Met Office

Annual Report and Accounts

2013/14

Met Office

An Executive Agency of the Department for Business, Innovation and Skills

Annual Report and Accounts 2013/14

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Our four-day forecasts are now as accurate as our one-day forecasts were in 1980

Introduction

It is no exaggeration to say that the period covered by this Annual Report has been historic for the Met Office and for weather and climate. England and Wales had their wettest winter since 1915. It began with the storm in October 2013 and there was very little respite for our meteorologists, and indeed the nation, for the next four months.

Almost incredibly, but in fact largely thanks to our supercomputing capacity and continued investment in science, the Met Office was able to warn of the October storm several days before it formed, and predict — almost to the hour — when it would make landfall in the UK.

As the winter storms and floods worsened, the Cabinet Office Emergency Briefing sessions — known to the media and public as 'Cobra' — became daily events chaired by the Prime Minister. Met Office experts were routinely included in every meeting, placing our forecasting skills squarely at the centre of planning for national emergency-response.

But as the Directors of the Met Office stress in this introduction, in no sense are we resting on our laurels. There is always room for improvement. "The science is never done," as Professor Dame Julia Slingo OBE puts it. The Met Office — constitutionally a Trading Fund of the Department for Business, Innovation and Skills (BIS) — has been providing world-leading weather forecasts for more than 150 years, and has a long history in ground-breaking climate science.

Hand in hand with that, we increasingly operate as a business, adding to the value we deliver to the taxpayer along with tangible commercial value for both private- and public-sector customers.

Science into computing

Probably the most important single advance we recorded in 2013/14 was the announcement, as part of the Government's annual Spending Round, that the Treasury intends to make a significant investment in new high-performance computing capacity for the Met Office, enabling our science to remain at the cutting-edge of what's possible in weather and climate forecasting. The announcement followed a favourable House of Commons Science and Technology Committee report, *Science in the Met Office*.

"It is of great concern to us," MPs said in that report, "that...scientific advances in weather forecasting and the associated public benefits are ready and waiting but are being held back by insufficient supercomputing capacity. We consider that a step-change in supercomputing capacity is required in the UK."

The new computing power should give us up to 12 times our current capability, unlocking at least £2 billion worth of economic benefits for our customers and stakeholders in its first five years of operation. To put it simply, the bigger the supercomputer, the more calculations we can run, and the higher the resolution of the models, which provide more accurate forecasts. As we said at the time, in a tough economic climate, the new money for this important upgrade in supercomputing serves to acknowledge

the vital work of the Met Office in enabling protection, well-being and prosperity and provides a robust platform for our future plans.

Accuracy

Forecasting in the UK will always be a challenge. This is because of the UK's geographical position between the Atlantic Ocean and continental Europe and the variable weather patterns we experience. Accuracy in forecasting is the vital bedrock for everything we do, generating the great trust the public places in us. Accuracy, which we carefully measure, has continued to increase over the past 12 months, through investments in research and development, satellite remote-sensing and, crucially, supercomputing.

The forecast 'weather type', for example, is compared to actual weather observed at 45 stations across the UK. Current figures show that 73% of three-hourly weather had been correctly forecast as 'rain' and 78% as 'sun' for a particular day; the target for the year for both was 70%.

Ninety-four percent of maximum temperature forecasts are accurate to within plus or minus 2 °C, using a three-year average; the target was 85%. These enable energy companies to predict demand and ensure customers receive an uninterrupted supply, reducing costs into the bargain.

Our comparative data show that our four-day forecasts are now as accurate as our one-day forecasts were in 1980.

Our Virtual Met Mast™ tool for predicting winds at turbine height is purpose-made for wind-farm developers and consultants. It provides data on speed, direction and shear as well as air density and turbulence, helping them select the best sites for this form of renewable energy. The latest data show we can be '90% confident' of forecasting winds to within 0.1 metre per second for offshore sites, and within 1.0 metre per second at even the most complex sites on land. This service is now a major asset to the renewable energy sector.

We set high targets for ourselves and have an open and transparent policy on how we verify the accuracy of our forecasts, which are routinely compared with actual observations to determine how accurate they were.

The World Meteorological Organization compares similar statistics among national meteorological services around the world, and they show the Met Office is consistently one of the top two operational services worldwide.

Partnerships

The Met Office continues to maintain productive working partnerships with a wide variety of people and organisations. But over the past year of flood emergencies in several areas, perhaps none has been more crucial than the five-year-old Flood Forecasting Centre — functioning 24 hours a day / 7 days a week and staffed in Exeter by highly skilled specialists from the Met Office and the Environment Agency. By combining their knowledge and experience, we can provide more accurate forecasts of floods sooner, and give first-responders more time to confront emergencies.

When asked why they trust the Met Office, accuracy was top of an unprompted list for those who trust us most

Over 80% of people trust the Met Office, which means that they act on our advice. Source: YouGov

Over 2.5 million website hits on 28 October

As the UK's official weather service, we play a vital role in helping the country cope with extreme weather

In early 2013 we began including Environment Agency and Scottish Environment Protection Agency (SEPA) flood warnings on our website, so people can access weather and flood warnings in the same place. Updated every 15 minutes, this new widget provides an overview of alerts and warnings, while maps and details of areas affected are also available. Met Office weather forecasts also became available on Kindle tablets last year, joining our family of mobile apps on iPhone, Android and Windows Phone 8.

The work of the Natural Hazard Partnership is attracting widespread recognition. After the international conference entitled 'Building resilience to natural hazards,' it was commended in a European Commission report as a valuable example of how science can be connected to operations and policymakers. EU Member States are considering how a similar partnership might work across Europe.

After a successful collaboration with Thames Water, we launched our first suite of water-supply models to help water companies manage their supply operations better. The models provide data on variables like leakage, demand, pipe bursts and 'turbidity' (the cloudiness of a fluid as a determiner of water quality) which are all influenced by the weather and have always been difficult to quantify or forecast.

Another innovative partnership, between the Met Office and the German company Lem-Software, is helping energy companies rise to the challenge of switching to renewable sources of energy, like wind. There is currently no way of storing the energy produced by renewables, which varies according to the weather rather than consumer demand. Companies running coal and gas power stations need detailed forecasts of peaks and troughs in renewables, and the predictive model we have created with Lem-Software means they can better ascertain how much energy is available to meet demand.

On the academic front, the University of Oxford joined the universities of Exeter, Leeds and Reading in the Met Office Academic Partnership (MOAP), established in 2010 to advance the science of weather and climate prediction. In just three years, MOAP has delivered over £6 million of scientific research and is helping to foster the science leaders of the future. Professor Tim Palmer, Royal Society Research Professor in Climate Physics and Professorial Fellow at Oxford's Jesus College, said: "As the effects of anthropogenic climate change start to grip, it is becoming even more vital for society that extremes of weather and changes in regional climate are forecast accurately and reliably."

As a trusted adviser to the Ministry of Defence, we work closely with professional partners in defence in the UK and internationally. Our international defence team presented a range of systems, software and capabilities at the NAVDEX exhibition in Abu Dhabi in February 2014. These include Horace V, an advanced weather forecasting system, and Namis-X, a system the military use for visualising weather, as well as tools for mission support, modelling, information feeds and training.

The Met Office in the world...

We continue to engage with partners, fellow meteorologists and stakeholders all over the world — including the Intergovernmental Panel on Climate Change (IPCC) — to contribute to humanity's understanding of our weather and changing climate, especially where the effects are felt most keenly.

Met Office research published last year showed that human influence on global climate contributed to the disastrous drought in East Africa in 2011 that triggered an international humanitarian emergency. Millions of people needed food aid after the failure of the 2010 'short rains' (October to December) and 2011 'long rains (March to June). Researchers used cutting-edge climate change attribution to assess the probability of this being a product of human influence. According to lead author, Met Office scientist, Dr Fraser Lott: "We found that the

particularly dry short rains in 2010 were most likely caused by natural variability. However, the chances of long rains as dry, or drier, as those of 2011 were found to have increased due to human influence."

River floods are likely to occur more frequently in many parts of the world as climate change intensifies heavy rainfall, according to a 2013 study involving Met Office scientists. It was the first study to use both climate models and river-flow simulations to look at changes in flood hazard under global climate change. Rutger Dankers, Met Office scientist and IPCC lead author, said that: "flood hazard increases at the majority of locations, but not everywhere, with some areas showing a consistent decrease in extreme river flows."

...and in space

Thanks to Met Office skills and technology, the UK has joined a small group of countries in forecasting the weather in space. Space storms — of solar wind and flares — disrupt power grids, radio communications and the galaxy of satellites we increasingly depend on in the modern world. Now a £4.6 million BIS investment will help protect these technologies, and forecasts of space weather will help government and business take quick action when necessary to ensure services are maintained. The Met Office is building on an existing partnership with the US National Oceanic and Atmospheric Administration (NOAA) to generate the space forecasts.

Andrew Richards, a risk analyst for the UK National Grid, said: "A round-the-clock UK forecasting service for space weather is essential as part of National Grid's procedures for running the electricity transmission network securely and safely. It is great news for the National Grid that the Met Office has secured funding for its space weather forecasting operations."

The Intergovernmental Panel on Climate Change

In the past year, the UN's global panel of climate scientists has published new conclusions that on land, in the air and at sea, global warming is now beyond doubt.

The three reports making up the IPCC's Fifth Assessment Report (AR5) — to which Met Office scientists make such an important contribution — have been published in Stockholm, Sweden (Working Group I on the science base) and in Yokohama, Japan (Working Group II on impacts and adaptation). The IPCC's Working Group III report, on mitigation, was released in Berlin, Germany, in April 2014. After the first of these, Professor Stephen Belcher, Head of the Met Office Hadley Centre, said the questions now were "how much warming will occur, where it will warm fastest and what the implications are."

Just ahead of the Working Group I report's release, Met Office Chief Scientist, Professor Dame Julia Slingo OBE, addressing a vast audience through the pages of the *China Daily* newspaper, said the evidence was clear. "Observations across the climate system," she wrote, "from land-based stations and ocean buoys to international satellites, show a warming planet [and that] if we increase carbon dioxide levels in the atmosphere, temperatures will rise and a warmer world will be a more challenging place for us to live in."

The Working Group II authors said warming increased the "likelihood of severe, pervasive and irreversible impacts", adding to their report a table of key risks by geographical region that includes: stress on water resources and reduced agricultural productivity in Africa; heatwaves, economic losses and people affected by flooding in Europe; floods and drought-related water and food shortage causing malnutrition in Asia; damage to coral reefs and marine ecosystems as well as floods in Australasia; wildfires and killer heatwaves in North America; decreased food production and quality in Central and South America; and loss of livelihoods, coastal settlements, infrastructure, ecosystem services and economic stability in small islands.

27/28 October 2013: over 2,000 calls, 850 tweets and 550 emails answered

Our 24-hour Weather Desk can be reached by phone, fax and email as well as through social media

Introduction from

Greg Clarke looks back on an exceptional year

We help to reinforce the UK's resilience to weather and climate impacts

This year, we issued one 'red', 43 'amber' and 550 'yellow' warnings

The memory of what meteorologists call 'significant weather' lingers, and there was one episode last winter that will stick in everyone's mind for a long while to come. It rained and rained for three months — the wettest winter ever, or so it felt. In fact, a record fell that had stood since 1915, in the long-running 'England and Wales Precipitation' data series going back to 1766, with 435 mm of rain recorded up to late February 2014. Parts of southern England and the Midlands got twice their average rainfall in January.

The human and material losses in the consequent flooding were all too real. But, as the Met Office said at the time, the scientific data does not yet exist to say definitively whether this was the product of human-induced climate change or just natural volatility. A contribution from the former surely seems logical, given the underlying physics of a warmer atmosphere holding more water.

We learnt one thing last year, however, that gave us new confidence in our ability to help reinforce the UK's resilience to climate impacts: accurate weather forecasts — used in conjunction with our partners at the Environment Agency and the Centre for Ecology and Hydrology — enable politicians to take action to mitigate the impacts of extreme weather, preserve lives and property, and protect the economy. This is one benefit of a world-class Met Office.

It's very difficult to predict weather in the long term. What you can do, however, is identify useful patterns in the short- to medium-term, and we were able to do two vital things last year. As the winter drew in, not only were we able to forecast the storms up to seven days ahead, but we could also say that the behaviour being exhibited by the high-altitude jet stream was likely to result in a string of them.

Rain doesn't necessarily always produce floods, which depend on all sorts of other factors — where it falls, how saturated the soil already is, what the state of the rivers is, the topography, and so on. As part of our integrated flood forecasting capability, the meteorologists, hydrologists and environmental experts all work together to provide Government — and in a crisis like last winter's, Cobra — not just forecasts but also real insight into what's likely to happen for the rest of the season. That's really important information for the politicians who have to respond.

We think the Government is fully aware of the value the Met Office delivers in weather- and climate-related emergencies. When the Prime Minister is chairing Cobra and wanting to know everything that can be known about likely rainfall patterns for the next month or so, we ensure we are on hand to provide the best advice. During last winter's flood emergency, the Met Office was included in Cobra meetings routinely as usual to provide vital input for decisions.

Holding on to the status of world-leader in our field takes investment, and last year we were very pleased indeed to hear that the Government had agreed in principle to put significant funding into new supercomputing capacity for the Met Office, enabling our scientists to realise their full potential. The simple truth is that without this investment — ultimately by the taxpayer, we do not forget — it would not be possible for us to stay at the

the Chairman

> "In an age of weather extremes and climate change, I think the Met Office is a vital asset for the well-being of the UK."

leading edge of what's possible. We allow ourselves to believe it was in recognition of the excellence already achieved by our scientists and meteorologists.

Such is the pace of technology that every four or five years we need an upgrade in computing so we can move forward with our integrated weather and climate model — known as the Met Office Unified Model — producing not only the most accurate short-term forecasts that are scientifically possible, but also scenarios about how the climate may change over time. That's the benefit of the Met Office Unified Model.

As well as technology, we continuously invest in a science research programme that upgrades our modelling and our understanding of the physics that underpins this. That means what comes out of the computer is the best it can be. We can show that the economic benefits delivered by the Met Office to the UK can actually be measured in billions of pounds. Which crops do we plant in a changing climate? Will a heatwave turn into a fully-fledged drought? How do we adapt to extreme weather such as last winter's floods? These questions all have multimillion-pound price tags if you can avoid impacts by doing sensible things.

In parallel with this, we're seeing an improvement in our commercial activities, both internationally and in new markets. This makes it possible for us to invest in people and technology to meet our public-service mandate more efficiently.

Accessibility remains a top priority. We've been redoubling efforts to turn our information into user-friendly services for the people who need it most — government departments, businesses and the public. This includes what is rapidly becoming the modern platform of choice, the app.

Another key task for me personally in 2013/14, with a cluster of retirements, was the rebuilding of our Board of Directors, maintaining just the right three-way balance of science, business and government experience. In June we were happy to announce the appointment as Non-Executive Directors of Wendy Barnes, who brings experience of customer service, strategy and change management, David Burridge, a previous director of the European Centre for Medium-Range Weather Forecasts, Sir John Beddington, a former Chief Scientific Adviser to the Government, and Christine Tacon, with a strong commercial background in sales and marketing. We now have a full range of expertise supporting the executive in the day-to-day running of the business and the development of future strategy.

I joined the Met Office 18 months ago after a career running FTSE 100 companies because — coming from a technical background — I'm genuinely passionate about the science base of the UK. The Met Office is a truly world-class organisation which produces output for the science of weather and climate. In an age of weather extremes and climate change, I think it is a vital asset for the well-being of the UK.

To achieve our aim of being recognised as the best weather and climate service in the world, the potential of Met Office science must be realised. Our new Corporate Plan has identified four critical success factors to help the Met Office grow and develop. First, we will look at ways of reducing complexity by simplifying production and business processes. Secondly, we will aim to get better at managing and exploiting the value of our data. Next, high-performance computing will improve our ability to pull new science through to services. Finally, we will focus on activities that will deliver growth.

So what will the Met Office look like in five years' time? We'll have implemented our next-generation supercomputer; we'll be producing ever-better weather and climate science and forecasts; we'll be keeping pace with digital communications technology to make our information more easily available to more and more people on their platforms of choice; we'll be providing more commercial services to fund our core weather and climate business; all supported, as now, by a dedicated team in Exeter and our other centres of excellence who spend a lot of time quietly getting it right.

Chief Executive's overview

Dr John Hirst CBE says the Met Office is not resting on its laurels

Last year was certainly exceptional in weather terms; less so in terms of the demands on us, because if it's not wet it's dry, and if it's not dry it's windy or frosty, or there's a volcanic eruption or major hazard somewhere in the world. We're used to dealing with extremes of various kinds all the time. Yes, we were really busy last year — but we're busy all the time and the resilience of the organisation is just fantastic. People here always go the extra mile because they know how important the work is, and that's a really important characteristic of the Met Office.

These days the Met Office is closely involved with impact assessments in collaboration with our customers, as well as weather forecasts. So, whereas a few years back we might just have forecast intense rainfall, now — working with our customers and partners like the Environment Agency, the Civil Contingencies Secretariat of the Cabinet Office, and the emergency services — we can say, "Here's the impact that you're going to have to manage". The essence of what we do in situations like last winter's storms and floods is to contextualise our forecasts.

So whether you're managing a flood emergency or preparing a rescue operation in the North Sea, or you're a fast-jet pilot flying a sortie in a war zone or a fire crew attending a big blaze, or just staging a Sunday League football match on what looks like an impossibly windy afternoon, you need to understand what the impact of the weather is likely to be on you. This has been a real breakthrough — managing impacts with our customers, often for the benefits of their customers — like at Heathrow.

After weekend consultations with air traffic control and airlines, just before the October storm in 2013 made landfall in the UK, the number of flights from the airport was deliberately reduced to ensure the safety of passengers and staff. People hoping to travel on Monday, 28 October were advised to check flights before going to the airport. At their height, cancellations ran at about 20% that morning. While the travelling public may not have been thrilled about it at the time, people were saved wasted journeys. Thanks, in part, to Met Office warnings, airlines got things back to normal a lot quicker than would have been the case otherwise.

The same was true on the railways. Our forecasts were exactly right; people took action. Network Rail, for instance, was able to take mitigating action on the basis of our forecasts, cancelling certain trains to avoid problems. The storm damaged overhead cabling and hurled debris onto tracks, but accurate forecasts and real-time data helped managers focus scarce resources and keep busy lines and stations open. Robin Gisby, Managing Director of Network Rail Operations, told us our information meant workers were in the right place to clear fallen trees and debris and repair miles of overhead line across southern England; virtually the entire network ran a normal timetable the day after the storm. Essential to this success was that operators, media and the public all got the same clear message.

We don't just do this for the UK. The Met Office supported the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) in the run-up and in the aftermath of Typhoon Haiyan last November. Our modelling provided PAGASA with detailed information on the probable intensity of the storm and when exactly it would make landfall, helping them issue timely, accurate warnings.

Our predictive capabilities help our partnerships — the Flood Forecasting Centre, the Natural Hazards Partnership, the Environmental Science to Service Partnership and more — and this has never been more true than in 2013/14. Success breeds success, but all this emphatically does not mean we're going to stop trying to improve. Every year we set ourselves tough targets and miss them occasionally. But my view is that if you don't sometimes miss targets, you're not aiming high enough.

Nothing's more gratifying than plaudits from third parties. Like the Scottish environment minister, Paul Wheelhouse, who praised the "timely and accurate" flood forecasts from the service run by

> “The Met Office is staying right up to date in other areas where digital communications technology has changed all our lives.”

SEPA and ourselves. Aidan Kerr, Head of Property with the Association of British Insurers, described the October storm as a very significant event with some tragic consequences, but added that “advance warning meant people were well prepared and could take steps to minimise damage and disruption”.

The fact that we deliver what we promise to deliver gives people the confidence to make big investments in us — I’m thinking especially of the parliamentary committees that have looked at what we do and the science behind it, and made recommendations about how we should be equipped. The funding we expect, subject to final approval, for new supercomputing capacity will be — I use the word without fear of overstatement — transformational.

Supercomputing is critical to our success. I still can’t help marvelling (like some national newspapers did) at what our Chief Forecaster Eddy Carroll said four days before the October storm struck: “This storm doesn’t exist at the moment, but our forecast models predict it is likely to develop in the Western Atlantic on Saturday. Then it’s likely to rapidly intensify...before tracking across England and Wales early on Monday.” It was largely the ability of our existing high-performance computers to process truly vast quantities of meteorological data through a world-leading model that enabled us to be that accurate.

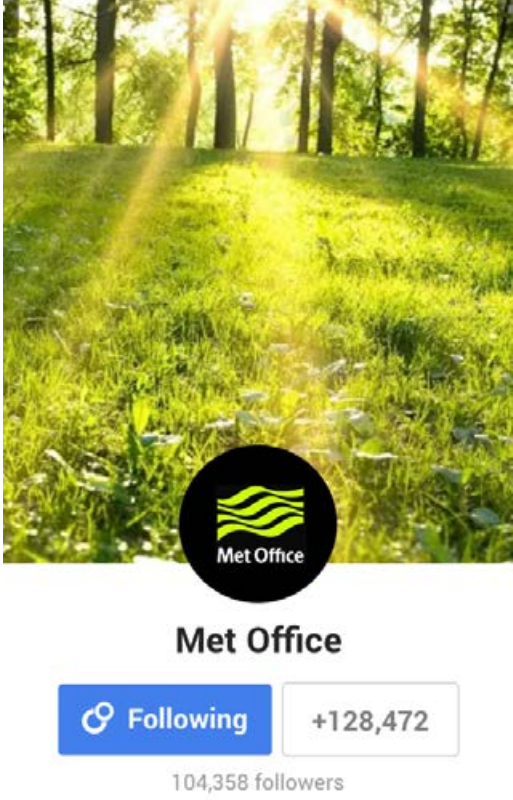
The Met Office is staying right up to date in other areas where digital communications technology has changed all our lives. Our social-media profile, for example, is remarkable: last year, the second in a row, we were in the top 20 social-media brands in the UK — the only Government agency to be in the top 700! Here, we’re up against some big corporate names that put a lot of effort into tweeting and posting. This has not been at the expense of what I suppose we now have to call ‘traditional’ ways of reaching the audience — television and newspapers. The Met Office weather service for ITV (the first to use animation, by the way) has just celebrated its 25th anniversary. And our partnership with the BBC is an example of how two publicly funded bodies can work together to improve the well-being of the nation.

On the purely commercial front, we have continued to refine and improve our services; that’s why people still want to buy them. I’m charged with making a 3.5% return on the assets we have; we get no money directly from Parliament. We have to sell services to government and the private sector, although the public get them free at the point of use. The long-term direction of travel for Met Office profit and growth overall is still upwards, even if some of our sectors did better than others last year. In fact, we’re one of very few meteorological services in Europe to have a greater income now than before the 2008 crash — built on providing services to customers that value them.

For evidence of this, look at some of our purely commercial success stories from the past 12 months. Weather affects what, when and where shoppers buy — and if, come rain, they’re likely to drive to their nearest supermarket or, come shine, they walk. Last winter, after the Met Office was awarded a new contract to supply bespoke weather services, we helped Sainsbury’s keep their stores stocked with the right goods in the right quantities at the right time.

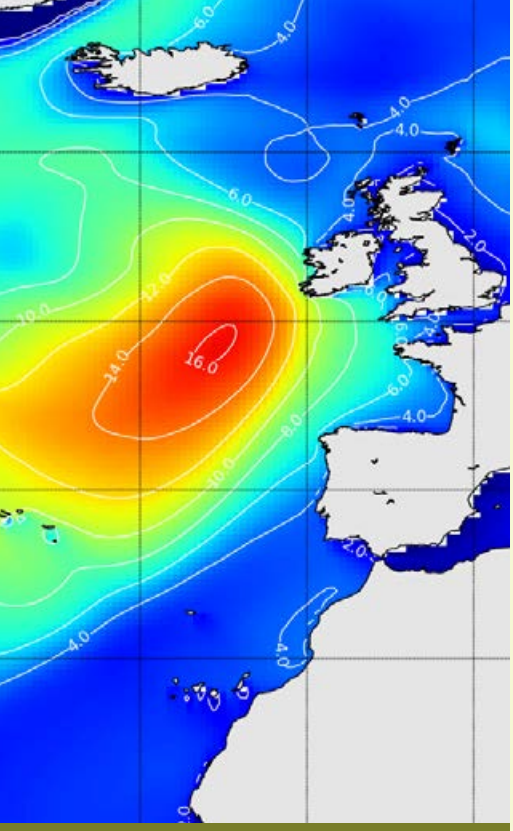
For three years starting last November, the Met Office will help Eurotunnel reduce weather-related disruption on its network through wind alerts, forecasts of waves washing over sea walls, and other special winter warnings. The Met Office in Aberdeen, meanwhile, is providing North Sea companies with a range of forecasts and warnings for rigs. We provided information to safeguard the evacuation of 75 workers from a platform after warnings of high waves.

The Met Office operation I’m privileged to lead is good and getting better. Professor Dame Julia Slingo and I are hugely pleased with the honours we recently received, but we’re both equally clear that we got them for and on behalf of the staff of this superb organisation, which is such a credit and an asset to the UK.



For the second year in a row, we were in the top 20 social-media brands in the UK

Through social media, our weather warnings reach more people than ever before



Chief Scientist's statement

Our science is never done — there is always more to learn

2013/14: 324 peer-reviewed scientific articles published

For Professor Dame Julia Slingo OBE, it has been a pivotal year

The thing that marked out the year for me was the way many different scientific efforts we've been working on since before I came in 2009, and especially since, culminated more or less at once.

Our forecasts now embrace everything from a few hours to a decade ahead, and our climate change projections give us scenarios of changes in the Earth system out to the end of the century and beyond. More than ever, weather and climate have considerable direct and indirect impacts on us — our livelihoods, property, well-being and prosperity — so the science we do is vitally important.

First, there is the deployment of 'kilometre-scale' forecasting for the UK, which meant that we could provide the detailed severe weather warnings that were so essential this past winter. Our forecast of the October storm, several days before it had formed, is typical of the quality of the forecast models we use and the science behind them. I doubt this forecast could have been made ten or even five years ago, showing just how rapidly science has progressed.

Then, there is the advance in winter seasonal forecasting, which has given us the potential to forecast what kind of winter we may have several months in advance, something that was considered unlikely a few years ago. This has only come about because we have rigorously explored processes in the atmosphere and oceans that determine our seasonal climate, and we have systematically pushed our climate models to provide greater detail of weather at a regional scale.

For this past winter, three out of four seasonal forecasts correctly raised the risk of mild, wet or stormy conditions. When the country was struggling with floods and storms, the forecast made in January for February correctly indicated the continuation of very wet conditions. We are still learning how best to communicate and utilise the wealth of information in our seasonal forecasts, but recent scientific advances in winter

forecasting give us confidence that their potential value is high.

Finally, there was the culmination of many years' research and model development with the publication of the IPCC's Fifth Assessment Report (AR5). We make our biggest contribution to Working Group I on the physical science basis, which came out in September 2013. We contributed thousands of years of simulations with our new Earth System model. We now have a better understanding of ice-sheets, how vegetation and marine life will respond to a changing climate, and how chemical changes in the atmosphere will affect air quality.

AR5 concluded that many of the changes we have seen since the 1950s are unprecedented over decades to millennia. Temperatures have risen by about 0.8 °C since pre-industrial times; Arctic sea-ice extent has declined by 4% every decade since records began in 1979 — faster in summer; sea levels have been rising by about 3 mm a year since the early 1990s. Despite the recent slow-down in global surface warming, the evidence for climate change continues to pile up.

We are also more confident than ever that humans have been the dominant cause of the rise in temperatures since the 1950s. The latest IPCC report provides compelling evidence that even with extensive mitigation of global CO_2 emissions, the UK is projected to warm over the century. Our job now is to say in greater detail what this might mean for UK weather patterns, to enable wise choices about investments in infrastructure to protect us from future high-impact weather.

As we near the end of our current strategy (2010–2015), Met Office science is making its mark on the national and international scene. For AR5 we provided a Coordinating Lead Author, three Lead Authors, and many expert contributors and reviewers. Met Office scientist, Dr Nick Dunstone, was recognised by the European Geosciences Union as Outstanding Young Scientist for Climate Sciences for his experiments on climate variability.

However, the science is never done; there is always more to learn, and the complexity of our world means there will always be things we don't know. But recent advances have enabled us to present a strong case for a significant enhancement in supercomputing at the Met Office — something I have been striving towards, for a long time.

New supercomputing capacity, combined with a directed science programme, will enable us to gain an even deeper understanding of weather and climate, which we can translate into better forecasts for the public, better advice for government, and greater opportunities for businesses.

A striking feature of our latest kilometre-scale model is the realism of the simulations. From summer downpours to tropical storms it is hard to distinguish what is model and what is reality. This has provided a revolution in weather forecasting and understanding atmospheric physics.

We can use these models to understand processes that would be impossible to actually observe. They also help us interpret what we do observe for example with our research aircraft — such as the Facility for Airborne Atmospheric Measurements that we share with the Natural Environment Research Council (NERC). At an event to welcome the University of Oxford into the Met Office Academic Partnership, Professor Doug Parker, Joint Chair at the University of Leeds, said: "We have broken a 'sound barrier' in our capability to observe and simulate storms."

For a long time we have struggled to bridge the 'valley of death' between our science and the services we provide to customers across an ever-wider range of sectors, from our traditional customer base in aviation, energy and marine services, to newer markets in retail, insurance and international capacity development.

This year we established a new scientific directorate to understand customer needs and develop the applied science and consultancy to translate our science and forecasts into weather and climate intelligence that is directly useful to the customer.

It is vital that the Met Office Science Programme remains world-leading so we can continue to work with and attract the best scientists. We have maintained a strong academic publishing record, with 324 peer-reviewed articles published by Met Office authors in 2013/14 — a 20% increase on the previous year and a 33% increase on the number in 2010. The Met Office 'h-index' — a measure of how productive and influential our research is — increased from 155 to 163 in a year, and we recorded an annual total of more than 19,000 citations. An h-index of 163 means that the Met Office has 163 papers with at least 163 citations.

We also take our responsibility to communicate weather and climate science to the public very seriously. We regularly write briefing papers about important science topics, such as last year's exceptionally cold spring, the recent pause in global surface warming, and the effects of climate change on extreme weather events. The aim of these is to make our science more accessible without compromising the integrity of the science and over-simplifying the message.

While no extreme weather or climate event can be attributed solely to climate change, after the terrible damage of the 2013/14 winter storms, people inevitably and rightly ask: Is this climate change? Our special briefing, *The Recent Storms and Floods in the UK*, co-authored with the NERC Centre for Ecology and Hydrology, addresses this head-on. While there is as yet no definitive answer to this question, partly due to the highly variable nature of the UK's climate — our 'British weather' — the evidence we do have, such as increasingly heavy rain events and rising sea levels, suggests that the risks of serious flooding and coastal inundation are increasing with climate change.

Another report, edited by scientists from the Met Office and NOAA and published in the *Bulletin of the American Meteorological Society*, found strong evidence that a number of extreme events around the world in 2012 — from heatwaves to floods — were exacerbated by human influences, even though natural variability is always at play. One of the lead editors, Dr Peter Stott, Head of Climate Monitoring and Attribution at the Met Office, said that half of the events they studied had been made "more likely" as a result of human influence. For example, the risk of coastal inundation from a storm like Hurricane Sandy has nearly doubled since 1950 due to rising sea levels.

Looking ahead, we are shaping our science strategy for 2015–2020, aiming to capitalise even further on the synergies between weather and climate, between global and local hazards and the delivery of probabilistic, risk-based products and services.

Sustainability overview

Rob Varley, Operations and Services Director, on an area where the Met Office continues to excel

You could say we're lucky and get two cracks of the whip on sustainability, which is defined very broadly at the Met Office. We get the same chance as other companies to encourage recycling, for example, or reduce carbon emissions and increase energy efficiency, or be accredited as Investors in People and help deprived communities in our local area. Those and other Corporate Social Responsibility (CSR) measures are all good things that many companies choose to do – traditional CSR, if you like.

But now Business in the Community, of which we're a member, is taking the conversation on sustainability into a wider area altogether, asking businesses what they do on a day-to-day basis to make the world a more sustainable place. And the Met Office is keen and well placed to support this.

There's no doubt, as the weather in the UK and around the world continues to break records and is generally quite extraordinary, the contribution of the Met Office to ensuring people's well-being is its greatest contribution to sustainability. Through our mandate and our core business, almost by definition, from our daily weather forecasting to longer term work on climate change, we are making the world more sustainable in everything we do. This has never been more true than over the past year.

Tragic and difficult though the losses were in last winter's storms, people were able to minimise risks and prepare better than they would have been able to without our forecasts. Our contribution to the science of climate change will help people adapt to whatever lies ahead of us in the future. Then there's the kind of specialist work we do for airlines, providing bespoke and highly accurate en route forecasts of winds and temperatures that help them use less fuel and be more sustainable themselves.

Clearly, the environment remains central to everything we do, and we're committed to managing our own impacts effectively. There's no denying that our supercomputers are energy guzzlers, for example, so to address that we installed one of the largest photovoltaic arrays (solar panels) in South West England in 2012. Its total net output during the recent financial year was 241,445 kilowatt hours generated, which means a saving in CO_2 of 108 tonnes.

Monitoring the ratio between performance and power consumption, we found that our IT Halls' power usage effectiveness (PUE) rating — an industry standard — achieved 1.37 on numerous occasions in line with our own targets. To put that in perspective, for a data centre like us, a PUE of 1.5 would be considered very good.

The most efficient way to cool supercomputers, meanwhile, is with water, but as our supercomputing capacity has expanded we have actually reduced our consumption of mains water by 18% by treating water from our borehole so it can safely be used in cooling systems. We also increased the use of recycled water — for flushing toilets, for example — by 47%, based on the most recent figures available.

We recycle 80% of our waste, including cardboard, metal, food, batteries, glass, plastic, and digital hardware. Staff recycling champions kept colleagues motivated with a league table at our Exeter site in 2013/14.

We are continuing to monitor our performance against purchasing standards set by Government, expanding the categories reviewed this year to include transport and information technology, and we're pleased to have retained our prestigious Biodiversity Benchmark award from the Wildlife Trusts. We are one of only a handful of companies to have met this biodiversity standard, and we're the first public sector body to do so.

In the current climate of austerity, is sustainability — sometimes held to be an expensive if desirable luxury — really affordable? My answer: 100%.

If you get it right, sustainability is good for business. Environmental sustainability helps to reduce costs; marketplace sustainability helps to develop trust with suppliers, which leads to better deals; and sustainability for staff means simply that people are more effective at work and less likely to resign — turnover costs money, as any employer will attest.

In terms of the value-added we generate for business overall — in essence, helping organisations take advantage of good weather and avoid costs inherent in bad weather — that's savings for consumers if we're talking about private sector Met Office customers and taxpayers for government clients.

Take one specific example of how recycling as part of an overall sustainable approach saves money. Our programme to renew the Met Office's network of weather radar has been refurbishing existing hardware whenever possible, and this has cut the cost of the project by some £680,000 so far — half of that in the current financial year. The approach has been adopted across hardware projects, with the service life of several systems being significantly extended, avoiding what would have been around £1 million of investment needed to keep them going otherwise.

Last but not least, how does the Met Office engage with the wider community of which we're a part?

A big effort last year was our Science, Technology, Engineering and Mathematics (STEM) outreach scheme that enables students of all backgrounds and abilities to meet inspiring role models and experience motivational activities that bring learning and career opportunities to life. From ten STEM ambassadors four years ago, the Met Office now has more than 120.

They visit local schools to talk about Met Office science and careers; they run workshops and conduct visits to weather balloon launches; they also take part in national events such as the Big Bang Fair for young scientists and engineers in the UK.

In summer 2013, the Met Office ran four highly successful science camps for young people aged 11–12 at our Exeter head office. A team of Met Office staff and volunteers hosted 176 children from local schools as well as Scout and Guide groups. They got hands-on experience with STEM work and camped overnight in our conference rooms. We're planning four more science camps this summer, endeavouring to make each bigger, louder and more fun still.

Our 'hackathons', meanwhile, may sound like a strange new Olympic event but in fact they are collaborative, even competitive, computer programming days that have become very popular indeed. Increasingly, we hold hackathons to find novel solutions to tricky social and environmental problems, and engage with other professional communities like fashion designers, humanitarians, digital creatives, app developers and young people of all backgrounds and outlooks.

Word-of-mouth is spreading about STEM and more schools are approaching us to get involved. We believe this and other community-based work has enriched our relationships with communities in and around Exeter and our offices in the UK and abroad. They enhance staff motivation and enthusiasm and provide great opportunities for learning and development. So sustainability isn't so much win-win as win-win-win — for us, for our customers and for people who are neither (yet).

We recycle 80% of our waste

We work hard to reduce, reuse and recycle

Sustainability summary

Energy

The energy consumed by our headquarters-based supercomputer accounts for most of our energy consumption and associated emissions. In 2012/13 we installed Phase 2 of our IBM Power 7 supercomputer. After a period of parallel running and testing, Phase 1 was decommissioned in November 2012. Our 2013/14 energy consumption represents our steady state in Phase 2 and is in line with figures prior to parallel running, demonstrating our success in containing our consumption. Phase 2 is cooled by chilled water passing through the core and can run at higher operating temperatures than Phase 1, which was chilled by both air and water.

The Government's Crown Commercial Services (CCS) Energy Team has agreed with the Energy Suppliers (EDF Energy and British Gas Business) on the CCS Electricity contract to provide a greater proportion of electricity from a 'green' source (i.e. from renewable and low-carbon sources — supported by appropriate Levy Exemption Certificates). As a result of this initiative, the Met Office pays a reduced Climate Change Levy. The photovoltaic installation at our headquarters site has also contributed by reducing the amount of electricity required.

Greenhouse Gas Emissions (GHG)		FY 09/10	FY 10/11	FY11/12	FY12/13	FY13/14
Non-financial indicators (tCO2e)	Total gross emissions for scopes 1 & 2 (including white fleet)	18,907	18,852	19,219	24,307	18,170
	Gross emissions scope 3 — business travel (less white fleet)	1,380	1,180	1,296	1,502	1,424
Related energy consumption (MWh)	Electricity: non-renewable	28,834	24,561	25,074	33,200	53
	Electricity: renewable	3,204	2,577	2,668	4,427	38,590
	Electricity: GQCHP				6,640	0
	Self generated renewable (solar PV installation at HQ site)					241
	Natural gas:	5,331	18,799	20,329	4,355	4,092
	Gas oil: (diesel)	762	1,327	447	309	152
Financial indicators (£)	Expenditure on energy	2,410,411	2,756,604	2,859,040	3,370,772	3,534,270
	Expenditure on business (administrative) travel	1,939,944	1,839,856	1,960,954	2,157,084	2,378,609
	Expenditure on CRC EES* allowances				284,844	249,180

* CRC EES — Carbon Reduction Commitment Energy Efficiency Scheme

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.

Waste

In 2013/14, our total waste arising was 163 tonnes — a 20% reduction on our 2012/13 figure of 204 tonnes. 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 2010/11 we set ourselves a target to recycle 80% of the waste at our headquarters by 2014/15. We achieved this in 2012/13, recycling 80.99% of waste at our headquarters and in 2013/14 we achieved 81.25%. We currently recycle or reuse cardboard, metal, food, batteries, glass and all types of plastic. We also recycle or reuse our electrical/ICT waste. In addition, we have recycling champions who encourage their colleagues to be more proactive and use the wide range of recycling facilities available.

Waste			FY 09/10	FY 10/11	FY11/12	FY12/13	FY13/14
Total waste generated	Total waste generated		212.99	192.90	186.25	204.05	162.69
	Hazardous waste	Total	0.716	0.343	0.346	1.42	0.63
	Non-hazardous waste	Landfill	58.12	49.27	39.30	37.38	29.88
		Recycled	154.87	143.64	146.95	165.25	132.17
		Incinerated / energy recovery	0	0	0	0	0
Financial indicators (£)	Total disposal cost		68,529	71,700	75,366	78,371	83,193

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. In 2013/14, we worked to reduce our mains water consumption by mixing and treating water from our bore hole so that it can be used safely in our cooling systems. This has seen our mains water consumption drop by 18%, while we have increased recycled water usage by 47%, based on 2012/13 figures. This is due to water being re-captured from the cooling process and used to flush toilets. Our consequent reduction in the use of grey water (harvested water) is due to this increased use of recycled water, which is of higher quality and would otherwise be discharged into the sewerage system.

Water			FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
Non-financial indicators (m3)	Water consumption	Imported (potable)	28,485	24,682	42,549	48,530	39,531
		Abstracted (borehole)	23,431	23,068	13,626	9,179	17,640
		Grey water (harvested rainwater)	6,880	11,729	3,625	7,140	3,133
Financial indicators (£)	Water supply costs		104,921	115,972	77,210	95,985	81,081

Sustainable procurement

We continue to monitor our performance against Government Buying Standards, in line with the Greening Government Commitments, by expanding the range of categories reviewed with providers of transport and information technology engaged in 2013/14. Through these supplier engagement activities, we aim to continually improve our compliance to mandated and best practice standards.

Additionally this year, Procurement has worked closely with the Stores and IT Systems teams to develop and roll out a web-based stock system. The new system enables engineers working remotely to request supplies in real-time, eradicating the need for time-consuming paper-based stock requisitioning and control systems. This further expansion of an automated Procurement function — beyond digital initiatives such as Purchase to Pay (e-Procurement, e-Invoicing, Government Procurement Cards), and tendering (e-Tendering) processes — ultimately reduces our environmental impact by vastly decreasing our paper consumption.

Biodiversity action planning

We are proud to have retained the Wildlife Trusts' Biodiversity Benchmark Award for our headquarters site where we have continued a biennial cut of one area of meadow to benefit overwintering butterfly species. We are also constructing a 'bee hotel' to attract solitary bees and continue to record species observations so we can monitor the impact our work is having. Our staff-led Biodiversity Working Group continues to work closely with colleagues in our Property Management team to protect and enhance the biodiversity at our headquarters site. Work is also progressing at our observations site in Camborne, Cornwall, and our radar site in Cobbacombe in mid-Devon.

Looking ahead

For the coming year, we will be focusing on two key areas of sustainability: maintaining our excellent recycling rates and continuing to reduce our mains water consumption at our headquarters site.

We value difference, openness, fairness and transparency

We're committed to diversity and value the individual contributions that people bring











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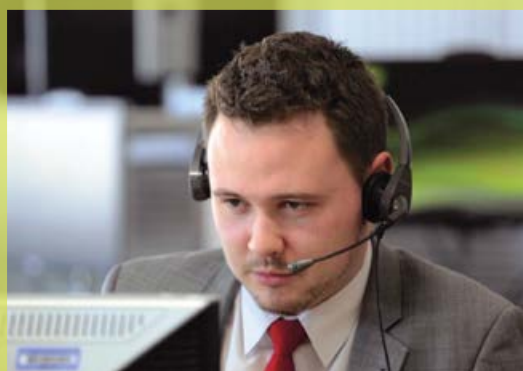


What's it like to work at the Met Office?

Employee engagement shows a measurable increase

Our people are the principal element in all we do, writes Rob Varley, Operations and Services Director who leads on sustainability issues.

We don't just want to be recognised as the best weather and climate service in the world — we want to be recognised as one of the best employers too.

The Met Office measures how staff feel about working here through an annual survey of employees' attitudes. Latest results show employee engagement has continued to increase and remains significantly above a benchmark set by other high-performing civil service employers — specifically, an engagement index of 67%, which is a small increase on 2013 and 5% higher than the top-rank benchmark.

Percentage indices of what we believe are our key strengths, like the extent to which people are interested in their work, their understanding of why it matters, and the extent to which people are trusted to get on with their jobs, are all in the 90s. And these results closely match our values as an employer.

We are accredited at bronze level as an Investor in People. This means we have been independently assessed as "effective at managing and developing our people to meet organisational ambitions". The Met Office values difference, openness, fairness and transparency. We do not discriminate on the grounds of gender, race, disability, age, religion, sexual orientation, family status, trade union membership, or any pretext. Our workforce is representative of British society; we hope our work is relevant to the community and customers we serve.

This is also demonstrated through our participation in the Government's 'Two Ticks' scheme, meaning we are committed to good practice in employing disabled people.

We monitor diversity and have seen a steady improvement in the gender balance of our workforce in recent years, to its current ratio of 68% male to 32% female. At a senior level, 25% of Executive Directors and 33% of Non-executive Directors sitting on the Met Office Board are female. We are disproportionately attracting women at entry level, however, so are working hard to identify any barriers to their progressing through professional role groups from trainees all the way up to Director level.

We provide staff with short training courses in diversity as part of their induction; convene a Diversity Council with representatives from across the organisation; and provide leadership and commitment by developing and monitoring Diversity Action Plans.

Our people work hard — no doubt about that. Whether they're forecasting the weather that millions of customers rely on, or working behind the scenes in Exeter, Met Office people consistently deliver a world-class service, and we recognise and aim to reward their hard work.

We're committed to looking after staff personally, as well as nurturing people's careers. We try to ensure that whatever people are doing at the Met Office, they're in a positive, safe, healthy environment — developing and working to their full potential.

2013/14: a multi-award winning year

Our people are passionate about, and committed to, their work

Dr John Hirst CBE
Chief Executive
8 September 2014

Strategic report

Management commentary on business performance

To encourage employee engagement in driving the performance of the Met Office, our Business Performance Measures (BPMs) are linked to corporate performance-related pay from which all employees can benefit. Progress against these measures is communicated to all staff through monthly briefings and appropriate action plans are formed where additional action is required to improve performance. The collective efforts of individuals and teams have ensured that the Met Office has had a very successful year in terms of business performance, achieving 21 out the 24 sub-measures and targets that make up our overall targets. We measure our performance in a variety of ways and each BPM is detailed in the table opposite.

By achieving all our forecast accuracy measures we have demonstrated that our world-class science continually improves our scientific models and that this scientific excellence is pulled through directly into services. In turn, by providing reliable and accurate forecasts, we enable the public and our commercial customers to act on our advice and achieve their goals. In fact, Global Model performance not only met but exceeded its year-end targets.

Exceeding our customer expectations in terms of service delivery is critical to our success. As such, we have a range of measures around delivering our services and outputs to the standard required, all of which were met in 2013/14. We need to ensure that our core forecasts and warnings are reaching a wide audience and that we raise awareness and build trust. We measure our success in this area against targets on growing our digital reach and our following on social media. We have narrowly missed the website market share target (18% against target of 19%) which is still a good result given the significant changes in the external environment this year. The number of social media subscribers has again significantly outstripped the target (a 78% increase against a target of 50%). The Met Office continues to demonstrate leadership in this area by being recognised as one of the Top 20 Social Brands by Headstream Social Brands 100, as well as the fifth most socially dedicated brand in the UK and the tenth fastest-responding brand in the world by social media monitoring firm Socialbakers.

Stretching financial targets were set by the Met Office Board to drive us towards growth in a very difficult economic environment. We have exceeded both our total revenue and profit targets of £206 million and £11 million respectively, missing the more focused profit and revenue targets related to growing our commercial business. Further details are included in the Financial Review on page 22.

The Met Office is recognised for sustainability excellence and we are committed to delivering our objectives in a sustainable way by continuing to set challenging targets. All elements in this BPM have been met. Again, we have achieved UK Government-leading levels of recycling and increased our presence in the community through Science, Technology, Engineering and Mathematics (STEM) events, work experience placements, Met Office Science Camps, and visits and STEM talks in local schools and colleges. A new target to reduce mains water consumption has shown significant reduction in-year. We have also achieved the challenging Power Usage Effectiveness target — an industry standard-measurement showing how energy-efficient our data centre is.

BPM	Measures	Met	Improvement on 12/13
Forecast accuracy	Model output — achieve an increase in the Global Numerical Weather Prediction (NWP) Index of +0.55 up to 101.88	YES	YES
	Model output — achieve an increase in the UK Numerical Weather Prediction (NWP) Index of +0.85 to +123.05	YES	YES
	Public forecast targets — achieve 12 out of 17 of the Public Weather forecast targets focusing on accuracy in the one- to five-day period.	YES	YES
	Customer targets — achieve two out of three customer-specific forecast accuracy targets, including Root Mean Square Error, Mean Absolute Error and Service Quality Index scores.	YES	SAME
Growth	Total Met Office revenue (£206m)	YES	YES
	Total Met Office profit (£11m)	YES	NO
	Increasing profitable revenue (Revenue) (£29m)	NO	YES
	Increasing profitable revenue (Profit) (£5.6m)	NO	SAME
Reach and engagement	Achieve both of the following targets around increasing our reach and maintaining market share compared to other weather websites:	Overall NO	
	1. Maintain a rolling 12-month average market share of 19%	NO	NO
	2. Increase social media subscribers by 50%	YES	YES
Customer and service delivery	Deliver the outputs and performance indicators as defined by our customers in-service agreements for four customers: Public Weather Service (PWS) Civil Aviation Authority (CAA) Defence Met Office Hadley Centre Climate Programme	YES	SAME
	Deliver a range of products for our commercial and government customers by the target time (On Time) and as described (In Full). On Time, In Full (OTIF). Overall target will be a score of 88% over 12 months.	YES	NEW
	Following analysis of our Customer Attitude Survey 2013, eight out of 12 actions will be completed within FY.	YES	NEW
Efficiency	Meet HM Treasury requirements by achieving a Return on Capital Employed (ROCE) of 4.8%	YES	NO
Sustainability excellence	Achieve a value of 1.37 for Power Usage Effectiveness of our supercomputer	YES	SAME
	Maintain recycling rate at 76%	YES	SAME
	Reduce mains water consumption by 5%	YES	NEW
	Fulfil a minimum of 30 requests for school visits and talks	YES	NO
	Establish and develop Science Camps (x4)	YES	NEW
	Offer 40 work experience placements	YES	YES
	STEM Ambassadors to attend 60 events	YES	YES

Accuracy

Forecast accuracy

Everything we do is underpinned by our world-class science and infrastructure; and, as such, the accuracy of forecasts is a key measure of success for any national weather service and forms an essential part of the services we provide. We are delighted that in a challenging year with a significant number of extreme weather events we delivered all our forecast accuracy measures.

We use a range of established verification measures to consider the accuracy of our forecasts, in terms of our scientific models as well as customer-led targets. These targets are set by the Met Office Board and our customers and are regularly reviewed to ensure they remain stretching and demonstrate continual improvement. The table opposite shows each of the measures that make the Forecast Accuracy BPM.

Scientific models

We assess the performance of our Global and UK forecasting models using the internationally recognised method of Root Mean Error, as recommended by the World Meteorological Organization. This enables us to demonstrate continual improvement in the performance of our scientific models and means that we can compare ourselves against other national weather services, where we are consistently ranked in the top two operational meteorological services in the world. More detail on our targets and how they are calculated can be found at:

www.metoffice.gov.uk/research/weather/numerical-modelling/verification/how-accurate.

Customers

We demonstrate how our scientific excellence is pulled through directly into services by working with a range of customers to set targets for forecast accuracy, which are then documented in customer service level agreements. To view the performance of our public weather forecasts over time, please see www.metoffice.gov.uk/about-us/who/accuracy/forecasts.

BPM	Measure	Met	Improvement 2012/13
Model output	Achieve an increase in the Global Numerical Weather Prediction (NWP) Index of +0.55 up to 101.88	YES	YES
	Achieve an increase in the UK Numerical Weather Prediction (NWP) Index of +0.85 to +123.05	YES	YES
Public Weather Service	Day 1: Maximum temperature is accurate within ± 2 °C	YES	YES
	Day 2: Maximum temperature is accurate within ± 2 °C	YES	YES
	Day 1: Minimum temperature is accurate within ± 2 °C	YES	YES
	Day 2: Minimum temperature is accurate within ± 2 °C	YES	YES
	Day 3: Maximum temperature is accurate within ± 2 °C	YES	YES
	Day 3: Minimum temperature is accurate within ± 2 °C	YES	YES
	Day 1: Wind speed is accurate within ± 5 knots	YES	YES
	Day 2: Wind speed is accurate within ± 5 knots	YES	YES
	Day 1: Wind direction is accurate within ± 45°	YES	YES
	Day 2: Wind direction is accurate within ± 45°	YES	YES
	Day 1: Three-hourly temperature is accurate within ± 2 °C	YES	NO
	Day 1: Three-hourly weather type for rain hit rate	YES	YES
	Day 1: Three-hourly weather type for sun hit rate	YES	NO
Civil Aviation Authority	The accuracy of our upper air wind forecasts is assessed using the Root Mean Square verification score for 250 hPa winds	YES	
Defence	Terminal Airfield Forecasts (TAFS) verification is produced for 29 defence sites in both the UK and overseas. The score used is the Service Quality Index which measures the reliability of the visibility and cloud-base elements of a TAF crossing a critical threshold.	YES	
Utilities	The accuracy of our utilities forecasts is assessed by verifying the performance of 1–5 day temperature forecasts across 21 sites using the mean absolute error method to compile a simple index value for temperature.	YES	

Financial review

Nick Jobling reviews this year's financial performance and policies

Despite ongoing challenging economic conditions, the Met Office continues to deliver growth in revenue with a rise of 1.6% to £208.1 million (2012/13, £204.9 million). Operating profit has fallen slightly to £11.2 million (2012/13, £12.3 million).

Operating costs increased from £192.6 million in 2012/13 to £196.9 million in 2013/14. This variance reflects additional investment in staff to drive future growth.

Despite the difficult economic environment, the Met Office met the majority of its Financial Business Performance Measures (BPMs).

A Return on Capital Employed (ROCE) of 4.9% was achieved for the year. The Met Office Treasury Minute, agreed in 2009/10 is to achieve a ROCE of 3.5% over the five-year period to 31 March 2014. As at 31 March 2014, the Met Office has achieved an average ROCE of 4.5% over the five-year period.

	2013/14	2012/13	Variance to 2012/13
	£m	£m	£m
Revenue	208.1	204.9	3.2
Operating costs	(196.9)	(192.6)	(4.3)
Operating profit	11.2	12.3	(1.1)
Dividends	(9.5)	(7.6)	(1.9)
Total non-current assets	197.4	198.6	(1.2)
Net assets at 31 March	225.3	223.0	2.3

	2013/14	2012/13	Variance to 2012/13
Growth BPM	£m	£m	£m
Revenue per Statement of Comprehensive Income	208.1	204.9	3.2
Add grants credited to operating costs	0.4	2.2	(1.8)
o Total Met Office Revenue – target £206m	208.5	207.1	1.4
o Total Met Office Profit – target £11.0m	11.2	12.3	(1.1)
o Increasing profitable revenue – Revenue target £29.0m	28.7	27.6	1.1
o Increasing profitable revenue – Profit target £5.6m	5.1	5.1	0.0
Efficiency BPM – ROCE			
target 4.8% in year	4.9%	4.4%	0.5%

See BPM section (page 18) for further details.

Business model

The Met Office provides world-class value added weather and climate-related services to a broad range of customers in both the public and private sectors. These services allow our customers to make informed decisions to benefit their business now and in the future; and, in the case of Government, keep lives safe from threats posed by the weather and climate.

The Met Office's business model distinguishes clearly between two types of customer: central government bodies requiring services which cannot reasonably be competed; and services provided on a commercial (usually competed) basis to customers both inside and outside Government. The Met Office's pricing policy is aligned to these types of customers.

In setting prices, the Met Office operates within all relevant and applicable legislative and regulatory requirements including HM Treasury Fees and Charges guidance. In its role as the National Meteorological Service, the Met Office provides a range of non-competed services to other government departments. These services account for the majority of Met Office revenues. Separate arrangements are made for each Customer– Supplier Agreement and pricing of services conforms to the terms agreed. The prices for such services are set at a level consistent with HM Treasury guidance.

Competed commercial services are priced on an individual basis, depending on the nature of the service and the requirements of the customer. This applies equally to public sector and private sector customers in cases where the contract is awarded through competitive tender.

Commercial Services are priced at a fair market value to deliver profit, ranging from standard services positioned for entry level/ basic requirements to high quality, premium-price services exhibiting demonstrable financial or non-financial benefit.

Revenue

Revenue (see note 3 to the Accounts) has increased by 1.6% to £208.1million (2012/13, £204.9 million).

Government revenue comprises three main revenue streams: Public Weather Service (PWS), Defence and Government Services. Total government revenue has increased by £3.7m to £175.4m, reflecting the success in developing and extending Met Office operational service capability to deliver new services such as Space Weather and the management of the European eAmdar aircraft observing capability. This is against a backdrop of a continued requirement from all our government customers to deliver value for money services and reduce costs.

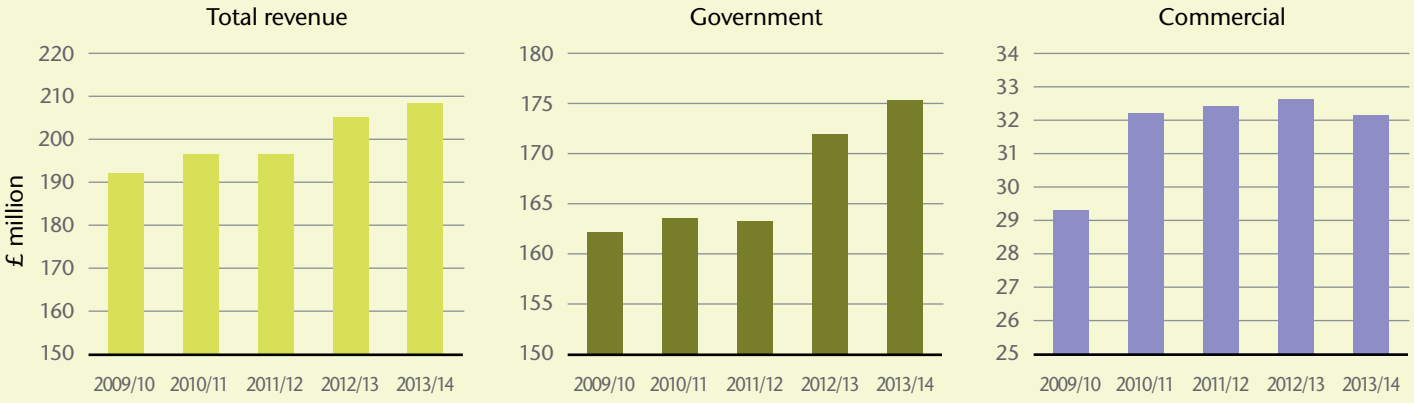
Commercial revenue overall has seen a small drop in revenue of £0.5m primarily due to a drop in Regulated Aviation revenues, where there is a regulatory requirement to deliver cost-efficient services to the aviation community, and a decision to exit unprofitable sectors. Excluding these sectors the underlying commercial revenue grew by 5% with particularly strong growth in Commercial Aviation, International Development and Digital Advertising sectors. Revenues in the International Development sector increased by 75% reflecting a successful focus on extending the reach of Met Office services and capability into new International markets.

Operating profit

Operating profit reduced to £11.2 million in 2013/14 from £12.3 million in 2012/13.

The reduction in profit reflects a year where higher margin Commercial revenue has remained static and lower margin Government revenue has increased, reducing overall margins. The main increases in costs were £4.4m for staff costs and £1m for the new EUMETNET-Aircraft Meteorological Data Relay (E-AMDAR) project. The increase in staff costs reflects an increased investment in specific skills is to meet current and future business requirements and drive future growth, particularly internationally.

Revenue from trading activities



Dividends

Total dividends payable to our Owner, the Department for Business, Innovation and Skills (BIS) were £9.5 million in respect of 2013/14 (2012/13, £7.6 million).

Capital expenditure

	2013/14	2012/13
	£m	£m
Satellites	13.7	13.1
Technology and Information Services *	2.4	5.4
Observing	2.2	1.2
Property	2.6	2.7
Other	0.2	0.3
Total capital expenditure	21.1	22.7

** including supercomputing expenditure*

Key capital investments include:

- Satellites: this represents investment in the EUMETSAT Meteosat Second Generation programme (£4.3 million) which provides the current operational service, and the EUMETSAT Meteosat Third Generation Programme (£9.4 million) which will provide continuity of geostationary observations until around 2040.
- Observing: there is a continuing programme of replacing the Met Office radar network both to update legacy equipment and to introduce new radar capability to drive improvements in Met Office forecasts.

Cash flows and liquidity

Cash balances totalled £71.8 million as at 31 March 2014, an increase of £32.9 million compared to 31 March 2013 (£38.9m). The Met Office holds cash deposits primarily to meet its short-term operating commitments. In the medium-term, capital contributions to meet international obligations are expected to increase significantly.

Net cash inflows from operating activities increased to £46.9 million (2012/13, £29.2 million). This has largely been driven by the movement in trade and other receivables caused by a change in timing of the receipt of the monthly PWS invoice (£7.0 million outstanding at 31 March 2013 compared to zero at 31 March 2014).

Net cash outflows from non-operational activities have decreased by £14.8 million, primarily due to drawdown of a loan of £12 million from BIS to finance future investment in satellite programmes.

Supplier payment performance

During 2013/14, the Met Office continued to work to the Government's prompt payment target of paying at least 80% of valid invoices from UK suppliers within five working days. Averaged over the 2013/14 financial year, 90.4% of invoices were processed through to payment within five working days, compared with 79.1% over the whole of 2012/13. Non-UK suppliers are paid within contracted payment terms or, where there are no specifically agreed terms, within 30 days of the later of receiving a valid invoice or of the delivery date.

Met Office Treasury policy

Certain payments to international bodies in respect of international subscriptions and contribution to satellite programmes are paid in foreign currency. To manage the foreign exchange risk, the Met Office has a policy to buy forward foreign currency to meet these payments in accordance with the anticipated payment profile. The Met Office operates hedge accounting for such transactions. The Met Office follows Treasury rules by investing all surplus funds on deposit with the UK Debt Management Office at HM Treasury.

Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office's sponsor department, BIS. Therefore, exposure to liquidity risk is limited to these arrangements. As at 31 March 2014, £12 million in loans were outstanding. 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.

Further details of our derivatives and other financial instruments are contained in note 24 to the Accounts.

Staff absence data

In 2013/14 the average working days lost per person was 4.9 days (2012/13, 5.8 days). The Met Office's average working days lost compares favourably with the private sector at 6.5 days and the public sector at 7.6 days.

Cost allocation

The Met Office has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Principal risks and uncertainties

A discussion of the principal risks and uncertainties affecting the Met Office is included as part of the Governance Statement"

Auditors

These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. His certificate and report is included in the accounts on page 40. The external audit cost was £58,000 (2012/13, £58,000). There were no non-audit fees in 2013/14 (2012/13, nil).

Audit information

The Chief Executive, as Accounting Officer, confrims that there is no relevant information of which the adutiors are unaware and that he has taken all necessary steps to ensure they have been made aware of all relevant audit information throughout the business.

Dr John Hirst CBE
Chief Executive
8 September 2014

Governance

Remuneration report

Remuneration policy

The remuneration of those who serve on the Met Office Board is disclosed within this Remuneration Report. The following Executive members of the Met Office Board are members of the Senior Civil Service and have been appointed on fixed-term contracts:

Dr John Hirst CBE	Chief Executive
Professor Dame Julia Slingo OBE	Chief Scientist

The remaining Executive members of the Met Office Board are Met Office employees:

Nick Jobling	Chief Financial Officer
Rob Varley	Operations and Services Director

Senior civil servants

The remuneration of Senior Civil Servants (SCS) is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

Service contracts

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 opposite, 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: www.civilservicecommissioners.org

Met Office employees

Met Office employees have their remuneration determined by a process consistent with HM Treasury civil service pay guidance. Further details of HM Treasury civil service pay guidance can be found at www.hm-treasury.gov.uk/tax_pay_index.htm

The Chief Executive has authority to determine pay and conditions for all Met Office employees, which are appropriate to its business needs and which take account of Government policies on public sector pay. This delegation requires the Chief Executive to consult with the Department for Business, Innovation and Skills (BIS), the Cabinet Office and HM Treasury and to gain ministerial approval from BIS before negotiating any changes to pay and grading systems and arrangements with the recognised Trade Union. This is achieved through the Civil Service Pay Remit process.

The Met Office Reward Strategy approved by the Chief Executive is designed to drive the behaviours required to deliver the Corporate Plan. The Met Office Reward Strategy is aligned with the Met Office's Corporate Plan and is consistent with the Civil Service Reward Principles. Further details of the Civil Service Reward Principles can be found at: www.civilservice.gov.uk/about/resources/reward-principles

Met Office Reward and Remuneration Committee

The Reward and Remuneration Committee is a sub-committee of the Met Office Board. The members of the Reward and Remuneration Committee are the Non-Executive Directors of the Met Office Board. The Committee is chaired by the Non-Executive Chairman of the Met Office Board.

The purpose of the Committee includes the consideration and approval of the Met Office annual pay remit; consideration of distributions to employees under the Met Office Corporate Performance scheme, based on an assessment of the performance of the Met Office against its Business Performance Measures and the level of declared profit.

The Committee also considers, if appropriate, whether Senior Civil Servants at the Met Office should either be included in the Met Office personal performance related pay scheme, the wider BIS SCS performance related pay scheme or subject to a performance award under their service contract. The Committee then reviews and approves the recommendations for employees in these three circumstances, consulting with the BIS remuneration panel as appropriate.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Executive Directors who sit on the Met Office Board:

Remuneration

(This information is subject to audit)

	2013/14					2012/13				
	Salary (£'000)	Other taxable allowances (£'000)	Performance-related pay (£'000)	Pension benefits[1] (£'000)	Total (£'000)	Salary (£'000)	Other taxable allowances (£'000)	Performance-related pay (£'000)	Pension benefits[2] (£'000)	Total (£'000)
Dr John Hirst CBE Chief Executive	145–150	10–15	20–25	55–60	240–245	145–150	10–15	20–25	70–75	250–255
Nick Jobling Chief Financial Officer	100–105	–	0–5	20–25	125–130	90–95	–	0–5	35–40	130–135
Professor Dame Julia Slingo OBE Chief Scientist	140–145	–	25–30	55–60	225–230	140–145	0–5	25–30	75–80	245–250
Rob Varley Operations & Services Director	85–90	0–5	0–5	20–25	110–115	80–85	0–5	0–5	75–80	160–165

[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 in 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.

No Director received any benefits in kind in either 2013/14 or 2012/13.

	2013/14	2012/13
Band of highest-paid Director's total remuneration (£'000)	185–190	185–190
Median total remuneration (£)	33,071	31,656
Ratio	5.6	5.9

Salary

'Salary' includes gross salary; overtime; non-consolidated pay; London allowances; recruitment and retention allowances.

Other taxable allowances

Other taxable allowances represent any other allowances to the extent that it is subject to UK taxation. These primarily reflect payments for the provision of temporary accommodation in Exeter and weekend travel home. Variances in the amounts paid are due to the timing of claims processed through payroll, the amount of travel between home and Exeter and not a change in the rate of allowances payable.

Performance-related pay

Performance-related payments are based on performance levels attained and are made as part of the appraisal process. Payments are non-consolidated and non-pensionable and represent part of Executive remuneration, which is at risk and needs to be re-earned each year. They relate to the performance attained in the current year, therefore the amounts shown overleaf for performance-related pay in 2013/14 are based on 2013/14 performance and accrued within the 2013/14 Accounts. The performance-related pay for 2012/13 is based on performance for 2012/13, which was accrued into the 2012/13 Accounts and paid during 2013/14.

As noted overleaf, members of the Met Office Executive are either members of the SCS or Met Office employees. Performance-related payments are governed by the arrangements for each of these groups, with the non-SCS Executive team members participating in the Met Office reward arrangements that are open to all Met Office employees.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid Director in the Met Office in the financial year 2013/14 was £185,000–£190,000 (2012/13, £185,000–£190,000). This was 5.6 times (2012/13, 5.9 times) the median remuneration of the workforce, which was £33,071 (2012/13, £31,656). In 2013/14, no employees (2012/13, nil) received remuneration in excess of the highest-paid Director.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the Cash Equivalent Transfer Value of pensions.

Consultancy and contingent labour

The expenditure incurred on consultancy in 2013/14 was £6,000 (2012/13, £20,000). The expenditure incurred on contingent labour in 2013/14 was £4,031,000 (2012/13, £4,393,000).

Off-payroll engagements

Table 1: Off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

No. of existing engagements as of 31 March 2014	50
Of which . . .	
No. that have existed for less than one year at time of reporting	26
No. that have existed for between one and two years at time of reporting	10
No. that have existed for between two and three years at time of reporting	9
No. that have existed for between three and four years at time of reporting	3
No. that have existed for four or more years at time of reporting	2

Table 2: New off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	29
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	29
No. for whom assurance has been requested	26
Of which . . .	
No. for whom assurance has been received	24
No. for whom assurance has not been received	2
No. that have been terminated as a result of assurance not being received	0

The enagegments above do not include any board members or senior officials with significant financial responsibility.

Pension benefits

(This information is subject to audit)

Officials	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/14	CETV at 31/03/13	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Dr John Hirst CBE Chief Executive	25–30	2.5–5	412	337	52
Nick Jobling Chief Financial Officer	15–20	0–2.5	238	202	15
Professor Dame Julia Slingo OBE Chief Scientist	40–45	2.5–5	675	585	61
Rob Varley Operations & Services Director	30–35 plus lump sum of 100-105	0–2.5 plus lump sum of 2.5-5	610	557	15

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus); or a 'whole career' scheme (Nuvos). 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 and Nuvos are increased annually in line with Pensions Increase legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (Partnership pension account).

Employee contributions are set at the rate of between 1.5% and 6.25% of pensionable earnings for Classic and between 3.5% and 8.25% for Premium, Classic Plus and Nuvos. Increases to employee contributions will apply from 1 April 2014. 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, immediately after the scheme year-end, the accrued pension is uprated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% 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 and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at: www.civilservice-pensions.gov.uk

A Cash Equivalent Transfer Value (CETV) 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 purchasing additional pension benefits at their own cost. CETVs are 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.

Real increase in CETV

This 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.

Fees paid to Non-Executive Directors

Met Office Non-Executive Directors are not Met Office employees and are not members of the Principal Civil Service Pension Scheme.

Fees paid to Non-Executive Directors were as follows:

	2013/14	2012/13
	£'000	£'000
Greg Clarke (From 1 September 2012)	35–40	20–25 (35–40 full year equivalent)
Robert Napier (Until 30 September 2012)	–	20–25 (35–40 full year equivalent)
Professor Sir John Beddington (From 1 June 2013)	15–20 (15–20 full year equivalent)	–
Wendy Barnes (from 1 May 2013)	15–20 (15–20 full year equivalent)	–
Christine Tacon (from 29 May 2013)	15–20 (15–20 full year equivalent)	–
Dr David Burridge CBE (from 29 May 2013)	15–20 (15–20 full year equivalent)	–
Professor Sir Brian Hoskins (Until 30 April 2013)	0–5 (15–20 full year equivalent)	15–20
Paul Rew	15–20	15–20
Dr Mike Goodfellow (Until 30 April 2013)	0–5 (15–20 full year equivalent)	15–20

David Curley and Michael Harrison have been appointed in conjunction with their responsibilities at Shareholder Executive. They are not entitled to receive separate remuneration in undertaking their Met Office duties. John Kimmance is also appointed as a Non-Executive Director, but receives no additional remuneration.

Dr John Hirst CBE
Chief Executive
8 September 2014

Statement of the Met Office and Chief Executive'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 2013/14 financial year in the form and on the basis set out in the Accounts Direction issued on 20 December 2013 and in guidance received on the 26th of June.

The 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 the 31 March 2014 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 financial statements on the 'going concern' basis.

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

Governance statement

Scope of responsibility

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

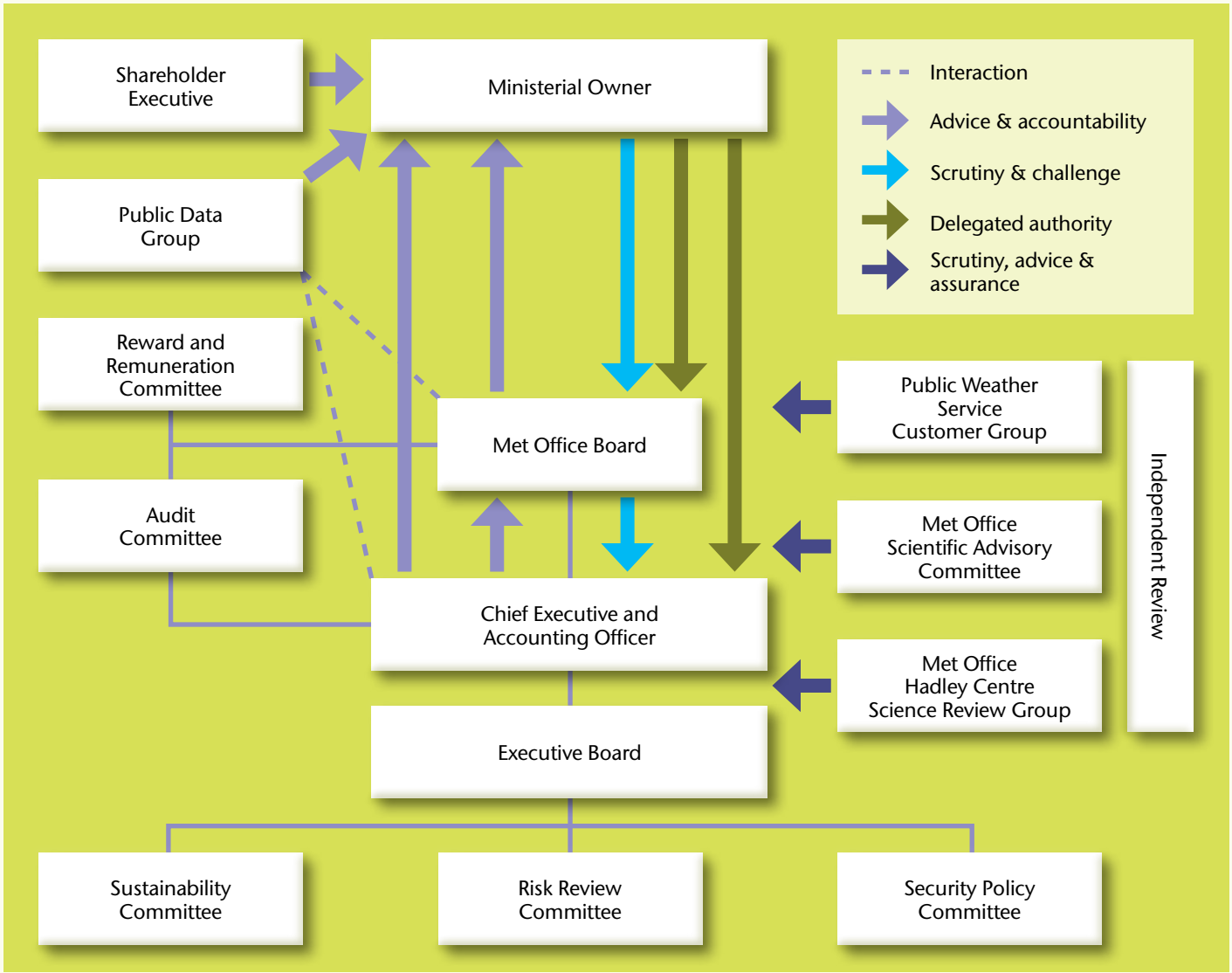
The purpose of the Governance Statement

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 allow 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 which includes the Board, its Committees 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.

The organisation's governance framework/structure

Met Office governance structure



Review of governance structure

In March 2014, the process began to recruit a new Chief Executive for the Met Office. I will be leaving when a suitable successor is found, following two full terms of service.

During 2013/14, Professor Sir John Beddington, Wendy Barnes, Christine Tacon, Dr David Burridge CBE, and John Kimmance were appointed as new Non-Executives to the Board, to replace Mike Goodfellow and Professor Sir Brian Hoskins, who had both reached their maximum tenure, and to fill existing vacancies. Michael Harrison also joined the Board in November 2013 as a Non-Executive, replacing David Curley as the Shareholder Executive representative.

Dr Wyn Williams was appointed as Chairman of Public Weather Service Customer Group in October 2013, replacing Nick Baldwin who retired from this role.

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 Business Performance Measures. In addition, the Met Office Board takes an overview of corporate risk and works with the Executive Board to agree the organisation's risk appetite.

Met Office Board composition

The Chairman is responsible for leading the Board and ensuring that it is effective in discharging its role. He is supported by additional Non-Executives, chosen to ensure an appropriate mix of skills and experience. The Met Office Board has two committees — the Audit Committee and the Reward and Remuneration Committee — each chaired by a Non-Executive Board member.

Chief Executive and Accounting Officer

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. The Executive Board, which I chair, is responsible for supporting me in implementing the strategy set out by the Met Office Board. The Executive Board has three sub-committees: the Risk Review Committee, the Sustainability Committee, and the Security Policy Committee. I am also Accounting Officer (AO) 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.

Shareholder Executive

The Shareholder Executive (ShEx) advises BIS ministers on the management of the Government's interest in the Met Office, and shareholding of the Met Office Trading Fund, and a ShEx representative sits on the Met Office Board.

Public Data Group

The Met Office is a member of the Public Data Group (PDG). The purpose of the PDG is to build on capabilities and existing best practice. The PDG will seek to support growth in the UK economy by delivering efficiencies and improvements in public services through its members. These objectives are additional and incremental to those with which the PDG members are already individually charged. The PDG provides collective advice to the responsible BIS minister through its Board. Both the Met Office Chairman and I are members of the PDG Board.

Additional review bodies

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

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 Executive and Welsh Assembly Government. The PWSCG Annual Report is publicly available through the Met Office website.

Met Office Scientific Advisory Committee — 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 is chaired by Professor Huw Davies and consists of leading scientists from UK academia and other National Meteorological Services from around the world.

Met Office Hadley Centre Science Review Group (SRG) — provides an independent review, on behalf of the Department of Energy and Climate Change and 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 John Pyle and membership of the group includes leading UK and international scientists.

Membership and attendance at Met Office Board and Committee meetings

Board and committee composition and attendance	Committee memberships	Board Meetings	Audit Committee	Reward and Remuneration Committee
Total number of meetings		6	3	1
Executive Directors				
Dr John Hirst CBE Chief Executive		6/6	1/1[1]	1/1
Nick Jobling Chief Financial Officer		6/6	3/3[1]	–
Professor Dame Julia Slingo OBE Chief Scientist		6/6	–	–
Rob Varley Operations and Services Director		6/6	–	–
Non-executive Directors				
Greg Clarke Met Office Chairman, Chair Reward and Remuneration Committee	Reward	6/6	–	1/1
Paul Rew Chair Audit Committee	Reward, Audit	5/6	3/3	1/1
Dr David Burridge CBE[2] Non-Executive Director	Reward	6/6	–	1/1
Prof. Sir John Beddington[3] Non-Executive Director	Reward	3/5	–	0/0
Wendy Barnes[2] Non-Executive Director	Reward, Audit	4/6	2/3	1/1
Christine Tacon[2] Non-Executive Director	Reward, Audit	6/6	3/3	1/1
John Kimmance[3] Non-Executive Director	Reward	5/5	–	0/0
David Curley[4] Non-Executive Director Shareholder Executive representative	Reward, Audit	4/4	1/2	1/1
Michael Harrison[5] Non-Executive Director Shareholder Executive representative	Reward, Audit	3/3	1/1	0/0
Helen Stevens[1] Prospect representative	Reward, Audit	4/6	–	–
Professor Sir Brian Hoskins		–	–	–
Dr Mike Goodfellow		–	–	–

[1] Invited attendees
[2] Joined the Board in May 2013
[3] Joined the Board in July 2013
[4] Left the Board in November 2013
[5] Joined the Board in November 2013

Met Office Board activities in 2013/14

During 2013/14 the Met Office Board met six times. A summary of each Met Office Board meeting is published on the Met Office website. Some of the themes discussed at Board meetings during 2013/14 were: next generation high-performance computing (HPC) requirements, the Met Office Corporate Plan, the Met Office's business model, Chief Executive recruitment, development of commercial activities, new satellite observation programmes, and latest developments in weather and climate science.

Evaluation of Board performance

The performance of the Met Office Board's committees was evaluated, together with the performance of the Executive Board and its committees, by means of detailed questionnaires. The 2013/14 review highlighted no serious issues and the Board endorsed the implementation of recommendations for improvements over the next year.

Conflicts of interest

The Met Office maintains a public Register of Interests that details company directorships and other significant interests held by Board members which may conflict with their responsibilities. The Register is reviewed at least on an annual basis. All interests have been declared appropriately and the Board has not identified any actual conflicts of interest during 2013/14. The Register is available to view by applying in writing to my Private Secretary at the Met Office, FitzRoy Road, Exeter, EX1 3PB.

Protecting personal data

During 2013/14, no protecting personal data related incidents were reported to the Information Commissioner's Office, nor were any such incidents centrally recorded but not formally reported.

Statement of compliance

Where applicable, the Met Office has complied during 2013/14 with the provisions of *Corporate governance in central government departments: Code of good practice 2011*.

The risk and internal control framework

Risk management strategy and how the risk profile is managed

The Met Office Corporate plan describes the direction of the organisation and highlights key corporate objectives. Each business unit derives its objectives from the Plan; these are cascaded to form individual objectives. Performance is represented on the Corporate Dashboard and covers all business areas, corporate objectives and Business Performance Measures (BPMs). Executive Heads and Heads play a vital role in the identification, mitigation and, if necessary, escalation of risks as appropriate across all business areas.

The Met Office Board provides an external perspective to all risks. The Board reviews the most serious risks threatening strategic objectives on a six-monthly basis.

The Executive Board acts as the risk champions, driving risk management from the top down, and ensures all major decisions are subject to risk assessment. The Executive team identifies and manages risk in accordance with the risk appetite. Individual Executive members review risks within their Directorate at least quarterly.

The Audit Committee reviews the corporate risks quarterly, and discusses the risk management strategy, so that it can provide assurance to the Accounting Officer and the Met Office Board on the effectiveness of risk management and mitigation in the Met Office.

The Risk Review Committee (RRC) reviews actions on all corporate and significant business risks and as the main champions of risk management within the Met Office. The Risk Review Committee sits quarterly. It supports and challenges the Met Office Executive in identifying risks and opportunities, highlighting where risks are being ineffectively managed and addressing these areas with management. It also facilitates a top-level corporate-wide risk horizon-scanning exercise.

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

The Corporate Risk and Benefits Manager works across all levels of the Met Office to ensure risks are managed, reported and mitigated effectively.

Risk management information is used:

- to help inform the annual planning process, especially at business area and corporate objective level;
- consistently and at all levels in the organisation — i.e. corporate, individual business area and project — with escalation procedures clearly established;
- to help inform key business decision-making processes such as Corporate Investment Appraisals.

Risk management assurance
The annual risk management audit concluded that the design and effectiveness of internal controls merited Moderate-High Assurance. There were a number of areas of good practice reported with minor improvements recommended.

In addition, internal audit conducted a formal assessment of the Met Office's risk culture based on the Institute of Risk Management's Risk Culture Aspects Model. Overall, the assessment demonstrated higher than average scores around 'Tone at the Top' and 'Decisions' with some key suggestions for potential areas of future focus.

Risk appetite
Risk appetite is defined as the level of risk the organisation is willing to face to achieve its objectives, whilst continuing to provide the required level of assurance to stakeholders that their assets are safeguarded. Risks which are on track to be within the risk appetite after the appropriate controls and mitgation actions have taken place need to be monitored regularly to make sure the actions stay on track. Risks where the mitigations or controls go off track, and are not likely to be within the risk appetite, are given further attention.

The organisation's risk appetite is directly aligned to the corporate objectives outlined in the Corporate Plan, and is framed against the categories of Legal/Regulatory, Financial, Operational Delivery and Compliance/Reputation. It is reviewed regularly as part of the planning process.

Summary of risks and uncertainties currently being managed
Overall 2013/14 has been a year which can be summarised as a refresh and review of the risk landscape and ongoing risk reduction. The current risk portfolio includes the following key risks:

- need to protect the long-term UK observations infrastructure;
- recognise and mitigate the possible threat posed by cyber attacks and denial of service threats;
- management of the procurement and installation of the next supercomputer (HPC) and the impact on socio-economic benefits and value for money; and
- future funding of the National Climate Capability to provide climate impacts, adaptation and vulnerability information.

The overall number of risks being escalated for management on the Corporate Risk Register remained fairly constant through the year, and mitigation action plans are in place for all corporate risks.

Control framework
Objectives and targets — we have clear strategic direction, objectives, responsibilities and Business Performance Measures which balance the financial, customer and policy interests of the Met Office.

Funds and assets — we ensure efficiency, value for money, integrity and regularity in the use and stewardship of funds and assets. Clear accountability for expenditure and stewardship of assets is in place through a variety of control systems including:

- A corporate investment appraisal process to provide support and guidance in deciding on business cases for significant bids, expenditures or items that may be considered novel or contentious. This process ensures that a proposed investment or bid submission offers value for money, considers affordability, business requirement and justification (including fit with corporate strategy). Risk appetite, benefits, outcomes and risk management are also considered.
- The corporate investment appraisal process also addresses the financial propriety and other requirements from Managing Public Money, the Green Book and other HM Treasury guidance.

- A formal system of delegation of financial and contractual authority as defined in the Met Office Framework Document, fully integrated with the corporate investment appraisal process, is cascaded to members of the Executive Board, Heads, Executive Heads and other managers within the organisation.

- A centralised procurement model is deployed to support and ensure financial and contractual delegations are followed. The Procurement team acts as the focal point for procurement expertise within the Met Office. Good procurement is a prerequisite for the organisation, making sure we get the services we need; from suppliers we can trust at a price we can demonstrate to be competitive.

- A robust system of budgetary control is in place with budget managers fully involved in the budget setting and rolling forecast processes. Budgets are set in a controlled manner, based on realistic and informed assumptions. Budgetary variations are analysed, investigated, explained and acted upon. Budgetary control is supported by a planning, budgeting and forecasting system which is used to collect and process data for financial forecasts, budgets and plans.

- The Met Office's accounting system comprises core ledgers (sales, purchase, and nominal) together with integrated modules including stock, procurement, fixed assets, procurement card and sales invoicing. The integrated nature of the system ensures robust and consistent reconciliation between the different areas. There exist well-established links to other software systems including financial forecasting, sales order processing, reporting and payroll.

- The production of monthly financial and business performance reports, monitored by both the Finance and Business Performance teams. Detailed reviews and discussions of corporate and programme performance are held on a monthly basis with the Met Office Executive. Any necessary action is taken to ensure the Met Office and its programmes perform to the desired level, supporting strategic goals and delivering benefits.

- Asset management and control procedures, including the appropriate segregation of duties and processes to ensure accurate recording, accounting and safeguarding of Met Office assets.

- Independent assurance that management controls are working as intended is also provided through an annual internal audit programme of assurance work.

Fraud — A dedicated Fraud Focal Point coordinates action on fraud-related matters. We treat the risk of fraud extremely seriously and operate a policy of 'zero tolerance'. We expect and require all our employees to observe the highest standards of personal honesty and integrity and to ensure that all our business is carried out in a manner that conforms to those same standards. In addition to a Counter Fraud Policy we also have an Anti-Bribery Policy, guided by the Bribery Act 2010. This policy, published on our website, declares our public position on bribery and we expect all staff, contracted parties and partner organisations to conform to it. Internal guidance has been published to help staff implement the policy, supplemented with periodic training opportunities. All employees are required to register their commitment to our key policies on an annual basis. These Employee Commitments include upholding the Counter Fraud, Anti-Bribery and Whistleblowing policies. The approach to Fraud, Anti-Bribery and Whistleblowing policies are reviewed at the Audit Committee, as are cases as and when they occur.

Health and safety — We are committed to the provision of a safe and healthy working environment ensuring, so far as is reasonably practicable, the health, safety and welfare of our employees and those affected by our activities.

Senior managers are responsible for implementing our Health and Safety policy, ensuring appropriate implementation at local level and monitoring the subsequent effectiveness of implementation. They are also responsible for ensuring sufficient resources are available, so far as reasonably practicable, to achieve and maintain a safe working environment.

Statutory compliance — the Met Office has undertaken and complied with its legal obligations during the year. The Met Office has a number of professionally qualified employees who understand and advise us about our legal obligations, including those relating to employment, procurement, advertising, consumer rights, health and safety, competition, freedom of information, personal data protection, re-use of public sector information, intellectual property, defamation, contracts and treaties.

In addition, we work closely with other parts of Government to comply with their additional requirements as owners, customers and as Government policymakers.

Information security — We have a Senior Information Risk Owner (SIRO) and a Senior Data Protection Officer, both of whom are senior managers. Information Asset Owners (IAO) have been established to extend coverage beyond holdings of data to other business critical and sensitive information. Governance has been extended by the formation of IAO committees to address meteorological and business information issues.

A Steering Group has also been established to oversee the programme of work which will increase the organisational level of Information Assurance maturity. The Security Policy Committee, chaired by the SIRO, oversees all aspects of security, including information assurance. Policies for the protection of our personal data and for the management of information used within the Met Office have been reviewed and refreshed.

Audit Committee's reports on the organisation's assurance arrangements and risk profile

The Audit Committee sat three times during 2013/14 and was the primary reporting point for the Internal Audit team. Results of the team's work, including assurance ratings for individual audits and summaries on the progress of the implementation of agreed actions, were reported to the Committee on a monthly basis, as well as at each Committee meeting. The Committee reported to the Met Office Board after each meeting.

The nature and status of key corporate risks are reported routinely to the Audit Committee, along with details of mitigating actions being taken. The Committee challenges management where necessary to gain the assurance it needs over the robustness of these actions. The Committee arranges for management representatives to attend its meetings to explain how corporate risks of particular concern are being reduced to an acceptable level. For 2013/14, this was the case for Climate Services and Cyber Security where, as a follow-on from the 2012/13 and 2013/14 Internal Audits in these areas the Audit Committee had regular feedback from the Business Development Director and Chief Information Officer on the progress of mitigating activities.

The Audit Committee annually reviews the effectiveness of the internal and external audit functions, and has expressed the view that these functions continue to operate effectively for 2013/14 in the provision of assurance on Met Office standards of governance, risk management and control.

Internal audit's opinion on the quality of the systems of governance, management and risk assessment and control

The Head of Internal Audit has concluded that moderate assurance can be provided over the adequacy and effectiveness of the Met Office's system of internal control. This is the same level as given for 2012/13 and reflects the stability and relative robustness of the governance, risk and control frameworks across the Met Office. Overall assurance levels were similar to the previous year and Internal Audit's work did not identify any systemic control weaknesses impacting the underlying system of internal control.

Review of effectiveness

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This review is informed by the work of Executive Managers and Internal Auditors within the organisation who have responsibility for the development and maintenance of the governance structures, internal control framework, and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

The mechanisms and processes maintained in reviewing the effectiveness of the system of governance, risk management and internal control and to collect the relevant data for the Governance Statement

Internal Audit assessed the systems of governance, risk and control via a planned programme of assurance-generating work over the course of the year. A structured process identified the activities to be audited, with corporate risk a key consideration in determining the actual audits to be undertaken. This work also included a review of how risk management operates, with this year's work yielding a rating of moderate assurance on its effectiveness.

In April 2013 Government Internal Audit Standards were replaced by the new Public Sector Internal Audit Standards (PSIAS) and, during the year, the effectiveness of the Internal Audit function and compliance with PSIAS was assessed internally and reported to the Audit Committee. An independent view of compliance with PSIAS is required every five years and the next assessment will be due in 2015.

Annual Assurance Statements have been received from Heads, Executive Heads and Executive Directors describing the extent to which, and how, they have complied with internal rules and regulations that form a key part of the organisation's governance framework. These statements were individually reviewed by Internal Audit and a sample of Heads, Executive Heads and Directors was audited to further confirm the accuracy of the statements.

The effective operation of the organisation's business and environmental management systems has also been obtained via the retention of its certifications for ISO 9001:2008 and ISO14001:2004.

The Met Office Board and its Committees also undertook an annual self-assessment exercise, seeking the views of members on the effectiveness of the Boards and Sub-Committees on which they sit. Feedback was collated and reported back to the Met Office Board, with any improvements required identified and addressed.

Governance and internal control

Relevant governance and internal control issues that have arisen during the financial year and how they have been managed including:

- an outline of actions taken or planned to deal with significant governance issues;
- external audits and value for money reports.

The Annual Assurance Statements referred to above have raised no significant issues and generated positive assurance on the direction and quality of the Met Office's work.

No governance or internal control issues have been identified during the year that are considered to be significant in relation to the Met Office's overall governance framework. Specific opportunities for improvement identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.

I have been advised on the implications of the result of the review of the effectiveness of the system of governance including internal control and risk management by the Board's Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have considered the evidence provided with regards to the production of the annual Governance Statement. The conclusion of the review is that the organisation's overall governance and internal control structures are effective.

Dr John Hirst CBE
Chief Executive
8 September 2014

Accounts

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Met Office for the year ended 31 March 2014 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Met Office, Chief Executive and auditor

As explained more fully in the Statement of the Met Office and Chief Executive's responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Met Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Met Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Directors' Report, Management Commentary and Governance sections of the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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 that govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Met Office's affairs as at 31 March 2014 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 other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Directors' Report and Management Commentary 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 part of the Remuneration 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.

Sir Amyas C E Morse
Comptroller and Auditor General National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
2 October 2014

Statement of comprehensive income for the year ended 31 March 2014

	Notes	2013/14 £ '000	2012/13 £ '000
Revenue	3	208,118	204,929
Other operating income			
Operating costs	4	(196,876)	(192,588)
Operating profit		11,242	12,341
Finance expense	6	(81)	(32)
Finance income	5	113	87
Net finance (expense)/income		32	55
Profit for the financial year		11,274	12,396
Dividend payable to Department for Business, Innovation and Skills		(9,538)	(7,630)
Retained profit for the year		1,736	4,766
Other comprehensive income:			
Net gain/(loss) on revaluation of property, plant and equipment		3,227	3,200
Revaluation reserve realised on disposal of property, plant and equipment		(172)	–
Net gain/(loss) on cash flow hedges	16/24	(2,491)	3,175
Other comprehensive income for the year		564	6,375
Total comprehensive income for the year		2,300	11,141
Return on Capital Employed (ROCE)	2	4.9%	5.6%

The notes on pages 45 to 70 form part of these Accounts.

Statement of financial position as at 31 March 2014

	Notes	31 March 2014 £ '000	31 March 2014 £ '000	31 March 2013 £ '000	31 March 2013 £ '000
Non-current assets					
Property, plant and equipment	8		129,090		136,154
Intangible assets	9		68,363		61,495
Derivative financial assets	16		–		962
Total non-current assets			197,453		198,611
Current assets					
Inventories	10	1,282		715	
Trade and other receivables	11	34,955		46,838	
Derivative financial assets	16	583		846	
Cash and cash equivalents	12	71,756		38,851	
Non-current assets held for sale	8	–		177	
Total current assets			108,576		87,427
Total assets			306,029		286,038
Current liabilities					
Trade and other payables	13	(54,284)		(50,211)	
Borrowings	15	(1,092)		–	
Derivative financial liabilities	16	(578)		(4)	
Provisions for liabilities and charges	17	(824)		(2,442)	
Total current liabilities			(56,778)		(52,657)
Non-current assets plus net current assets			249,251		233,381
Non-current liabilities					
Trade and other payables	13	(11,763)		(9,442)	
Borrowings	15	(10,908)		–	
Derivative financial liabilities	16	(692)		–	
Provisions for liabilities and charges	17	(606)		(957)	
Total non-current liabilities			(23,969)		(10,399)
Assets less liabilities			225,282		222,982
Capital and reserves					
Public dividend capital			58,867		58,867
Revaluation reserve			34,859		34,250
General reserve			132,243		128,061
Hedging reserve			(687)		1,804
Total Government funds			225,282		222,982

Dr John Hirst CBE,
Chief Executive
8 September 2014

The notes on pages 45 to 70 form part of these Accounts.

Statement of cash flows for the year ended 31 March 2014

	Notes	31 March 2014 £ '000	31 March 2013 £ '000
Cash flows from operating activities			
Operating profit		11,242	12,341
Adjustments for non-cash transactions:			
Depreciation charges (net of capital grants)	4	13,169	12,659
(Profit) / loss on disposal of property, plant and equipment	4	(29)	(186)
Amortisation	4	12,524	12,404
Deferred grants released		(517)	(2,234)
(Increase) / Decrease in inventories		(567)	3
(Increase) / Decrease in trade and other receivables		12,299	(9,208)
Increase / (Decrease) in trade and other payables		804	6,012
Increase / (Decrease) in provisions for liabilities and charges		(1,995)	(2,556)
Net cash inflow from operating activities		**46,930**	**29,235**
Cash flows from investing activities			
Payments to acquire satellite data		(14,112)	(12,851)
Payments to acquire property, plant and equipment		(7,379)	(10,881)
Capital grants received	14	3,191	2,234
Proceeds from sale of property, plant and equipment		262	526
Payments to acquire intangible assets (excluding satellite data)		(470)	(110)
Interest received	5	113	87
Net cash outflow from investing activities		**(18,395)**	**(20,995)**
Cash flows from financing activities			
Dividends paid		(7,630)	(7,666)
Loan advance received		12,000	–
Net cash inflow/(outflow) from financing activities		**4,370**	**(7,666)**
Net increase / (decrease) in cash and cash equivalents	12	**32,905**	**574**
Cash and cash equivalents at 1 April		**38,851**	**38,277**
Cash and cash equivalents at 31 March		**71,756**	**38,851**

The notes on pages 45 to 70 form part of these Accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2014

	Public Dividend Capital £ '000	Revaluation Reserve £ '000	General Reserve £ '000	Hedging Reserve £ '000	Total £ '000
Balance at 1 April 2012	58,867	34,196	120,149	(1,371)	211,841
Comprehensive income					
Profit for the financial year	–	–	12,396	–	12,396
Dividend	–	–	(7,630)	–	(7,630)
Retained profit for the year	–	–	4,766	–	4,766
Other comprehensive income					
Movement on foreign currency cash flow hedge	–	–	–	3,175	3,175
Net gain/(loss) on revaluation of satellite assets	–	1,555	–	–	1,555
Net gain/(loss) on revaluation of property, plant and equipment	–	1,758	–	–	1,758
Revaluation reserve realised as impairment of property, plant and equipment	–	(113)	–	–	(113)
Revaluation reserve realised on disposal of property, plant and equipment	–	–	–	–	–
Transfers between reserves	–	(3,146)	3,146	–	–
Total other comprehensive income	–	54	3,146	3,175	6,375
Total comprehensive income for 2012/13	–	54	7,912	3,175	11,141
Balance at 31 March 2013	58,867	34,250	128,061	1,804	222,982
Comprehensive income					
Profit for the financial year	–	–	11,274	–	11,274
Dividend	–	–	(9,538)	–	(9,538)
Retained profit for the year	–	–	1,736	–	1,736
Other comprehensive income					
Movement on foreign currency cash flow hedge	–	–	–	(2,491)	(2,491)
Net gain/(loss) on revaluation of satellite data	–	66	–	–	66
Net gain/(loss) on revaluation of property, plant and equipment	–	3,161	–	–	3,161
Revaluation reserve realised as impairment of property, plant and equipment	–	–	–	–	–
Revaluation reserve realised on disposal of property, plant and equipment	–	(172)	–	–	(172)
Transfers between reserves	–	(2,446)	2,446	–	–
Total other comprehensive income	–	609	2,446	(2,491)	564
Total comprehensive income for 2013/14	–	609	4,182	(2,491)	2,300
Balance at 31 March 2014	58,867	34,859	132,243	(687)	225,282

A description of the nature and purpose of each reserve is provided in Note 1
The notes on pages 45 to 70 form part of these Accounts.

Notes to the accounts

1. Accounting policies

Basis of preparation

Preparation of the financial statements

These financial statements have been prepared in compliance with an Accounts Direction dated 20 December 2013 in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973.

The financial statements also comply with the principles laid out in the 2013/14 Government Financial Reporting Manual issued by HM Treasury, including clarification on the treatment of capital grants issued on the 26th of June.

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.

Changes in the presentation of the financial statements

The 2013/14 Statement of Comprehensive Income shows operating expenditure under a single heading. In previous years this information has been broken down into cost of sales, selling and distribution costs and administrative expenses with a further breakdown in the Notes to the Accounts.

The Met Office has determined that these categories of expenditure do not reflect the way in which expenditure is incurred and managed. Providing a single figure with additional analysis enables more reliable and relevant information on the financial performance of the Met Office to be presented.

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. A list of these standards is available from HM Treasury: www.gov.uk/government/publications/government-financial-reporting-manual-2013-to-2014

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.

In addition, details of changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2014, are available here from HM Treasury: www.gov.uk/government/publications/government-financial-reporting-manual

None of these changes to the FReM are anticipated to have a future material impact on the financial statements of the Met Office.

Critical accounting policies and key judgements

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 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 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.

Contributions other than research and development on programmes to date is capitalised and, once operational data is received, revalued annually at the lower of depreciated replacement cost and value in use.

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

EUMETSAT satellite data assets are amortised using the straight-line method to allocate the costs of the programmes over their estimated useful lives. The remaining life of the current satellite programmes at 31 March 2014 is currently assessed as four years providing the full operational service and a further three years as the operational hot spare for the follow-on programmes. This method reflects the principle that the economic benefit of satellite data remains constant between individual satellites.

Capital grants
Grant funded non-current 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 Statement of Comprehensive Income to match depreciation costs associated with the asset.

Where no condition is imposed, the grant is recognised immediately in the income statement. The additional requirements set out in the FReM to allow deferal are not applied, as this would result in earlier recognition of grant income and so misrpresent the financial performance of the Met Office. This treatment has been approved by HM Treasury.

Grant-funded assets are otherwise accounted for in the same way as other non-current assets.

Key accounting policies

Revenue
Revenue comprises the accrued value of services (net of VAT) supplied to the private sector, Government departments and the wider public sector. Revenue is recognised in accordance with the substance of the customer's contractual arrangements and to the extent that the Met Office has performed or partially performed its contractual obligations. 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 deferred income 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 accrued income within trade and other receivables.

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 Business and Commercial Business. Both operating segments derive their revenue from the provision of weather and climate services. The Met Office derives over 80% of its revenue from public sector bodies. No operating segments have been aggregated to form the reportable segments.

The Met Office's management evaluates performance of the segments based on segment revenue and operating profit. Operating profit is further evaluated between that generated from activities falling within or outside the business profitability Business Performance Measure (BPM). The business profitability BPM represents the operating profit derived from services supplied to Government customers on a competed (or competable) basis, together with operating profits from commercial business.

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 earlier.

All research expenditure is charged to the Statement of Comprehensive Income. Development expenditure is recognised in the Statement of Comprehensive Income 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 the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. However, since the Met Office is unable to identify its share of the underlying assets and liabilities it is accounted for as a defined contribution scheme. Contributions are paid at rates determined from time to time by the Scheme's Actuary. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

Property, plant and equipment

Recognition

Plant, equipment and information technology expenditure is capitalised where the useful life exceeds three years and the cost of acquisition and installation exceeds £5,000 (excluding VAT). Networked minor computers and related equipment, which individually do not meet the criteria, have also been capitalised.

Certain meteorological equipment installed in commercial aircraft or at sea is not capitalised as it is outside the direct control of the Met Office and has an uncertain operational life.

Depreciation

Freehold land, assets in the course of construction and assets held for sale 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 principle 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	3–12 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.

Impairment of non-financial assets

When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant asset and the fair value less cost to sell.

Financial instruments

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, and are subsequently carried at amortised cost less provisions made for doubtful receivables. Provisions are made specifically where there is evidence of a risk of non-payment, taking into account ageing, previous losses experienced and general economic conditions.

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.

Impairment of financial assets

The Met office assesses at the end of each reporting period whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the Statement of Comprehensive Income. The impairment loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows.

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. The substance of a financial instrument, rather than its legal form, governs its classification on the Met Office's Statement of Financial Position.

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, 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 Statement of Comprehensive Income. The ineffective portions of any gain or loss on the hedging instrument are recognised in the Statement of Comprehensive Income.

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. Rents for those leasehold properties and vehicles which are held under operating leases are charged against profits.

The Met Office does not hold any assets under finance leases.

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. 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 Statement of Comprehensive Income.

Hedging Reserve

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

2. Return on Capital Employed

Return on Capital Employed (ROCE) is a measure of how effectively an organisation is using its capital. It is calculated as operating profit, expressed as a percentage of average capital employed. Capital employed equates to capital, reserves and the long-term element of loans. The Met Office has a Treasury Minute to achieve an average ROCE of 3.5% over the five-year period commencing 1 April 2009.

The table below shows the in-year and averaged ROCE over the period from the beginning of the current target period (1 April 2009 to 31 March 2014).

	2013/14	2012/13
Actual	4.9%	5.6%
Target — in year	4.8%	4.9%
Average — current target period	4.5%	4.4%
Target — 5-year average	3.5%	3.5%

3. Operating segments

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

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

The Met Office's management evaluates performance of the segments based on segment revenue and operating profit. Operating profit is further evaluated between that generated from activities falling within or outside the business profitability business performance measure (BPM). The business profitability BPM represents the operating profit derived from services supplied to Government customers on a competed (or competable) basis, together with operating profits from commercial business.

Year ended 31 March 2014

			Operating profit				
Operating segment:	Revenue £'000	Depreciation/ amortisation £'000	BPM £'000	Non-BPM £'000	Total £'000	Interest receivable £'000	Interest payable £'000
Government business	175,453	28,141	2,548	12,020	14,568		
Commercial business	32,256	1,406	2,596	(796)	1,800		
	207,709	29,547	5,144	11,224	16,368		
Corporate and other central income/expenses	409				(5,126)	113	(81)
Total per financial statements	208,118	29,547			11,242	113	(81)

Year ended 31 March 2013

			Operating profit				
Operating segment:	Revenue £'000	Depreciation/ amortisation £'000	BPM £'000	Non-BPM £'000	Total £'000	Interest receivable £'000	Interest payable £'000
Government business	171,760	27,359	2,460	12,121	14,581		
Commercial business	32,725	1,688	2,679	742	3,421		
	204,485	29,047	5,139	12,863	18,002		
Corporate and other central income/expenses	444				(5,661)	87	(32)
Total per financial statements	204,929	29,047			12,341	87	(32)

Revenue includes £1,928,000 of income derived from EU contracts (2012/13 £1,959,000).

Government business

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.

The operating profit derived from Government business is evaluated between activities that are considered to be competed or competable and those that are non competed. Those services gained on a competed basis are included within the business performance measure for business profitability. The operating profit on non-competed services does not form part of the business profitability business performance measure.

Government business is further analysed by revenue stream as follows:

	2013/14 £'000	2012/13 £'000
Defence	32,259	31,601
Government Services	36,815	36,207
Public Weather Service	106,379	103,952
	175,453	171,760

Commercial business

The Met Office also provides a range of commercial weather and climate-related services to a wide range of customers. All Commercial business is secured on a competed basis, with revenue streams being derived from a number of different sectors including media, transport and consulting services to a number of other industries such as finance, engineering, construction, health and utility companies.

The operating profit derived from Commercial business is included within the business profit business performance measure. Investments in commercial initiatives are excluded from the operating profit measure used in the business performance measure for business profitability.

Corporate and other central income/expenses

This line comprises items that are not part of the Met Office's operating segments but are required to reconcile to the Statement of Comprehensive Income. 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.

No measures 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 do not review the business on a geographical basis. A geographical analysis would not be necessary to aid users' understanding of these financial statements.

4. Operating costs

	Note	2013/14 £ '000	2012/13 (restated) £ '000
Staff costs			
Salaries, performance-related pay and allowances		72,710	69,314
Social security		5,935	5,653
Pension contributions	7	12,766	12,086
Early retirement and exit costs		(260)	1,810
Temporary/agency labour costs		4,031	4,393
Total Staff Costs	**7**	**95,182**	**93,256**
Equipment and services (net of capital grant income)		39,129	40,040
International services and subscriptions	(i)	16,201	16,945
Depreciation (net of capital grant income)		13,169	12,659
Amortisation		12,524	12,404
Accommodation		11,876	11,324
Travel and subsistence		5,171	4,441
Other operating costs		3,624	1,519
Total operating costs		**196,876**	**192,588**
Operating costs include the following:			
Audit fees		58	58
Operating leases — plant and machinery		981	578
Operating leases — other		915	1,002
Foreign currency (gains)/losses		34	(3)
Net gain on disposal of non-current assets		(29)	(186)
Release of capital grant income	(ii)	(4,383)	(6,219)
Research and development expenditure		45,014	45,252

(i) International services and subscriptions include £5.0m (2012/13 £4.3m) to the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) (excluding amounts capitalised as intangible satellite data assets), £6.9m (2012/13 £6.8m) to the European Centre for Medium-Range Weather Forecasts (ECMWF), £3.1m (2012/13 £3.1m) to the World Meteorological Organization (WMO) and £0.7m (2012/13 £0.7m) to the Network of European Meteorological Services (EUMETNET).

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.

(ii) Capital grants are analysed as follows: DECC Supercomputer £2.3m (2012/13, £2.2m); Defra Supercomputer £1.1m (2012/13, £1.1m); NERC Supercomputer £0.3m (2012/13, £0.4m); Environment Agency Weather Radar Network Renewal £0.2m; DECC Energy Infrastructure £nil (2012/13, £0.3m); BIS Space Weather and Surface Obs £0.4m (2012/13, £2.2m).

5. Finance income

	2013/14 £ '000	2012/13 £ '000
Interest receivable	113	87
Total other gains	113	87

6. Interest payable and similar charges

	2013/14 £ '000	2012/13 £ '000
On Department of Business, Innovation and Skills loans repayable within five years	55	–
Discounting of provisions	26	32
Total interest payable and similar charges	81	32

7. Staff

(a) Average staff numbers

	2013/14 FTE	2012/13 FTE
Senior management	9	9
Scientific, managerial, technical	1,609	1,542
Support	311	327
Monthly average staff numbers (all UK Government Civil Servants except locally engaged civilians)	1,929	1,878
Monthly average temporary/agency staff	61	45

There were 1,932 staff employed at 31 March 2014 compared with 1,875 at 31 March 2013, both figures expressed as full-time equivalents. These staff are all employed under a permanent UK employment contract. There were also 64 temporary/agency staff, expressed as full-time equivalents, engaged by the Met Office at 31 March 2014 (31 March 2013, 43).

(b) Pensions

Met Office staff may be in one of four statutory based defined benefit schemes (Classic, Premium, Classic Plus and Nuvos). Classic, Premium and Classic Plus are now closed to new members. New entrants after 30 July 2007 may choose between membership of Nuvos or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

Classic scheme
Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members leaving after 1 October 2007 also have an option to commute some of their pension for a further lump sum up to a maximum of 33/14 times pension (the commutation rate is £12 of lump sum for each £1 of pension given up). Members pay contributions of between 1.5 and 6.25 percent of pensionable earnings (see table below). On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium scheme
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, but members may commute some of their pension to provide a lump sum up to a maximum of 30/7 times pension (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of between 3.5 and 8.25 percent of pensionable earnings (see table below). On death, pensions are payable to the surviving spouse or eligible partner at a rate of 1/160th the member's final pensionable earnings for each year of reckonable service. On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill-health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus scheme
This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

Nuvos scheme
Benefits accrue at the rate of 2.3 percent of pensionable earnings for each year of service. The maximum pension that Nuvos will provide is 75 percent of pensionable earnings. Nuvos has a pension age of 65. There is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 30/7 times pension (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of between 3.5 and 8.25 percent of pensionable earnings (see table below). On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of two times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill-health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 65.

Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pensions Increase legislation.

Partnership Pension Account
This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3 and 12.5 percent (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3 percent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 percent of pensionable salary to cover the cost of risk benefit cover (death in service and ill-health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25 percent of the fund as a lump sum.

Members of the Classic Scheme pay contributions at these rates:

Annual pensionable earnings (on a full-time equivalent basis)	Current Classic contribution rate, before tax relief	Classic contribution rate 2014–15, before tax relief
Up to £15,000	1.5%	1.5%
£15,001 – £21,000	2.7%	3.0%
£21,001 – £30,000	3.88%	4.48%
£30,001 – £50,000	4.67%	5.27%
£50,001 – £60,000	5.46%	6.06%
Over £60,000	6.25%	6.85%

Members of the premium, nuvos and classic plus schemes pay contributions at these rates:

Annual pensionable earnings (on a full-time equivalent basis)	Capitalise Premium, Nuvos and Classic Plus contribution rate, before tax relief	Premium, Nuvos and Classic Plus contribution rate 2014–15, before tax relief
Up to £15,000	3.5%	3.5%
£15,001 – £21,000	4.7%	5.0%
£21,001 – £30,000	5.88%	6.48%
£30,001 – £50,000	6.67%	7.27%
£50,001 – £60,000	7.46%	8.06%
Over £60,000	8.25%	8.85%

For 2013/14, pursuant to the Superannuation Act 1972, employer's contributions of £12.8m were payable to the PCSPS (2012/13, £12.1m) at one of four rates in the range 16.7 to 24.3 percent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. For 2014/15, the salary bands will be revised but the rates will remain unchanged. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employer's contributions, paid to appointed stakeholder pension providers, and also to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees, were immaterial.

(c) Reporting of Civil Service and other compensation schemes — exit packages

Exit costs are accounted for in full in the year of departure, as follows:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 – £10,000	2	–	–	1	2	1
£10,000 – £25,000	3	–	1	26	4	26
£25,000 – £50,000	1	1	8	36	9	37
£50,000 – £100,000	4	–	7	22	11	22
£100,000 – £150,000	–	–	1	3	1	3
£150,000 – £200,000	–	–	–	–	–	–
Total number of exit packages by type	10	1	17	88	27	89
Total cost £'000	351	43	927	3,670	1,278	3,713

The above figures represent exit packages agreed / paid during the year. They do not include provisions made for schemes where the final settlement is as yet unknown.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year the scheme is approved. Where the Met Office has agreed early retirements, the additional costs are met by the Organisation and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

(d) Directors' remuneration

Details of emoluments paid to members of the Met Office Board are contained within the Remuneration Report on pages 26 to 30.

8. Property, plant and equipment

The movements in each class of assets were:

	Land and buildings £ '000	Fixtures and fittings £ '000	Plant and equipment £ '000	Information technology £ '000	Assets under construction £ '000	Total £ '000	Assets held for sale £ '000
Cost or valuation:							
At 1 April 2013	64,058	12,108	68,364	54,306	237	199,073	177
Additions	707	776	2,000	1,882	1,569	6,934	–
Transfers	–	–	(11)		11	–	–
Disposals	(127)	–	(592)	(3,794)	–	(4,513)	(177)
Revaluation	860	218	1,255	–	–	2,333	–
At 31 March 2014	**65,498**	**13,102**	**71,016**	**52,394**	**1,817**	**203,827**	**–**
Depreciation:							
At 1 April 2013	308	6,573	27,800	28,238	–	62,919	–
Charged during year	1,466	942	3,464	11,156	–	17,028	4
Impairment	–	–	–	–	–	–	–
Disposals	(127)	–	(581)	(3,673)	–	(4,381)	(4)
Revaluation	(1,476)	118	529	–	–	(829)	–
At 31 March 2014	**171**	**7,633**	**31,212**	**35,721**	**–**	**74,737**	**–**
Net book value:							
At 1 April 2013	63,750	5,535	40,564	26,068	237	136,154	177
At 31 March 2014	**65,327**	**5,469**	**39,804**	**16,673**	**1,817**	**129,090**	**–**

	Land and buildings £ '000	Fixtures and fittings £ '000	Plant and equipment £ '000	Information technology £ '000	Assets under construction £ '000	Total £ '000	Assets held for sale £ '000
Cost or valuation:							
At 1 April 2012	63,962	11,903	64,666	67,490	642	208,663	–
Additions	447	342	3,454	5,378	–	9,621	–
Transfers	(379)	–	352	–	(405)	(432)	432
Disposals	–	(171)	(965)	(18,562)	–	(19,698)	(266)
Revaluation	28	34	857	–	–	919	11
At 31 March 2013	**64,058**	**12,108**	**68,364**	**54,306**	**237**	**199,073**	**177**
Depreciation:							
At 1 April 2012	17	5,803	24,612	36,182	–	66,614	–
Charged during year	1,427	882	3,725	10,610	–	16,644	–
Impairment	113	–	–	–	–	113	–
Disposals	–	(171)	(894)	(18,554)	–	(19,619)	(6)
Transfers	(6)	–	–	–	–	(6)	6
Revaluation	(1,243)	59	357	–	–	(827)	–
At 31 March 2013	**308**	**6,573**	**27,800**	**28,238**	**–**	**62,919**	**–**
Net book value:							
At 1 April 2012	63,945	6,100	40,054	31,308	642	142,049	–
At 31 March 2013	**63,750**	**5,535**	**40,564**	**26,068**	**237**	**136,154**	**177**

(i) All land and buildings are held as freehold. The net book value of freehold land and buildings includes £8.6 million of freehold land (31 March 2013, £8.1m) which has not been depreciated. Freehold buildings are depreciated in full over their estimated life (not exceeding 50 years).

(ii) Fixtures and fittings include improvements to leasehold buildings and are depreciated over 5 – 25 years.

(iii) The freehold assets which comprise the Met Office's property portfolio were subject to a quinquennial valuation for financial reporting purposes in 2011/12 (values as at 31 March 2012), in accordance with the RICS Valuation Standards (6th Edition) by external valuers Jones Lang LaSalle, a firm of property consultants who are regulated by the RICS.

The bases of valuation adopted are Market Value and Existing Use Value as defined in the Standards. In carrying out the valuation, the majority of the assets are specialised and, as a result of their location and/or specification, are considered to be assets which would rarely, if ever, sell on the open market. As a result Jones Lang LaSalle has utilised Depreciated Replacement Cost methodology where appropriate.

The sources of information and assumptions made in producing the various valuations are set out in the valuation report. The overall valuation figure incorporated in the accounts is the aggregate of the individual asset valuations of the assets within the portfolio, produced for financial reporting purposes and not a valuation or apportioned valuation of the portfolio valued as a whole.

In 2013/14 assets have been revalued using various indices (see Note 1 'Property, plant and equipment') with the exception of the Exeter HQ building for which Jones Lang LaSalle carried out a 'desk-based' exercise to re-assess the valuation.

9. Intangible assets

	EUMETSAT satellite data £ '000	Computer software £ '000	Software licences £ '000	EUMETSAT payments on account £ '000	Total £ '000
Cost or valuation:					
At 1 April 2013	294,920	1,847	188	16,374	313,329
Additions	9,618	394	–	9,415	19,427
Disposals	–	(109)	–	–	(109)
Revaluation	6,902	–	–	–	6,902
At 31 March 2014	311,440	2,132	188	25,789	339,549
Amortisation:					
At 1 April 2013	250,773	981	80	–	251,834
Charged during year	12,214	273	37	–	12,524
Disposals	–	(8)	–	–	(8)
Revaluation	6,836	–	–	–	6,836
At 31 March 2014	269,823	1,246	117	–	271,186
Net book value:					
At 1 April 2013	44,147	866	108	16,374	61,495
At 31 March 2014	41,617	886	71	25,789	68,363

	EUMETSAT satellite data £ '000	Computer software £ '000	Software licences £ '000	EUMETSAT payments on account £ '000	Total £ '000
Cost or valuation:					
At 1 April 2012	282,620	1,598	188	9,161	293,567
Additions	5,866	249	–	7,213	13,328
Revaluation	6,434	–	–	–	6,434
At 31 March 2013	294,920	1,847	188	16,374	313,329
Amortisation:					
At 1 April 2012	233,801	707	43	–	234,551
Charged during year	12,093	274	37	–	12,404
Revaluation	4,879	–	–	–	4,879
At 31 March 2013	250,773	981	80	–	251,834
Net book value:					
At 1 April 2012	48,819	891	145	9,161	59,016
At 31 March 2013	44,149	866	108	16,374	61,945

(i) 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 and the Met Office, as the UK's national meteorological service, has the right to access and use this data to generate its weather forecasts and climate predictions in fulfilling its Official Duty. The Met Office makes contributions on behalf of the UK to EUMETSAT's programmes.

(ii) Additions to EUMETSAT satellite data include £5m representing the transfer of the European Polar Satellite (EPS) data asset from the Department for Business, Innovation and Skills. This transfer reflects the actual usage of the satellite data within UK Government bodies, and allows the cost of this data to be reflected in the cost of providing PWS services. The transfer is offset by an implied grant-in-kind. This grant will be released against amortisation over the remaining life of the EPS programme.

(iii) EUMETSAT payments on account represent the contributions made by the Met Office, on behalf of the UK, to the Meteosat Third Generation satellite programme. This programme is currently in the build phase and is not expected to provide operational data until 2019 at the earliest.

10. Inventories

	31 March 2014 £ '000	31 March 2013 £ '000
Meteorological equipment	1,044	495
Reserve equipment	203	195
Consumable stores	35	25
Total inventories	1,282	715

11. Trade and other receivables

	Note	31 March 2014 £ '000	31 March 2013 £ '000
Amounts falling due within one year:			
Trade receivables		10,013	20,497
Less: Provision for impairment of receivables	(i)	(67)	(96)
		9,946	20,401
Other receivables	(ii)	339	325
Accrued income	(i) (iii)	9,322	9,691
Prepayments		15,348	16,421
Total trade and other receivables		34,955	46,838

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

(i) Amounts stated for Trade Receiveables and Accrued Income as at 31 March 2013 have been adjusted to reflect a better understanding of the classification of receivables related to work carried out in the 2012/13 financial year. The total of trade and other receivables as at that date is unaffected.

(ii) Other receivables include staff loans totalling £339,000 to 105 employees predominantly in respect of housing advances on relocation and a cycle to work scheme (£377,000 and 123 employees at 31 March 2013).

(iii) Accrued income includes £427,000 relating to EU funding (£710,000 at 31 March 2013).

Intra-government balances

	Note	31 March 2014 £ '000	31 March 2013 £ '000
Balances with central government bodies		14,823	16,116
Balances with local authorities		594	485
Balances with NHS Trusts		–	20
Balances with public corporations and trading funds		553	1,125
Subtotal: intra-government balances		15,970	17,746
Balances with bodies external to government		18,985	29,092
Total trade receivables and other current assets at 31 March		34,955	46,838

All intra-government balances are due within one year.

12. Cash and cash equivalents

	Note	31 March 2014 £ '000	31 March 2013 £ '000
Balance at 1 April		38,851	38,851
Net change in cash and cash equivalent balances	19	32,905	–
Balance at 31 March		**71,756**	**38,851**

The following balances at 31 March were held at:

UK Debt Management Office, HM Treasury	59,338	34,700
EUMETSAT working capital fund	2,115	395
Total cash held on short-term deposit	61,453	35,095
Cash held at commercial banks and in hand	10,303	3,756
Balance at 31 March	**71,756**	**38,851**

The Met Office holds four Euro bank accounts, in which there were amounts totalling £704,665 at 31 March 2014 belonging to third parties (31 March 2013, five accounts totalling £2,684,000). 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.

Cash in transit at 31 March 2014 amounted to £9,033,000.

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

13. Trade payables and other payables

	Note	31 March 2014 £ '000	31 March 2013 £ '000
Amounts falling due within one year:			
Trade payables		1,800	995
VAT		6,207	5,787
Other taxation and social security		3,176	2,965
Accruals		15,673	18,157
Dividend payable		9,538	7,630
Deferred Income		13,185	11,799
Capital grants	14	4,705	2,878
Total amounts falling due within one year		54,284	50,211
Amounts falling due after more than one year:			
Capital grants	14	11,763	9,442
Total non-current trade and other payables		11,763	9,442
Total trade payables and other current liabilities		66,047	59,653

Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2014 £ '000	31 March 2013 £ '000	31 March 2014 £ '000	31 March 2013 £ '000
Balances with central government bodies	12,016	17,368	11,763	9,442
Balances with local authorities	115	124	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	–	384	–	–
Subtotal: intra-government balances	12,131	17,876	11,763	9,442
Balances with bodies external to government	42,153	32,335	–	–
Total trade payables and borrowings at 31 March	54,284	50,211	11,763	9,442
Total trade payables and other current liabilities (above)	54,284	50,211	11,763	9,442
Borrowings (note 15)	1,092	–	10,908	–
Total trade payables and borrowings at 31 March	55,376	50,211	22,671	9,442

14. Capital grants

	Note	31 March 2014 £ '000	31 March 2013 £ '000
Capital grants 1 April		12,320	16,305
Grants received in year		8,531	2,234
Grants recognised through the Statement of Comprehensive Income	4	(4,383)	(6,219)
Capital grants at 31 March		16,468	12,320
Amounts falling due within one year		4,705	2,878
Amounts falling due in more than one year		11,763	9,442

Included in Capital grants at 31 March 2014 is £5,340,000 (31 March 2013, £nil) received from the Department for Business, Innovation and Skills for the transfer of assets relating to the European Polar Satellite, £3,207,000 (31 March 2013, £3,414,000) received from the Environment Agency for the Weather Radar Network Renewal (WRNR) Programme, and £2,687,000 (31 March 2013, £nil) from the Department for Transport for the volcanic ash monitoring Lidar network programme.

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

15. Borrowings

Loans from the Department for Business, Innovations and Skills, repayable by instalments and bearing interest at 2.81% per annum

	31 March 2014 £ '000	31 March 2013 £ '000
Loans due within:		
One year	1,092	–
One to five years	4,528	–
Over five years	6,380	–
Total	12,000	–

16. Derivative financial instruments

	31 March 2014		31 March 2013	
	Assets £ '000	Liabilities £ '000	Assets £ '000	Liabilities £ '000
Forward foreign currency contracts–cash flow hedge	583	1,270	1,808	4
Analysed between:				
Current	583	578	846	4
Non-current	–	692	962	–
	583	1,270	1,808	4

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

	Foreign Currency Euro/CHF £ '000	Contract Value £ '000	Fair Value £ '000	Assets £ '000	Liabilities £ '000
Delivery 2014/15					
Euro	28,900	23,875	92	583	491
Swiss Francs (CHF)	3,328	2,361	(87)	–	87
	–	26,236	5	583	578
Delivery 2015/16					
Euro	16,000	14,027	(692)	–	692
Swiss Francs (CHF)	–	–	–	–	–
	–	14,027	(692)	–	692
Total		40,263	(687)	583	1,270

All cash flow hedges are in respect of forecast transactions. In line with IAS 39, gains or losses on effective cash flow hedges are held in equity; gains or losses relating to the ineffective portion of the hedge will be recognised in the Statement of Comprehensive Income when the forecast transaction occurs.

17. Provisions for liabilities and charges

	CRCEES* £ '000	Early retirement and exits £ '000	Dilapidations £ '000	Leaseholds £ '000	Total £ '000
Balance at 1 April 2012	–	4,718	456	749	5,923
Provided (written back) in the year	280	715	(41)	24	978
Unwinding of discount	–	–	5	13	18
Change in discount rate	–	6	–	–	6
Utilised in year	–	(3,342)	(50)	(134)	(3,526)
Balance at 31 March 2013	280	2,097	370	652	3,399
Provided (written back) in the year	–	(495)	(71)	(17)	(583)
Unwinding of discount	–	9	5	11	25
Change in discount rate	–	–	–	–	–
Utilised in year	(280)	(991)	–	(140)	(1,411)
Balance at 31 March 2014	**0**	**620**	**304**	**506**	**1,430**

* CRCEES – Carbon Reduction Commitment Energy Efficiency Scheme

(i) The Early Retirement and Exit Provision represents the outstanding liability for pension and severance costs as at 31 March 2014. It includes the costs associated with 129 staff who had been offered an early exit package during 2013/14 and previous years. For staff offered early retirement, the provision represents the full cost of meeting each individual's pension payments to normal retirement age. The gross amount provided for, before discounting, is £626,000 (2012/13, £2,114,000).

After discounting at 1.8% (2012/13, 2.35%), a net amount of £620,000 (2012/13, £2,097,000) is provided.

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.

(ii) The Dilapidations Provision relates to contractual future costs of making good leasehold properties when they are vacated. Discounting has been applied where payments are due in more than one year. The gross amount provided for, before discounting, is £310,000 (2012/13, £381,000). After discounting at 2.2%, a net amount of £304,000 (2012/13, £370,000) is provided. 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.

(iii) The Leaseholds Provision is principally in respect of future cost of leasehold properties, which became surplus to requirements on relocation to Exeter. The gross amount provided, before discounting, is £541,000 (2012/13, £699,000). After discounting at 2.2%, a net amount of £505,000 (2012/13, £652,000) is provided.

(iv) Amounts due under the Carbon Reduction Energy Efficiency Scheme are now included as accruals within Trade Payables, due to greater certainty over the amount and timing of payments.

The commitments provided for, fall due in the following periods:

	CRCEES £ '000	Early retirement and exits £ '000	Dilapidations £ '000	Leaseholds £ '000	Total £ '000
Amounts payable within:					
Under one year	–	515	179	130	824
One to five years	–	90	125	208	423
Over five years	–	15	–	168	183
Total	**–**	**620**	**304**	**506**	**1,430**

18. Related parties

The Met Office's parent department is the Department for Business, Innovation and Skills (BIS). BIS is considered to be a related party and, during the year, the Met Office had material transactions with BIS and with other entities for which BIS 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, principally the Department of Energy and Climate Change, the Department for Environment, Food and Rural Affairs, the Cabinet Office, the Civil Aviation Authority, the Maritime and Coastguard Agency, the Environment Agency, the British Broadcasting Corporation and the Natural Environment Research Council. 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.

Dr John Hirst CBE through his capacity as Met Office Chief Executive is a Council / Executive Committee member of the following organisations: EUMETSAT, ECMWF, WMO and EUMETNET. The Met Office has had material transactions with these entities and these are disclosed in Note 4(ii) to the financial statements. There are no outstanding balances with these organisations as at 31 March 2014 (2012/13-nil).

Professor Dame Julia Slingo OBE, Met Office Chief Scientist is a member on several scientific groups as follows: Natural Environment Research Council (NERC) Council Member; ECMWF Scientific Advisory Committee Member; National Oceanography Advisory Council Member.

Paul Rew, Met Office Non-Executive Director, is also a Non-Executive Director at the Department for Environment, Food and Rural Affairs.

Christine Tacon, Met Office Non-Executive Director, is also a NERC Council Member.

David Curley acted as Met Office Non-Executive Director during the year and is also an employee of our owning department (BIS), within the Shareholder Executive (ShEx).

Michael Harrison acted as Met Office Non-Executive Director during the year and is also an employee of our owning department (BIS), within the Shareholder Executive (ShEx).

19. Notes to the cash flow statement

Reconciliation of cash and cash equivalents to movement in net funds

	At 1 April 2013 £ '000	Cash flows £ '000	At 31 March 2014 £ '000
Cash at bank and in hand	3,756	6,547	10,303
Cash on deposit	35,095	26,358	61,453
Cash and cash equivalents	38,851	32,905	71,756
Borrowings due within one year	–	(1,092)	(1,092)
Borrowings due after one year	–	(10,908)	(10,908)
Total net funds	**38,851**	**20,905**	**59,756**

20. 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 2014 £ '000	31 March 2013 £ '000	31 March 2014 £ '000	31 March 2013 £ '000
Leases expiring within:				
One year	937	904	1,665	1,995
One to five years	1,148	1,568	8	1,865
Over five years	1,336	1,459	–	–
Total	3,421	3,931	1,673	3,860

21. Capital commitments

	31 March 2014 £ '000	31 March 2013 £ '000
Contracted for but not provided for:		
Information technology	320	726
Observations equipment	932	633
Property works	1,512	1,034
Contribution for satellite data	14,173	8,201
Total	16,937	10,594

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

Future payments are subject to annual approval by the EUMETSAT Council.

22. Other commitments

As at 31 March 2014, the Met Office had no additional siginficant commitments, other than those noted above.

23. Losses and special payments

During the year there were no significant losses or special payments.

24. Financial instruments and financial risk management

IFRS 7 Financial Instruments — Disclosures, requires the Met Office to provide disclosures in respect of the role of financial instruments on performance during the period, the nature and extent of the risks to which the Met Office is exposed and how these risks are managed. For each type of risk arising from financial instruments, the Met Office is also required to provide summary quantitative data about its exposure to the risk at the reporting date.

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:

	At 31 March 2014			At 31 March 2013		
Trade receivables beyond the due date	0–3 months £ '000	3–6 months £ '000	Over 6 months £ '000	0–3 months £ '000	3–6 months £ '000	Over 6 months £ '000
Receivables beyond the due date – not impaired	1,357	4	36	1,776	32	308
Receivables beyond the due date – impaired	14	–	–	13	7	16
Total receivables beyond the due date	1,371	4	36	1,789	39	324

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 follows Treasury rules by investing all surplus funds on deposit with the UK Debt Management Office at HM Treasury. 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, Innovation and Skills. 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 IAS 39 and the Met Office has elected to adopt IAS 39 hedge accounting rules.

As at 31 March 2014 the Met Office held six forward contracts to buy a total of €44.9 million and equating to £37.9 million at the contracted exchange rates, with value dates in 2014/15 and 2015/16. The Met Office also held one forward contract to buy forward 3.3 million Swiss Francs (CHF), equating to £2.4 million at the contract exchange rate with a value date in 2014/15. Additional information can be found in note 16 to the accounts.

£8 million of expenditure is undertaken in foreign currencies which are not funded through the forward purchase contracts.

Interest rate risk

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

Cash on deposit at 31 March 2014 consists of 11 short-term deposits totalling £59.3 million (31 March 2013, £34.7 million) with the UK Debt Management Office at HM Treasury for a weighted average period of 27.2 days (31 March 2013, 34.2 days) at a weighted average interest rate of 0.25% (31 March 2013, 0.25%). At 31 March 2014 £2,105,575 (31 March 2013, £395,261) was also held on deposit in the working capital fund at EUMETSAT. The fair values of cash and cash equivalents approximate to book value due to their short maturities.

Sensitivity analysis

Given the Met Office's significant exchange rate exposure for Euro and Swiss Francs are managed through utilising forward currency contracts any residual exposure does not have a significant impact on the Met Office's results. Therefore a sensitivity analysis is not considered necessary. The Met Office's foreign exchange exposure is kept under review.

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.

Categories of financial instruments

Financial assets:

	At 31 March 2014			At 31 March 2013		
	Loans and receivables £ '000	Derivatives used for hedging £ '000	Total £ '000	Loans and receivables £ '000	Derivatives used for hedging £ '000	Total £ '000
Trade and other receivables – current	19,607	–	19,607	30,417	–	30,417
Derivative financial assets	–	583	583	–	1,808	1,808
Cash on deposit	61,453	–	61,453	35,095	–	35,095
Cash at bank and in hand	10,303	–	10,303	3,756	–	3,756
Total	91,363	583	91,946	69,268	1,808	71,076

Financial liabilities:

	At 31 March 2014			At 31 March 2013		
	Other financial liabilities £ '000	Derivatives used for hedging £ '000	Total £ '000	Other financial liabilities £ '000	Derivatives used for hedging £ '000	Total £ '000
Trade and other payables	27,011	–	27,011	26,782	–	26,782
Department for Business, Innovation and Skills Loans	12,000	–	12,000	–	–	–
Derivative financial liabilities	–	1,270	1,270	–	4	4
Total	39,011	1,270	40,281	26,782	4	26,786

The Met Office does not hold any held-to-maturity investments or available-for-sale financial assets. With the exception of Derivatives used for hedging, the carrying value for financial assets and liabilities is considered to be fair value.

Embedded derivatives

In accordance with IAS 39, 'Financial instruments: Recognition and measurement', the Met Office has reviewed all material contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No instances were found that required 'embedded derivatives' to be recognised at their fair value, separately from the non-derivative host contract. For the contracts reviewed, the economic characteristics and risks were closely related to those of the host contract.

25. Authorisation of accounts

IAS 10 requires the Met Office to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts were certified by the Comptroller and Auditor General.

FIVE-YEAR FINANCIAL SUMMARY (Unaudited)

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Statement of Comprehensive Income					
Revenue	208,118	204,929	196,212	196,118	191,965
Operating profit	11,242	12,341	9,126	9,422	6,658
Profit for the financial year	11,274	12,396	9,197	9,385	6,488
Dividend	9,538	7,630	7,666	8,200	4,500
Capital expenditure					
Property, plant and equipment asset additions	6,934	9,621	27,360	7,109	17,021
Intangible asset additions	60,165	13,328	14,297	10,737	9,195
Statement of financial position					
Total non-current assets	238,191	198,611	201,065	169,334	177,209
Net current assets	45,762	34,769	24,544	35,117	22,442
Non-current liabilities	58,671	10,399	13,768	7,054	4,367
Number of employees					
Average for year	1,929	1,878	1,850	1,862	1,869

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