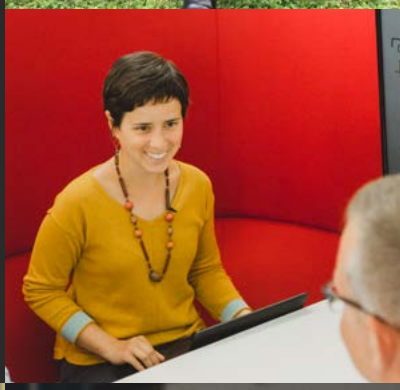
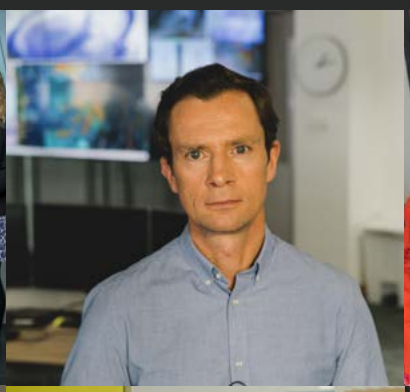


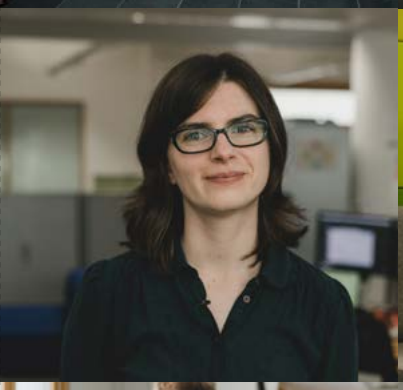

Met Office

Annual Report and Accounts

2019/20







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Performance report

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Introduction from the Chairman

ROB WOODWARD

As I review this past year for the Met Office – and also look ahead – my thoughts are with everyone touched by the Coronavirus crisis and the extraordinary response of the entire Met Office team to an unprecedented challenge.

Literally overnight, virtually all of our near 2,000 strong workforce found themselves operating remotely – away from their normal place of work. Yet they adapted brilliantly and have since managed to maintain the exemplary quality of service for which the Met Office is renowned. I would like to extend my appreciation to everyone who made this remarkable achievement possible.

Such commitment also characterises the Met Office Board that has worked so effectively throughout the year to support the executive management team and the wider organisation. Pooling diverse skills and insights in science, meteorology, commerce, finance, change management and more, its members provided active support and a valuable sounding board during the development and introduction of the new Met Office strategy and purpose: to help you make better decisions to stay safe and thrive.

In another key achievement for the Met Office, the Board worked closely with management and the programme team to develop a robust business case and then secure government approval for the procurement process to deliver our new, ten-year supercomputer programme. Representing up to £1.2 billion of investment, the supercomputer is expected to be the world's most advanced and will help us maintain our world-class position in predicting the weather with even higher degrees of accuracy and continuing our renowned work projecting changes to the global climate.

Our Board was further strengthened by the appointment of Professor Alan Thorpe OBE as a non-executive director. A visiting professor from the University of Reading and former Director-General of the European Centre for Medium-Range Weather Forecasts, Alan is a highly respected meteorologist, both nationally and internationally. A new Head of Governance at the Met Office, Paul Chavasse, also added to the Board's capabilities around compliance. Meanwhile, our participation as an early adopter in the innovative Open Board scheme reflected our commitment to transparency and diversity, with future prospective non-executive directors invited as observers to learn what it is like to sit on a board at this level.

Pivotal for our role in delivering valuable societal and economic benefits was the overall quality of the Public Weather Service (PWS) as overseen by the Public Weather Service Customer Group (PWSCG). The Group, which acts as the collective customer for those we serve in both the public and private sectors, saw the appointment of a new Chair in Vice Admiral Duncan Potts CB. The chair ensures the PWSCG's effective operation, by setting out delivery and performance levels, representing the interests of the Group in government initiatives, and ensuring PWS funds are spent with due regard to economy, efficiency and value for money. The role also encompasses responsibility for raising the profile of the PWS and maximising its impact UK-wide.

In parallel, our National Severe Weather Warning Service continued to operate very effectively, with all the research showing that the public continues to see the Met Office as an authoritative voice at a time when extreme and damaging weather events such as storms and floods are occurring with ever-greater frequency.

Underpinning much of what we do is a continued focus on drawing together the diverse science and technology disciplines within the Met Office to identify opportunities for new services. Our commitment to this multi-disciplinary approach enables us to create innovative new services for the public, new customers and existing ones, such as the UK Civil Aviation Authority.

As a Board, we are impact focussed and know one of the best ways of supporting our organisation is by better understanding what services

customers want. So, during the year we visited Heathrow Airport Ltd, Highways England and the Scottish Government to hear, first-hand, about working in partnership with us – and how our services are integral to their own operations.

In addition to these visits, 2019/2020 was a year that brought together a plethora of important anniversaries that remind us, our customers and other stakeholders of our relevance as an organisation. This is increasingly the case at a time when weather and climate change have never been higher up the public agenda.

In October 2019, we marked the 10th anniversary of the Flood Forecasting Centre – a joint venture between the Environment Agency and Met Office, located at our headquarters in Exeter. That same month also saw another 10-year celebration, this time for the popular Education Outreach programme. This has encouraged and inspired literally thousands of young people to study Science, Technology, Engineering and Maths (STEM) subjects since its inception.

> *“Innovative thinking will continue to drive everything we do.”*

Other significant anniversaries included 80 years since the launch of the Met Office College which educates future meteorologists both in the UK and internationally. The 75th anniversary of Met Office’s influential involvement in the D-Day landings also stood out in the year’s celebratory calendar. 2020 also brings the 30th anniversary of the highly respected Met Office Hadley Centre for Climate Science and Services.

We trust that such a distinguished track record will be continued into the future. In particular, we look forward to evolving our climate science role in supporting the UK’s joint hosting of the COP26 climate conference in Glasgow with Italy, now taking place in 2021 as a result of the Coronavirus pandemic. In addition to our ongoing climate work we are planning on hosting an agenda-setting science conference, involving a strong virtual presence linking international partners. We aim to be a carbon neutral conference in line with global and UK ambitions to reach net zero by 2050.

Such innovative thinking will continue to drive everything we do – backed, ultimately, by our world-leading science and technology delivered by our talented and passionate workforce.

Chief Executive's summary

PROFESSOR PENELOPE ENDERSBY

The year's annual report comes at a challenging time for the UK and indeed the world. As I write this, the ongoing Coronavirus pandemic has had an unprecedented affect. As with other organisations, the Met Office has had to rapidly adapt to the situation while continuing to deliver our remit. While my thoughts remain with those affected by this unfolding tragedy, I am immensely proud of the resilient response of our staff to the challenges presented.

We were well placed to transition to remote working thanks to our existing modern IT and flexible working practices and regularly exercised business continuity and crisis management plans, pandemic flu having been the focus of an exercise in July 2019. 95% of staff have been working successfully from home since 18 March with this figure rising soon after to 99%. The transition was managed with barely a hiccup.

The unprecedented nature of the situation we find ourselves in has naturally made us reassess our priorities for the duration. While the pandemic continues, we have committed to focussing on the delivery of our critical to life services and the well-being of our staff. What this means in practice is that we recognise the transition to the 'new normal' has affected many people in many different ways. We must continue to deliver as much of our remit as possible, but the additional pressures this pandemic has placed on all, means that not everyone will be able to operate at their usual capacity. Staff have responded positively to the care for their well-being and the level of trust placed in them

From 1 June, a small number of staff returned to work from our Exeter main building for either operational or well-being reasons. We have also been considering and consulting with people across the Met Office on how we can take forward positive aspects from the way we've been working. As well as prioritising well-being, other key areas are removing boundaries, adapting physical boundaries, empowering individuals with 'flexible first' working and developing our digitally skilled workforce.

While the Coronavirus response is naturally at the forefront of everyone's minds, there is still much to celebrate from the year gone by. The centrepiece of our achievements in 2019/20 was the launch of the new Met Office strategy and our purpose: to help you make better decisions to stay safe and thrive. Our expertise gives us unique insights into how the world around us is changing – whether it is the technology we use, how our customers consume, use and exploit our data, or, most importantly, the climate itself. We need to be ready to meet the opportunities and challenges this brings. This strategy sets out our path for getting ourselves ready for that changing future with our ambition to be recognised as global leaders in weather and climate science and services in a changing world.

More importantly we have set out how we are going to get there with our three strategic anchors. We will need excellent people and an organisational culture to match, in which we can deliver exceptional scientific, technological and operational expertise that, when in the hands of our customers, delivers extraordinary impact and benefit. We cannot do one without the others and it is this approach that will guide our decision-making and priorities.

One of the successes of this approach is our focus on strategic actions: for example, focussing on improving our 0-2 hour forecasting ("nowcasting") capabilities. At the heart of this is the drive to ensure our meteorologists have the right skills and technologies to deliver to the needs of our customers. Nowcasting was an area we felt we could improve, so to achieve this we devised a roadmap. Key customer groups identified the types of weather and timeframes for which they most needed detailed short-term forecasts. We then developed a training and testing package to refresh and boost the skills of our guidance meteorologists using existing tools. The next step in the roadmap will focus on improving the tools meteorologists have at their disposal.

An early output from our customer data services strategy action was to make our wholesale data catalogue available via the service hub. This has meant more of our data is more easily accessible to a larger number of users – so they can do more in precisely the way they want to.

But it was perhaps February's ferocious storms Ciara and Dennis over consecutive weekends that brought Met Office impact most graphically to life. Following the wettest January on record, we provided nearly a week's warning for both events, including a red warning for Storm Dennis – the first red rain warning since 2015. The accuracy and way we refined the forecast to very local areas undoubtedly helped keep loss of life and damage to property to a minimum.

Innovation continues to be central to our impact mindset and operates at many levels. This past year marked a particularly important milestone for enabling it into the future. More than two years of intensive work culminated in the Department for Business, Energy and Industrial Strategy approving up to £1.2 billion investment in our next supercomputer that will revolutionise Met Office weather and climate forecasting. This is a wonderful piece of news for the Met Office and represents the biggest investment in our 170-year history. It is a huge vote of confidence in our world-leading science, technology and operations in weather and climate. This machine will be a step-change from anything we or any other weather and climate centre have had before, and we will truly be leading the way.

At the other end of the scale our innovative thinking continued in, for example, creating a semi-automated phone service offering weather information for those less comfortable about using online services. By working closely with user groups in several UK locations, we were able to offer easy access to automated local forecasts without users having to speak directly to an operator. This customer-focused, rather than technical, innovation shows how the Met Office is committed to innovation throughout the organisation – from the fundamental science right through to the way we deliver. More recently we have added government Coronavirus information to this service, helping to protect an otherwise hard-to-reach group.

Creative ideas and new ways of working depend on the happiness and motivation of the people we employ to develop them. So I am especially delighted that the Employee Attitude Survey we ran in November showed significant positive improvements. Alongside this we have launched a new people strategy and have developed a new set of organisational values. These values really embody the motivation and drive of the people I see around me, no matter the area they work.

> *"My warmest thanks go to everyone at the Met Office who worked so hard to help make 2019/20 a success."*

Our focus on equality, diversity and inclusion through a strategic action has also seen a reinvigoration of our staff networks. As just one example, the Met Office LGBT+ network supported Civil Service Local in the South West to host its first Spectrum LGBT+ conference. There are many more examples of how these networks are including and supporting staff and raising awareness of issues, both in terms of how they are perceived in the wider world and within the Met Office. While I am incredibly pleased with what has happened over the last year, there is always more to do. I look forward to the progress we will make in future years that will enrich the Met Office workforce through greater social and ethnic diversity.

Looking further afield, the Met Office's influence and international reach has continued to evolve throughout the year.

In December, Met Office operational meteorologists based at Mount Pleasant airfield in the Falkland Islands drew on their search and rescue experience. Using their knowledge of aviation, weather and wave state, they successfully supported the recovery of a Chilean aircraft which had gone missing in the area. We are also continuing to support one of the most remote airports in the world, having renewed our contract to provide forecasting for the St Helena Government.

I could not let this introduction pass without mentioning how proud we are of the part we play in understanding climate projections. We were delighted when the UK, in partnership with Italy, was chosen to host the COP26 climate change conference, albeit now rescheduled for 2021 as a result of the pandemic. We look forward to working with the UK climate science community and using our standing as a world-leading climate research organisation to support the government at this important meeting.

My warmest thanks go to everyone at the Met Office who worked so hard to help make 2019/20 such a success and who have stepped up to the plate when faced with the pandemic towards year end.

Chief Scientist's statement

PROFESSOR STEPHEN BELCHER

We have all had to change our ways of living and working during the Coronavirus pandemic. Despite these difficult times, the Met Office has adapted to ensure we continue to deliver world-class weather and climate services by enabling the majority of our teams to work from home. To implement these changes for 2,000 people has taken a lot of work, and I would like to thank everyone involved in making this work so well. I'd also like to acknowledge the tremendous leadership of Sir Patrick Vallance and Professor Chris Whitty, who are providing invaluable advice in very difficult times.

Our new purpose has never been more relevant than now - to help you make better decisions to stay safe and thrive. A major achievement this year has been the development of our Research and Innovation Strategy, which will support delivery of our Corporate Strategy's central anchor of exceptional science and technology. The expectations of our customers and stakeholders have developed, as has our ability to better understand and predict future weather. These evolving demands, together with the opportunities offered by new technology, provide the drivers for our R&I Strategy. This new strategy will ensure we continue the research and innovation that underpins all we do at the Met Office, and continue to be recognised as global leaders in weather, climate science and services in a changing world.

In February we secured investment to develop the case for our next supercomputer, which will offer an unprecedented opportunity to advance our weather and climate services. As well as improving the accuracy of our weather forecasting, we'll put the increased computing capacity to good use to develop new climate services. In addition to pushing the limits of what is possible in simulating weather and climate, we will use the data to underpin actionable advice for robust decision making.

An important strand of our new Research and Innovation Strategy is to harness the new techniques in data science and artificial intelligence. For example, we are using smart algorithms to identify when observations used to initialise our weather forecasts contain errors. Several ocean-based buoys were recently misreporting their location and causing forecasting problems. The weather science team was very quickly able to find where the problem lay, fixing it within hours. In addition, machine learning will be used to draw on the vast data sets generated by our modelling systems and use them in combination with other data sets and expertise to help people make better decisions. We are taking the UK climate change scenarios that we produced last year and combining them with engineering thinking on drainage systems to develop advice on flood risks in cities. This example illustrates a second important strand of our Research and Innovation Strategy that focuses on taking hazards through to decision-making.

Supercomputer architecture and hardware will change profoundly in coming years and our ambitious Next Generation Modelling programme is re-engineering the software we use to forecast weather and climate to ensure they can harness the power of these new computers. This work is being done in close collaboration with software engineers from across the academic world to make the most of new innovations.

This year saw a major upgrade to our numerical weather prediction systems. We implemented Parallel Suite 43 from the winter of 2019. This upgrade included a wide range of improvements, including improved representation of processes within the atmosphere and better characterisation how we simulate the forecast ensemble, which provides guidance of the accuracy of the forecasts.

The Met Office Hadley Centre marked the 30th anniversary of its inception under then Prime Minister Margaret Thatcher, and continues to provide international leadership in the science of climate variability and change. Our HadCRUT dataset is one of the leading internationally recognised time series of global temperature and demonstrated that 2019 concluded the warmest decade on record.

Furthermore, UK data produced by the National Climate Information Centre at the Met Office, chart the new records now broken almost on an annual basis. We recorded the all-time highest UK temperature of 38.7°C recorded during last July's heatwave at Cambridge Botanic Gardens.

By using a technique called attribution such extreme events can be set into the context of the historical record. Thanks to this technique, we have shown that the odds of a heatwave like the one in July 2019 happening again are 30 x greater now than they were in pre-industrial times. By combining this approach with projections for the future, we can say how much more likely such damaging events are likely to be in the future.

One of last year's major initiatives was the launch of the new SPF UK Climate Resilience Programme, in conjunction with the broader UK academic community. Its goal is to connect UK climate projections by the Met Office Hadley Centre developed under UKCP18 with the Climate Change Risk Assessment Defra produces every five years. This includes creating the best framework for delivering data to suit different target audiences. Participants include climate scientists at the Met Office and across the UK climate science research community, as well as flood engineers and social scientists skilled in the communication and perception of risk to support local authorities and town planners. This is an excellent example of how we are pulling through pioneering science from theory into actionable information for decision making.

The people behind these examples of Met Office excellence in science, technology and innovation reflect our enormous breadth and depth of expertise. Several were recognised this year by awards from the Royal Meteorological Society and other international bodies. I was especially delighted that Richard Betts was awarded the MBE for his work in climate change communication at events such as Glastonbury and on Twitter. We also continue to nurture and recognise our emerging talent, and I was that Dr Kirsty Hanley was award of the Royal Meteorological Society's LF Richardson Prize for early career scientists.

As we look ahead, at the time of writing, the details around the postponed COP26 UN climate change conference to be held in Glasgow remain to be finalised. At the Met Office, we are hugely honoured to be supporting the UK as joint host country with Italy. We look forward to supporting the UK government's delivery of COP26, helping to set the agenda for achieving net zero by 2050, and as always providing robust, relevant and engaging climate and weather information and advice so that the public can make the best decisions to stay safe and thrive.

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.

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 (IPCC). 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.

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.

We're a force for good.

Our planet matters. The time is now, and we're the people to make a difference. That's why we take our environmental and social impact seriously. We're a force for good in our core products, in making sure that people stay safe and thrive and in our contribution to world understanding of climate change. But it's also about reducing our impact and looking for ways to make a positive difference to our environment and our community.

We're experts by nature.

We gain our expertise through hard work and by focusing on our strengths. Of course, we're not born with our expertise but it's in our nature to be curious - always learning and developing to do things better. We trust in each other's expertise and take pride in being the best in our field.

We live and breathe it.

Helping people make better decisions to stay safe and thrive is what we live for. Their lives guide our decisions and their trust guides our actions. We show a genuine passion for what we do, put our purpose at the heart of all decision making and take great pride in the impact we make on people's lives every day. We consider customers and employees needs first and always act with integrity.

We're better together.

Great minds don't always think alike. And we like it that way. We believe partnerships, inclusivity and honesty make us far greater than the sum of our parts. We stand together, we listen, respect and support one another.

We keep evolving.

When we're not looking up, we look ahead. We push the boundaries to make tomorrow better for our customers. Forecasting the future is one thing. Creating it is another. We're never satisfied with the state of the art as it is now. We don't stand still, we're always pushing ourselves to achieve more.

It's who we are.

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 of how well as a whole the organisation is performing. 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.

The structure of our KPIs for 2019/20 was set before the launch of our new strategy and so is reported under that structure.

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. Each year we ask our key customers to confirm that we have met their requirements as set out in our service delivery agreements. In 2019/20 our customers were able to provide this assurance.

Surveys of the general public also show that we continue to maintain their trust and that they are aware of, and can take decisions based on, our forecasts. We also continue to improve the accuracy of our forecasts and maintained our position as the most accurate operational forecaster in the Global Numerical Weather Prediction (NWP) Forecast Accuracy Ranking.

We continued research preparing for the next generation of exascale computing. In particular, key models were put in place for basic weather and climate simulations. These models will form the basis of a future prototype for the replacement of our current Unified Model.

This work is necessary to produce the operational models needed to fully exploit our future supercomputing infrastructure and deliver on the up to £1.2 billion investment currently planned over ten years.

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 35,918 times.

We continued research preparing for the next generation of exascale computing. This work will enable us to produce the operational models needed to fully exploit our future supercomputing infrastructure.

Transform how we work to make us fit for the future

Our Corporate Plan sets us the challenge of transforming our organisation. Whilst the Transformation and Efficiency programme that initiated this work was completed and closed, more work remains to build on the foundations laid by this programme.

To this end we continued our work to make the data we generate more easily discoverable and accessible. This year saw a key milestone with our wholesale data catalogue made available through the new Service Hub tool.

Unfortunately, we were not able to complete the implementation of our new People Hub by the end of the financial year. More time was needed to fully complete the testing needed to ensure successful delivery of this important system. The project which aims to enable simplifying and streamlining our people management processes, is now due to deliver the new system early in the new financial year.

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 £30bn of economic benefits to the UK economy over the next ten years.

Work on implementing the next generation of supercomputing has also continued, with HM Treasury approving our outline business case for a new supercomputer commencing operations in 2022.

Our Business Group also exceeded its targets by delivering a £2.2m profit and £24.5m of revenue in 2019/20. 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 priority 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 Science, Technology, Engineering and Maths (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

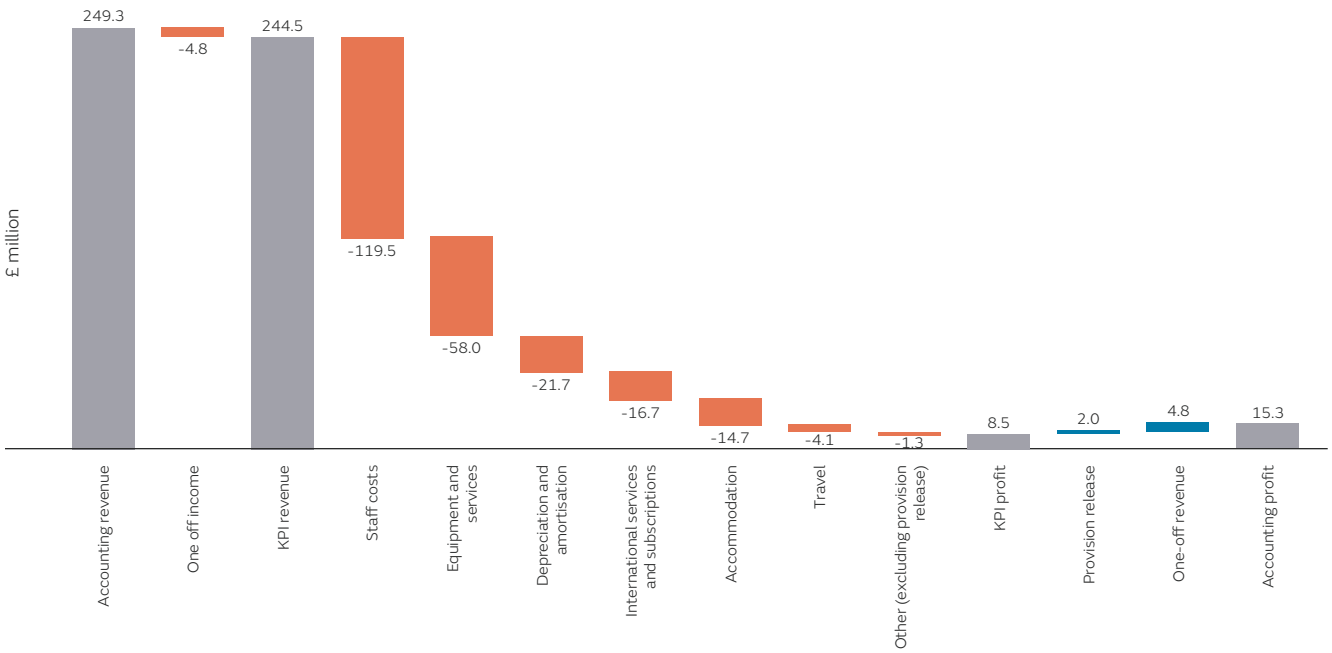
Summary

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

Key performance indicators (KPI)	Target (£m)	Achieved (£m)
Total revenue	243.4	244.5
Total operating profit	4.0	8.5
Business Group operating profit	1.7	2.2

The KPI target revenue and profit exclude £4.8m of one-off revenue to cover additional pension costs arising due to an increase in employer contribution rates. KPI profit also excludes the impact of releasing £2.0m of provisions.

Operating profit



Revenue

Total revenue was £10.2m higher than 2018/19 including the £4.8m one-off revenue to cover additional pension cost increases. Of the remaining increase an additional £6.9m revenue was generated by our Commissioning Team for our work administering government grant funding under the Newton Fund, WISER and SPF programmes. This was offset by reductions in funding for our strategic investment following the completion of our transformation portfolio at the start of the year.

Operating costs

Operating costs decreased by £1.6m compared to 2018/19 due to changes in provisions made in 2018/19 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.

The total cost reduction when compared to 2018/19 is £7.8m, which reflects the £5.8m provision made last year plus the £2m release of provisions in 2019/20 following a reassessment of their value.

There is an offsetting increase in staff costs of £5.9m due to an increase in employer contribution rates on the civil service pension scheme and an increase in contractor costs to support delivery of our strategic actions.

Dividends

Total dividends payable to our owner, the Department for Business, Energy and Industrial Strategy (BEIS) are £8.5m (2018/19 £8.5m)

Cash flows and liquidity

Cash balances totalled £49.3m as at 31 March 2020 compared to £61.2m as at 31 March 2019. There was continued significant investment in satellite programmes of £60.3m which is funded through cashflow from operating activities and loan funding of £38.0m 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 European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) satellite programme obligations are expected to remain high during the next financial year, but reduced from the peak of previous years. This reduction is due to the development peak of new satellite programmes having passed. Some uncertainty remains due to the impact of delays of Coronavirus on key programmes.

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 2020, £117.7m in loans were outstanding (31 March 2019, £90.9m). Loan funding requirements are anticipated to increase further over forthcoming years to finance the UK contribution to the EUMETSAT satellite programmes.

Sustainability summary

Overall strategy for sustainability

Our work as a leading advisor on the weather and climate to governments, businesses and individuals is central to promoting sustainability both at home and abroad. The global nature of our activities, especially our climate science, is essential to the worldwide sustainability agenda.

At the Met Office we are acutely aware that the world is warming and carbon dioxide emissions are a key cause. But we're not just bystanders, we're a force for good and can achieve extraordinary impact and benefit through our own actions.

We have a fantastic opportunity to take a lead in supporting the Government's environmental agenda and setting a realistic, science-based pathway to net zero for the Met Office. We'll do this ahead of the United Nations climate conference, COP26, which is being held in Glasgow in 2021.

We are also aware of the impact of our own operations as an organisation. We're 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.

We have some challenges to get to grips with, including the energy used by our supercomputer, the support we provide to our international mission and partners, and other emissions that are part and parcel of our daily work.

Net zero for the Met Office will require mapping a realistic pathway of how to reduce our emissions over time from the current baseline; it's likely to require changes to travel and more virtual working, changes in how we procure energy and engagement with our government sponsors.

We're a force for good.

Greenhouse gas emissions (GHG)		2016/17	2017/18	2018/19	2019/20
Non-financial indicators (tCO_2e)	Total gross emissions for scopes 1 & 2 (including white fleet)	19,251	21,385	17,702	**16,064**
	Gross emissions scope 3 - business travel (less white fleet)	1,570	1,484	1,694	**1,325**
Related energy consumption (MWh)	Electricity: non-renewable	43,904	56,838	57,716	**59,836**
	Electricity: renewable	-	-	-	**-**
	Electricity: good quality combined heat and power	-	-	-	**-**
	Self-generated renewable (solar panel installation at Exeter)	105	224	236	**253**
	Natural gas	5,383	5,221	5,468	**3,529**
	Gas oil (diesel)	65	61	-	**-**
Financial indicators (£)	Expenditure on energy	4,697,680	5,875,046	6,704,577	**7,731,729**
	Expenditure on business (administrative) travel	2,202,420	2,217,499	2,013,875	**1,894,015**
	Expenditure on Carbon Reduction Commitment Energy Efficiency Scheme allowances (to 2018/19 after which scheme ceased)	317,881	347,896	286,772	**N/A**

Energy

The energy consumed by our headquarters-based supercomputer accounts for most of our energy consumption and associated emissions. Electricity consumption for HQ is at steady state. The decrease in gas consumption is largely due to staff vacating the HQ building in March in response to the Coronavirus situation meaning that gas was not required for heating or catering.

Our Solar PV installation at HQ 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.

Waste		2016/17	2017/18	2018/19	2019/20
Non-financial indicators (t)	Total waste arising	231.13	187.10	170.80	**171.2**
	Recycled and re-used	142.01	124.63	107.30	**117.8**
	Information communication technology waste recycled and re-used (externally)	24.38	9.47	14.21	**19.6**
	Composted	20.51	27.60	9.60	**19.2**
	Anaerobic digestion	32.41	32.18	30.49	**28.0**
	Incinerated/energy recovery	33.61	27.96	32.24	**25.1**
	Landfill	3.13	0.52	0.80	**0.2**
Financial indicators (£)	**Total disposal cost**	**85,340**	**87,783**	**91,317**	**40,754**

Waste

In 2019/20, our total waste arising was 171.2 tonnes – a slight increase on our 2018/19 figure of 170.8 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. The reduction in the waste disposal cost is due to our change of Facilities Management provider in December 2018 after a 15 year contract and moving to a different pricing model with the opportunity reduce costs in some areas.

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 2019/20, we achieved a recycling rate of 69% and a recovery rate of 31% which means that less than 1% of our waste went to landfill. We currently recycle cardboard, metal, batteries, ICT/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			2016/17	2017/18	2018/19	2019/20
Non-financial indicators (m³)	Water consumption	Imported (potable)	27,740	33,280	35,694	**33,693**
		Abstracted (borehole)	26,857	21,334	20,019	**20,534**
		Grey water (harvested rainwater)	-	-	-	**-**
		Recycled water (discharge from cooling towers)	7,907	6,499	7,149	**5,498**
Financial indicators (£)	**Water supply costs**		**55,957**	**66,467**	**68,311**	**64,482**

Finite resources (Water)

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

Due to the new supercomputer, 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 and have plans in place to increase our water softening capability in 2020/21 to enable us to meet all the increased demand from the borehole.

Professor Penelope Endersby
Chief Executive
8 July 2020

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 and promote botanical diversity. We continue to conduct regular butterfly transects, bird surveys and reptile refugia checks and record species observations so we can monitor the progress our work is achieving.

Sustainable procurement

Proactive engagement with Small and Medium Sized Enterprises (SMEs) has continued to deliver benefits with expenditure with SMEs now averaging 30.5% of spend this financial year, a 20% increase compared to 2018/19. Through openly competed requirements, and the utilisation of lots for certain activities, we are accelerating our drive towards the Government Target of 33% of spend with SMEs by 2022.

As a signatory to the Government Prompt Payment Code, we are committed to making timely payments to suppliers, and are actively promoting and enforcing the cascade of such terms from strategic suppliers to their related sub-contractors.

Corporate governance report

Directors' report

The following items, required as part of the Directors' report, are included in the Governance Statement on page 23:

- 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 2019/20 financial year in the form and on the basis set out in the Accounts Direction issued on 19 December 2019 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 2020 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;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Met Office's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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.

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 Executive Committees, Internal 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

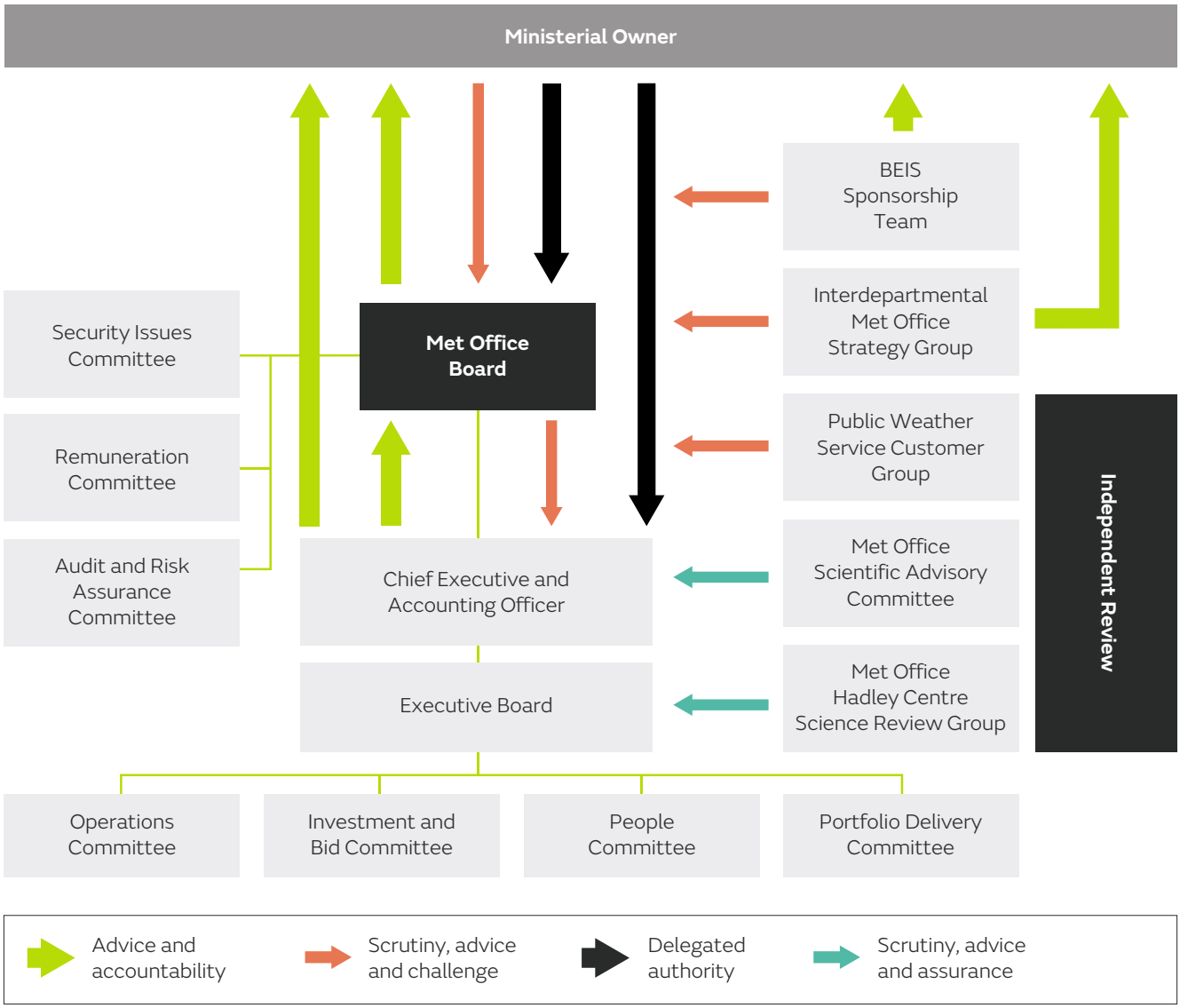
Our governance structure

Following changes made last year, the fundamental governance structure of the Met Office has not changed further. My colleagues and I, as members of the Executive Board, remain accountable to, and open to challenge, advice and scrutiny from, the Met Office Board. In turn, both the Executive Board and the Met Office Board are accountable to, and act under delegated authority from, our Ministerial Owner at the Department for Business, Energy and Industrial Strategy.

During the year, and following consultation across the Met Office, the Executive Board developed a new Corporate Strategy and agreed this with the Met Office Board. The Strategy provides focus and direction to the Directorates and the four new Executive Committees we established last year to support the Executive Board in its management and implementation of its responsibilities. These committees have been in operation throughout the year and have assisted co-ordination of day-to-day activities and the new Strategic Actions across the organisation. They have provided enhanced flows of information to the Executive Board.

In addition, we have established two new functions to aid oversight and provide assurance. The Enterprise Portfolio Office is responsible for overseeing our change portfolio and providing assurance to the Executive Board through the Investment & Bid and Portfolio Delivery Committees. The Governance Group, incorporating the Risk Management, Internal Audit and Legal functions, reports to me, as Accounting Officer, to ensure a direct flow of information on risk and assurance to the Executive Board.

As we moved towards the year end, we commenced a process to review the allocation of responsibilities across the operational Directorates to ensure they are aligned as effectively as possible to reflect the emphasis of the new Corporate Strategy and meet the evolving needs of our customers. As we implement the changes flowing from this review, we will ensure that there continues to be clear allocation of roles and responsibilities within operational departments to facilitate implementation of the strategic objectives of the organisation.



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

NOTE: The Audit and Risk Assurance Committee provides advice and assistance to both the Board and the Accounting Officer; it also has the role to receive relevant reports from the Accounting Officer.

Role of the Met Office Board

The Met Office Board challenges and supports 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 Chair is responsible for leading the Board and ensuring that it is effective in discharging its role. He is supported by additional non-executive directors (NEDs), 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 or the Board Chair.

The Board's membership aims to be diverse and to incorporate a range of skills, experience and viewpoints. Particular skills that support the Board include scientific expertise, experience of financial reporting and organisational controls and the ability to champion the work of the Met Office. Overall Board composition aims to reflect a range of backgrounds and an appropriate mix of expertise to guide the Met Office's Strategy. Besides BEIS representation on the Board, appointments are made through the government's Public Appointments process and approved by the Minister. In addition, a Trade Union representative has right of attendance at Board meetings.

During the past year, James Partington and Professor Alan Thorpe were appointed as new non-executive directors to the Board. James Partington is the BEIS representative on the Board and attended his first meeting in June 2019, replacing Stephanie Hurst. As the representative from our Sponsor Department, James has been able to provide helpful support to the Board through his valuable input and insights. Professor Thorpe attended his first meeting in November 2019 and replaced David Burridge, who stood down at the end of his term in August 2019. Jane Lancastle, the Prospect Union representative, attended her first Board meeting in January 2020. We have also offered a developmental NED opportunity under the BEIS open boards initiative and Clare Wasteney of the Coal Authority joined our board meeting in March bringing valuable legal expertise.

Met Office Board activities in 2019/20

During 2019/20, the Met Office Board met six times. A summary of each Board meeting is published on the Met Office website.

A key area of discussion related to the development and publication of the Met Office's Corporate Strategy in October 2019. The Strategy incorporates 13 Strategic Actions and the Board continues to monitor and challenge the development of these actions to ensure that they have clear objectives and that appropriate resources are allocated to deliver them. In particular, the Board had regular discussions about the business case to develop the Met Office's next generation of supercomputing capability, which is due to replace the current supercomputer in September 2022. The award of funding was announced by the Minister in February 2020 and the Board will continue to monitor this Strategic Action from the procurement process through to implementation. The Board also considered the consequences of this enhanced capability for the Met Office's future weather and climate modelling systems and how this might translate into operational benefits for meteorologists and customers.

The Board regularly discussed the Met Office's budget, financial performance and progress in meeting targets and key performance indicators. It reviewed how the achievement of the objectives in the Corporate Plan contributed to the strategic purpose of helping people make better decisions to stay safe and thrive. The Board also conducted regular reviews of the risks facing the organisation. This included sessions on the actions the Met Office was taking to mitigate cyber security risk.

Two of the Board meetings were held at the site of key strategic partners – in Edinburgh with the Scottish Environmental Protection Agency and the Head of Resilience for Scottish Government, and at the Joint Operations Meteorology and Oceanography Centre (JOMOC) at Northwood with key Ministry of Defence stakeholders. We proactively arranged these meeting on our partners' sites so we could get to know them as customers better, get their direct feedback, and to appreciate their concerns and interests from our Board members' perspectives. This was all in support of our commitment to continuous improvement.

Audit and Risk Assurance Committee

The Audit and Risk Committee supports the Board in its responsibilities to assure that the organisation's systems of risk management, control and governance are adequate and effective. The Committee met three times during 2019/20 to review the organisation's performance and the framework for assessing and managing risk. It meets with, and receives reports from, the Chief Executive and other senior executives. It reviews the work of internal and external audit and meets regularly with risk managers and risk owners. In line with good practice, the Chair met separately with the Head of Internal Audit and the External Audit Director without members of the executive management present. In addition, to augment the skills represented on the Committee, Neil Hartley (Director of Finance at the Intellectual Property Office) was appointed as a co-opted member of the Audit and Risk Assurance Committee to provide additional financial expertise. He attended his first meeting in November 2019.

The 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 Committee reviewed the nature and status of key corporate risks, along with details of mitigating actions being taken. The Committee identified a number of key risks for a detailed review and challenge, in particular in relation to strategic priorities around the underlying technology (supercomputer readiness and next generation weather and climate modelling systems), as well as addressing corporate resilience (IT legacy systems). The Committee also receives an annual compliance report on whistleblowing and the operation of the data management and protection regime.

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. I completed Accounting Officer's training during the year.

Additional review bodies

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

- **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 is chaired by Vice Admiral Duncan Potts and its Annual Report is available through the Met Office website.
- **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 is chaired by Dr Gilbert Brunet.
- **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. The SRG is chaired by Professor Ted Shepherd.

Board or committee member	Dates served	Met Office Board	Audit and Risk Assurance Committee	Remuneration Committee	Security Issues Committee
Total meetings during period		6	3	1	2
Non-Executive Directors					
Rob Woodward Chair		6/6	3/3	1/1	2/2
Prof Sir John Beddington		6/6	-	1/1	2/2
David Burridge	Until 28 August 2019	2/2	0/1	1/1	-
Prof Alan Thorpe	From 1 November 2019	3/3	-	-	-
James Partington BEIS Representative	From 5 June 2019	5/6	1/3	1/1	-
Hunada Nouss Chair of ARAC		6/6	3/3	1/1	1/1
Robert Drummond	Until 22 March 2020	5/5	2/2	1/1	-
Catherine Quinn Chair of Remuneration Committee		6/6	3/3	1/1	2/2
John Kimmance		5/6	-	1/1	2/2
Executive Directors					
Prof Penelope Endersby Chief Executive		6/6	3/3	1/1	2/2
Nick Jobling Chief Financial Officer		5/6	2/3	-	-
Professor Stephen Belcher Chief Scientist		4/6	-	-	-
Phil Evans Chief Operating Officer	Until 25 February 2020	7/7	-	-	-
Tammy Lillie Interim HR Director	From 11 September 2019	4/4	-	-	-
Stephen Marshall Interim Chief Operating Officer	From 24 February 2020	1/1	-	-	-
Andy Kirkman Government Services Director		-	-	-	1/1

NOTES:

1. Robert Drummond's 3-year term expired on 22nd March 2020. He attended the Board and ARAC meetings on 24th and 25th March 2020 as an observer. He was reappointed as a non-executive director until 22nd March 2021 on 1st April 2020. Jane Lancastle attended the November, January and March Board Meetings as the Prospect Union Representative. Clare Wasteney, who is Head of Legal and Governance at the Coal Authority, joined the Board as an observer under the BEIS 'Open Boards Scheme' in March 2020.

2. Rob Woodward, Professor Penelope Endersby and Nick Jobling were not members of ARAC but are regular attendees and are therefore included for completeness.

3. Neil Hartley (Director of Finance at the Intellectual Property Office) was appointed as a co-opted member of the ARAC to provide additional financial expertise. He attended his first meeting in November 2019.

4. During the past year, James Partington (and Professor Alan Thorpe) were appointed as new non-executive directors to the Board. James Partington is the BEIS representative on the Board and attended his first meeting in June 2019, replacing Stephanie Hurst.

5. David Rawlings attended for James Partington at the June 2019 ARAC meeting. Paul Riches attended for James Partington at the March 2020 Met Office Board meeting.

6. Andrew McKean attended the March Board and ARAC as Acting CFO on behalf on Nick Jobling.

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 is evaluated each year using structured questionnaires. The 2019/20 review will follow the same structure as the previous two years to assess the development of the Board. As in previous years, the feedback will be collated and reviewed by the Board to identify a number of action points for improvement.

The performance of the Executive Board and Committees is also subject to regular evaluation and review to gather feedback in order to continually improve their performance.

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 has been reviewed at every Met Office Board meeting. Where appropriate, conflicts of interest were declared during 2019/20 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 2019/20 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 has identified the risks to achieving the new Met Office Strategy.

Day to day risk management is fundamental to the Met Office's business management. The identification, mitigation and escalation of risks is embedded as a key activity of Directors and other senior leaders, across all business areas, programmes and projects.

Our risk management is aligned with Government best practice, in particular The Orange Book. We adopt a pragmatic approach, seeking to achieve a balance between mitigation and acceptance of risk, with targets set for individual risks. Our Corporate risk management processes supports this and assesses the significance of risks against our Corporate risk appetite. This enables us to understand our risks and to respond in an appropriate, effective and efficient manner.

Accountability and responsibility framework for risk management

The Met Office Board reviewed Corporate risks in November 2019 and again in March 2020. The internal perspective is provided by the Executive Board, which drives risk management from the top down, ensuring all major decisions are subject to risk assessment and effective mitigation.

Corporate risks are also formally reviewed at Executive Board meetings on a quarterly basis. Individual Executive Board members also review risks within their directorate at least on a quarterly basis. Between these quarterly reviews, a monthly summary is provided.

The four Executive Committees review significant business risks, opportunities and issues and feed these into the process from the bottom up. They support and challenge the Executive Team in identifying risks and opportunities, highlighting areas where risks are being ineffectively managed and addressing those areas with the relevant managers.

The risk management role of other senior managers includes understanding and communicating the risk policy, process and reporting requirements. This includes maintaining a risk register for each major activity and escalating where necessary.

Risk management information is used:

- to inform the annual planning process;
- at all levels in the organisation;
- to inform key business decision-making processes such as corporate investment appraisals; and
- to inform the assurance needs of the organisation.

We're experts by nature.

Risk appetite

Our risk appetite is the amount of risk we are willing to seek or accept in the pursuit of our objectives. The Met Office's risk appetite framework has been thoroughly updated and reviewed and was approved by the Met Office Board in November 2019. Our risk appetite statements recognise that different types of risk will have differing levels of risk tolerance.

A clearly defined risk appetite provides clear, consistent guidance for decision-making throughout the Met Office, setting an appropriate balance between uncontrolled innovation and excessive caution. Consideration of risk appetite improves the quality of risk conversations and enables us to prioritise our risks and manage them in an efficient manner.

Our risk appetite framework will be reviewed at least annually to reflect any update to the organisation's corporate objectives.

Risk management assurance

The Corporate Risk and Benefits Manager works across all levels of the Met Office to ensure quality and consistency in risk management. This includes undertaking quality assurance checks (to encourage compliance with risk management processes) and identifying areas of the business where risk management needs strengthening. Risk management training has been delivered during the year to raise awareness and to offer practical advice on implementing effective management actions.

An increased focus has been placed on the role of risk owners in managing more significant and strategic risks, and in meeting the information needs of internal and external stakeholder groups. Future plans include reinforcing the value of risk management and maturing our risk culture.

The Audit and Risk Assurance Committee reviews the Corporate Risk Register at each of its meetings and undertakes deep-dive reviews on specific risks. This gives the opportunity for the Committee to seek assurances on the management of risk from risk owners and the Corporate Risk and Benefits Manager.

Key risks and issues arising

The 2019/20 financial year is one in which significant Corporate risks and issues have had to be managed; however, the number of managed risks and issues has remained broadly stable over the course of the year. The risk portfolio includes the following key risks:

- ensuring the consistency and integrity of the business case for the next generation of supercomputing; and following its approval, ensuring the delivery of this capability;
- communicating the value of our services, securing an adequate funding settlement for future years;
- maintaining operational resilience, refreshing our cyber security policy framework and ensuring our staff are well prepared for travelling on international business;
- ensuring potential impacts on the Met Office from EU exit are mitigated and/or contingency plans in place;
- ensuring we remain aligned with our legal and regulatory compliance obligations. In 2019/20 the focus was ensuring compliance with General Data Protection Regulation (GDPR) legislation and continued ISO 9001:2015 certification;
- ensuring that we have established our Next Generation Modelling Systems (NGMS) programme so that we can develop our weather and climate modelling systems to exploit the potential of future supercomputing capability;
- managing our response to, and the impact of, an adverse European Commission Common Audit Service finding in relation to historical grant monies through the 7th Framework Programme for Research and Technological Development (FP7). See significant governance and control issues below; and
- securing the opportunity of sharing our world leading expertise in climate science to support the UK Government in the run up to UN's Conference of the Parties (COP26) originally scheduled for November 2020 in Glasgow.

A new Corporate risk to reflect the Met Office's Business Continuity response to the Coronavirus pandemic was added to the Corporate Risk Register in March 2020. Managing the impact of the Coronavirus pandemic is the key issue for the Met Office at the time of reporting. However, the Met Office has a well-established business continuity and crisis management process which is exercised regularly. We had simulated an exercise relating to our pandemic flu plan in July 2019. Ahead of expected impacts from Coronavirus we held a series of major incident management meetings to ensure we were as prepared as we could be for impacts of Coronavirus, including accelerating plans to deliver operational services from home or remote sites, ensuring staff had the requisite equipment to work remotely, identifying high risk individuals and meetings and ensuring that staff had access to regularly updated information. As of the beginning of April 2020 the Met Office had successfully transitioned to new methods of working, with less than two percent of staff working on site at our Exeter HQ, while still providing regular and critical services to all our customers. We are actively

considering the longer term risks associated with the crisis, whether to the future revenues of our customers and our funding streams or our mechanisms for collating information and delivering our services.

Other control and governance structures

Internal financial control

Financial authority and control are delegated throughout the Met Office. Accountability is maintained through checks before a commitment is made and financial performance is monitored during the year against budgets, forecasts and key performance indicators. Different controls are applied depending on the level of financial commitment. Significant investments or customer contracts are subject to additional formal authorisation by the Investment and Bid Committee or Met Office Board depending on value.

As well as ongoing operational controls, our audit plan assesses the potential risks around financial controls and the opportunities for fraudulent behaviour. Internal audits are conducted as part of planning to assure against these risks.

Counter fraud

In April 2019, we provided evidence to the Cabinet Office to demonstrate our level of compliance with the 12 mandatory requirements within the Government Counter Fraud Functional Standard – GovS 013. We were assessed as 'Met' on 11 of the 12 requirements and 'Partially Met' on the remaining one, which related to our Counter Fraud Strategy. We have received guidance from the Cabinet Office and will be submitting a revised Strategy – incorporating the changes needed to fully meet GovS 013 requirements – by the end of June 2020.

During the past year we have continued to be a regular contributor at the BEIS Counter Fraud Network meetings and keen participants in the Cross-Government Counter Fraud Champions Network. We have also continued our engagement with the Cabinet Office Counter Fraud Centre of Excellence.

To enable us to accurately identify fraud risks from the bottom up as well as the top down, we have held Fraud Risk Workshops within the business. This has helped us to get a good picture of fraud and corruption risks and mitigations across the organisation.

We have provided quarterly Consolidated Data Returns to Cabinet Office, through which we report all fraud and loss identified during a given three-month period. No material frauds or losses have been reported to Cabinet Office during the past financial year.

Alexander tax review

We promote transparency of the tax arrangements of our non-employed staff by ensuring we are fully compliant with the provisions in the Review of the tax arrangements of public sector appointees, HM Treasury, 2012. All contract roles employed within the Met Office are assessed under HMRC IR35 regulations. Contractors are therefore obliged to pay the right level of tax for that assessment.

Business critical models

The Met Office is compliant with the principles in The HM Treasury Aqua Book: Guidance on Producing Quality Analysis for Government. We develop our business-critical models, such as the Met Office Unified Model, using processes which are segregated and incorporate quality assurance protocols. This enables us to validate the effectiveness of any model improvements and to preserve operational resilience.

Governance of knowledge and information assets

Knowledge and Information Management governance and policy making is managed under delegated authority from the Executive Board by the Chief Information Officer (CIO) and Senior Information Risk Owner (SIRO). The CIO is also the Executive Lead for Data, with overall accountability and ownership of the organisation's non-corporate data. Information Asset Owners (IAOs) with accountabilities for data and data services, and for corporate information, support the CIO. Information Asset Guardians (IAGs) support the Data and Corporate IAOs in discharging their responsibilities. Together, these roles ensure information within their portfolio is fit for purpose, used, shared and managed in accordance with its risk and criticality to the delivery of Met Office business objectives.

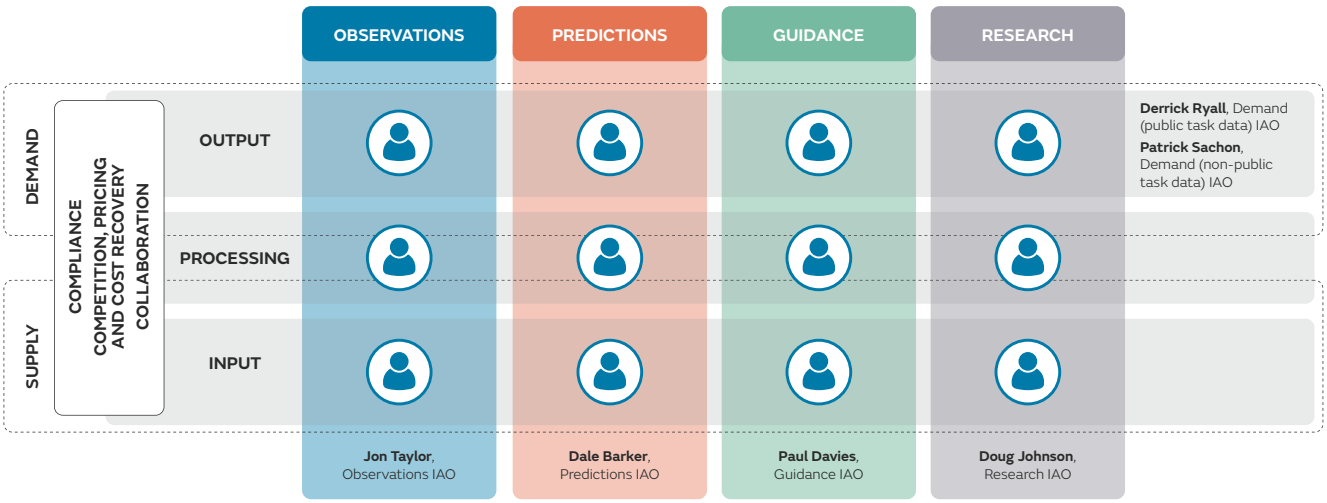
Governance of data and data services

The Executive Lead for Data is responsible for the principles within our Data Strategy Framework that direct the generation, use, provision and management of our data and data services. Our Data Strategy Framework describes a vision and a set of underpinning principles that direct the generation, use, provision and management of our non-corporate data and data services; ensuring that our data remains a valued asset across the Met Office. The main components of the Data Strategy Framework are illustrated below:

The Executive Board and its Executive Committees provide organisation-wide governance of knowledge and information including data and data services.

The Data Management Group, chaired by the Head of Data, agrees the actions to implement the Data Strategy Framework and Data Policy, escalating to the Executive Board or one of its Executive Committees as appropriate. Data IAOs have been engaged in activities to identify data assets and populate a Data Catalogue, contributing to a review of responsibilities for data assets.

There is governance in line with each of the four data types across the data management lifecycle, and two demand-side accountable owners (IAOs) for access and best use of public task data and non-public task data (see diagram below).



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.

Governance of corporate information

The Head of Knowledge and Information Management is responsible for organisation-wide strategy and policy setting for corporate information assets and for ensuring delivery of the Knowledge and Information Strategy.

There have been some further changes to the portfolios for Corporate Information to provide clearer lines of accountability. Proposals to increase the number of Corporate IAOs have been agreed and these will be put in place in 2020.

The Corporate Information Management Group (CIMG), chaired by the Head of Knowledge and Information Management, is responsible for implementing and embedding the Knowledge and Information Strategy on behalf of the Executive Board. The CIMG also ensures corporate information storing and sharing is compliant with legislative and security requirements. Engagement with Corporate IAOs has continued, and workshops have been undertaken with IAOs to review their Information Asset Registers and conduct Business Impact Assessments on their identified valued assets.

A training and awareness programme with a focus on roles and responsibilities was run for IAOs and further training will be provided in 2020 to IAGs.

Information security

The Met Office's information security is owned at Executive Director level by a Senior Information Risk Owner (SIRO). Information Asset Owners and the SIRO work together to ensure business critical and sensitive information assets are risk managed appropriately so that the value of our information assets is protected as prescribed by our risk appetite. This year we have carried out an evaluation exercise across the asset registers, which has provided essential analysis for targeting information security.

A Security and Resilience Management Group (SRMG), which meets quarterly, delivers wider governance and oversees Met Office information/physical security and business continuity/resilience. The SRMG reviews risks to Met Office resilience and monitors progress with improvement plans to reduce cyber, business continuity and physical security risk. It then reports progress to the Operations Committee. This year we have also improved reporting and management information and metrics for IT Security vulnerabilities.

During the year there has been a focus on delivering the cyber security aspects of our new Security and Resilience Strategy, and this has included a full refresh of our security policies and standards.

The Met Office has evidenced how it complies with the Security Policy Framework and the four Cabinet Office Security Standards by completing the Departmental Security Health Check. We have also 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 together fulfil the role of Departmental Security Officer at the Met Office.

In October 2019 we held a security awareness week which covered awareness raising on physical and cyber security and business continuity. This was a very well attended and successful event, which included talks by academics, security researchers and industry leaders. There were also security demonstrations and some active physical testing. Also in 2019, we hosted a National Cyber Security Centre (NCSC) Digital Loft event attended by local public sector organisations. As part of this event, a senior representative from the NCSC carried out a cyber awareness session with the Met Office Board.

As part of the Met Office's commitment to enhancing equality, diversity and inclusion, we were delighted to host a CyberFirst Girls semi-final in February 2020. This competition aims to promote cyber security to girls and encourage a more equal balance in the profession.

Controls around the protection of personal data continue to have a high priority. During the year there have been a small number of low-level personal data breaches. All data breaches are referred to our Legal Manager (acting as the Met Office's Data Protection Practitioner) to determine the requirement for onward reporting to BEIS (the data controller) and to determine whether individual cases carry sufficient risk as to require reporting to the Information Commissioner's Office (ICO). No data protection incidents were reported to the ICO during 2019/20.

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

- mobilisation of our Cyber Security Enhancement Programme to deliver against our Security and Resilience Strategy;
- a focus on culture and awareness raising, including targeted threat reports for our Executive Directors and training for all Associate Directors;
- cyber exercises based on the NCSC simulations;
- implementation of NCSC Active Cyber Defences (for example the Protective Domain Name Service and the Board Toolkit);

- investment in automating and improving efficiency of our security patching;
- creating a new Cyber Governance Risk and Assurance Manager post; and
- developing our internal vulnerability assessment capability and implementing an enhanced password policy in line with NCSC guidance.

Monitoring governance performance and effectiveness

Audit and Risk Assurance Committee report

The Audit and Risk Assurance Committee has oversight of the effectiveness of internal and external controls at the Met Office. It achieves this through scrutiny and challenge of management actions as noted above and by engaging with and reviewing reports from internal and external auditors. The Committee assesses the reporting it receives in the light of the organisation's strategy, objectives and financial controls in order to provide a comprehensive overview of the control framework and minimise the risk of any material misstatements.

The Committee annually reviews the effectiveness of the internal audit function and has expressed the view that this function continued to operate effectively for 2019/20 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 the Moderate rating has improved. The opinion is based upon all of the internal audit work performed (assurance and consultancy), engagement with other assurance providers such as the National Audit Office, Lloyd's Register Quality Assurance reviews of ISO compliance, the Executive Board and supporting Committees, the Risk Manager and staff in general. The opinion takes into account new findings as well as actions taken by management over the last year to address issues.

Corporate governance continues to improve with the development and launch of the Corporate Strategy, embedding of the Executive Committees, implementation of the Enterprise Portfolio Office and the creation of a new Governance Group, which brings together the Legal, Internal Audit and Risk management functions. A "low" assurance rating for an audit of the new framework reflects its relative level of immaturity. Future changes are planned to ensure the elements within the corporate governance framework work better together.

An emerging theme is the need to improve estimation of the resources needed to manage and deliver the Met Office's significant portfolio of change and improving how benefits are determined. Reviews of four programmes, one project and lessons learned for three key projects had findings connected to this theme.

Internal Audit assessed the systems of governance, risk and control through a planned programme of assurance-generating work throughout the year. All audits are risk based and a specific audit of risk management was conducted at the same time as the governance audit. We found adequate processes are in place to identify risks and to ensure oversight of the top-level risks, generating a "moderate" assurance rating.

Annual assurance statements were obtained from each Executive Director describing the extent to which, and how, they have complied with internal rules and regulations. Internal Audit reviewed these statements and found no material issues or trends.

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 internal auditor's opinion that we have moderate but improving control overall. The new governance structures are well bedded in and we are finessing their use. There are plans in place to address all improvement areas raised, most especially organisational and process design and clarity and cyber assurance.

Significant governance and control issues

The FP7 audit

The issues which were raised by this audit relate to an earlier period and were addressed by the adoption of successively more mature time-recording systems. We continue to engage in a legal process of resolution with the European Commission regarding the historic audit.

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.

We live and breathe it.

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**

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

- **Nick Jobling, Chief Financial Officer**
- **Professor Stephen Belcher, Chief Scientist**
- **Phil Evans, Chief Operating Officer** (until 25 February 2020)
- **Tammy Lillie, Interim Director of Human Resources** (from 19 September 2019)
- **Stephen Marshall, Chief Operating Officer** (from 24 February 2020)

Andrew McKean attended the March Board as Acting Chief Financial Officer on behalf on Nick Jobling and so is also disclosed in this report.

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/**

Remuneration (audited)

	2019/20					2018/19				
	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**
Penny Endersby	125-130	-	[2]	269	**395-400**	40-45 (125-130 full year equivalent)	-	-	127	**165-170**
Nick Jobling	105-110	-	5-10	33	**145-150**	110-115	-	10-15	57	**180-185**
Stephen Belcher	135-140	-	10-15	54	**200-205**	135-140	-	10-15	54	**200-205**
Phil Evans (until 25 February)	80-85 (Full year equivalent 85-90)	-	0-5	29	**110-115 (Full year equivalent 115-120)**	85-90	15-20	0-5	33	**135-140**
Andrew McKean (from 27 February to 14 April)	5-10 (Full year equivalent 70-75)	-	0-5	-	**5-10 (Full year equivalent 75-80)**	-	-	-	-	**-**

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 2019/20 had not been finalised at the time of signing

Tammy Lillie was appointed interim Human Resources Director on 19 February 2019. She is engaged through an agency at a full year equivalent cost of 215-220. Prior to this the Human Resources Director was not a member of the Met Office Board and so no disclosure is provided for the previous director.

Stephen Marshall was appointed as Chief Operating Officer on 24 February 2020. He is engaged through an agency at full year equivalent cost of £180-185k.

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.

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

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.

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.

Pay multiples (audited)

The banded remuneration of the highest-paid director in the Met Office in the financial year 2019/20 was £150,000 to £155,000 (2018/19 £145,000 to £150,000). This was 3.7 times (2018/19 3.8 times) the median remuneration of the workforce, which was £40,759 (2018/19, £38,260). In 2019/20, no employees (2018/19, 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.

The above disclosures do not take account of amounts paid to contractors as it is not possible to distinguish the amount received by individuals from the cost to the Met Office. The costs of some contractors exceed the amount paid to the highest paid director above. This includes contractors who are also Directors and their cost to the Met Office has been disclosed elsewhere in the remuneration report.

Pension entitlements for each director (audited)

	Accrued pension at pension age as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Penelope Endersby	45 - 50 plus a lump sum of 115 - 120	12.5 - 15 plus a lump sum of 27.5 - 30	884	636	212
Nick Jobling	30-35	0-2.5	535	489	17
Stephen Belcher	20-25	2.5-5	297	242	33
Phil Evans (until 25 February)	35 - 40 plus a lump sum of 95 - 100	0 - 2.5 plus a lump sum of NIL	786	735	16
Andrew McKean (from 27 February to 14 April)	20-25	0-2.5	322	322	-1

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 in 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 2020 (audited)

	Full time equivalents			
	Male	**Female**	**31 March 2020**	**31 March 2019**
Directors	7	1	8	9
Other permanent staff	1,245	693	1,938	1,785
Met Office employees total	1,252	694	1,946	1,794
Temporary/agency staff			127	85
Total			**2,073**	**1,879**

Staff costs

	2019/20	**2018/19**
	£ '000	**£ '000**
Salaries, performance-related pay and allowances	81,328	79,124
Social security	8,368	8,390
Pension contributions	19,789	14,981
Early retirement and exit costs	(69)	3,591
Temporary/agency labour costs	10,115	7,565
Total staff costs	**119,531**	**113,651**

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 SWAN 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 2019/20 the average working days lost per person was 5.1 (2018/19 5.5 days).

Expenditure on consultancy

In 2019/20 the Met Office spent £1,671,000 on consultancy costs (2018/19 - £3,871,000).

We're better together.

Off-payroll engagements

Off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

Number of existing engagements as of 31 March 2020	**101**
Of which...	
Number that have existed for less than one year at time of reporting.	59
Number that have existed for between one and two years at time of reporting.	27
Number that have existed for between two and three years at time of reporting.	12
Number that have existed for between three and four years at time of reporting.	2
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 2019 and 31 March 2020, 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 2019 and 31 March 2020	**77**
Of which...	
Number assessed as caught by IR35.	77
Number assessed as not caught by IR35.	-
Number engaged directly (via Personal Service Companies contracted to BEIS) and are on the Met Office payroll.	-
Number of engagements reassessed for consistency/assurance purposes during the year.	-
Number of engagements that saw a change to IR35 status following the consistency review.	-

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020.

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	2
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)

	2019/20	2018/19
	£'000	£'000
Rob Woodward	35-40	20-25 (35-40 full year equivalent)
Professor Sir John Beddington (As Chair until July 2018, as non-executive director after this date)	20-25	25-30
Dr David Burridge (Until 28 August 2019)	10-15 (20-25 full year equivalent)	20-25
Robert Drummond (Until 22 March)	15-20	15-20
Hunada Nouss	15-20	5-10 (15-20 full year equivalent)
Catherine Quinn	15-20	15-20
Professor Alan Thorpe (From 1 November 2019)	5-10 (15-20 full year equivalent)	-

James Partington attended in conjunction with his responsibilities at the Department for Business, Energy and Industrial Strategy and is 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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £10,000	-	-	-	4	-	4
£10,000 - £25,000	-	2	-	18	-	20
£25,000 - £50,000	-	-	-	16	-	16
£50,000 - £100,000	-	-	-	23	-	23
£100,000 - £150,000	-	-	-	10	-	10
£150,000 - £200,000	-	-	-	1	-	1
Total number of exit packages by type	**-**	**2**	**-**	**72**	**-**	**74**
Total cost £'000	-	29	-	4,026	-	4,055

Parliamentary accountability and audit report

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 with six months' notice.

Professor Penelope Endersby
Chief Executive
8 July 2020

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 2020 under the Government Trading Funds Act 1973. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, 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 2020 and of its retained 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Met Office's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Met Office have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Met Office's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 judgment 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the Met Office'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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Met Office's to cease to continue as a going concern.

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.

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

Other information

The Met Office and Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, but does not include 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 Met Office 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:

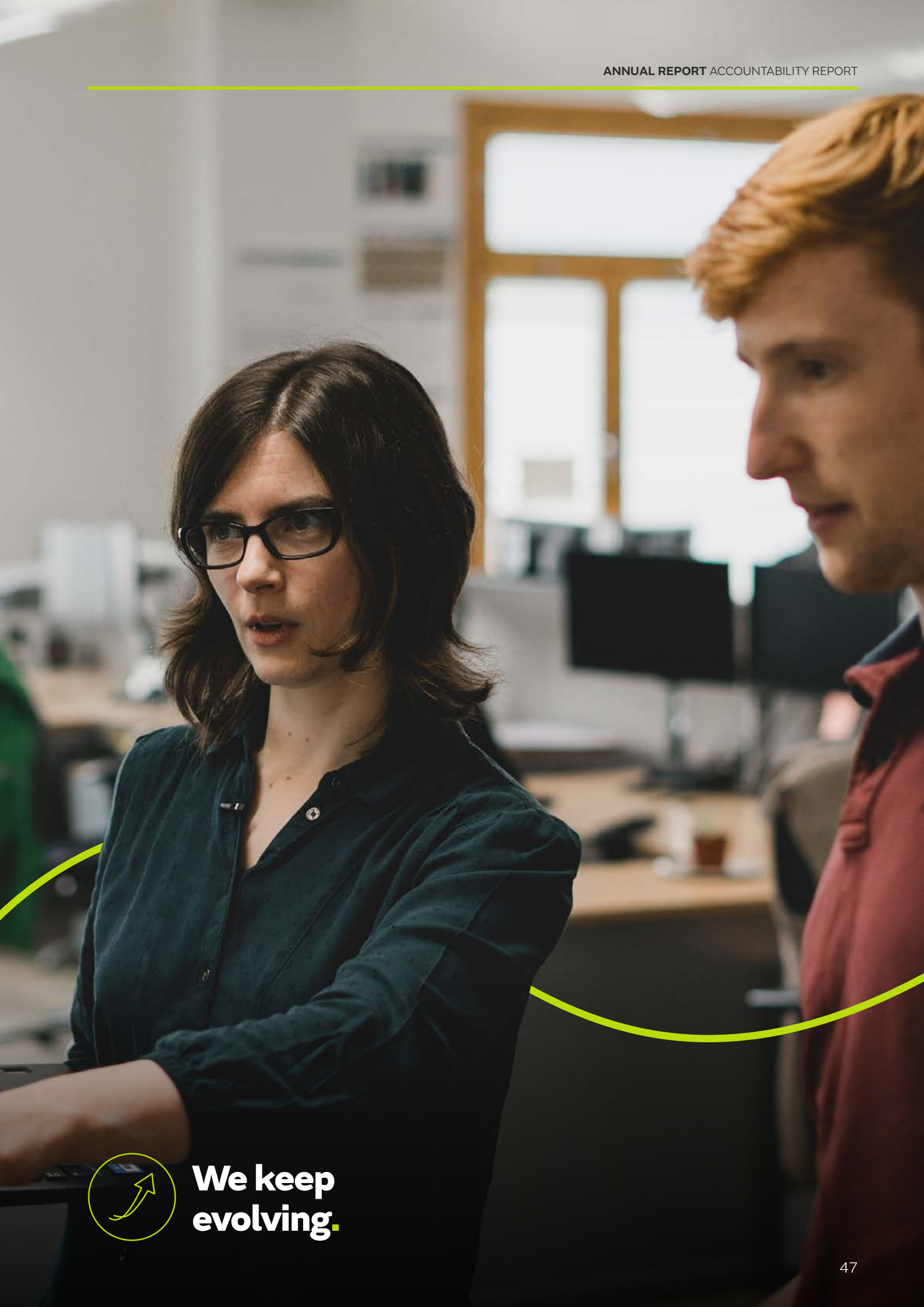
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have 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

9 July 2020



We keep evolving.

Accounts

Statement of comprehensive income for the year ended 31 March 2020

		2019/20	2018/19
	Notes	£ '000	£ '000
Revenue	2,3	249,349	239,123
Operating costs	4	(234,000)	(235,637)
Operating profit		**15,349**	**3,486**
Finance income	5	302	238
Finance expense	6	(1,992)	(1,482)
Net finance expense		**(1,690)**	**(1,244)**
Profit for the financial year		**13,659**	**2,242**
Dividend payable to Department for Business Energy and Industrial Strategy	12	(8,500)	(8,500)
Retained profit for the year		**5,159**	**(6,258)**
Other comprehensive (expenditure) / income:			
Net gain on revaluation of property, plant and equipment		3,095	7,611
Net gain on revaluation of intangible assets		1,497	1,557
Revaluation reserve realised on impairment of non-current assets		-	(13)
Net gain / (loss) on cash flow hedges	15	4,500	(2,326)
Other comprehensive income for the year		**9,092**	**6,829**
Total comprehensive income for the year		**14,251**	**571**

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

Statement of financial position as at 31 March 2020

		31 March 2020		31 March 2019	
	Notes	£ '000	£ '000	£ '000	£ '000
Non-current assets					
Property, plant and equipment	7		147,404		165,975
Intangible assets	8		242,799		193,379
Derivative financial assets	15		836		-
Other financial assets	21		91		91
Total non-current assets			391,130		359,445
Current assets					
Inventories	9	1,391		1,744	
Trade and other receivables	10	60,703		57,743	
Derivative financial assets	15	1,173		-	
Cash and cash equivalents	11	49,258		61,155	
Total current assets			112,525		120,642
Total assets			**503,655**		**480,087**
Current liabilities					
Trade and other payables	12	(87,836)		(83,364)	
Borrowings	14	(13,839)		(10,147)	
Derivative financial liabilities	15	(59)		(2,550)	
Provisions for liabilities and charges	16	(4,082)		(5,993)	
Total current liabilities			**(105,816)**		**(102,054)**
Non-current assets plus net current assets			**397,839**		**378,033**
Non-current liabilities					
Trade and other payables	12	(20,699)		(38,182)	
Borrowings	14	(103,820)		(80,723)	
Derivative financial liabilities	15	-		-	
Provisions for liabilities and charges	16	(129)		(188)	
Total non-current liabilities			**(124,648)**		**(119,093)**
Assets less liabilities			**273,191**		**258,940**
Capital and reserves					
Public dividend capital			58,867		58,867
Revaluation reserve			41,109		39,979
General reserve			171,265		162,644
Hedging reserve	15		1,950		(2,550)
Total Government funds			**273,191**		**258,940**

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

Professor Penelope Endersby
Chief Executive
8 July 2020

Statement of cash flows for the year ended 31 March 2020

	Notes	31 March 2020 £ '000	31 March 2019 £ '000
Cash flows from operating activities			
Operating profit		15,349	3,486
Adjustments for non-cash transactions:			
Depreciation charges (net of capital grants)	4, 7	9,124	8,887
Loss on disposal of property, plant and equipment	4	73	106
Amortisation	4, 8	12,571	14,027
Impairment of property, plant and equipment		-	110
Deferred grants released		(206)	(166)
Decrease / (increase) in inventories		353	(258)
(Increase) in trade and other receivables		(3,725)	(6,431)
Increase in trade and other payables		4,698	6,328
(Decrease) / increase in provisions for liabilities and charges		(1,970)	5,126
Net cash inflow from operating activities		**36,267**	**31,215**
Cash flows from investing activities			
Payments to acquire satellite data		(60,313)	(55,427)
Payments to acquire property, plant and equipment		(4,749)	(4,763)
Capital grants received	13	220	-
Proceeds from sale of property, plant and equipment		1	5
Payments to acquire intangible assets (excluding satellite data)		(57)	(9)
Interest received		302	256
Net cash outflow from investing activities		**(64,596)**	**(59,938)**
Cash flows from financing activities			
Dividends paid		(8,500)	(8,500)
Loan advances received		38,000	40,000
Loan repayments		(13,068)	(8,781)
Net cash inflow from financing activities		**16,432**	**22,719**
Net increase in cash and cash equivalents	**11**	**(11,897)**	**(6,004)**
Cash and cash equivalents at 1 April		**61,155**	**67,159**
Cash and cash equivalents at 31 March	**11**	**49,258**	**61,155**

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

Statement of changes in taxpayers' equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	General reserve	Hedging reserve	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 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 assets	-	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**
Comprehensive income					
Profit for the financial year	-	-	13,659	-	13,659
Dividend	-	-	(8,500)	-	(8,500)
Retained profit for the year	**-**	**-**	**5,159**	**-**	**5,159**
Other comprehensive income					
Movement on foreign currency cash flow hedge	-	-	-	4,500	4,500
Net gain on revaluation of satellite data	-	1,497	-	-	1,497
Net gain on revaluation of property, plant and equipment	-	3,095	-	-	3,095
Revaluation reserve realised on disposal of property, plant and equipment	-	(14)	14	-	-
Transfers between reserves	-	(3,448)	3,448	-	-
Total other comprehensive income	**-**	**1,130**	**3,462**	**4,500**	**9,092**
Total comprehensive income for 2019/20	**-**	**1,130**	**8,621**	**4,500**	**14,251**
Balance at 31 March 2020	**58,867**	**41,109**	**171,265**	**1,950**	**273,191**

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 19 December 2019 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 2019/20 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 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

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 2021/22. 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 lessors. 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 3 and 18). 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 2019/20 financial statements if IFRS 16 were applied is as follows:

Statement of financial position	
	£'000
Right-of-use assets	4,106
Lease liabilities	(3,075)
Net impact on statement of financial position	**1,031**

Statement of comprehensive income	**Operating profit**	**Retained profit**
	£'000	**£'000**
2019/20 total under IAS 17	15,349	5,159
Operating lease costs	641	641
Depreciation on right-of-use assets	(722)	(722)
Interest on lease liabilities		(56)
2019/20 total under IFRS 16	**15,268**	**5,022**

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 specialised, 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. 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 Science Park properties 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 Assets classified as plant and equipment assets are revalued annually using the 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 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 (GNI) 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 become 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 year's 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 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 unhedged 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 2019	4.50 years	5.25 years
Remaining life at 31 March 2020	3.75 years	4.25 years
Successor programme	Third Generation (MTG)	Second Generation (EPSSG)
Planned to be operational	Q4 2022/23	Q2 2023/24

De-recognition of satellite data assets

Once a programme has been replaced by its successor, its satellites may continue to generate useful data for 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.

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 90% 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 Government Actuary's Department conducted a full actuarial valuation as at 31 March 2016. 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).

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 90% 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 2020

	Revenue	Depreciation/ amortisation & impairments	Operating profit	Interest receivable	Interest payable
Operating segment:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Government Services	224,846	20,699	25,288		
Business Group	24,503	995	2,201		
	249,349	21,694	27,489		
Other	-		(12,140)	302	(1,992)
Total per financial statements	249,349	21,694	15,349	302	(1,992)

Year ended 31 March 2019

	Revenue	Depreciation/ amortisation & impairments	Operating profit	Interest receivable	Interest payable
Operating segment:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Government Services	208,036	22,188	20,336		
Business Group	23,887	726	2,561		
	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)

Media segment previously reported under Business Group but now part of Government Services. To aid comparability 2018/19 has been amended to reflect this.

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 business is further analysed by revenue stream as follows:

	2019/20	2018/19
	£'000	**£'000**
Public Weather Service	123,490	117,169
Defence	29,954	28,666
Other government services	71,402	62,201
	224,846	**208,036**

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 Key Performance Indicator (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. 2019/20 also includes £nil of revenue (2018/19 £7.2m) 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 (as restated)

	Government Services		Business Group		Other		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue (contracts with customers)								
Public Weather Service	123,490	117,169	-	-	-	7,200	123,490	124,369
Defence	29,954	28,666	-	-	-	-	29,954	28,666
Govt Engagement and Alignment	18,708	18,438	-	-	-	-	18,708	18,438
Government International and Core Services	15,721	14,737	-	-	-	-	15,721	14,737
Govt Resilience Services	14,641	14,370	-	-	-	-	14,641	14,370
Regulated Transport	-	-	13,458	12,431	-	-	13,458	12,431
Other revenue (contracts with customers)	705	811	10,798	11,205	-	-	11,503	12,016
Total revenue (contracts with customers)	203,219	194,191	24,256	23,636	-	7,200	227,475	225,027
Other revenue								
UK Newton Fund	16,701	11,173	-	-	-	-	16,701	11,173
Strategic Priorities Fund	3,607	1,380	-	-	-	-	3,607	1,380
EU Horizon 2020 and FP7	1,319	1,292	247	251	-	-	1,566	1,543
Total revenue	224,846	208,036	24,503	23,887	-	7,200	249,349	239,123

Media segment previously reported under Business group but now part of Government Services and sectors within Government services reorganised, 2018/19 restated to reflect this.

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 and the Strategic Priorities Fund under grant agreements with BEIS. Revenue is recognised as costs associated with delivery of the programmes, 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 (FP7). 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

	2019/20	2018/19
	£'000	£'000
Receivables included in trade receivables	23,418	22,282
Contract assets included in accrued income	6,786	10,455
Contract liabilities included in deferred income	16,034	18,045

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 £17,828,000 (2018/19: £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 will 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 2019, in accordance with the transition provision of IFRS 15.

04 Operating costs

	Note	2019/20 £ '000	2018/19 £ '000
Staff costs			
Salaries, performance-related pay and allowances		81,328	79,124
Social security		8,368	8,390
Pension contributions		19,789	14,981
Early retirement and exit costs		(69)	3,591
Temporary/agency labour costs		10,115	7,565
Total staff costs		**119,531**	**113,651**
Equipment and services (net of government grant income)		57,985	55,283
International services and subscriptions		16,746	15,868
Depreciation (net of government grant income)		9,219	8,887
Amortisation		12,476	14,027
Accommodation		14,691	15,510
Travel and subsistence		4,089	4,032
Other operating costs		(737)	8,379
Total operating costs		**234,000**	**235,637**
Operating costs include the following:			
Audit fees		75	63
Apprenticeship levy		380	373
Operating leases - plant and machinery		165	162
Operating leases - other		765	853
Foreign currency losses		(339)	357
Net loss on disposal of non-current assets		73	106
Loss on revaluation of property, plant and equipment		-	-
Impairment of property, plant and equipment		-	109
Release of government grant income	13	(17,664)	(17,853)
Research and development expenditure		59,019	57,983
International services and subscriptions comprise the following:			
European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT)		4,130	3,680
European Centre for Medium-Range Weather Forecasts (ECMWF)		8,588	8,167
World Meteorological Organization (WMO)		2,314	2,334
Network of European Meteorological Services (EUMETNET)		980	1,036
Other international services and subscriptions		734	652
		16,746	15,869

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.

Government grants are analysed as follows:			
BEIS new supercomputer		16,720	16,673
BEIS polar satellite transfer		360	647
Environment Agency Weather Radar Network Renewal		206	345
Department for Transport light detection and ranging project		344	166
UKRI (NERC) Monsoon 2 network upgrade		34	22
		17,664	17,853

05 Finance income

	2019/20	2018/19
	£ '000	£ '000
Interest receivable	302	238
Total finance income	**302**	**238**

06 Interest payable and similar charges

		2019/20	2018/19
	Note	£ '000	£ '000
On Department for Business, Energy and Industrial Strategy loans repayable within five years	14	1,992	1,482
Total interest payable and similar charges		**1,992**	**1,482**

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 2019	85,305	11,600	82,129	104,553	1,531	285,118
Additions	-	155	277	2,514	1,685	4,631
Transfers		72	223	665	(960)	-
Disposals	-	-	(949)	(1,273)	-	(2,222)
Revaluation	114	239	1,670	-	-	2,023
At 31 March 2020	**85,419**	**12,066**	**83,350**	**106,459**	**2,256**	**289,550**
Depreciation:						
At 1 April 2019	145	5,766	48,263	64,969	-	119,143
Charged during year	2,243	1,009	4,151	18,820	-	26,223
Transfers	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Disposals	-	-	(875)	(1,273)	-	(2,148)
Revaluation	(2,199)	124	1,003	-	-	(1,072)
At 31 March 2020	**189**	**6,899**	**52,542**	**82,516**	**-**	**142,146**
Net book value:						
At 1 April 2019	**85,160**	**5,834**	**33,866**	**39,584**	**1,531**	**165,975**
At 31 March 2020	**85,230**	**5,167**	**30,808**	**23,943**	**2,256**	**147,404**

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 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**

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 quinquenial 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:

	2019/20 £'000	2018/19 £'000
Land and buildings	22,666	22,585
Information technology	17,501	33,331
Total	**40,167**	**55,916**

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 2019	310,020	3,036	893	170,412	282	484,643
Additions	8,167	57	-	52,911	-	61,135
Disposals		-	-	-	(282)	(282)
Revaluation	11,100	-	-	-	-	11,100
At 31 March 2020	**329,287**	**3,093**	**893**	**223,323**	**-**	**556,596**
Amortisation:						
At 1 April 2019	288,099	2,382	783	-	-	291,264
Charged during year	12,640	180	110	-	-	12,930
Disposals	-	-	-	-	-	-
Revaluation	9,603	-	-	-	-	9,603
At 31 March 2020	**310,342**	**2,562**	**893**	**-**	**-**	**313,797**
Net book value:						
At 1 April 2019	**21,921**	**654**	**110**	**170,412**	**282**	**193,379**
At 31 March 2020	**18,945**	**531**	**0**	**223,323**	**-**	**242,799**

	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
Transfers	-	-	-	-	-	-
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
Impairment	-	-	-	-	-	-
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**

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 it's 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 2023 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 2020	31 March 2019
	£ '000	£ '000
Meteorological equipment	1,350	1,706
Reserve equipment	13	6
Consumable stores	28	32
Total inventories	**1,391**	**1,744**

10 Trade and other receivables

	31 March 2020	31 March 2019
	£ '000	£ '000
Amounts falling due within one year:		
Trade receivables	23,501	22,322
Less: provision for impairment of receivables	(83)	(40)
	23,418	22,282
Other receivables	107	126
Accrued income	13,919	13,795
Prepayments	23,259	21,540
Total trade and other receivables	**60,703**	**57,743**

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

Accrued income includes £583,000 relating to EU funding (£443,000 at 31 March 2019).

11 Cash and cash equivalents

		31 March 2020	31 March 2019
	Note	**£ '000**	**£ '000**
Balance at 1 April		61,155	67,159
Net change in cash and cash equivalent balances	18	(11,897)	(6,004)
Balance at 31 March		**49,258**	**61,155**
The following balances at 31 March were held at:			
National Loans Fund deposit		-	5,000
EUMETSAT working capital fund		-	8,091
Total cash held on short-term deposit		**-**	**13,091**
Cash held at commercial banks and in hand		1,876	1,715
Cash held with Government Banking Service		47,382	46,349
Balance at 31 March		**49,258**	**61,155**

The Met Office holds four Euro bank accounts, in which there were amounts totalling £535,000 at 31 March 2020 belonging to third parties (31 March 2019, four accounts totalling £457,000). 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 have ring fenced £5 million 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 2020	31 March 2019
	Note	**£ '000**	**£ '000**
Amounts falling due within one year:			
Trade payables		5,931	2,329
VAT		6,469	6,092
Other taxation and social security		4,161	3,632
Accruals		27,577	25,658
Dividend payable		8,500	8,500
Deferred income		17,684	19,678
Government grants	13	17,514	17,475
Total amount falling due within one year		**87,836**	**83,364**
Amounts falling due after more than one year:			
Government grants	13	20,699	38,182
Total non-current trade and other payables		**20,699**	**38,182**
Total trade and other payables		**108,535**	**121,546**

13 Government grants

	Note	31 March 2020 £ '000	31 March 2019 £ '000
Government Grants at 1 April		55,657	73,449
Deferred funding reclassified as grants		220	61
Grants recognised through the Statement of Comprehensive Income	4	(17,664)	(17,853)
Government grants at 31 March		**38,213**	**55,657**
Amounts falling due within one year		17,514	17,475
Amounts falling due after more than one year		20,699	38,182
The following balances are included in Government grants:			
BEIS new supercomputer		34,268	50,988
BEIS polar satellite transfer		1,167	1,527
Environment Agency Weather Radar Network Renewal (WRNR)		2,265	2,251
Department for Transport light detection and ranging project		508	852
UKRI (NERC) - MONSOON 2 network upgrade		5	39
		38,213	55,657

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 2.81% and 1.41% per annum.

	31 March 2020 £ '000	31 March 2019 £ '000
Loans due within:		
One year	13,839	10,147
One to five years	56,721	31,637
Over five years	47,099	49,086
Total	**117,659**	**90,870**

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 2019	**-**	**2,550**	**(2,550)**
Movement on fair value	**2,009**	**(2,491)**	**4,500**
As at 31 March 2020	**2,009**	**59**	**1,950**
Analysed between:			
Current	1,173	59	
Non-current	836	-	
	2,009	59	

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
29 April 2020	EUMETSAT	EURO	20,000	17,457	1.1287	263	263	
29 April 2020	EUMETSAT	EURO	4,015	3,451	1.1287	106	106	
1 September 2020	EUMETSAT	EURO	15,000	13,152	1.1251	180	180	
1 September 2020	EUMETSAT	EURO	5,000	4,316	1.1251	128	128	
4 January 2021	WMO	CHF	3,000	2,592	1.1842	(59)		59
19 January 2021	EUMETSAT	EURO	20,000	17,349	1.1207	497	497	
29 April 2021	EUMETSAT	EURO	20,000	17,410	1.1177	484	484	
1 September 2021	EUMETSAT	EURO	15,000	13,114	1.1140	351	351	
				88,841		**1,950**	**2,009**	**59**

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	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 2018	**659**	**161**	**235**	**-**	**1,055**
Provided in the year	-	77	-	5,768	5,845
Written back in the year	(163)	(39)	-	-	(202)
Utilised in year	(474)	-	(43)	-	(517)
Balance at 31 March 2019	**22**	**199**	**192**	**5,768**	**6,181**
Provided in the year	-	75	-	-	75
Revaluation at year end	-	-	-	138	138
Written back in the year	-	(25)	-	(2,101)	(2,126)
Utilised in year	(2)	-	(55)	-	(57)
Balance at 31 March 2020	**20**	**249**	**137**	**3,805**	**4,211**

The Early Retirement and Exit Provision represents the outstanding liability for pension and severance costs as at 31 March 2020. 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 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 2020/21 financial year.

The commitments provided for fall due in the following periods:

	Early retirement	Dilapidations	Leaseholds	EU FP7 Reclaim	Total
	£ '000	£ '000	£ '000		£ '000
Amounts payable within:					
Under one year	20	202	55	3,805	4,082
One to five years	-	47	82	-	129
Over five years	-	-	-	-	-
Total	**20**	**249**	**137**	**3,805**	**4,211**

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, the Department for Environment, Food and Rural Affairs, the Cabinet Office, the Civil Aviation Authority, the Maritime and Coastguard Agency, the Environment Agency and the UKRI. 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 2020 (31 March 2019 - 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 recognised £2.0m in revenue (2018/19 £1.5m) from Mercator Ocean. A trade receivables balance of £0.1m was outstanding with Mercator Ocean as at 31 March 2020 (2019 - nil).

J Partington acted as an Met Office non executive director during the year and is also an employee 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 2019	Cash flows	At 31 March 2020
	£ '000	£ '000	£ '000
Cash at bank and in hand	48,064	1,194	49,258
Cash on deposit	13,091	(13,091)	0
Cash and cash equivalents	61,155	(11,897)	49,258
Borrowings due within one year	(10,147)	(3,692)	(13,839)
Borrowings due after one year	(80,723)	(23,097)	(103,820)
Total net funds	**(29,715)**	**(38,686)**	**(68,401)**

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 2020	31 March 2019	31 March 2020	31 March 2019
	£ '000	£ '000	£ '000	£ '000
Leases expiring within:				
One year	763	743	152	87
One to five years	552	755	255	135
Over five years	337	400	-	-
Total	**1,652**	**1,898**	**407**	**222**

20 Capital commitments

	31 March 2020	31 March 2019
	£ '000	£ '000
Contracted but not provided for:		
Information technology	40	373
Equipment	551	156
Property works	521	68
Contributions for satellite data	36,314	42,619
Total	**37,426**	**43,216**

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 and remote contingent liabilities

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 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, and its shareholders are exposed to liability risk in proportion to their shareholding. A remote contingent liability will therefore exist as long as the Met Office retains a shareholding in Mercator Ocean.

The organisation protects its shareholders through contractual mechanisms and through insurance. Also any residual claim would first be met from the assets of the company. 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 with six months' notice.

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 provides details of trade receivables beyond the due date and impairments made:

	As at 31 March 2020			As at 31 March 2019		
Trade receivables beyond the due date:	**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	980	27	-	1,096	18	-
Receivables beyond the due date - impaired	20	16	3	4	9	1
Total receivables beyond the due date	**1,000**	**43**	**3**	**1,100**	**27**	**1**

Liquidity risk

The Met Office maintains short-term liquidity throughout the year by management of its cash deposits. The Met Office aims to maintain cash levels to allow it to meets 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 programme, 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.

£23.8 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 held in our Government Banking Service account from where they earn overnight interest through being automatically swept up into the National Loans Fund. 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. The Met Office has not identified any material impacts on the financial statements resulting from the UK's exit from the European Union or the ongoing Coronavirus pandemic. However, the future combined impact of these events is uncertain and may result in impacts on future financial statements that cannot be assessed at this time.

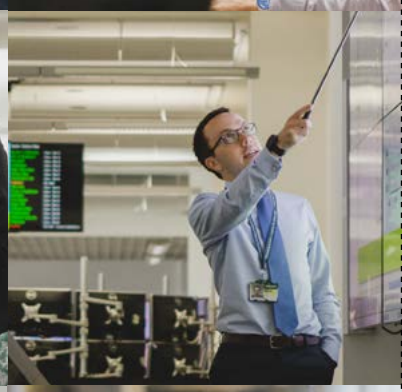




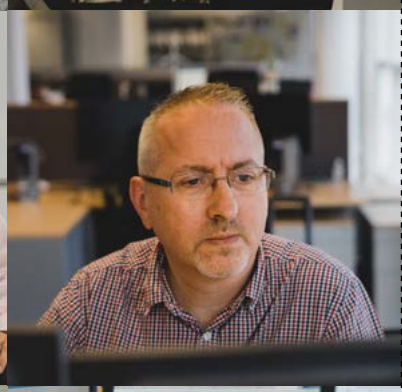




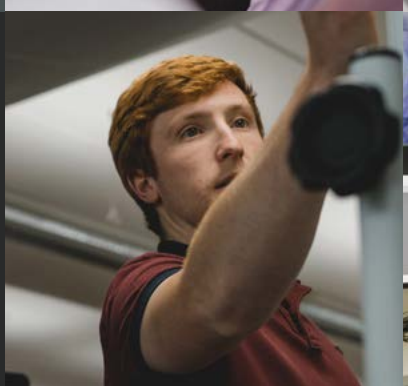
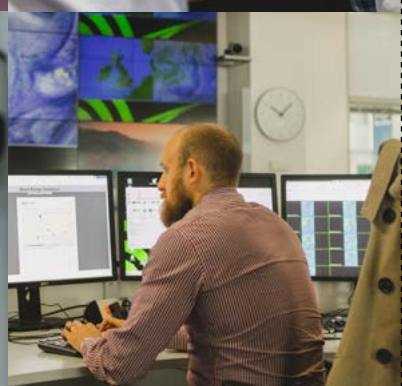










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