	Plant and equipment	Information technology	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:						
At 1 April 2017	78,552	10,781	81,158	100,762	873	272,126
Additions	(12)	345	461	2,025	1,335	4,154
Transfers	-	465	535	-	(1,000)	-
Disposals	-	(1,254)	(735)	(848)	-	(2,837)
Revaluation	3,771	48	770	-	-	4,589
At 31 March 2018	82,311	10,385	82,189	101,939	1,208	278,032
Depreciation:						
At 1 April 2017	-	4,819	40,750	29,507	-	75,076
Charged during year	1,936	965	4,370	18,596	-	25,867
Transfers	-	-	-	-	-	-
Impairment	-	-	372	-	-	372
Disposals	-	(1,074)	(576)	(839)	-	(2,489)
Revaluation	1	(49)	157	-	-	109
At 31 March 2018	1,937	4,661	45,073	47,264	-	98,935
Net book value:						
At 1 April 2017	78,552	5,962	40,408	71,255	873	197,050
At 31 March 2018	80,374	5,724	37,116	54,675	1,208	179,097

All land and buildings are held as freehold. The net book value of freehold land and buildings includes £12.3m of freehold land, which has not been depreciated. Freehold buildings are depreciated in full over their estimated life (not exceeding 50 years).

The freehold assets which comprise the Met Office's property portfolio were subject to a quinquennial valuation for financial reporting purposes in 2016/17 (values as at 31 March 2017), in accordance with the RICS Valuation Standards (6th Edition) by external valuers, the Valuation Office Agency, who are regulated by the RICS.

The bases of valuation adopted is Existing Use Value as defined in the Standards. In carrying out the valuation, a number of the assets were identified as specialised as a result of their location and/or specification. As a result they are considered to be assets which would rarely, if ever, sell on the open market. For these assets the Depreciated Replacement Cost methodology has been used.

The sources of information and assumptions made in producing the various valuations are set out in the valuation report.

For further details of valuation and depreciation assumptions refer to Note 1 Accounting Policies.

The following net book values are included above for the new supercomputer:

	2018/19 £'000	2017/18 £'000
Land and buildings	22,585	20,967
Information technology	33,331	49,219
Total	55,916	70,186

08 Intangible assets

	EUMETSAT satellite data	Computer software	Software licences	EUMETSAT payments on account	CRC licences	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:						
At 1 April 2018	288,732	3,307	893	124,427	630	417,989
Additions	12,887	9	-	45,985	-	58,881
Disposals	-	(280)	-	-	(348)	(628)
Revaluation	8,401	-	-	-	-	8,401
At 31 March 2019	310,020	3,036	893	170,412	282	484,643
Amortisation:						
At 1 April 2018	266,935	2,339	752	-	-	270,026
Charged during year	14,320	323	31	-	-	14,674
Disposals	-	(280)	-	-	-	(280)
Revaluation	6,844	-	-	-	-	6,844
At 31 March 2019	288,099	2,382	783	-	-	291,264
Net book value:						
At 1 April 2018	21,797	968	141	124,427	630	147,963
At 31 March 2019	21,921	654	110	170,412	282	193,379

	EUMETSAT satellite data	Computer software	Software licences	EUMETSAT payments on account	CRC licences	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:						
At 1 April 2017	362,929	3,201	893	88,218	948	456,189
Additions	10,096	106	-	36,209	-	46,411
Transfers	-	-	-	-	-	-
Disposals	(92,576)	-	-	-	(318)	(92,894)
Revaluation	8,283	-	-	-	-	8,263
At 31 March 2018	288,732	3,307	893	124,427	630	417,989
Amortisation:						
At 1 April 2017	337,765	1,528	613	-	-	339,906
Charged during year	15,102	438	139	-	-	15,679
Impairment	-	373	-	-	-	373
Disposals	(92,576)	-	-	-	-	(92,576)
Revaluation	6,644	-	-	-	-	6,644
At 31 March 2018	266,935	2,339	752	-	-	270,026
Net book value:						
At 1 April 2017	25,164	1,673	280	88,218	948	116,283
At 31 March 2018	21,797	968	141	124,427	630	147,963

Intangible assets (continued)

The EUMETSAT satellite data intangible asset represents the value of all EUMETSAT observational data used in generating Met Office forecasts. This principally includes data from both the Meteosat geostationary satellite and polar orbiting satellite. The Met Office, as the UK's national meteorological service, has the right to access and use this data to generate its weather forecasts and climate predictions in fulfilling its public task. The Met Office makes contributions on behalf of the UK to EUMETSAT's programmes.

EUMETSAT payments on account represent the contributions made by the Met Office, on behalf of the UK, to the Meteosat Third Generation and Polar Second Generation satellite programmes. These programmes are currently in the build phase and are not expected to provide operational data until 2022 at the earliest.

Further information on the assumptions made and sensitivity of satellite asset data values to those assumptions is included in note 1 accounting policies.

09 Inventories

	31 March 2019	31 March 2018
	£ '000	£ '000
Meteorological equipment	1,706	1,426
Reserve equipment	6	20
Consumable stores	32	40
Total inventories	1,744	1,486

10 Trade and other receivables

	31 March 2019	31 March 2018
	£ '000	£ '000
Amounts falling due within one year:		
Trade receivables	22,322	20,401
Less: provision for impairment of receivables	(40)	(44)
	<u>22,282</u>	<u>20,357</u>
Other receivables	126	183
Accrued income	13,795	9,239
Prepayments	21,540	24,995
Total trade and other receivables	57,743	54,774

The carrying amount of receivables and current assets is a reasonable approximation to fair value.

Accrued income includes £443,000 relating to European Union funding (£985,000 at 31 March 2018).

11 Cash and cash equivalents

		31 March 2019	31 March 2018
	Note	£ '000	£ '000
Balance at 1 April		67,159	65,136
Net change in cash and cash equivalent balances	18	(6,004)	2,023
Balance at 31 March		61,155	67,159
The following balances at 31 March were held at:			
National Loans Fund deposit		5,000	-
HM Treasury Debt Management Office		-	59,257
EUMETSAT working capital fund		8,091	2,597
Total cash held on short-term deposit		13,091	61,854
Cash held at commercial banks and in hand		1,715	5,305
Cash held with Government Banking Service		46,349	-
Balance at 31 March		61,155	67,159

Included in the above amounts is cash in transit of £nil (2017/18 - £5,229,000). During the year the Met Office transferred its main accounts to the UK's Government Banking Service (GBS). Payments made from other GBS accounts are credited instantly and so no cash in transit adjustment is required.

The Met Office holds four euro bank accounts, in which there were amounts totalling £457,000 at 31 March 2019 belonging to third parties (31 March 2018, four accounts totalling £1,290,000). They are held or controlled for the benefit of third parties on projects where the Met Office is the lead co-ordinator and are not included in Met Office cash balances or accounts.

The Met Office Board has ring fenced £5 million of the cash balances held at the UK National Loans Fund to meet the costs of any claims covered by the Met Office's decision to self-insure against professional indemnity claims.

12 Trade and other payables

		31 March 2019	31 March 2018
	Note	£ '000	£ '000
Amounts falling due within one year:			
Trade payables		2,329	414
VAT		6,092	5,652
Other taxation and social security		3,632	3,716
Accruals		25,658	22,816
Dividend payable		8,500	8,500
Deferred income		19,678	18,026
Government grants	13	17,475	11,887
Total amount falling due within one year		83,364	71,011
Amounts falling due after more than one year:			
Government grants	13	38,182	61,562
Total non-current trade and other payables		38,182	61,562
Total trade and other payables		121,546	132,573

13 Government grants

		31 March 2019	31 March 2018
	Note	£ '000	£ '000
Government Grants at 1 April		73,449	91,196
Deferred funding reclassified as grants		61	-
Grants recognised through the Statement of Comprehensive Income	4	(17,853)	(17,747)
Government grants at 31 March		55,657	(73,449)
Amounts falling due within one year		17,475	11,887
Amounts falling due after more than one year		38,182	61,562
The following balances are included in Government grants:			
BEIS new supercomputer		50,988	67,660
BEIS polar satellite transfer		1,527	2,174
Department for Transport light detection and ranging project		2,251	2,417
Environment Agency Weather Radar Network Renewal (WRNR)		852	1,198
United Kingdom Research and Innovation Monsoon 2 network upgrade		39	-
		55,657	73,449

The WRNR grants are repayable in full to the Environment Agency should the Met Office not deliver the agreed WRNR programme.

14 Borrowings

Loans from the Department for Business, Energy and Industrial Strategy repayable by instalments and bearing interest between 1.41% and 2.81% per annum.

	31 March 2019	31 March 2018
	£ '000	£ '000
Loans due within:		
One year	10,147	6,339
One to five years	31,637	26,612
Over five years	49,086	25,395
Total	90,870	58,346

15 Derivative financial instruments

The following table details the forward purchase currency contracts outstanding at the year end.

	Assets	Liabilities	Total
	£ '000	£ '000	£ '000
As at 31 March 2018	806	1,030	(224)
Movement on fair value	(806)	1,520	(2,326)
As at 31 March 2019	-	2,550	(2,550)
Analysed between:			
Current	-	2,550	
Non-current	-	-	
	-	2,550	

The following table details the forward purchase currency contracts outstanding at the year end.

Contract maturity date	Commitment hedged	Foreign currency	Foreign currency value	Contract value	Forecast spot rate on maturity	Fair value	Assets	Liabilities
			'000	£ '000	Currency/£	£ '000	£ '000	£ '000
30 April 2019	EUMETSAT	Euro	25,000	22,584	1.1590	(1,014)	-	1,014
2 September 2019	EUMETSAT	Euro	12,500	11,342	1.1539	(510)	-	510
2 September 2019	EUMETSAT	Euro	2,000	1,825	1.1539	(91)	-	91
16 January 2020	EUMETSAT	Euro	20,000	18,353	1.1482	(935)	-	935
				54,104		(2,550)	-	2,550

Forecast spot rates are provided by the Debt Management Office of HM Treasury.

All cash flow hedges are in respect of forecast transactions. In line with IFRS 9, gains or losses on effective cash flow hedges are held in equity; material gains or losses relating to the ineffective portion of the hedge will be recognised in the Income Statement when the forecast transaction occurs.

16 Provisions for liabilities and charges

	Early retirement and exits	Dilapidations	Leaseholds	EU FP7 reclaim	Other	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 2017	3,793	174	329	-	9,354	13,650
Provided in the year	563	-	-	-	-	563
Written back in the year	(437)	(5)	-	-	(7,410)	(7,852)
Unwinding and removal of discount	92	(8)	(29)	-	(246)	(191)
Utilised in year	(3,352)	-	(65)	-	(1,698)	(5,115)
Balance at 31 March 2018	659	161	235	-	-	1,055
Provided in the year	-	77	-	5,768	-	5,845
Written back in the year	(163)	(39)	(43)	-	-	(245)
Utilised in year	(474)	-	-	-	-	(474)
Balance at 31 March 2019	22	199	192	5,768	-	6,181

The early retirement and exit provision represents the outstanding liability for pension and severance costs as at 31 March 2019. For staff offered early retirement, the provision represents the full cost of meeting each individual's pension payments to normal retirement age. Voluntary exit costs are assessed by MyCSP under the Civil Service Pension scheme rules.

There is some uncertainty on timing and amounts of payments relating to amounts provided in-year where final exit terms have not yet been agreed with affected staff. The dilapidations provision relates to contractual future costs of making good leasehold properties when they are vacated. There is no uncertainty as to the timing of amounts but the final amounts may change during final negotiations with the relevant landlord at the end of the lease.

The leaseholds provision is principally in respect of future cost of leasehold properties, which became surplus to requirements on relocation to Exeter.

The EU FP7 (7th Framework Programme for Research and Technological Development) recovery provision relates to a recovery process initiated by the European Commission under its FP7 funding framework. The recovery process is ongoing but is expected to be finalised in the 2019/20 financial year.

The commitments provided for fall due in the following periods:

	Early retirement	Dilapidations	Leaseholds	EU FP7 Reclaim	Other	Total
	£ '000	£ '000	£ '000		£ '000	£ '000
Amounts payable within:						
Under one year	2	175	48	5,768	-	5,993
One to five years	8	24	144	-	-	176
Over five years	12	-	-	-	-	12
Total	22	199	192	5,768	-	6,181

17 Related parties

The Met Office's parent department is the Department for Business, Energy and Industrial Strategy (BEIS). BEIS is considered to be a related party and during the year, the Met Office had material transactions with BEIS and with other entities for which BEIS is regarded as parent department. In addition, the Met Office had material transactions with a number of other public bodies, Government departments and their agencies: particularly the Ministry of Defence, the Department for Environment, Food and Rural Affairs, the Cabinet Office, the Civil Aviation Authority, the Maritime and Coastguard Agency, the Environment Agency, the British Broadcasting Corporation and UK Research and Innovation. None of the Met Office Board members, key managerial staff or other related parties undertook any material transactions with the Met Office during the year.

The Met Office manages the UK's membership of a number of international organisations: EUMETSAT, ECMWF, WMO, EUMETNET and ECOMET. As part of this, it sits on the relevant governing body of those organisations. The Met Office had material transactions with these entities during the year and these are disclosed in note 3 to the financial statements. There were no outstanding balances with these organisations as at 31 March 2019 (31 March 2018 - nil).

The Met Office holds a 5% interest in Mercator Ocean. The Met Office participates in the Copernicus Marine programme, which Mercator Ocean co-ordinates. During the year the Met Office received £1.5m in revenue (2017/18 £1.6m) from Mercator Ocean. No balances were outstanding with Mercator Ocean as at 31 March 2019 (2018 - nil).

Paul Hadley and Steph Hurst acted as Met Office Non-Executive Directors during the year and are also employees of our owning department (BEIS).

18 Notes to the cash flow statement

Reconciliation of cash and cash equivalents to movement in net funds.

	At 1 April 2018	Cash flows	At 31 March 2019
	£ '000	£ '000	£ '000
Cash at bank and in hand	5,305	42,759	48,064
Cash on deposit	61,854	(48,763)	13,091
Cash and cash equivalents	67,159	(6,004)	61,155
Borrowings due within one year	(6,339)	(3,808)	(10,147)
Borrowings due after one year	(52,007)	(28,716)	(80,723)
Total net funds	8,813	(38,528)	(29,715)

19 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	Land and buildings		Other	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£ '000	£ '000	£ '000	£ '000
Leases expiring within:				
One year	743	751	87	156
One to five years	755	927	135	150
Over five years	400	398	-	-
Total	1,898	2,076	222	306

20 Capital commitments

	31 March 2019	31 March 2018
	£ '000	£ '000
Contracted but not provided for:		
Information technology	373	1,433
Equipment	156	-
Property works	68	27
Contributions for satellite data	42,619	40,315
Total	43,216	41,775

The commitment for satellite data represents the unpaid portion of the UK approved contribution to EUMETSAT programmes for the current calendar year.

21 Other financial assets

The Met Office owns a 5% share of Mercator Ocean at a cost of €100,000 (£91,000). Mercator Ocean is the co-ordinating entity for Copernicus marine programme in which the Met Office participates.

22 Financial instruments and financial risk management

The Met Office's treasury operations are governed by the Met Office Trading Fund Order 1996, under the Government Trading Funds Act 1973 as supplemented by the Met Office's Framework Document. The Met Office's financial instruments comprise cash deposits, receivables, payables, loans and foreign currency forward exchange contracts. The main purpose of these financial instruments is to finance the Met Office's operations. The Met Office has limited powers to borrow or invest surplus funds. The main risks arising from the Met Office's financial instruments are foreign currency, liquidity and interest rate risks. The Met Office's policies for managing these risks are set to achieve compliance with the regulatory framework including the rules contained within Managing Public Money.

Credit risk

The Met Office is subject to some credit risk. The carrying amount of trade receivables, which is net of impairment losses (bad debt provision), represents the Met Office's maximum exposure to credit risk. Trade and other receivables consist of a large number of diverse government and non-government customers spread over a diverse geographical area.

Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable including the probability that customers will enter bankruptcy or financial reorganisation, that the customer is facing financial difficulties or that economic conditions are likely to lead to non-payment. The following table provides details of trade receivables beyond the due date and impairments made.

Trade receivables beyond the due date:	As at 31 March 2019			As at 31 March 2018		
	0-3 months	3-6 months	Over 6 months	0-3 months	3-6 months	Over 6 months
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Receivables beyond the due date - not impaired	1,096	18	-	782	3	-
Receivables beyond the due date - impaired	4	9	1	7	2	3
Total receivables beyond the due date	1,100	27	1	789	5	3

Liquidity risk

The Met Office maintains short-term liquidity throughout the year by managing its cash deposits. The Met Office aims to maintain cash levels to allow it to meet its short-term obligations. The Met Office holds cash deposits within the Government Banking Service. Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office's sponsor department, the Department for Business, Energy and Industrial Strategy. Therefore, exposure to liquidity risk is limited to these arrangements. Loan funding requirements are anticipated to increase over forthcoming years to finance the UK contribution to the EUMETSAT satellite programmes, and additional supercomputing investment, in line with our current Corporate Plan.

Foreign currency risk

The Met Office makes significant foreign currency payments for subscriptions and contributions to international meteorological organisations including payments for satellite programmes. These costs are funded by the Public Weather Service. In order to manage foreign exchange risk the Met Office policy is to buy forward foreign currency for payments to international bodies as soon as amounts can be reliably estimated. The forward currency contracts are in hedging relationships under IFRS 9 and the Met Office has elected to adopt IFRS 9 hedge accounting rules.

Details of forward contracts held can be found in note 15.

£15.3 million of expenditure was undertaken in foreign currencies which are not funded through the forward purchase contracts.

Interest rate risk

The Met Office finances its operations through retained profits. Amounts retained in the business but surplus to immediate requirements are deposited in short-term interest-bearing accounts with the UK Government Banking Service. The Met Office may also be funded by additional monies from its sponsor department to fund specific strategic requirements.

Details of cash on deposit are included in note 11. The fair values of cash and cash equivalents approximate to book value due to their short maturities.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in note 1 to the financial statements.

23 Events after the reporting period

The accounts were authorised for issue on the date the accounts were certified by the Comptroller and Auditor General.







 **Porthcawl**
South Wales

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