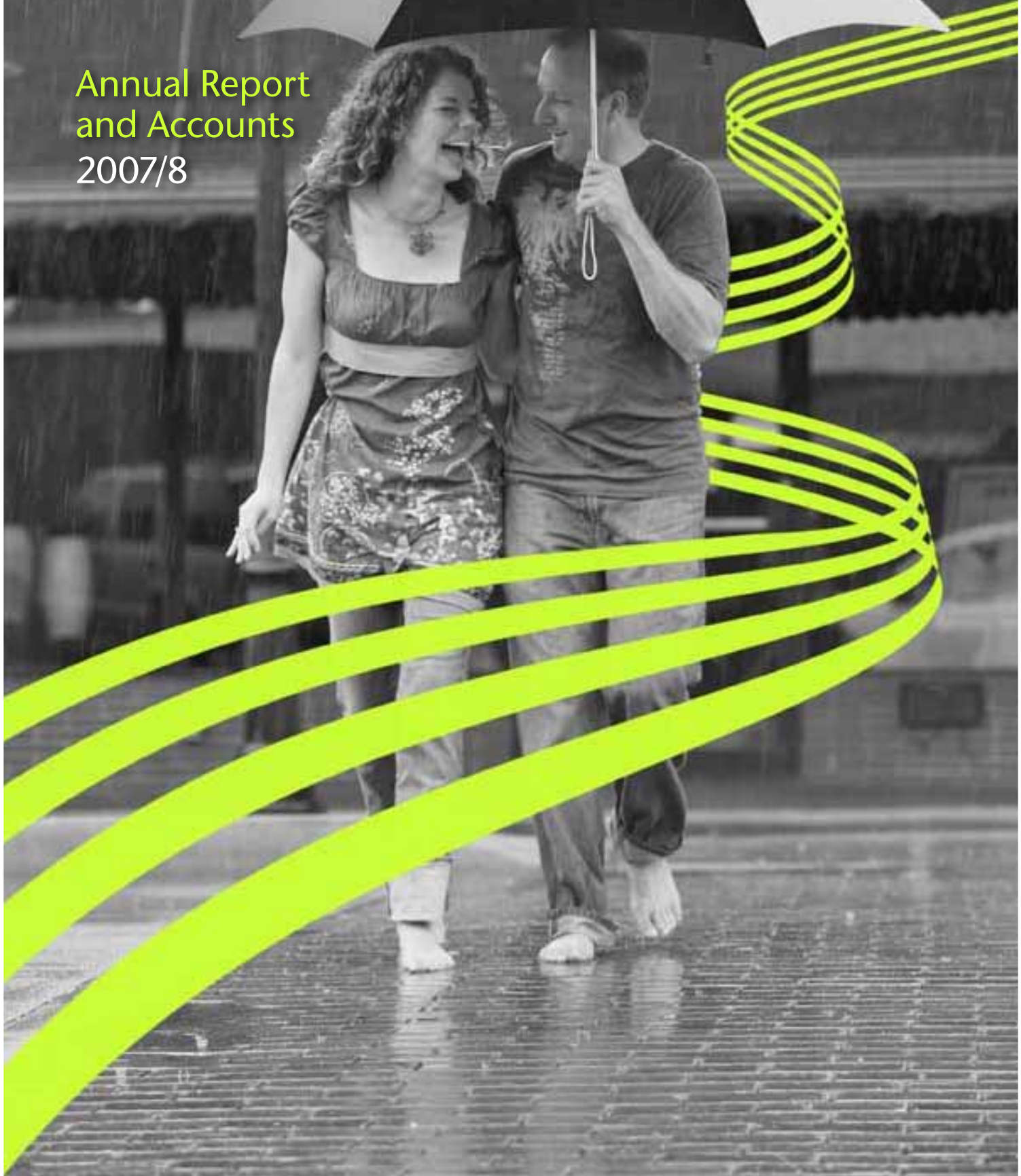


Met Office

Annual Report  
and Accounts  
2007/8



# Met Office

An Executive Agency of the Ministry of Defence

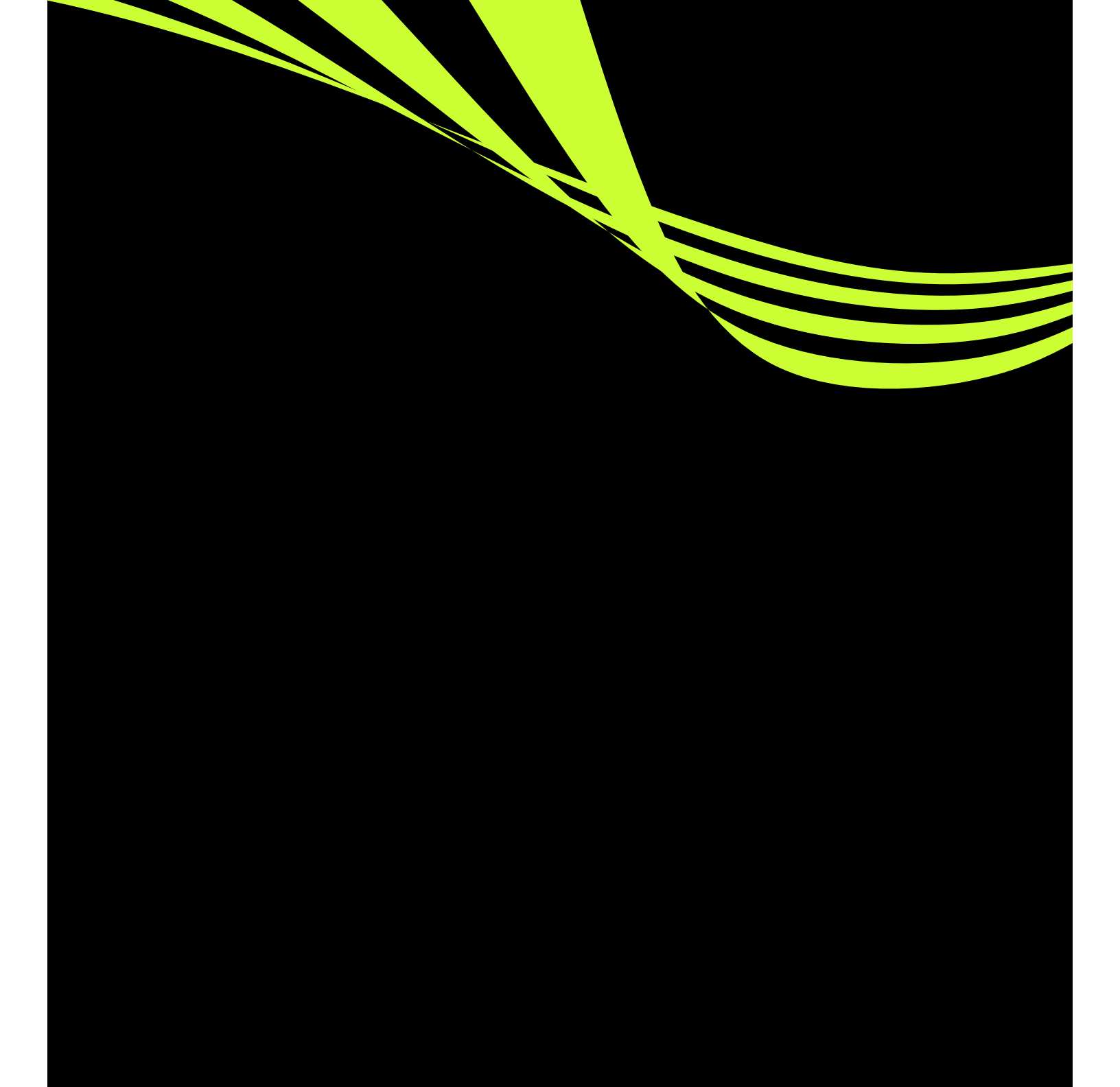
## Annual Report and Accounts 2007/8

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

These accounts have been prepared following the direction given by HM Treasury on 11 December 2007 in line with section 4(6)(a) of the Government Trading Funds Act 1973

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# Contents

## Directors' report

- 3 Introduction
- 4 Introduction from the Chairman
- 5 Chief Executive's overview
- 6 Management structures

## Management commentary

- 8 Key Performance Targets
- 10 Corporate responsibility

### WEATHER AND CLIMATE CHANGE HIGHLIGHTS

- 12 Spring
- 16 Summer
- 20 Autumn
- 24 Winter
- 28 Spring comes round again...

### FINANCIAL REVIEW

- 31 Financial performance and policies

### PERFORMANCE

- 32 Performance against Key Ministerial Targets
- 33 Key Performance Targets 2008/9
- 34 Report by the Comptroller and Auditor General

## Remuneration Report

- 35 Remuneration Report

## Accounts

- 41 Statement on the system of internal control
- 44 Statement of the responsibilities of the Agency and the Chief Executive
- 45 The Certificate and Report of the Comptroller and Auditor General
- 47 Profit and loss account
- 48 Balance sheet
- 49 Cash flow statement
- 50 Statement of total recognised gains and losses
- 51 Notes to the accounts
- 76 Five-year financial summary



Our vision:  
making our forecasts  
essential to everyone,  
every day

# Directors' report

## INTRODUCTION

**The origins of the Met Office can be traced back to 1854, when the Board of Trade asked Vice-Admiral Robert FitzRoy to provide information on the weather and ocean currents to mariners.**

By 1914, separate meteorological units had been created for the Armed Forces and in 1920 we became part of the Air Ministry. Integrated into the Ministry of Defence (MoD) in 1964, today we play a key role alongside our Armed Forces in support of domestic and overseas operations.

Met Office specialists in the Mobile Met Unit (MMU) — a Sponsored Reserve Unit of the RAF — provide critical weather and environmental advice on the ground, wherever military action is taking place. Afghanistan and Iraq are just two of the places where the MMU is supporting UK and coalition forces, advising the MoD on the environment of each region and how it will affect operations.

We became an Executive Agency in 1990 and a Trading Fund in 1996, following Statutory Instrument SI 1996/774. As a Government Trading Fund agency owned by the MoD, the Met Office must operate in the same way as a business by generating income to help secure future investment in its world-leading science and research.

This history and strong heritage make the Met Office an enduring brand, widely recognised both in the UK and abroad. We support many people and organisations, from the general public, government and local authorities, to civil aviation, utilities, transport and almost every other industry sector. Our capacity to predict the weather for the next hour, day, five days or ten and our seasonal and longer-term climate forecasts makes us a critical partner in decision-making and contingency planning all over the world.

We provide the UK's Public Weather Service — perhaps our most familiar work. Importantly, we operate the National Severe Weather Warning Service (NSWWS) which offers a range of environmental monitoring and public warning services.

The Met Office Hadley Centre is a world-leading centre for monitoring and predicting climate change. It offers expert advice on a regional, national and global scale to help governments, businesses and societies make better informed decisions on the control of harmful emissions and how to adapt to the effects of climate change.

Our scientists have made a substantial contribution to the Intergovernmental Panel on Climate Change (IPCC), a scientific body tasked to evaluate the risk of climate change. The IPCC published its latest findings last year and subsequently won a Nobel Peace Prize. Climate scientists from the Met Office not only further the world's understanding of the science of climate change, but also help inform government policy, as demonstrated at the UN Climate Change Conference in Bali last December.

Met Office consultants inform a wide range of customers about the likely risks and opportunities that climate change will bring so they can act now to mitigate, adapt to or exploit them. For example, our consultants are currently working with the UK's leading energy companies to identify the impacts of climate change on their industry and to develop plans to ensure the future of energy provision in the UK.

We work closely with many UK government departments, including the Department of Environment, Food and Rural Affairs (Defra), the Department for Children, Schools and Families and the Department for Transport. Our health forecasts help the National Health Service know when and where there is a risk of illness so it can take preventative action, reduce hospital admissions and improve patients' quality of life.

To achieve our vision — making our forecasts essential to everyone, every day — we employ talented individuals from across the scientific community who are passionate about their work. We are committed to training and developing staff to ensure they are able to perform their jobs to the best of their ability. We have a constructive relationship with the Prospect Trade Union, negotiating with it on pay and consulting on a range of other staff-related issues, including terms and conditions of employment. The Met Office Functional Whitley Committee and its subcommittees provide more formal mechanisms for consultation with staff. We regard their health, safety and welfare, and that of others working on our behalf, to be of paramount importance and employ a full-time, trained Health and Safety Officer to ensure that everyone is fully aware of their responsibilities in this regard.

Whether it is climate change or weather forecasting for the general public, a company or government, responding to our customers is our top priority. No other national weather service provides services and advice with the same level of detail to meet such a wide range of individual customer's needs and only the Met Office is synonymous with both weather and climate change.

In this year's Annual Report we present a variety of examples of customer service improvement, along with evidence of how we maintain and build on our excellence in weather forecasting and climate research.



## INTRODUCTION FROM THE CHAIRMAN OF THE MET OFFICE BOARD

**The Met Office has had another successful year in which our work touched the lives of many people across the world.**

I would like to take this opportunity to register my sincere thanks and appreciation to Mark Hutchinson who has returned to the MoD following a highly successful secondment. He provided first-rate leadership and direction to the Met Office during his period in charge and I wish him continued success for the future.

I also take pleasure in welcoming John Hirst as the new Chief Executive of the Met Office, who brings with him an excellent track record in leading technical and science organisations and understanding the challenges they face. Previously, John was Chief Executive Officer of Premier Farnell and he has also held senior positions in ICI. It is clear that he brings with him energy and drive to get things done and make improvements to customer service – with his arrival I am very positive about the future of the Met Office.

In my role as Chairman of the Met Office, my primary responsibility is to drive the development of the long-term strategy of the Met Office and to support and challenge its Executive to deliver against the Key Performance Targets. The Non-Executive Directors of the Met Office Board are encouraged to help raise external awareness of the Met Office and its work, as well as build beneficial external relationships.

I have recently greeted three new members of the Met Office Board: Jim Currie, Mike Goodfellow and Peter Shortt. Jim is an experienced senior international civil servant who has worked in Brussels and Washington. He was formerly Director General at the European Commission with responsibility for the European Union's environmental policy, and Director General for Customs and Excise and Indirect Taxation. Previously, Mike Goodfellow worked for QinetiQ and has a good understanding of defence technologies and requirements. He is a member of the Audit Committee and the Risk Review Board sub-committee. As Co-Director of Business Delivery for the MoD, Peter Shortt represents the needs and interests of our owner.

They join existing board members Philippa Childs, Denise Harker and Professor Sir Brian Hoskins. As the National Negotiations Officer for the Prospect Union, Philippa represents the needs and interests of Met Office employees. Denise is Chair of the Audit Committee and has vast experience of media and communication. Brian is a leading authority on climate and meteorological issues, and is also Chair of the Met Office Scientific Advisory Committee, which provides independent assessment of the quality and relevance of the Met Office's meteorological and oceanographic research and development. I pass on my congratulations to Brian who was awarded a knighthood in the Queen's Birthday Honours for his services to environmental science.

I must also congratulate the commitment and drive of Met Office senior management in meeting the Key Performance Targets for the third year running – a considerable achievement that further reinforces my view that the Met Office consistently delivers. I am pleased to see the continued pride Met Office employees at all levels take in the quality and value of their work.

With climate change, summers in the UK may become drier on average; however, the rain that does fall is expected to fall in fewer, but more intense events, while extreme rainfall in winter is very likely to increase. Although last summer's flooding cannot be specifically attributed to climate change, such extreme events are expected to become more frequent, placing greater demands on the Met Office. The latest IPCC report highlights the realities of climate change, and brings to mind the important services we can supply to customers today and tomorrow. We must continue to work with our stakeholders and customers to prepare for the impacts of climate change.

A critical component of our service provision is our supercomputing capability. Our existing system will be replaced by a new computer in 2009, with a further enhancement in 2011 to enable a more effective response to high impact weather through the use of a new generation of high resolution forecast models. It will also be used to run world-leading climate models to inform both climate mitigation and adaptation. We are aware that our ability to deliver high value information to our public, government and commercial customers is limited by our current and planned supercomputing capability and are seeking additional investment in supercomputing to ensure that we fully exploit the science at our disposal.

During the last year I have been impressed, but not surprised, by our accurate forecasts that advise and warn governments, businesses and individuals what the weather has in store for the next hour to season ahead. That is why the Met Office is respected worldwide, and rightly so. As time goes on, it is clear to me that the essential work of the Met Office is highly reliant on our people and technology. It is critical that we maintain the highest standards and expertise in these areas to ensure the Met Office continues its success.



## CHIEF EXECUTIVE'S OVERVIEW

Since arriving at the Met Office in September, I have been struck by the breadth of services that the Met Office offers. In many cases, the scope of what is on offer is not fully appreciated or understood by the outside world. One of my biggest challenges is to ensure the future success and profitability of these services, by making people aware of the capabilities of the Met Office and the benefits they bring.

The quality and reliability of the Met Office weather forecasts are recognised as amongst the best in the world. For example, I am proud of the excellent forecasts of the extreme rainfall that caused major flooding last summer, the storm surges in November 2007 and the severe gales in early March 2008. They are all admirable displays of our capability and further examples of our essential role in protecting the infrastructure of our country. That said, we do acknowledge further improvements can be made to benefit the public and emergency response community.

Accurate and detailed weather forecasts have always been vital when making decisions and protecting lives and property but, with the impacts of future climate change, decision making is even harder and the potential costs and implications are massive. The vital nature of our climate research and prediction work was highlighted last year with the introduction of the Met Office Integrated Climate Programme – a five-year, £86 million programme for our clients in Defra and the MoD. The Programme aims to improve understanding of the regional effects and risks of dangerous climate change.

I was reminded of the prominence of Met Office scientists and the leading role that the Met Office plays in international climate science when the IPCC was jointly awarded the Nobel Peace Prize (with Al Gore). The award was in recognition of their efforts to disseminate knowledge about climate change and to lay the foundations for the measures that are needed to counteract such change. It is no coincidence that the Met Office formed part of the delegation at the award ceremony as a key contributor of climate science to the IPCC. Ten Met Office scientists acted as lead authors or review editors for the IPCC's most recent report, with many other Met Office scientists working as contributing authors and expert reviewers.

The Met Office has a wide range of customers – from the Armed Forces operating in the battlefield to the major supermarket chains; from the world's leading airlines to policy makers in Government; from the utility companies operating our national infrastructure to you and me planning a barbeque or a day out. Making sure such a wide range of customers is satisfied is a real challenge and requires constant attention and focus. It is the subject of major effort by the Executive team. For example, in response to customer requirements we have reviewed the way we provide services to our Defence customers. The review prompted the development of a new service delivery concept. Following consultation with the Trade Union, a new network structure has been designed which will enable more efficient and effective delivery of meteorological services in the future. Our continued support to the Armed Forces is most apparent in the MMU, with Met Office employees deployed as reservists in locations across the world, including Iraq and Afghanistan.

Changes to the Executive team have been implemented smoothly and the senior management has coped well. The forthcoming recruitment and appointment of a new Chief Scientist will contribute to our strategic development and help form relationships with other meteorological organisations and scientific institutions. The way we work with others is critical to our future success and this year the Executive and I have reviewed our worldwide collaborations. Many aspects of science that are so critical to our future and on which our products and services depend, cannot be delivered without collaboration, and there are of course benefits to those who work with us. For example, our collaborative work on ensemble models with the South African met. service had a major benefit in improving severe weather warnings and timely evacuations in the flooding events in Mozambique and Zimbabwe in December 2007. This collaboration helped save many lives and is tangible evidence of the benefits of our relentless pursuit of scientific excellence.

Throughout this year's Annual Report are positive examples of our other collaborative work to combine skills and align research and development programmes. We work increasingly closely with our customers and operating partners such as the emergency services and the Environment Agency. We also continue to build on existing academic and research relationships with centres of excellence to develop the capability of the Met Office Unified Model to deliver mutual benefit to the Met Office, our partners and customers. Last year, collaboration agreements were signed with the National Meteorological Services of Norway, South Africa and Australia, allowing them to use the Met Office Unified Model for numerical weather prediction.

I am enthusiastic and confident about the Met Office's prospects. Our experience, strong science base and customer service are all key to our future success and profitability. I believe we can build and develop on our achievements over last year to become an even more successful organisation in the future. The Met Office is arguably the best climate and weather service in the world, and I am determined to keep it that way through a strong dedication to our science and our customers. Finally, I must express my appreciation for all the hard work and commitment from Met Office employees over the last year. They have made me personally feel welcome, challenged, confident and inspired in my new role and their drive has been particularly evident in meeting all of our Key Performance Targets for the third year running.



## MANAGEMENT STRUCTURES

### Met Office Owner's Council

Strategic oversight on behalf of our Owner (the Secretary of State for Defence) is provided by the Met Office Owner's Council.

### Met Office Board

The Met Office Board includes a number of Non-Executive Directors who approve the strategic direction of the Met Office and oversee its performance.

### Executive

The Executive is responsible for the strategic and corporate management of the Met Office on a day-to-day basis. It is accountable to the Met Office Board.

### Prospect

With over 70 years' experience in the public sector, Prospect is the only recognised Trade Union for Met Office staff. Current membership is in excess of 70% of employees.

### Register of Interests

The Met Office maintains a public Register of Interests which details company directorships and other significant interests held by Board members which may conflict with their management responsibilities. Persons wishing to view the Register should apply in writing to Chris Richards, Secretariat Manager, Met Office, FitzRoy Road, Exeter, EX1 3PB.

### Executive Directors



**John Hirst**  
Chief Executive



**Prof. John Mitchell**  
Climate Science  
Director



**Rob Varley**  
Government Business  
Director



**Keith Groves**  
Operations and Customer  
Service Director



**Dr. Alan Dickinson**  
Science & Technology  
Director



**Dr. Phil Johnston**  
Commercial Business  
Director



**Nick Jobling**  
Finance & Planning  
Director



**Peter Whittle**  
Strategic Marketing &  
Product Director

### Non-Executive Directors



**Robert Napier**  
Chairman



**Denise Harker**  
Non-Executive Director



**Prof. Sir Brian Hoskins**  
Non-Executive Director



**Dr. Mike Goodfellow**  
Non-Executive Director



**Jim Currie**  
Non-Executive Director



**Peter Shortt**  
Non-Executive Director

Met Office Owner's Council (MOOC)	Met Office Board	Executive	Audit Committee	Membership at 31 March 2008
●	●	●	*	John Hirst (Chief Executive) <sup>1</sup>
	●	●		Prof. John Mitchell OBE FRS (Climate Science Director)
	●	●		Keith Groves (Operations and Customer Service Director) <sup>3</sup>
		●		Rob Varley (Government Business Director) <sup>2</sup>
		●		Dr. Alan Dickinson (Science & Technology Director)
		●		Dr. Phil Johnston (Commercial Business Director)
		●		Peter Whittle (Strategic Marketing & Product Director) <sup>5</sup>
	●	●	*	Nick Jobling (Finance & Planning Director) <sup>4</sup>
●	●			Robert Napier (Chairman)
	●		●	Denise Harker (Non-Executive Director & Chairman of the Audit Committee)
	●			Prof. Sir Brian Hoskins CBE FRS (Non-Executive Director)
	●		●	Dr. Mike Goodfellow (Non-Executive Director)
	●			Jim Currie (Non-Executive Director)
	*			Philippa Childs (Prospect National Negotiator)
●			●	David Filkin (MOOC member)
●	●			Peter Shortt (Co-Director of Business Delivery, MoD)
●				Derek Twigg MP (Under Secretary of State – Chairman)
●				Sir Ian Andrews (2nd Permanent Under Secretary)
●				Nick Baldwin (Chairman, Public Weather Service Customer Group)
●				Captain Peter Griffiths (DfT Customer Representative)
●				David Warrilow (Defra Customer Representative)
●				Sir Roy Anderson FRS (Scientific Advisor, MoD)

\* Invited attendees.

<sup>1</sup> Replaced Mark Hutchinson September 2007.

<sup>2</sup> Replaced Dr. David Griggs September 2007.

<sup>3</sup> Replaced Steve Noyes (seconded to the Network of European Meteorological Services (EUMETNET)) January 2008.

<sup>4</sup> Replaced Ian Carlson July 2007.

<sup>5</sup> Six month contract to 4 September 2008.

# Management commentary

## KEY PERFORMANCE TARGETS

For the third year in succession we have met or exceeded all our Key Performance Targets (KPTs). In the interests of continuity and stability, the Met Office will continue to use the same group of Key Performance Targets in 2008/9 as in 2007/8. These are forecast accuracy, Return on Capital Employed, business profitability and Customer-Supplier Agreements output delivery targets.

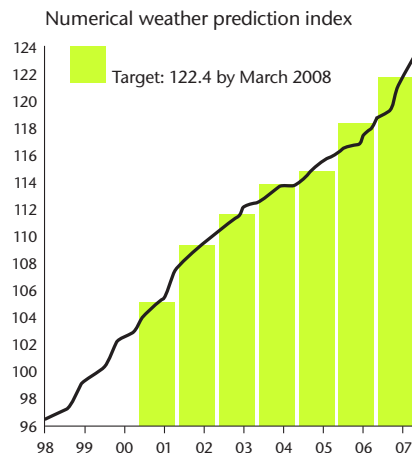
These KPTs support the Met Office Top Level Objectives as documented in the 2007-2011 Corporate Plan:

- Creating value
- Services to the public
- Services to central Government
- Services provided on a commercial basis
- Organisational excellence

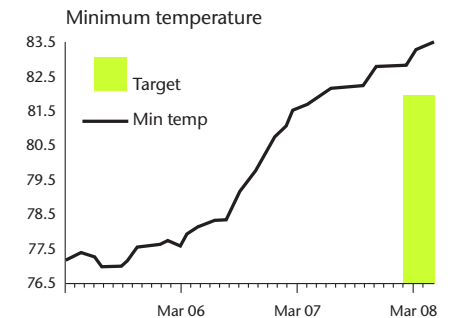
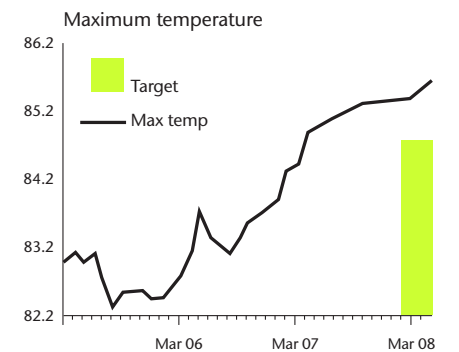
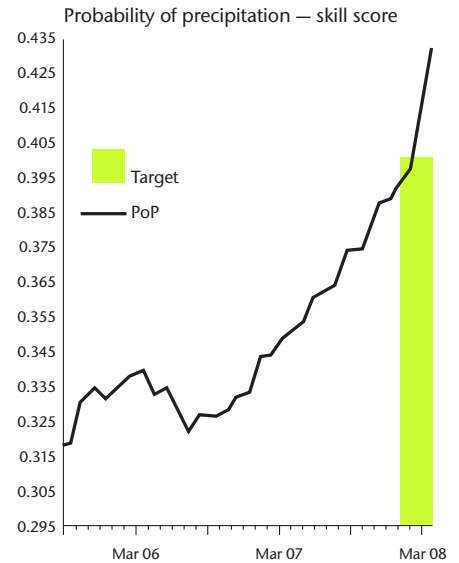
### Forecast accuracy

We assess forecast accuracy against four different measures:

Globally, and over the UK, we look at the performance of our computer-based forecasting systems using a Numerical Weather Prediction (NWP) Index. This allows month-by-month comparisons of performance and we have demonstrated a sustained improvement in the accuracy of our forecasts since 1998. By March 2008 the NWP Index was 123.5 against a target of 122.4.

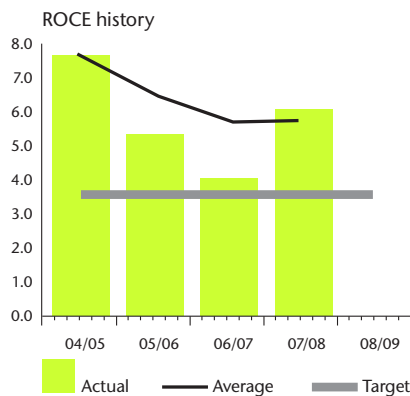


We also measure the accuracy of our forecasts closer to home by comparing 24-hour forecasts of rainfall, minimum temperature and maximum temperature with what actually happened in 11 UK locations. These measures are very dependent on the weather itself, but there have been significant improvements in these scores in the past two or three years, reflecting both the introduction of improved First Guess Information from the NWP forecast systems and improved forecaster interaction with the automated product. The probability of precipitation measure ended the year at 0.433 against a target of 0.403 whilst the maximum and minimum temperature accuracy scores achieved 85.5% and 83.5% respectively (against targets of 84.8% and 82.0%). In future, there are several areas where we expect to make changes in the Forecast Accuracy KPTs to better match customer requirements. For example, we intend that the 11 locations targets be based on an increased number of sites once the historical 36-month record has been established and this is currently expected to be in time for 2010/11.



### Return on Capital Employed

The Return on Capital Employed (ROCE) supports the longer term target set by HM Treasury, "...for the 5-year period from 1 April 2004 to 31 March 2009... to achieve a return, averaged over the period as a whole, of at least 3.5 per cent...". In 2004/5 ROCE was 7.6%, in 2005/6 5.3% and in 2006/7 4.0%. The achieved figure of 6.1% in 2007/8 gives an average across the first four years of 5.7%, comfortably meeting the required target.



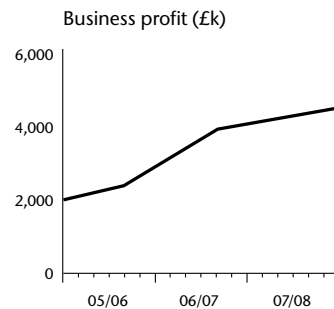
### CSA output delivery

Whilst ROCE is a measure of corporate profitability before interest and dividend calculations, we must always demonstrate to our government customers that we have delivered the outputs they have paid for. Following on from the initial work in 2006/7 that introduced Customer-Supplier Agreements for key government customers, this KPT measures delivery of outputs to key government customers for our Public Weather Service, Defence Services and Integrated Climate Programmes. For 2007/8 a total of thirty seven outputs defined in terms of products, targets, services and milestones were all met within the tolerances agreed with the customers.

### Business profitability

Business profit is based on profit generated from all operational commercial business and includes some competed government business. For 2007/8 the business profit of £4.4m exceeded the target of £4.3m.

In 2008/9 inclusions from Government Business will be slightly expanded to consist of all those elements that do not fall under HM Treasury fees & charges policy. Calculated on this revised basis, the profit for 2007/8 would have been £5.8m and based on this we have an increased target of £7.0m.



## CORPORATE RESPONSIBILITY

Over the last year we have continued to strive to meet our objectives in a sustainable way and act in a positive manner in our dealings with staff, customers, suppliers and the wider community.

### Reducing our impact on the environment

We are committed to minimising our impact on the environment. Over the last year, we have continually improved our environmental performance by:

- achieving an “Excellent” rating in the Building Research Establishment Environmental Assessment Method (BREEAM) for the third consecutive year. BREEAM is recognised as the world’s leading assessment method for the environmental performance of office buildings;
- retaining an environmental management system for our Exeter site that is certified to the internationally recognised ISO14001 standard of excellence;
- developing a procurement process that is committed, wherever possible, to the purchasing and use of sustainable resources;
- replacing our current fleet of pool cars and commercial vehicles with a more environmentally-friendly diesel fleet to further reduce our CO<sub>2</sub> emissions;
- installing a borehole to provide a sustainable source of water and alleviate the strain on the water utilities infrastructure;
- using reusable glass bottles refilled with tap water in meetings instead of plastic bottles;
- increasing the total waste recycled by 27.2% compared to 2006/7;
- reducing the total waste disposed of by 17.8% compared to 2006/7.

We are committed to the long-term target of reducing CO<sub>2</sub> emissions by 12.5% in 2009/10 from a 2004/5 baseline, calculated as the level of emissions per square metre of the Exeter site of 0.31 tonnes CO<sub>2</sub>/m<sup>2</sup>.

CO<sub>2</sub> emissions from energy consumption at our Exeter site during 2007/8 totalled 0.29 tonnes CO<sub>2</sub>/m<sup>2</sup>.

Calculated from energy consumption at our Exeter site, CO<sub>2</sub> emissions were maintained at approximately 7.1 tonnes per head of capita between 2006/7 and 2007/8 despite rising computer use, IT loading and associated heating, lighting and cooling.

We will not be able to further reduce our energy consumption during 2008/9 because we will have two supercomputers running in tandem during the testing period of our new supercomputer. However, we will continue to explore other measures to reduce our total energy consumption.

### Making a positive impact on the community

We strive to have a positive impact on society and in those communities in which we work.

Activities this year included:

- continuing to hold Open Days throughout the year giving the public an insight into our work in weather forecasting and climate change;
- sponsoring the Shaping the Future lectures – a series of public events held at the University of Exeter which provide a forum for distinguished speakers. Professor Lord Nicholas Stern delivered a lecture entitled ‘Towards a global deal on climate change’;
- donating £3,300 over the last year to our nominated charity, WaterAid, which works to provide clean domestic water, sanitation and hygiene education to the world’s poorest people in Africa and Asia. Met Office employees were actively involved in fund-raising events such as a raffle and Christmas gift shop and walking the South West Coast Path.



## Making a positive impact worldwide

We work as part of the World Meteorological Organization's Voluntary Co-operation Programme, supporting countries across the world in the form of equipment, expert services and training. Our funding and activities aim to help the National Meteorological Services of developing countries to deliver effective services and become more sustainable.

Our support this year included:

- observing systems;
- information for forecasters;
- aid to communicate disaster warnings in a clear and simple way, by enabling national weather broadcasts on television;
- climatological databases for planning, risk analysis and climate change indicators;
- training for forecasting, communications, IT and management;
- expertise and training in statistics, for example working with the Food & Agriculture Organization and World Food Programme to provide joint training in eastern and southern Africa to develop skills in crop modelling for effective and sustainable agriculture;
- projects to improve access to weather information locally, working with Computer Aid, for example in Uganda, to put computers in local observation stations so that those staff can deliver information to their communities;
- restoration of essential weather service infrastructure after disasters.

In addition, we provide our seasonal forecasts to developing countries that depend on seasonal weather. Similarly, our PRECIS (Providing Regional Climates for Impacts Studies) is a regional climate model made freely available to developing countries so they can assess their vulnerability to climate change, study its impacts and find options for adaptation.

## Protected personal data

- The Met Office takes advantage of the MoD's registration with the Information Commissioner for the purposes of processing personal data, and works closely with the Data Protection Officer for MoD to manage compliance with the Data Protection Act 1998 and all risks relating to the processing of personal data.
- There were no protected personal data related incidents formally reported to the Information Commissioner's Office over the 2007/8 financial year.
- There were no protected personal data related incidents centrally recorded and not formally reported to the Information Commissioner's Office in the 2007/8 financial year.
- There was one protected personal data related incident recorded by the Met Office in the last three financial years including 2007/8. This was reported to MoD and the incident took place in November 2006.

Far left: some of the recycling bins at the Met Office.

Middle: Met Office staff taking part in a coastal walk for WaterAid.

Right: on location training for African forecasters.



# Spring

(April, May 2007)



## WEATHER HIGHLIGHTS

### April

In contrast to April 2006, which saw unsettled spells with rain, sleet, hail and snow, April 2007 was an exceptionally warm month. It was so warm that all regions across the UK set records for maximum and mean temperatures. It was also dry, with well-below average rainfall over the UK. Less than 3 mm of rainfall was recorded in most places over south-east England and East Anglia.

Early, accurate forecasts for the Easter weekend meant that many people could plan ahead to enjoy the fine weather over the holiday period. Overall, sunshine was well above average for the majority of the UK, with some areas experiencing the sunniest April on record.

Met Office forecasters provided a good early warning of exceptionally warm conditions for the London Marathon on 22 April, warning of highs of 23 °C. Conditions certainly favoured spectators rather than many of the runners, with plenty of sunshine.

### May

Following the warm, dry and sunny weather, unsettled, cold, wet and windy conditions were forecast for the early May Bank Holiday weekend. Mean temperatures for the month ranged from close to average across north-west Scotland, to over 1 °C above average in southern and eastern England.

During May, well above average rainfall was experienced in most places across the UK, with East Anglia experiencing its wettest May since 1914, with over 200% of the average rainfall. For much of the UK it wasn't as wet as the previous May, which was an especially wet month.

Sunshine varied from above average over Scotland and Northern Ireland, to below average in parts of eastern England. The daytime maximum temperature of 7.9 °C at Heathrow on 28 May was the second coldest on record for May. St Catherine's Point (Isle of Wight) reported a 24-hour rainfall total of 74.8 mm on 27 May.

Left: on 10 May people enjoyed the hot weather on the beach at Brighton, Sussex, on what was one of the hottest days of the year so far.

Right: competitors in the London Marathon.

Far right: heavy rain in Central London.





Climate change

### IPCC impacts report

In April, the Intergovernmental Panel on Climate Change (IPCC) released a major report on the impacts of climate change, one of a three-volume publication of the most up-to-date findings on climate change. The report focused on the currently observed impacts of climate change and future impacts on the world's water, food, ecosystems, infrastructure, health and coastal systems, as temperatures rise during the 21st century. The Met Office hosts the IPCC support unit of the working group on climate change impacts, adaptation and vulnerability, which coordinated the drafting, review and production of this report.

### Health forecasting

In April we launched a groundbreaking health forecasting service for Chronic Obstructive Pulmonary Disease (COPD) – a serious respiratory condition affecting over 1.5 million people in the UK. COPD patients are particularly vulnerable in cold weather. The new forecasting service identifies when and where people are at risk, and uses this information to administer anticipatory care, helping to reduce hospital admissions and save lives.

### Military R&D

Research and development (R&D) in the military arena continues apace. In addition to developing military tactical decision aids in-house, we are working with agencies such as the Defence Science and Technology Laboratory (Dstl) in a variety of areas which range from sea breezes through to the stratosphere. Developments by the Met Office have directly improved the UK's strategic defence advantage and helped minimise collateral damage during operations.

### Customer service

We have been working hard to enhance the quality of our customer service. Producing weather forecasts and disseminating our products relies on a complex IT infrastructure, so we have introduced service management best practice for technology in the form of the Information Technology Infrastructure Library (ITIL). This, together with the implementation of Remedy 7 – a new service management tool used for managing changes and incidents across the Office – has been fundamental to our drive to improve customer service.

### Quantum

Quantum was implemented in April. An end-to-end production system that improves the timeliness, consistency and resilience of our products and services to the utilities sector, Quantum has reduced production costs by almost £80,000. It has also enabled us to deliver products in a timely manner and so ensure that we meet or beat delivery times in our Service Level Agreements with customers.

Right: Commando Royal Marines took part in an operation in Helmand Province, Southern Afghanistan, in early 2007.



## Argo float target

The oceans cover around 70% of the Earth's surface and are a major influence on our climate, but relatively little is known about them in comparison to the atmosphere. Argo is a worldwide programme to deploy thousands of specialised floats throughout the world's oceans that help us improve our understanding by providing measurements of salinity and temperature. The Argo programme achieved its target of 3,000 operating floats throughout all the ice-free deep-ocean areas of the world. Over 30 countries have worked together to establish the Argo array. In the UK the programme is managed by the Met Office, in partnership with the National Oceanography Centre in Southampton, the British Oceanographic Data Centre and the UK Hydrographic Office. It is jointly funded by Defra, MoD and the Natural Environment Research Council.

## Delivering initial benefits from MetOp

As part of the European Polar Satellite programme of the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT), the Met Office and the MoD have made a large investment in three MetOp satellites – a new generation of European polar-orbiting weather satellites. Positive impacts on global NWP performance were demonstrated from two new MetOp sensors – the Infrared Atmospheric Sounding Interferometer and the Advanced Scatterometer.

Right: an Argo float being developed in the south-east Atlantic from the South African polar research ship, SA Agulhas.

Far right: Sir Ranulph Fiennes visited the Met Office in December to present an award at our annual Awards for Excellence event.

## SWIFT

Over the course of the year, our new Strategic Weather Information Forecasting Tool (SWIFT) was installed at most Met Office operational sites in the UK. SWIFT is a new forecaster workstation which presents weather observations and forecast data interactively, in ways that enable efficient assimilation of information and production of accurate weather forecasts. Through our close work with NATO we are in a position to bid to supply it with similar next generation meteorological visualisation and production tools.

## Election of John Mitchell to WMO Executive Council

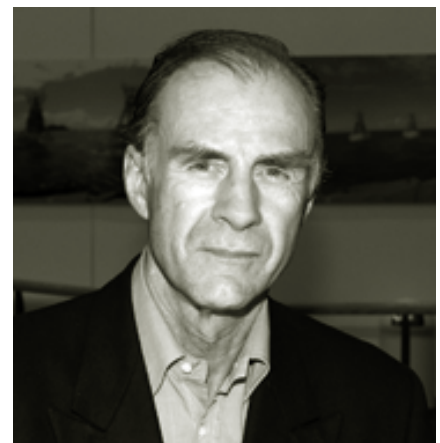
John Mitchell, Met Office Director of Climate Science, was elected to the World Meteorological Organization (WMO) Executive Council at the WMO Congress in Geneva in May. It is important that the UK is represented on the Executive Council, so that we can continue to improve the transparency, financial governance and value for money that the UK gets from the WMO.

## Meteoalarm

A new web-based service, Meteoalarm ([www.meteoalarm.eu](http://www.meteoalarm.eu)) provides up to the minute severe weather warnings for over twenty European countries. The information is supplied by Europe's leading national weather services, including the Met Office, and covers the most popular business and tourist destinations. The site was developed by EUMETNET and is supported by the WMO.

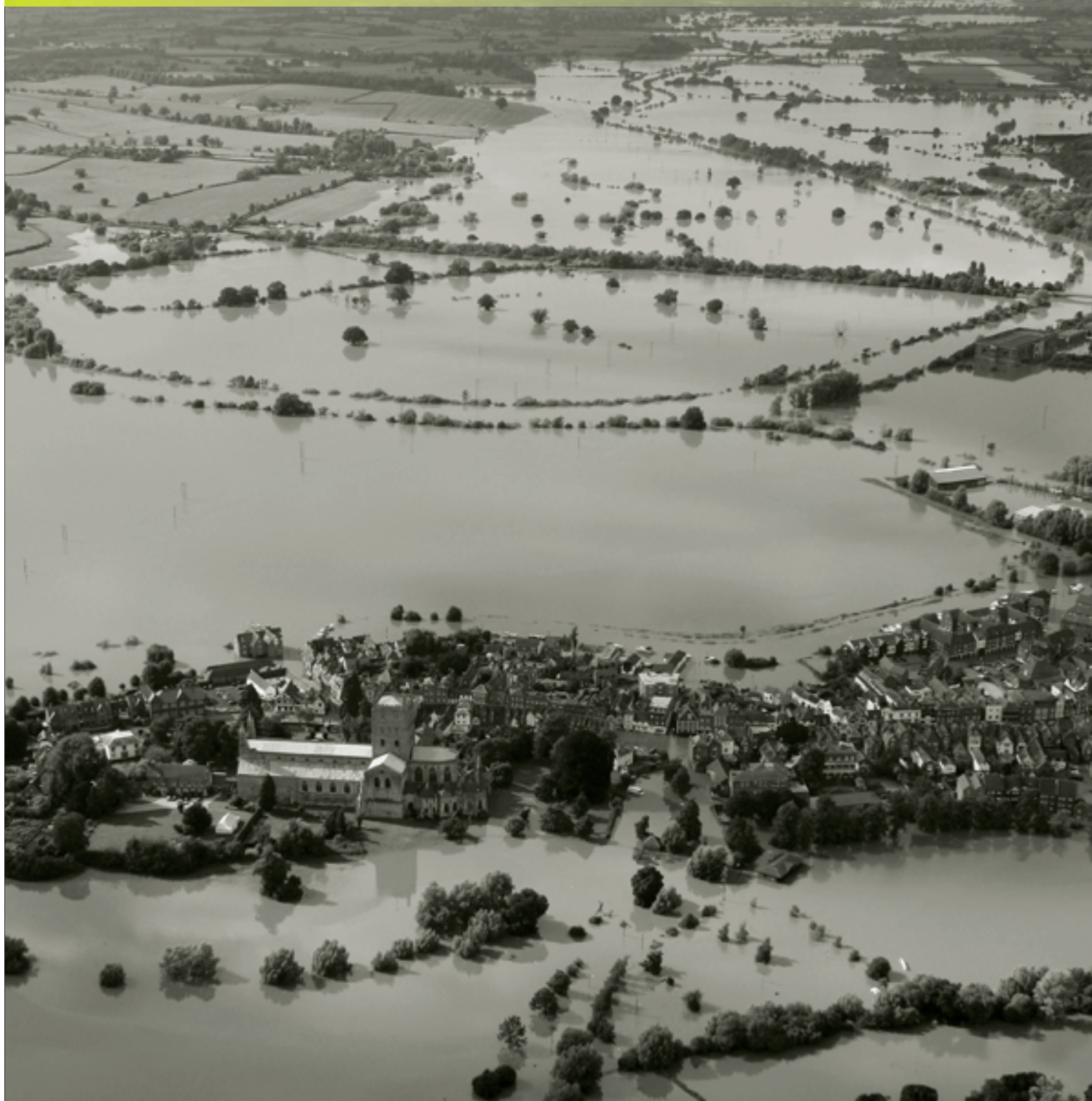
## Eiger challenge

The Met Office sponsored a team headed by Sir Ranulph Fiennes to climb the North Face of the Eiger to raise money for Marie Curie Cancer Care. Our daily forecasts identified the vital weather window needed for the climb. Using this weather window, the team successfully completed its challenge. Sir Ranulph visited the Met Office later in the year to tell staff about the climb and present an award at our annual Awards for Excellence event.



# Summer

(June, July, August 2007)



## WEATHER HIGHLIGHTS

### June

Unlike the exceptionally warm, dry and sunny summer of 2006, many people in the UK will remember 2007 as the year without a summer. Extreme rainfall in June and July, and the large-scale flooding that followed, gripped the nation for much of the season.

The Met Office played a vital role throughout, providing highly accurate forecasts and warnings ahead of the heavy rains. Before and during the floods we worked with and advised the Environment Agency, the Scottish Environment Protection Agency, emergency planners and COBR (the civil contingencies committee which leads responses to national crises) so that the nation was as prepared as possible for the exceptional rainfall.

It is not easy to forecast extreme weather, but for these events heavy rain was well forecast, with Met Office forecasters predicting the intense and prolonged rainfall that brought flooding and in some cases tragic consequences to parts of the UK. There is no doubt that things would have been even worse without early warnings from the Met Office.

Overall, June was the wettest since records began in 1914. Sunshine was generally below average in the UK, and exceptionally below average over parts of eastern Scotland and North East England, with some areas having their dullest ever June.

Mean temperatures were generally around 1 °C above average in the UK, although maximum temperatures across parts of eastern Scotland were over 1 °C below average. A drop at the end of the month made it feel more like autumn. Cooler and unsettled weather coincided with major outdoor events such as the Glastonbury Festival and Wimbledon, which both experienced heavy showers at times.

Heavy rainfall affected much of northern England on 14–15 June due to a slow moving area of low pressure. There was significant local flooding and the ground was left saturated. Early warnings for the next severe rainfall event were first issued on 22 June. Extreme rainfall affected Sheffield and Humberside on 25 June with more than 100 mm recorded at Whineside in 12 hours. As a result there was extensive flooding which persisted for several days.

### July

As many schools prepared to break-up for the summer holidays, the Met Office warned of more serious torrential downpours. More extreme rainfall in July caused widespread floods and disruption. Both England and Wales recorded over double their average July rainfall, with the Worcestershire area recording over four times the average amount.

Pershore College recorded 157.4 mm of rain and Brize Norton 127.8 mm in the 48-hour period from 19–20 July. Brize Norton recorded 101.0 mm of its total in just a 7-hour period and Pershore College recorded 134.8 mm of its total in a 16-hour period.

Mean temperatures in July were generally close to, or slightly below, average. Maximum temperatures were generally below average and as much as 2 °C below average in some southwestern parts of the UK. Sunshine was well below average over the north-east of Scotland, but slightly above average in western areas of Scotland.

### August

The rain eased in England and Wales in August, but Scotland was wet with north-west Scotland having 50% more than normal. Many areas had their coldest August for over 10 years; with England having its coldest August since 1993.

Temperatures in Scotland were close to average in August with below average sunshine. Tulloch Bridge in the Scottish Highlands recorded a minimum temperature of –0.9 °C on 20 August. Terrington St. Clement (Norfolk) recorded a maximum temperature of 30.1 °C on 5 August.

More unseasonable weather followed on 13 August when forecasters warned of gales and heavy rain across the western half of the UK. Overall, August was a dull month, with a wet start but a dry finish. After a summer dominated by rain, the Met Office forecast brighter weather in time for people to enjoy the Bank Holiday. High pressure dominated throughout the UK in the last week of August, and dry weather with lighter winds and some sunshine replaced the unsettled conditions. With temperatures reaching 25 °C in parts of southern England, it was much more like the summer many had hoped for.

Left: aerial shot of Tewkesbury during the summer floods.

Right: relaxing between showers at the Glastonbury Festival.



## Why was the summer so poor?

Part of the reason was the jet stream – a band of strong winds in the upper atmosphere that influence how weather systems that bring rain to the UK will develop and move across western Europe. For much of the summer the jet stream was further south and stronger than in a typical summer. This meant that many depressions crossed over southern and central parts of the UK, with some becoming slow moving over or close to the country.

While the jet stream was situated further south over the North Atlantic, there were some very high temperatures over southern Europe as subtropical air was carried from lower latitudes of the North Atlantic into southern Europe.

As the jet stream was stronger than normal, depressions near the UK were more intense. Some of these depressions pulled in the very warm and moist air to the south of the UK, generating exceptionally heavy and intense rainfall.

Although summer 2007 was unsettled, temperatures were near or above the long-term average; it is likely that this was in response to the warmer surrounding ocean. Air in summer is warmer than at other times of year, and it can hold more water vapour. The warm sea temperatures, combined with the affect of the stronger jet stream, offers another explanation of the heavy rain.

While there is no definitive reason for the unusual conditions, the pattern is broadly similar to what has happened in previous years when a La Niña event has occurred in the tropical east Pacific. However, the pattern was displaced further south than in previous summers when a La Niña event has been present.

No single event can be attributed to climate change and, in general, summers are expected to become drier on average as global temperatures rise. However, when atmospheric conditions favour wet weather, as was the case this summer, higher temperatures may give rise to increased rainfall intensity.

### The Pitt Review

In August, Sir Michael Pitt was asked by Ministers to conduct an independent review of the flooding in June and July. An Interim Pitt Review was published in December and contained a number of positive references to the Met Office, recognising that our forecasts and warnings had been timely and accurate and also praising the performance of our Public Weather Service Advisors. Developments in Met Office capability, including 1.5 km resolution models and probabilistic forecasts will help the UK to be more resilient to severe weather.

Climate change

### Plant growth and global warming

In July, experts from the Met Office, working in conjunction with scientists from the University of Exeter and the Centre for Ecology & Hydrology, found that projected increases in ozone near the Earth's surface could lead to significant reductions in regional plant productivity. Surface ozone damages plants, affecting their ability to absorb carbon dioxide from the atmosphere therefore accelerating global warming as carbon dioxide levels increase.

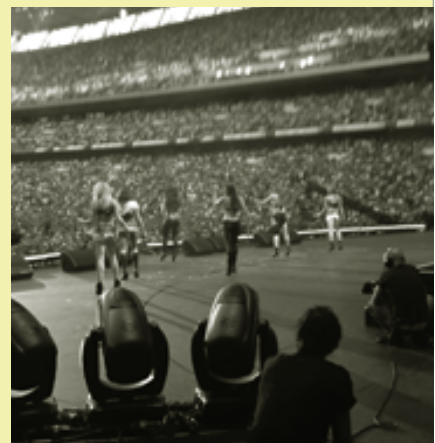
### Live Earth

In July, the Met Office acted as key scientific advisor to Live Earth, a global televised event which drew attention to climate change. It brought together some of the world's top musicians for 24 hours of non-stop music across seven continents. Our expert climate scientists were backstage at Wembley to brief the artists involved and the BBC presenters and journalists.

### Decadal forecasts

In August, climate scientists in the Met Office Hadley Centre unveiled the first ten-year climate forecasts in the world to use alongside the 50- or 100-year time frame projections. Ten year forecasts offer predictions of practical relevance to organisations where adaptation to global warming and planning for more extreme weather is a key operational concern. They are designed to predict natural variability, such as El Niño and fluctuations in the Gulf Stream, in addition to man-made climate change. The new forecasts incorporate the effects of sea-surface temperatures, as well as other factors such as man-made emissions of greenhouse gases, projected changes in the sun's output and the effects of previous volcanic eruptions.

Right: performers at the Live Earth concert attended by experts from the Met Office Hadley Centre.



## Public Weather Service Advisors

The team of Public Weather Service Advisors, based across the UK, is now an integral part of the emergency response community and has received many commendations for their engagement during 2007/8. Adding value to the National Severe Weather Warning Service, the Advisors assist the emergency response community in risk assessment, planning and exercising processes.

## Forecasting the Atlantic tropical storm season

Issued in June, the Met Office's first-ever seasonal tropical storms forecast provided good advice for the 2007 Atlantic tropical storm season. Ten named tropical storms were forecast between July and November which is below the 1990–2005 average. The actual number of named storms recorded during that period was 12, again below the average. The tropical storm forecasting system, developed in collaboration with the European Centre for Medium-Range Weather Forecasts and Météo-France, uses global climate models and ocean temperature predictions to provide seasonal tropical storm predictions. Short-range forecasts for individual storms during the season were also successful. The US National Hurricane Center confirmed that the Met Office global model gave the best predictions for Atlantic storms in 2007 up to 72 hours ahead.

## Fastnet Race warning

Severe weather warnings for the Fastnet Race in August meant that the yacht race was postponed. With the race taking place off south-west England in August, we worked closely with the organisers, warning them of the impacts of weather on the race. The postponement was the first in the history of the race. Crews in the biennial event are frequently faced with bad weather, but in 1979 the fleet sailed into one of the worst storms ever to hit an ocean yacht race. Fifteen people died and dozens of boats were lost. Postponing the race for 25 hours avoided a possible repeat of these terrible events.

## Delivering environmental web services

July saw the successful launch of the Delivering Environmental Web Services (DEWS) application which provides a unique combination of health, weather and marine information. The DEWS project has been developed by a number of organisations, including the Met Office, to improve the delivery of environmental information on the web in terms of security, provision and overlaying of environmental information. It was co-funded by the Technology Strategy Board's Collaborative Research and Development programme.

## Global Monitoring for Environment and Security

The Met Office is the largest funded organisation from the UK developing new services under the European Commission initiative Global Monitoring for Environment and Security (GMES). Our Ocean Forecasting team is leading work on the processing and service delivery of sea-surface temperature observations, as well as supplying the main analyses and forecasts for the North West European Shelf and the back-up for the global and North Atlantic regions.

## Forecasting spread of animal diseases

We were actively involved in supporting Defra and the Chief Veterinary Officer during the 2007 UK outbreaks of the Bluetongue virus and Foot-and-Mouth disease. This involved atmospheric dispersion staff at the Met Office, Exeter, and at the Institute for Animal Health, as well as our staff in the Operations Centre. Bluetongue has not spread to the UK before, and is an example of the impacts an increasingly warm climate can have on animal health.

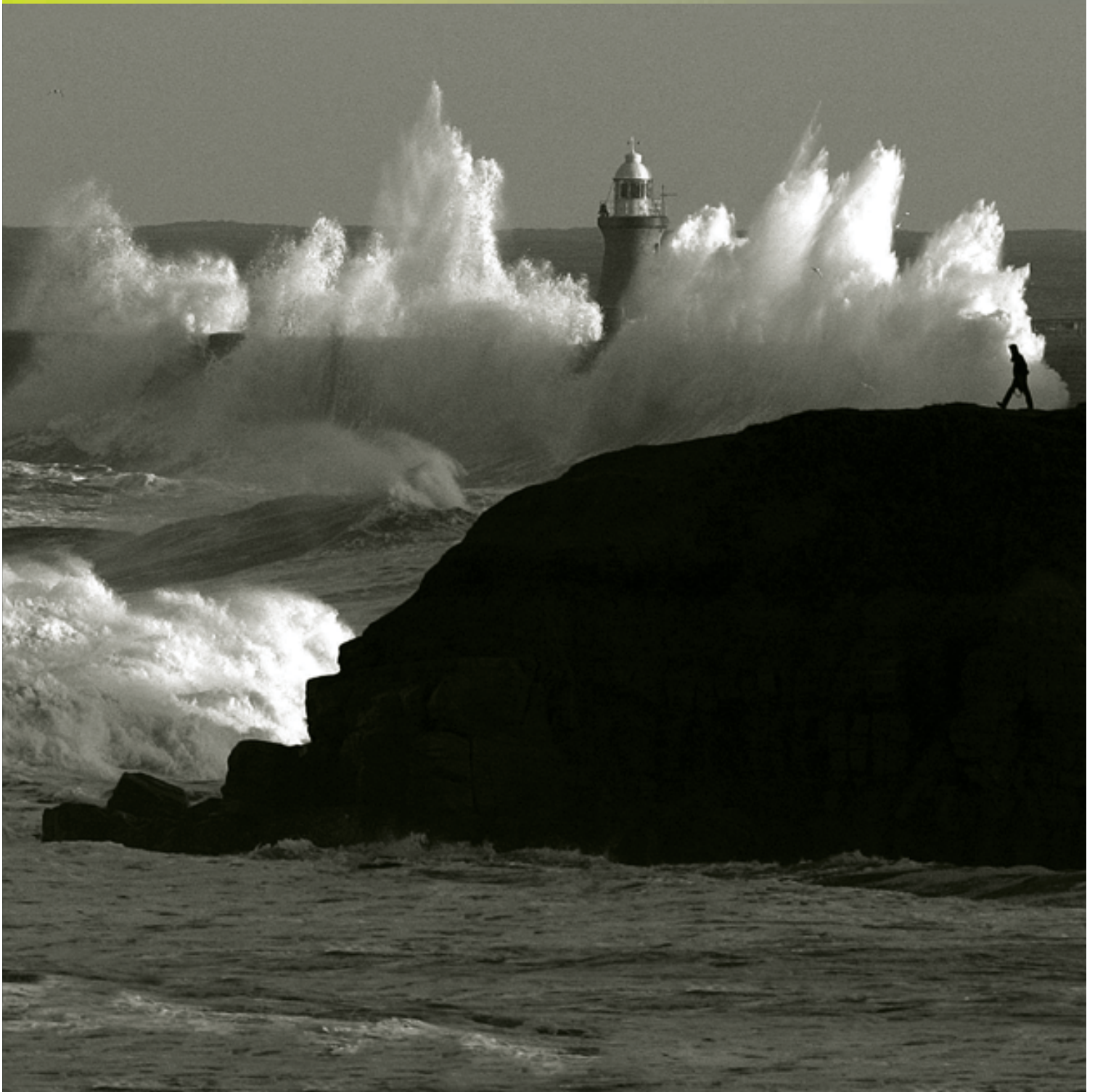
Right: competitors in last year's Fastnet race.

Far right: an Automatic Weather Station at Baylham Rare Breeds Farm, the site of the 2007 outbreak of Bluetongue. It was the first time the disease has spread to the UK.



# Autumn

(September, October, November 2007)



## WEATHER HIGHLIGHTS

### September

In contrast to the summer, autumn brought some lengthy spells of settled weather over much of the UK. Rainfall was generally near or below average, with many parts of southern England only receiving around half of the average rainfall for September. Sunshine levels ranged from well below average in the Northern Isles to slightly above average across England and Wales.

Even with cold starts to some mornings, mean temperatures were generally close to or slightly above average throughout the UK, apart from Northern Scotland, which had its coldest September since 1994. Saughall (Strathclyde) recorded a minimum temperature of  $-3.6^{\circ}\text{C}$  on 27 September. Lee-on-Solent (Hampshire) recorded a maximum temperature of  $25.4^{\circ}\text{C}$  on 6 September.

### October

The relatively settled weather was in marked contrast to 20 years ago, when on 15–16 October 1987, a storm – which was expected to affect the English Channel and northern France – changed course and brought hurricane-force winds to parts of southern England in the worst storm to hit the UK for over 200 years. We provided assistance to the media so it could make commemorative programmes and articles.

Mean temperatures varied from being close to average in East Anglia and south-east England, to over  $1^{\circ}\text{C}$  above average in Northern Ireland and Scotland.

Rainfall was generally well below average in the UK, although slightly above average over a narrow band stretching from Oxfordshire to the Wash. Sunshine levels were generally above average in the UK, although close to or below average over the Northern and Western Isles, East Anglia and south-east England.

Normanby Hall in Lincolnshire recorded a maximum temperature of  $20.9^{\circ}\text{C}$  on 12 October. Aboyne (Aberdeenshire) recorded a minimum temperature of  $-4.9^{\circ}\text{C}$  on 25 October. Brize Norton (Oxfordshire) recorded 64.8 mm of rainfall on 16 October.

### November

Temperatures dropped slightly in November for bonfire weekend with predominantly dry and settled weather. However, by 8 November forecasters warned that weather and tides could cause one of the largest North Sea storm surges since 1953, bringing coastal flooding to eastern England. Accurate and consistent forecasts helped the emergency services, local authorities, the Environment Agency and others to warn those at risk and initiate precautionary evacuation to protect lives and property. Widespread flooding was avoided on this occasion, although it was one of the highest storm surges and tides for several decades.

Our well-timed and accurate forecasts for the spring tides on 9 November and 23 November are two good examples of the Met Office being at the centre of the response. On 9 November we advised government and the Environment Agency on the areas that were most at risk. On 23 November, we advised that areas were not at risk, avoiding a false alarm and saving both the time and money involved in protecting lives and property. These events provided a timely test of our storm surge ensemble, developed in collaboration with the Environment Agency and Proudman Oceanographic Laboratory. Leading up to each event the ensemble provided emergency forecasters with a valuable guide to the degree of uncertainty in the forecasts, and helped them assess the risks of overtopping of flood defences.

Overall, autumn was one of the driest on record for the UK, but it was not as warm as 2006 which was the warmest autumn on record for all districts and regions. One of the main themes of autumn 2007 was the high frequency of dry and settled conditions, often with fog and frost. This confirmed the Met Office seasonal autumn forecast, which predicted a distinct absence of wet and stormy weather. Rainfall varied from around 60% of average throughout much of Wales, to over 150% of average in Aberdeenshire. Mean temperatures were close to average in parts of Kent and East Anglia, while Northern Ireland and Scotland were above average.

Wiggonholt (Sussex) recorded a temperature of  $18.8^{\circ}\text{C}$  on 1 November. Newton Rigg (Cumbria) recorded a temperature of  $-7.4^{\circ}\text{C}$  on 12 November. Sennybridge (Powys) recorded 8 cm of lying snowfall on 19 November.

Left: a spectator watches as gales batter the coast at Tynemouth on 9 November.

Right: also on 9 November, huge waves pounded the sea wall at Walcott near Great Yarmouth.





## Integrated Climate Programme

We launched our new five-year Integrated Climate Programme at the Royal Society in London in September. The programme combines the requirements of Defra and MoD for information on climate change. A key focus is to answer questions on how climates may change regionally, what the risks of dangerous climate change are and what the potential impacts of climate change may be with different degrees of mitigation and adaptation.

## Climate change taskforce

The Confederation of British Industry (CBI) climate change taskforce invited the Met Office to contribute to a study on climate change. In November, our Chairman, Robert Napier, spoke at the launch event of the resulting pioneering report issued by CBI urging businesses to act quickly, decisively and together with government and the public to maximise opportunities and minimise the cost of adapting to and mitigating climate change.

## Nobel Peace prize for IPCC

The Nobel Peace Prize was awarded jointly to the former Vice President of the USA, Al Gore, and the Intergovernmental Panel on Climate Change (IPCC) "for their efforts to build up and disseminate greater knowledge about man-made climate change and to lay the foundations for the measures that are needed to counteract such change". Met Office scientists have played and continue to play a key role in contributing to the IPCC.

## Humidity exacerbating global warming

In October, scientists from the Met Office Hadley Centre and the Climatic Research Unit at the University of East Anglia revealed that the world is becoming more humid because of climate change. An increase in global absolute surface humidity exacerbates global warming, and affects rainfall patterns, tropical cyclone intensity, human health, and ecosystems. It also provides strong independent corroboration for the reported surface temperature warming trends. Water vapour is the most important natural greenhouse gas and its concentration is expected to rise as the climate warms as a result of man-made climate change. This, in turn, will cause more global warming.

## Science Museum exhibition

We worked closely with the Science Museum on its 'Can Algae Save the World?' exhibition. Algae – tiny aquatic plants – can be used as an alternative energy source to fossil fuels. The Met Office was called upon to provide expert advice based on many years of experience in climate research to ensure the supporting material for the exhibition was accurate.



Right: the IPCC delegation in Oslo City Hall, holding the Nobel Peace Prize certificate and medal.

## RIMNET

In September, following a lengthy negotiation period, Defra awarded the Met Office the contract to manage the Radioactive Incident Monitoring Network (RIMNET) service for the UK. This service was established in 1988 following the Chernobyl incident and is the biggest new contract to be secured by the Met Office in recent years. The new capability enhances our strategic positioning as a key provider of environmental services to the civil contingency community.

## Aviation web offerings

During the autumn, new web offerings were launched for use by airlines, airports and Air Traffic Control organisations in the UK. These services add more value to meteorological products stipulated as the minimum requirement by the UK Civil Aviation Authority and have significant benefits for the safety and cost effectiveness of the aviation community.

## Route-based forecasting

The trial of our OpenRoad route-based forecasting prototype with our customers received positive feedback. For more than twenty years we have provided essential weather information to the highways maintenance community to help it ensure that Britain's road network stays safe and open. The next generation OpenRoad web service will become operational in 2008.

## New contract with USAFE

In September, we successfully negotiated a five-year deal with the United States Air Force in Europe (USAFE). We will continue to provide our forecaster visualisation system, including a refresh of the current system, to the US Air Force in Europe for use by both USAFE and US Navy weather specialists based in Germany.

## Operational Sea Surface Temperature and Sea-Ice Analysis

The Operational Sea Surface Temperature and Sea-Ice Analysis (OSTIA) introduced last year has been used in all our weather forecast models since September 2007. OSTIA makes more comprehensive use of satellite data than the previous system and provides more detailed and accurate analyses. Trials over the summer showed that OSTIA captured the exceptional warm anomalies in the Arctic much better than the previous system – reducing the associated low-level biases in the weather forecasts.

## Improvements to model

We have made various improvements to our world-renowned Unified Model (UM) throughout the year. The UM is a unique modelling system capable of both producing daily weather forecasts and performing climate predictions. Continuous enhancement by a team of scientists has secured its position at the forefront of forecast modelling. We have increased the vertical levels in the UK 4 km forecast model from 38 to 70, including 19 levels below 1,500 metres with the lowest model temperature level at 5 metres. This has shown a clear benefit, providing more accurate forecasts. In particular, improved forecasts of clouds in the lower atmosphere have led to much better surface temperature forecasts. We also updated the linear model that represents the evolution of analysis increments in the four-dimensional variational analysis (4DVAR) system, which was updated to include representation of the effects of sub-gridscale convection. This technically challenging advance made a significant impact on the NWP Index and also provides the capability for assimilation of cloud and precipitation data. The capabilities of our UM were further demonstrated through its use at extremely high resolution in support of orographic research projects, and as part of a climatological consultancy project in West Africa. It is also being used for fundamental research into convection as part of the Natural Environment Research Council consortium CASCADE project which is studying convection in the tropical atmosphere.

## Accurate autumn and winter seasonal forecasts

Our autumn and winter seasonal forecasts gave excellent advice. This meant that the public and our customers were well prepared for whatever the seasons had in store.

## Heads of profession

Each profession in the Met Office now has a leader to direct and set standards for the professional development of the discipline and the team members within it. The Met Office has adopted the Heads of Profession concept from the Cabinet Office's Professional Skills for Government programme which aims to ensure that Civil Servants have the right mix of skills to deliver public services and have access to development opportunities.

## Brand refresh

The Met Office is already a familiar name in the UK and abroad, but the brand was refreshed to reinforce our reputation and strengthen our position for the future. Our brand values – drive, integrity, united and visionary – are manifest in everything we say and do – and how we treat each other and our customers. Staff views were included in the refresh and all employees received training on the new brand strategy. The change included a refresh of our corporate identity which changes our branding colour schemes and makes the Met Office logo more visible, larger and more adaptable. You may have seen the new Met Office logo on television weather bulletins, such as ITV Weather.



## Recruitment process

A new streamlined recruitment process has enabled our Human Resources business partners to support managers in filling posts in a much shorter timescale, so the right candidates can be secured quickly. At the same time, we have introduced a wider range of selection methods to ensure we recruit the most suitable employees.

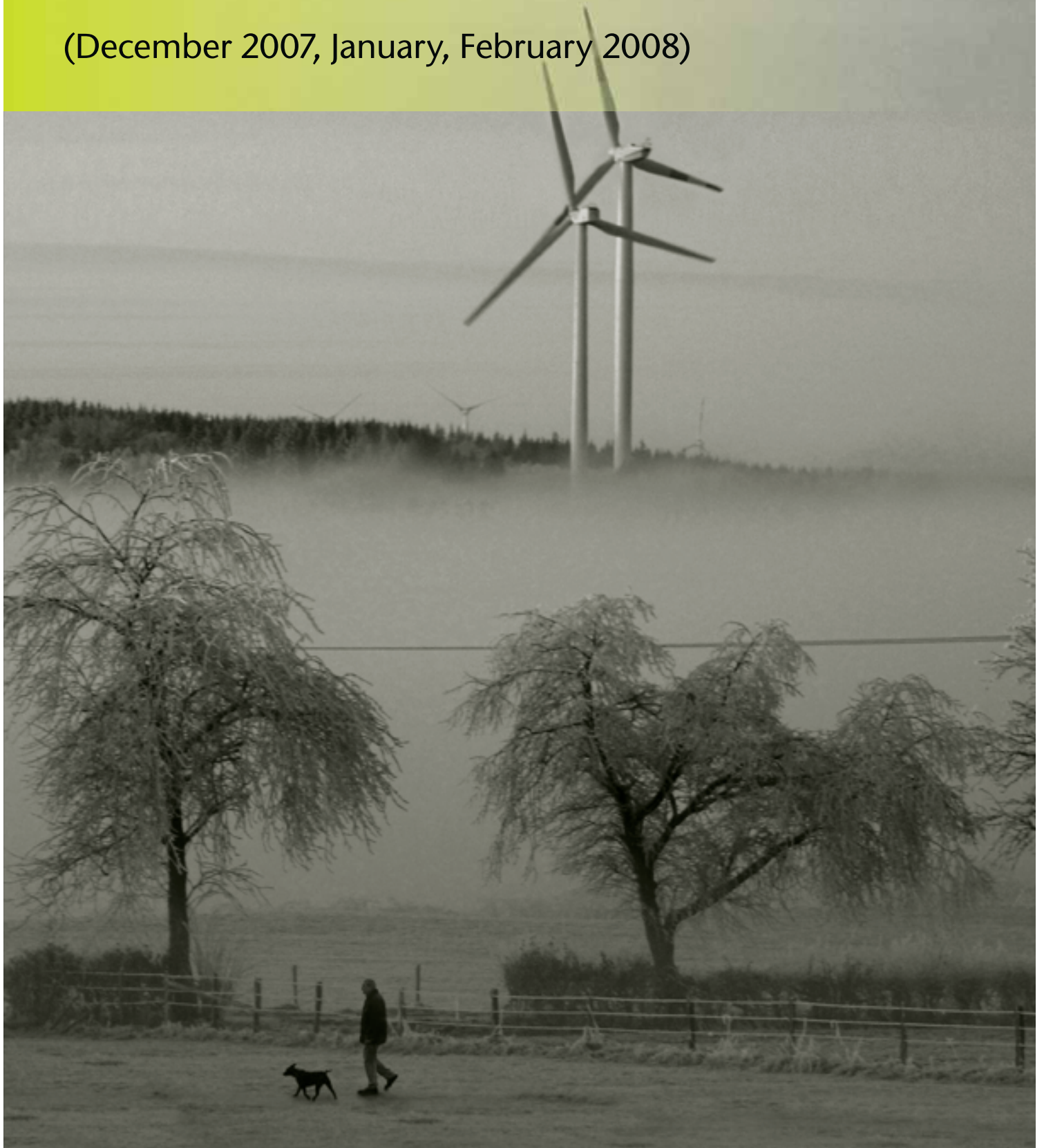
## Maintaining standards

In November we secured formal retention of the ISO14001 environmental standard at its three-year review, as well as retaining the ISO9001 (for business processes) and TickIT certification (for IT standards).

Left: the new Met Office logo on ITV weather.

# Winter

(December 2007, January, February 2008)



## WEATHER HIGHLIGHTS

### December

Cold and frosty weather for many parts of the country in December gave way to milder conditions during the festive period. Scotland had mean temperatures that were close to average. Northern Ireland had mean temperatures around 1 °C above average for December, making 2007 Northern Ireland's warmest year since records began. Rainfall across the UK was generally close to average, but some stations in North West England recorded over 150% of average rainfall.

Sunshine was generally close to, or above average for the UK, with northern Scotland having its sunniest December on record. Longtown (Herefordshire) recorded a high of 16.5 °C on 6 December. Aboyne (Aberdeenshire) recorded a low of -13.0 °C on 22 December.

Looking back over the year as a whole, 2007 was the second warmest year on record in the UK. The average mean temperature for the UK was 9.6 °C – slightly cooler than 2006, but continuing the recent trend towards warmer temperatures. Nine of the 10 warmest years since UK-wide records began in 1914 have occurred since 1989.

### January

After a mild festive break and New Year, the weather turned bitterly cold as winds brought snow to many parts of the UK in early January. The Met Office gave early warning of disruption due to snow across many parts of the UK.

In mid-January, the public were again encouraged to keep up-to-date with latest Met Office forecasts through its website, TV and radio broadcasts, along with flood information from the Environment Agency, as yet another Atlantic weather system brought more rain. A Met Office severe weather warning cautioned that north Wales and northern England were most at risk from further heavy rain and potential floods.

Mean temperatures ranged from 1 °C above average for parts of northern Scotland, to over 3 °C above average for the Midlands and East Anglia, giving the fourth warmest January in England since 1914. Rainfall was generally well above average with parts of northern England and southern Scotland having over 250% of their average rainfall.

Preston Wynne (Herefordshire) recorded a maximum temperature of 15.2 °C on 20 January. Braemar (Aberdeenshire) recorded a minimum temperature of -11.3 °C on 12 January.

### February

February brought a short cold snap at the start of the month in contrast to the mild January. However, despite the cold start, mean temperatures for the month were generally 1.5 °C to 2.5 °C above average across the UK. Sunshine was generally well above average, with England, Wales and the UK all having their sunniest February since 1929. Rainfall was generally below average across the UK, but well above average across north-west Scotland, with some stations recording over 200% of average rainfall.

In Wales, Trawsgoed (Ceredigion) recorded a maximum temperature of 18.2 °C on 12 February. Copley (County Durham) recorded a minimum temperature of -10.7 °C on 20 February.

Over the winter as a whole, daily mean temperatures were 1 °C to 2 °C above average for most of the UK – not as warm as the very mild winter of 2006/7 but continuing the consistent warming trend of recent years.

Left: wind turbines pictured as the rising sun lights the morning fog and trees glazed in frost.

Right: high winds and heavy snow on the A66 in County Durham.

Far right: 15 January. A mobile flood barrier in position alongside the burst banks of the river at Upton-upon-Severn, Worcestershire.



Climate change

**Impact of climate change on the UK energy industry**

Energy Phase 2 (EP2) was a groundbreaking study examining the potential effects of climate change on the UK energy industry. The year-long study culminated in the EP2 conference in January. Bringing together knowledge and expertise of business executives from the energy industry with climate scientists, EP2 demonstrates the practical applications of the pioneering work being carried out at the Met Office and how it can further advance future business strategy, operations and planning.

**Working with the Carbon Trust**

In February, the Carbon Trust commissioned the Met Office to undertake research to assess the potential for small-scale wind energy to reduce UK carbon emissions. A key aspect was the wind resource available in urban areas, which is of interest in relation to government policies to encourage micro-generation and low-carbon buildings. We modelled the distribution of wind energy resources and the potential yields of small turbines, and helped to translate scientific theories which govern how well small turbines perform in different sorts of locations into practical, easy to understand advice. Impressed by our in-depth knowledge and expertise, the Carbon Trust commissioned further work from us in 2008 to develop new software to assess potential site locations, which will be of considerable benefit to the growing small-scale wind energy industry.

**United Nations climate change conference**

International negotiations at the United Nations Climate Change Conference held during December in Bali led to an agreed roadmap for achieving a global climate deal by the end of 2009. A team from the Met Office Hadley Centre showcased new science for managing climate risks which will facilitate future domestic and international negotiations on mitigating climate change.

Right: the United Nations Climate Change Conference, Bali.

Middle: ground-crew de-icing a jet.

Far right: Holehead radar site in East Dumbartonshire, Scotland.



**Defence services review**

A successful review of how we provide services to defence customers and front line commands in the UK was conducted, ending in winter 2007. The review looked at potential improvements to the regional network that will develop resilience and future-proofing against changing defence networks. As a result, during 2007/8 we introduced a new service delivery concept and a new network structure to enable more efficient and effective delivery of meteorological services to defence in the future. This will include a new joint meteorological capability, incorporating a secure work area in our Operations Centre and IT infrastructure connectivity with MoD.

**FireMet**

FireMet is a new service for fire and rescue services (FRS) designed to ensure the safe approach to a chemical, biological, radiological, and nuclear incidents. The service recognises the risks to FRS in the very early stages of an incident and makes use of the Met Office operational forecasting system to help mitigate these risks.

**De-icing service**

For three years the Met Office has been successfully providing a service to airlines to make their ground-based de-icing operations more cost effective. The winter of 2007/8 has proved remarkably successful with a 98% success rate in predicting icing conditions at UK airports, with only a 4% false alarm rate.



## Emergency responder workshop

A workshop was held in Exeter in January bringing together members of the emergency responder community with Met Office experts in weather, technology and science research and development. During the workshop, groups discussed current products and services and future requirements of the community, based on known and expected developments in science and technology. Activities are already underway to develop some of these products and services and to meet responder requirements over the coming years.

## Education resources

We continue to support the Department for Children Schools and Families (DCSF) in delivering curriculum-based resources for students and teachers. A new development this year was video conferencing, where up to six classes from schools around the country can take part in a lesson by a Met Office expert. In February, we produced two posters on climate change for secondary school children. Commissioned by the Department for Children Schools and Families, the posters are aimed at the geography and science curricula, and are being distributed to schools on request. The posters focus on the science of climate change and observed and future global impacts.



## Customer satisfaction

To develop our services for the public and emergency responder community, a programme of market research was jointly commissioned by the Met Office and the Public Weather Service Customer Group through the Central Office of Information (COI). The aim was to establish levels of customer satisfaction. A public perception survey was conducted by market research professionals GfK, who undertook 2,000 in-house interviews across the UK in November and another 2,000 in February. The results were promising with 80% of respondents saying they considered our forecasts to be accurate, and 90% saying they believed our forecasts were useful. In February, Ipsos MORI conducted telephone interviews with 400 recipients of the National Severe Weather Warning Service. Again, the results were positive, with 99% of respondents overall stating that they understood the service and 91% overall satisfied with the service.

## Planning to protect London's future

February marked 25 years since the Thames Barrier was first raised to protect London from possible flooding. The Barrier offers London protection against North Sea tidal surges and holds back high tides when the river is swollen by heavy rainfall. The next quarter century could see a greater frequency of extreme weather events including more torrential rain, particularly during winter. Combined with rising sea levels, the tidal threat to London and the Thames Estuary is increasing. We are working closely with the Environment Agency to provide advice on the possible impact of climate change in the south-east as it considers flood risk management in the Thames Estuary up to the year 2100.

## Scottish radars

As part of a joint project with Scottish Power Renewables, the Corse Hill weather radar (near Glasgow) has been replaced by two sites at Holehead and Munduff Hill. Together, these give the required radar coverage and resilience. The new radars have been constructed to ensure minimal impact on the environment, for example, at Holehead an innovative grass road was built to provide reliable access without infringing on the area's natural beauty, and the Munduff site is partially hidden by forest following Forestry Commission guidelines.

## New automatic weather stations

New Met Office automatic weather stations (AWSs) have been installed at Kew Gardens, Norwich International Airport and at the Eton Dorney rowing lake, the site of Olympics 2012 rowing events. In January, a second AWS was installed at Heathrow Airport to offer resilience at this key location, using mobile phone and solar power to offer backup observations during power or communications failures.

## Data targeting system

The data targeting system began a pre-operational trial in February. Using input from forecasters across Europe and analytical models, it enables access to extra radiosonde observations from 19 countries, plus observations from selected aircraft and ships. These observations will be made available to participants and can be used to improve forecasts of high impact, high uncertainty weather events.

## Meteosat third generation

The EUMETSAT Meteosat Third Generation (MTG) Preparatory Programme was unanimously approved at the EUMETSAT Council in December. This programme will lay the groundwork leading to approval of the full programme in December 2009. MTG will provide continuity of geostationary satellite imagery in the 2015–2035 time frame.

## Weather Gadgets

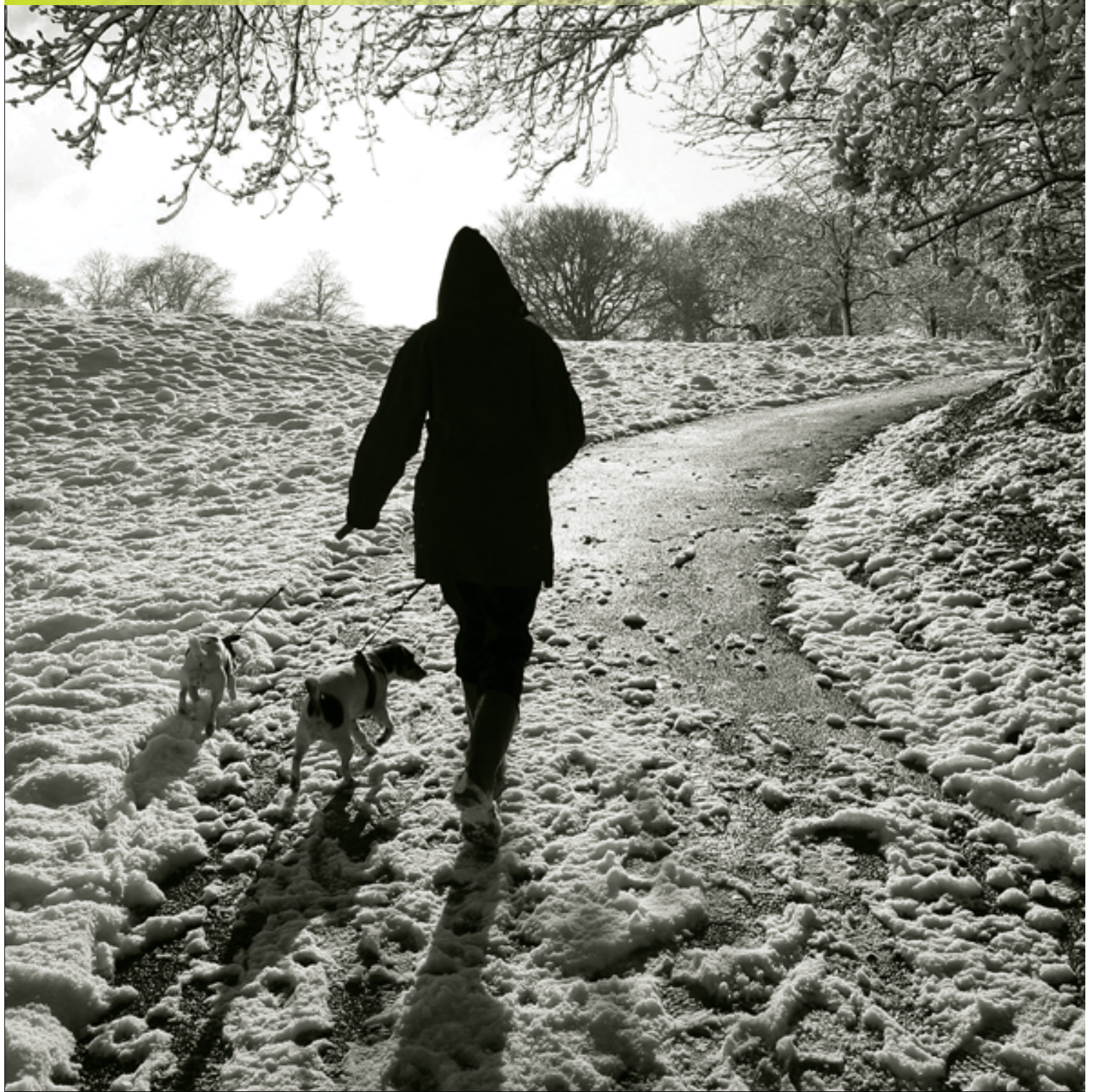
A new range of Weather Gadgets and RSS (Really Simple Syndication) feeds was launched on our website that enables the public to add and customise information from the Met Office website.

## Website improvements

Increasing the capacity of the website, along with the introduction of Weather Gadgets, has improved the reach of the PWS service to the public during all of the severe weather events this year. During the year, significant improvements for website accessibility were made, culminating in being credited with the best of the central Government websites in March 2008.

# Spring comes round again...

(March 2008)



## WEATHER HIGHLIGHTS

### March

Just like March 2007, this March was unsettled, keeping people on tenterhooks as to what the weather would do. Our vital role in protecting the infrastructure of the UK was highlighted when strong winds on 10 March were exceptionally well forecast, and an early warning and communication of the details ensured that businesses and communities were informed in the lead up to and during the event.

Despite early warnings, severe weather disrupted transport and power supply networks with 70 mph winds across southern and western parts of the British Isles, and winds up to 80 mph in exposed areas. The second day of the Cheltenham Festival was cancelled because of the stormy weather at the racecourse. Strong winds made marquees unstable and organisers called off a day's racing on safety grounds. With severe weather in the South West coinciding with the spring tide, forecasters urged people to stay away from the coast as severe weather brought rough seas and flooding.

As the Easter weekend approached, forecasters predicted much colder weather with sleet and snow in many places, making for treacherous conditions on the roads. Thankfully, in between the snow showers there was also some sunshine on offer. The predicted change to colder weather came at the same time as enhancements were introduced to the National Severe Weather Warning Service (NSWWS). The first Early Warning using the new four-tier warning system was issued for heavy snow over eastern England. One of the improvements to the NSWWS is a new tier of alert, the 'Advisory', and a new traffic light system based on the risk of impact which supplements the existing Early and Flash Warnings.

Mean temperatures in March were generally close to average across the northern half of the UK, but slightly above average across the southern half of the UK. Rainfall was generally above average and well above average across parts of East Anglia and South East England. It was the wettest March over England since 1981, the wettest over Scotland and the UK since 1994 and fourth wettest since 1914 for Northern Ireland. Sunshine was generally above average across most areas, but close to or slightly below average across South East England.

Left: Easter snow in East Stockwith, Gainsborough, Lincolnshire.

Right: wind-damaged hospitality area at the Cheltenham Racecourse.

Far right: a shopper caught in a downpour in Cheltenham, Gloucestershire.







### Weather Desk's busiest year

As the first point of contact for Met Office customers, 2007/8 was the busiest year to date for the Weather Desk, with phone calls from lots of different customers. In total, 131,877 calls were received – a rise of just over 16,000 compared to the previous year. Several high-profile weather events, in particular the summer floods and wind and storm surge events on the south and east coasts, boosted calls and the Weather Desk was at the heart of the Met Office response – available day and night to handle the thousands of calls from customers and the public.

### Safesee

A new web service called Safesee was launched in March for our marine customers. Following extensive surveying of customers, this web service was developed to deliver atmospheric and oceanic forecasts, and observational requirements of the oil and gas exploration companies operating in waters surrounding the UK.

### ITV contract

The Met Office was awarded a long-term contract with ITV for the provision of weather broadcast services. With an ever-increasing requirement for weather information across the converging media market, the Met Office has invested in a new, specialist production facility at Millbank Studios in London – placing us at the heart of the independent UK broadcast market.

Right: identifying weather windows is crucial for our marine customers.

Far right: 10 March. Waves lash the seafront at Porthcawl, South Wales.

### Weather reports for aircraft accidents

As part of agreements with the Civil Aviation Authority, the Met Office takes an active role in providing weather and climatological information to the Air Accidents Investigation Branch (AAIB). The accidents involving the Boeing 777 at Heathrow Airport on 11 January and the tragic Cessna Citation accident near to Biggin Hill on 30 March both resulted in 'aftercast' reports to the AAIB. Over the last year, some 31 full aftercasts were provided to the AAIB, and six statements for the Civil Aviation legal enforcement department were provided.

### WaveWatch III

A new wave model, WaveWatch III, has been integrated into our wave forecasting system. A global 60 km configuration was introduced into an operational trial suite in March for a period of detailed comparison with the old system. The new model has not only improved the accuracy of our forecasts, but also enhanced the potential for international collaboration and reduced the effort to maintain the system.

### Forecasts and warnings of windstorm

The severe weather on 10 March was exceptionally well forecast. An early warning and the communication of the details ensured that businesses and communities were informed in the lead up to and during the event. This united approach ensured that we provided excellent customer service.

### Virtual global information systems centre

We are working with the national weather services of France and Germany to develop new telecoms to increase the flow and availability of observations data for all the WMO and related international programmes.

We are working in collaboration on the technical implementation of a Virtual Global Information Systems Centre that will be used to collect and share information. This will also include observations that are currently not routinely shared, such as ozone and aerosol data.

### Information and Assessment Days

The introduction of Information and Assessment Days instead of traditional interview panels to select new employees was a big success. Providing candidates with information makes them more likely to regard the Met Office as an employer of choice and as a good place to work, which means that we are more successful with job offers we send out to our first choice candidates. A good example of this is for Software and Senior Software Developers where 13 out of 14 candidates accepted our offer.



# Financial Review

## FINANCIAL PERFORMANCE AND POLICIES

Turnover increased in year by 3.3%, from £171.0 million in 2006/7 to £176.6 million. Whilst revenue received in respect of the Public Weather Service decreased compared to 2006/7, increases in revenue were seen in Civil Sector Services and Climate Research. The increase in Civil Sector Services revenue was largely attributable to the Met Office winning the contract for the operational management of the Radioactive Incident Monitoring Network (RIMNET) from Defra during the year. Climate Research funding increased as a result of an expanded work programme agreed with Defra under a new 5-year contract. Commercial revenue has increased slightly compared to 2006/7 at £27.0 million (2006/7 £26.9 million), thus reversing the recent trend of falling revenue.

Total expenditure increased marginally from £163.1 million in 2006/7 to £164.0 million in 2007/8. Staff costs increased by £2.1 million compared to 2006/7 as a result of an increase in staff numbers. Equipment and services costs were £4.2 million higher predominantly as a result of the RIMNET contract.

Operating profit increased from £7.9 million in 2006/7 to £12.7 million in 2007/8. This was as a result of the Met Office maintaining its trading year position and the non recurrence of the exceptional charges encountered in 2006/7 of £7.6 million. Exceptional items during 2007/8 resulted in a gain to the profit and loss account of £0.9 million. This was primarily as a result of the Met Office releasing the provision in respect of one of its former Bracknell leasehold properties following the assignment of the lease to a third party and the relinquishing of the leasehold liabilities.

Business profitability, a measure of profitability on revenue from services provided on a Commercial basis, rose from £3.9 million in 2006/7 to £4.4 million in 2007/8. Return on Capital Employed (ROCE) increased from 4.0% in 2006/7 to 6.1%, and remains above the 3.5% target.

### Cash flows and liquidity

Cash balances totalled £33.9 million as at 31 March 2008, an increase of £2.5 million when compared to 31 March 2007. Of this balance, £0.6m comprised cash in transit at the year end (2006/7, £1.0m). Although operating profit has increased by £4.8m compared with 2006/7 there has been an offsetting increase in working capital. This has resulted in net cash inflow from operating activities falling to £30.1 million (2006/7, £31.3 million).

Total debtor balances increased by £5.4 million compared to 2006/7. This was primarily due to the increase in turnover, up £5.6m compared with 2006/7. Average debtor days reduced from 45 days at 31 March 2007 to 42 days at 31 March 2008. Total creditor balances decreased by £3.4 million compared to 2006/7. The larger movements contributing to this were falls in trade creditors (£3.4m) and loans due (£2.5m) and increases in VAT (£1m) and deferred income (£1.0m).

### Dividends

A dividend of £7.1 million (2006/7, £6.7 million) is payable to our Owner, the Ministry of Defence, in respect of 2007/8. In addition, a special dividend of £4.0 million was also paid during the year.

### Payment policy

We pay suppliers direct from the Met Office. Our policy is to pay within contracted payment terms or, without specifically agreed terms, within 30 days of receiving a valid invoice (see Better Payment Practice Code) or of the delivery date, if later. In 2007/8, we paid 99.21% of our bills on time (2006/7, 99.55%)

### 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 policy is to buy forward foreign currency to meet these payments in accordance with anticipated payment profile. The Met Office follows HM Treasury rules by investing all surplus funds on deposit with the UK Debt Management Office at HM Treasury.

The Met Office has limited exposure to liquidity risk due to loan funding from the Ministry of Defence.

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

### Disclosure of information to auditors

In accordance with the s234ZA of the Companies Act 1985:

- so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's Auditors are unaware; and
- the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's Auditors are aware of that information.

# Performance

## PERFORMANCE AGAINST KEY MINISTERIAL TARGETS

Key  Target achieved  Target failed

Year	2004/5		2005/6		2006/7		2007/8	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
<b>Targets met</b>		3/6		5/5		4/4		4/4
<b>Direct services growth</b>								
Government	4.1%	5.7%						
Non-Government	4.1%	0.0%						
Maintain profitability	7.9%	10.6%						
ROCE	3.5% in year 3.5% average for 04/04-03/09	7.6% 7.6%	3.5% in year 3.5% average for 04/04-03/09	5.3% 6.5%	3.5% in year 3.5% average for 04/04-03/09	4.0% 5.6%	3.5% in year 3.5% average for 04/04-03/09	6.1% 5.7%
Profit (before strategic investment)	£15.5m	£15.9m						
Strategic investment	£6.3m +/- £0.5m	£6.4m						
Business profitability			£2.8m	£2.9m	£3.6m	£3.9m	£4.3m	£4.4m
NWP Index	113.9	113.7	114.9	116.0	118.5	118.5		
NWP Index (revised calculation)							122.4	123.5
Max. temp accuracy			83.0%	83.0%	83.5%	84.6%	84.8%	85.5%
Min. temp accuracy			78.0%	78.0%	79.0%	81.8%	82.0%	83.5%
Precip. accuracy (forecaster)			0.855	0.855				
Use Brier Skill Score (forecaster)					0.345	0.349		
Automated probability of Precip.							0.403	0.433
Freedom of Information	Set up	Achieved						
Efficiency measure	Develop	Failed						
Customer Service Agreements with Central Government customers			Create and agree	Achieved				
Pricing mechanism for Defence			Establish	Achieved				
Costed output-based CSAs to all Government customers					Introduce where agreed	Agreed		
Incentivised pricing					Prep. for intro. 01/04/07	Agreed		
Baseline for 2007/8 efficiency targets					Create	Agreed		
Deliver outputs of CSAs for for PWS, Defence and Defra							Deliver	Achieved
Staff satisfaction benchmark			Establish	Achieved				

## KEY PERFORMANCE TARGETS 2008/9

Key Performance Targets have been set for the Chief Executive of the Met Office for financial year 2008/9. The targets are designed to drive continued improvements in the Agency's performance and are as follows:

**KPT 1. Forecast accuracy:** To achieve at least three out of the four following forecast accuracy measures. Any failed element will be required to meet at least the same level as the 2007/8 outturn for the overall KPT to be met:

- a. Improve the forecasting skill, using the combined NWP Index, to at least **125.8**.
- b. More skilfully predict whether precipitation will occur, at selected locations, to achieve a skill score of at least **0.438**.
- c. Predicting maximum temperature at selected locations to within 2 degrees accuracy **86.2%** of the time.
- d. Predicting minimum temperature at selected locations to within 2 degrees accuracy **84.4%** of the time.

**KPT 2. Business Profitability:** To achieve a business profitability target of **£7.0M**.

**KPT 3. Return on Capital Employed:** In line with HM Treasury requirements to achieve a Return on Capital Employed (ROCE) of at least 3.5%

**KPT 4. Support to wider Government goals:** To deliver the outputs of the Customer-Supplier Agreements (CSAs) for Public Weather Services, Defence and Defra within the tolerances agreed with the customers and defined in the CSAs

## REPORT BY THE COMPTROLLER AND AUDITOR GENERAL ON THE MET OFFICE'S STATEMENT OF PERFORMANCE AGAINST 2007/8 KEY PERFORMANCE TARGETS

The Chief Executive has asked me to validate performance against the 2007/8 Key Performance Targets (KPTs).

### Respective responsibilities of the Met Office, the Chief Executive and the Auditor

The Met Office and the Chief Executive are responsible for the measurement and reporting of the Trading Fund's performance against its KPTs.

I examine and conclude on whether the Met Office has:

- provided full details of performance against all the Met Office's KPTs;
- ensured that all performance information is reliable and fairly presented.

### Basis of conclusion

The validation includes an examination, on a test basis, of evidence relevant to the amounts and disclosures of the outturns and achievements included within the Statement. It also includes an assessment of the significant judgements and methodologies made by the Met Office and the Chief Executive in the Statement's preparation.

### Conclusion

The Statement of Performance includes all of the Met Office's 2007/8 KPTs and it reliably and fairly presents the Trading Fund's performance against the KPTs.

I have no observations to make on this Statement.



T J Burr  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

10 June 2008

# Remuneration Report

## Remuneration policy

The remuneration of Senior Civil Servants 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;
- 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](http://www.ome.uk.com).

All other Met Office employees have their remuneration determined by a process consistent with HM Treasury Civil Service Pay Guidance. 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 MoD, the Cabinet Office and HM Treasury and to gain their approval 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/documents/doc/pay\\_reward/reward\\_principles.doc](http://www.civilservice.gov.uk/documents/doc/pay_reward/reward_principles.doc).

## Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit and on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.org](http://www.civilservicecommissioners.org).

## Met Office Reward and Recognition Committee

The Reward and Recognition Committee is a sub-committee of the Met Office Board.

The members of the Reward and Recognition Committee are the Non-Executive Directors of the Met Office Board, together with the Chief Executive. 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 Bonus Scheme, based on an assessment of the performance of the Met Office against its Key Performance Targets 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 Corporate Bonus Scheme or the wider MoD SCS Bonus scheme, and subsequently:

- either to agree the bonus to be paid to Met Office Senior Civil Servants within the overall amount of money set for distribution under the Met Office Corporate Bonus Scheme;
- or to review and approve the Chief Executive's recommendations on Met Office Senior Civil Servants bonuses to the MoD Pay Committee.

## Salary and pension entitlements

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

### Remuneration

(This information is subject to audit)

Name	Note	2007/8 Salary, including performance pay and allowances £000	2006/7 Salary, including performance pay and allowances £000
<b>J Hirst</b> Chief Executive (from 17 September 2007)		85-90 (155-160 full year equivalent)	N/A
<b>M Hutchinson</b> Chief Executive (until 14 September 2007)		40-45 (90-95 full year equivalent)	90-95
<b>JFB Mitchell</b> Climate Science Director	4	100-105	80-85
<b>D Formby</b> Director of Corporate Services and Chief of Staff (until 1 February 2008)		60-65 (70-75 full year equivalent)	65-70
<b>K Groves</b> Operations and Customer Service Director (from 3 December 2007)		20-25 (70-75 full year equivalent)	N/A
<b>S Noyes</b> Operations and Customer Service Director (until 31 December 2007)	1	65-70 (85-90 full year equivalent)	80-85
<b>R Varley</b> Government Services Director (from 3 September 2007)		35-40 (60-65 full year equivalent)	N/A
<b>D Griggs</b> Government Business Director (until 16 September 2007)		30-35 (70-75 full year equivalent)	70-75
<b>A Dickinson</b> Director of Science and Technology		70-75	70-75
<b>P Johnston</b> Commercial Business Director		120-125	85-90 (95-100 full year equivalent)
<b>N Jobling</b> Finance and Planning Director (from 1 July 2007)		55-60 (70-75 full year equivalent)	N/A
<b>I Carlson</b> Finance Director (until 20 July 2007)		25-30 (70-75 full year equivalent)	70-75
<b>P Whittle</b> Strategic Marketing and Product Director (from 4 March 2008)	2	10-15 (140-145 full year equivalent)	N/A

1. S Noyes has been on secondment to EUMETNET from 1 January 2008.
2. P Whittle was recruited as a casual appointment on a contract from 4 March 2008 until 4 September 2008.
3. No Director received any benefits in kind in either 2007/8 or 2006/7.
4. Includes taxable allowances.



## Pension benefits

(This information is subject to audit)

Name	Note	Accrued pension at pension age as at 31/03/08 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/08 £000	CETV at 31/03/07 £000	Real increase in CETV £000
J Hirst	2	–	–	–	–	–
M Hutchinson		30-35 plus 95-100 lump sum	0-2.5 plus 0-2.5 lump sum	618 CETV at 14/9/07	590	14
JFB Mitchell		35-40 plus 105-110 lump sum	0-2.5 plus 0-2.5 lump sum	888	773	17
D Formby		25-30 plus 85-90 lump sum	0-2.5 plus 0-2.5 lump sum	632 CETV at 31/1/08	558	13
K Groves		25-30 plus 85-90 lump sum	0-2.5 plus 0-2.5 lump sum	687	620 CETV at 3/12/07	20
S Noyes		25-30 plus 85-90 lump sum	0-2.5 plus 0-2.5 lump sum	518 CETV at 31/12/07	435	13
R Varley		15-20 plus 50-55 lump sum	0-2.5 plus 2.5-5 lump sum	306	250 CETV at 3/9/07	16
D Griggs		15-20 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	324 CETV at 16/9/07	312	5
A Dickinson		30-35 plus 90-95 lump sum	0-2.5 plus 2.5-5 lump sum	728	625	17
P Johnston	1	0-5	0-2.5	45	19	20
N Jobling	1	0-5	0-2.5	50	25 CETV at 1/7/07	15
I Carlson	1	5-10	0-2.5	46 CETV at 20/7/07	50	3
P Whittle	2	–	–	–	–	–

1. P Johnston, N Jobling and I Carlson have chosen the 'Premium' option. The 'Premium' option lump sums cannot be commuted and are thus not shown.
2. J Hirst and P Whittle have chosen the 'Nuvos' pension scheme.
3. Due to certain factors being incorrect in last year's CETV calculator, there may be a slight difference between the final period CETV for 2006/7 and the start of period CETV for 2007/8.
4. No Director opted for a Partnership Pension Account.
5. Further details of the pension arrangements are disclosed within the accounting policy note.

## CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. Met Office employees, as 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). Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 could choose between membership of Premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account). New entrants after 30 July 2007 may only choose between Nuvos or a Partnership Pension Account.

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic 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. 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in Classic.

Under the new pension scheme, Nuvos, benefits accrue at the rate of 2.3% of pensionable earnings for each year of service. The maximum pension that Nuvos will provide is 75% of pensionable earnings. 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).

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. 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).

Further details about the Civil Service Pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Cash equivalent transfer values

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 individual 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 calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in CETV

This reflects the increase in CETV effectively 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:

		2007/8 £000	2006/7 £000
R Napier	(from 1 October 2006)	35-40	15-20
J May	(until 31 July 2007)	5-10	10-15
B Hoskins		5-10	0-5
D Harker		15-20	25-30
M Goodfellow	(from 1 May 2007)	15-20	-
J Currie	(from 1 September 2007)	10-15	-



Mr J Hirst  
Chief Executive  
2 June 2008

# Accounts

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Met Office policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The Met Office is a Trading Fund within the Ministry of Defence and, as such, is accountable to the Secretary of State for Defence. A revised Framework Document, which sets out the purpose, vision, roles and governance arrangements for the Met Office was signed by the Secretary of State for Defence in early 2007 and remains valid until the next revision – due no later than mid-2011 – though the Trading Fund has not always been allowed to exercise its full flexibility and relative independence implied by the Framework in pursuit of its objectives. The Met Office Owner’s Council (MOOC), chaired by the Under-Secretary of State and which acts as the representative of the owner, convenes biannually (or as required) to review the performance of the Met Office against its Key Performance Targets and Corporate Plan objectives, which have been approved by Parliament. The MOOC also advises me on the management of major strategic risks. In addition the Audit Committee, comprising Non-Executive members of both the MOOC and the Met Office Board, and which reports to the Met Office Board, supports me in my Accounting Officer role.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Met Office for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

### Capacity to handle risk

The Met Office introduced a process based business-wide management system in February 2007, a component of which is a process to “assess and manage risk”. A Corporate Risk Manager was appointed during the year to manage that Process, reporting to me. In parallel, the Head of Assurance chairs the Risk Committee which reports monthly to the Executive, and quarterly to the Board. An independent Non-Executive member of the Audit Committee attends the monthly Risk Committee meeting. The Risk Committee’s terms of reference have been extended during the year to ensure it is reviewing all aspects of risk across the Met Office and the Committee is specifically charged with making sure best practice is being used across the Met Office. The Committee is also charged with drawing to my attention issues and/or concerns it identifies along with clear recommendations on actions that need to be taken. The Board and Audit Committee regularly review the management of risk and on an annual basis the Audit Committee also reviews and comments on the overall approach, including the treatment of risk to business continuity.

The Risk Committee periodically invites Programme and Project Managers to their meetings to support the exchange of ideas and understanding. The Corporate Risk Manager runs regular sessions with users of the process to develop better understanding, support consistency and promote exchange of best practice. All Directors, and through them all Programme Managers, are personally accountable for the way in which risks falling within their jurisdiction are managed.

## The risk and control framework

Effective risk management is now an accepted element of the standard decision-making process across the Met Office, whether at Corporate, Programme, Project or Operating level. Whilst the risks are held in separate risk registers appropriate to the owner, the criteria and thresholds used to assess risks follow a common approach across the Met Office. Each programme's risk register is reviewed monthly by the appropriate Director, and all risk registers (corporate, programme and (key) projects) are considered at the monthly Executive Performance Review meetings. The Risk Committee will also scrutinise the corporate risk register at most meetings, and aims to review each programme and key project risk register at least once per year. Where it is considered that the management of risk is not sufficiently robust, the Risk Committee will normally look at that more frequently. In addition, Internal Audits of the risk management process are undertaken on an ongoing basis.

The Met Office recognises that the aim is to reduce a risk to an acceptable level, balancing between the risk to the business should the risk materialise and the cost of further mitigation. That approach, whilst initiated and developed over the year, still requires improvement.

Appropriate consideration of Business Continuity is seen as one component of the Risk Management approach being adopted and considerable steps have been taken over the past year to develop, introduce and test key elements.

In accordance with Cabinet Office guidance on the reporting of protected personal data related incidents, a statement is included within the Management Commentary on page 11.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal Auditors and the Executive managers within the Met Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external Auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. This has been supported by the introduction of an annual declaration by Directors, at the end of the year, with any important caveats to those declarations being incorporated in this statement.

The primary controls on the risk management process come through the Internal Audit Programme which is authorised and monitored by the Audit Committee. The Programme of audits is determined based on an assessment of risk. Further controls come through the working of the extended remit of the Risk Committee, working with the Risk Manager, which reports regularly to the Executive and the Board. During the year, there have been external audits by MoD and the National Audit Office which related to aspects of financial control, risk management and business continuity. The MoD audit reports received during 2007/8 gave FULL or SIGNIFICANT assurance and some included reported evidence of best practice. There were no audit reports received in 2007/8 which found any significant failings.

However, during the year there were findings which identified some possible improvements. These included project management, control over variations in actual versus expected capital spend and further development of the approach to risk management. In all cases, steps have been taken to implement changes which address the issues identified.

There have been significant changes to senior members of the Met Office during the year, but strong proactive management of the situation has ensured that appropriately qualified staff have been available to fill the key roles throughout the year. To ensure this statement reflects the full year, I have specifically sought confirmation from key senior staff and non-Executives who were present over the full period that this indeed is a fair reflection.

During the year, the Audit Committee, the Risk Committee and the Risk Manager have worked together to review the approach across the Met Office, put forward proposals and worked with others to seek effective implementation.

### Conclusion

Based on the outcomes of the reviews and procedures that have been described, I am confident that this statement of internal control accurately reflects the position of the Met Office in respect of controls, governance and risk management. Actions are already in hand to address those areas where weaknesses have been identified and therefore I am content to sign this Statement.

A handwritten signature in black ink, appearing to be 'J Hirst', written over a horizontal line.

Mr J Hirst  
Chief Executive  
2 June 2008

## STATEMENT OF THE RESPONSIBILITIES OF THE AGENCY AND THE CHIEF EXECUTIVE

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 2007/8 Financial Year in the form and on the basis set out in the Accounts Direction issued on 11 December 2007. The accounts are prepared on an accruals basis and must give a true and fair view of the Met Office's state of affairs at the year-end and of its income and expenditure, recognised gains and losses 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 a '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, include responsibility for the propriety and regularity of the public finances, for which he is answerable, for keeping proper records and for safeguarding the Met Office's assets, are set out in Managing Public Money, published by HM Treasury.

## 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 2008 under the Government Trading Funds Act 1973. These comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses 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

The Met Office and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the Financial Statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Responsibilities of the Met Office and Chief Executive. My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Management Commentary, the Director's Report, the Financial Review and the unaudited part of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Met Office has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed. I review whether the Statement on Internal Control reflects the Met Office's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Met Office's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Management Commentary, the Director's Report, the Financial Review and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.



## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Met Office and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Met Office's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of the Met Office's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Fund Act 1973 and HM Treasury directions made thereunder; and
- information, which comprises the Management Commentary, the Director's Report, the Financial Review and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

## Opinion on regularity

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

## Report

I have no observations to make on these financial statements.



T J Burr  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

10 June 2008

Profit and loss account  
for the year ended 31 March 2008

	Notes	2007/8 £ '000	2006/7 £ '000
Turnover	3	176,580	170,956
Cost of sales	4, 8	(142,788)	(142,070)
<b>Gross profit</b>		<b>33,792</b>	<b>28,886</b>
Selling and distribution costs	4, 8	(9,337)	(8,219)
Administrative expenses	4, 8	(11,857)	(12,816)
Other operating income	5	64	9
<b>Operating profit</b>		<b>12,662</b>	<b>7,860</b>
Loss on disposal of fixed assets	6	(19)	(4)
<b>Profit on ordinary activities</b>		<b>12,643</b>	<b>7,856</b>
Interest receivable		1,883	1,717
Interest payable	7	(513)	(747)
<b>Profit for the financial year</b>		<b>14,013</b>	<b>8,826</b>
Dividend		(11,077)	(6,667)
<b>Retained profit</b>		<b>2,936</b>	<b>2,159</b>
<b>Return on Capital Employed (ROCE)</b>	<b>2</b>	<b>6.1%</b>	<b>4.0%</b>

The notes on page 51 to 75 form part of these Accounts.

The movement on the General Reserve is set out at note 18 on page 69.

## Balance sheet as at 31 March 2008

	Notes	31 March 2008		31 March 2007	
		£ '000	£ '000	£ '000	£ '000
<b>Fixed assets</b>					
Tangible assets	9		181,248		187,147
<b>Current assets</b>					
Stocks	10	890		959	
Debtors and prepayments	11	41,373		36,022	
Investments	12	–		20	
Cash on deposit	13	32,907		30,018	
Cash at bank and in hand	13	967		1,330	
		76,137		68,349	
Creditors: amounts falling due within one year	14	(43,197)		(43,891)	
<b>Net current assets</b>			32,940		24,458
<b>Total assets less current liabilities</b>			214,188		211,605
Creditors: amounts falling due after more than one year	14		(4,106)		(6,769)
Provisions for liabilities and charges	16		(4,294)		(6,136)
<b>Net assets</b>			205,788		198,700
<b>Capital and reserves</b>					
Public dividend capital			58,867		58,867
Revaluation reserve	17		28,926		27,652
General reserve	18		117,995		112,181
<b>Total Government funds</b>			205,788		198,700



J Hirst, Chief Executive,  
2 June 2008.

The notes on page 51 to 75 form part of these Accounts.

**Cash flow statement  
for the year ended 31 March 2008**

	Notes	2007/8 £ '000	2006/7 £ '000
Net cash inflow from operating activities	20	30,116	31,322
Payments for exceptional items	20	(1,947)	(2,538)
Returns on investments and servicing of finance	20	1,448	1,116
Net capital expenditure	20	(13,891)	(13,273)
Dividends paid		(10,667)	(12,270)
Management of liquid resources	20	(2,889)	(3,518)
Decrease in financing	20	(2,533)	(3,714)
<b>Decrease in cash</b>		<b>(363)</b>	<b>(2,875)</b>

The notes on page 51 to 75 form part of these Accounts.

### Statement of total recognised gains and losses for the year ended 31 March 2008

	Notes	2007/8 £ '000	2006/7 £ '000
Profit for the financial year		2,936	2,159
Change in discount rate applied to early retirement provision		11	(21)
Movement on revaluation of Fixed Assets charged to the Revaluation Reserve	17	1,274	13,027
<b>Total recognised gains and losses relating to the year</b>		<b>4,221</b>	<b>15,165</b>

### Reconciliation of movements in Government funds

	2007/8 £ '000	2006/7 £ '000
Government funds at 1 April	198,700	182,293
Total recognised gains and losses relating to the year	4,221	15,165
Transfer to General Reserve	2,867	1,242
Net movement in Government funds	7,088	16,407
<b>Balance at 31 March</b>	<b>205,788</b>	<b>198,700</b>

The notes on page 51 to 75 form part of these Accounts.

## 1. NOTES TO THE ACCOUNTS

### Accounting policies

#### (a) Basis of accounting

These financial statements have been prepared in compliance with an Accounts Direction dated 11 December 2007 in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973 and the 2007/8 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. 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 Trading Fund for the purpose of giving a true and fair view has been selected.

The accounts follow the accruals concept and have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks. EU greenhouse gas emission allowances are valued at their fair value.

#### (b) Exceptional items

Items are treated as exceptional if they derive from events or transactions that fall within ordinary operating activities and which individually, or if of a similar type in aggregate, need to be disclosed, by virtue of their size or incidence, for the financial statements to give a true and fair view.

#### (c) Turnover

Turnover 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 creditors. 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 debtors.

#### (d) Research and development

Expenditure on research is charged to the Profit and Loss Account as incurred. Development expenditure is charged to the Profit and Loss Account unless the expenditure meets the capitalisation criteria set out in SSAP 13 - Research and Development. Where development expenditure comprises internal costs that relate to activities that can only be undertaken by in-house staff, such expenditure is not capitalised. As there is no expenditure meeting SSAP13 capitalisation criteria, all development expenditure has been charged to the Profit and Loss Account.

#### (e) Tangible fixed assets

##### Valuation

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 open market values for existing use, except where the asset is considered specialised and valued on the basis of depreciated replacement cost.

Plant, equipment and information technology equipment is capitalised where the useful life exceeds three years and the cost of acquisition and installation exceeds £5,000 (excluding VAT). From 31 March 1996, networked minor computers and related equipment, which individually do not meet the criteria, have also been capitalised. Major items of plant and equipment are revalued annually using the Gross Domestic Product Deflator Index.

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.

Funding received under collaborative arrangements for the capital installation of rainfall radar systems is credited as deferred income within creditors until tangible fixed assets are acquired.

The Met Office, on behalf of the UK, is a member of EUMETSAT and, as such, contributes to the cost of its satellite programmes. The Met Office and its customers benefit from the data and services resulting from these programmes. Expenditure other than research and development on programmes to date is capitalised and revalued annually using the Aerospace Combined Input Cost Index published by the Office for National Statistics.

#### **Depreciation**

Freehold land is not depreciated. Depreciation on buildings is calculated to write-off the cost, or value, by equal instalments over the asset's estimated useful life (not exceeding 50 years). Plant and equipment and information technology assets are depreciated by the straight-line method at a rate calculated to write-off the cost, or value, over the asset's estimated useful life. Currently policy is to write-off plant and equipment over three to 30 years and information technology equipment over three to five years. Satellite assets are depreciated using the straight-line method over their estimated useful life. The remaining life of the current satellite programme (Meteosat Second Generation - MSG) at 31 March 2008 is currently assessed as 9.25 years providing the full operational service and a further 1.75 years as the operational hot spare for the follow-on programme. This method reflects the principle that the economic benefit of satellite data remains constant between individual satellites.

Fixtures and fittings include improvements to leasehold buildings and are depreciated over five to 25 years. Assets in the course of construction are not depreciated.

Where there is evidence of impairment, fixed assets are written down to recoverable amount.

#### **(f) Leased assets**

Assets held under finance leases are included in the balance sheet as tangible fixed assets at their equivalent capital value and are depreciated over their estimated economic lives or the finance lease period, whichever is shorter. The finance lease period includes the primary lease term together with further terms where it is reasonably certain at the inception of the lease that the Met Office will exercise its option to extend. The corresponding liability is recorded as a creditor. The interest element of the rental costs is charged against profits, using the actuarial method, over the period of the lease. A supercomputer is held under a finance lease. Rents for those leasehold properties and vehicles which are held under operating leases are charged against profits.

#### **(g) Stocks**

Stocks are valued at the lower of cost, or net current replacement cost if materially different, and net realisable value.

#### **h) Insurance**

The Met Office reviews its risk exposures and ensures that appropriate insurance is provided.

#### **(i) Pensions**

Pension benefits are provided through the Civil Service pension arrangements. Met Office staff, as Civil Servants, 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 1.5 per cent of pensionable earnings. 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 3.5 per cent of pensionable earnings. 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 per cent of pensionable earnings for each year of service. The maximum pension that Nuvos will provide is 75 per cent 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 3.5 per cent of pensionable earnings. 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 in line with the Retail Prices Index.

- **Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (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% (in addition to the employer's basic contribution).



Employers also contribute a further 0.8% 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% of the fund as a lump sum.

**(j) Cash**

Cash includes cash in hand and deposits payable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand. Cash also includes any surplus funds held by EUMETSAT that are attributable to the Met Office.

**(k) Financial instruments**

**Currency risk**

In order to manage foreign exchange risk, Met Office policy is to buy forward foreign currency for payments to international bodies as soon as amounts can be reliably estimated. The payments are in respect of annual subscriptions and contributions including payments for satellite programmes. In this case, payments are accounted for in sterling at the forward purchase rate. All other foreign currency payments are accounted for at the sterling equivalent at the exchange rate ruling on the day the payment is made.

**Interest rate risk**

The Met Office follows the Treasury rules by investing all surplus funds with HM Treasury. Surplus funds are deposited with the UK Debt Management Office.

**Liquidity risk**

The Met Office has limited exposure to liquidity risk due to loan funding from the Ministry of Defence. Short-term debtors and creditors are excluded from financial instruments.

**(l) Consolidated accounts**

The Met Office has no subsidiaries, associates or joint ventures which require the production of group accounts.

## 2. KEY FINANCIAL TARGETS

The Met Office's key financial targets for 2007/8, as announced in Parliament (17 May 2007, Column 46WS), were:

- a) to achieve a Return on Capital Employed of at least 3.5 per cent in support of a longer term target to average 3.5 per cent over the five-year period commencing 1 April 2004;
- b) to achieve a profit contribution of £4.3 million from services provided on a commercial basis.

### Results

#### a) Return on Capital Employed (ROCE)

ROCE is a measure of how effectively an organisation is using its capital. It is calculated as the surplus on ordinary activities before interest and dividends, expressed as a percentage of average capital employed. Capital employed equates to the capital and reserves.

The table below shows the in-year and averaged ROCE over the period from the beginning of the current target period (1 April 2004) to 31 March 2008.

	2007/8	2006/7
Actual	6.1%	4.0%
Target – in-year	3.5%	3.5%
Average – current target period	5.7%	5.6%
Target – 5-year average	3.5%	3.5%

#### b) Business profitability

This measures profitability on revenue from services provided on a commercial basis from sources not directly funded by the Exchequer, including local government organisations, public bodies overseas and private sector companies. This will normally be in competition with other service providers. The Met Office is permitted to seek business from central government departments, provided a process of competition applies to assure value for money to the taxpayer.

	2007/8 £' 000	2006/7 £' 000
Actual	4,444	3,947
Target	4,300	3,600

### 3. TURNOVER AND SEGMENTAL ANALYSIS

	2007/8	2006/7
	£ '000	Restated £ '000
Public Weather Service	84,428	86,100
Defence	34,764	33,196
Civil Sector Services	8,315	4,932
Climate Research	21,800	19,568
Commercial	26,989	26,871
Other	284	289
<b>Total turnover</b>	<b>176,580</b>	<b>170,956</b>

- (i) All turnover relates to the same class of business – the provision of meteorological and related services. There were no acquisitions or discontinued operations. The 2006/7 segmental analysis has been restated to reflect a minor reallocation of business activities between segments.
- (ii) The Public Weather Service enables the UK public to make informed decisions in their day-to-day activities, to optimise or mitigate against the impact of the weather and to contribute to the protection of life, property and basic infrastructure. The data produced by the PWS is also an essential input to a wide range of other Met Office services. The Public Weather Service is funded as follows:

	2007/8	2006/7
	£ '000	Restated £ '000
Ministry of Defence	62,933	65,555
Civil Aviation Authority	18,211	17,886
Wholesaling	1,974	1,289
Other	1,310	1,370
<b>Total PWS funding</b>	<b>84,428</b>	<b>86,100</b>

(iii) The share of net assets relating to each class of turnover is not identifiable.

(iv) Turnover includes £1,361,000 of income derived from EU contracts (2006/7, £1,537,000).

#### 4. COST OF SALES, SELLING AND DISTRIBUTION AND ADMINISTRATIVE CHARGES

Cost of sales is defined as that expenditure which is directly related to a service or product being supplied to a specific third-party customer or market. This includes direct materials and labour, development costs and fixed and variable overheads to the extent that these relate specifically to production. Cost of sales also includes the cost of the National Meteorological Library and archive.

Selling and distribution includes costs relating to marketing and market research, the Customer Centre, and the costs associated with maintaining the Met Office website.

Administrative expenses includes all costs relating to the general management of the business, training, technical support, and any research and development costs not included under cost of sales. It also includes the costs of strategic investment projects.

Administrative expenses includes relocation costs of £0.1 m (2006/7, £0.3m). Also included within administrative expenses are general administrative costs of £11.8 m (2006/7, £11.2m).

Exceptional items are analysed between cost of sales, selling and distribution and administrative expenses as follows:

	Cost of Sales £ '000	Selling and distribution costs £ '000	Administrative expenses £ '000	2007/8 Total £ '000	2006/7 Total £ '000
Early retirement and severance costs	1,563	-	-	1,563	1,162
Reimbursement from MoD	(1,500)	-	-	(1,500)	-
Leaseholds provision	(988)	-	-	(988)	-
Legal, professional and other fees	-	-	-	-	83
Loss on revaluation of plant and machinery asset	-	-	-	-	1,803
Impairment loss on plant and machinery asset	-	-	-	-	4,513
	<b>(925)</b>	<b>-</b>	<b>-</b>	<b>(925)</b>	<b>7,561</b>

- (i) The early retirement and severance costs represent the provision associated with the Defence Services Review together with the costs of a voluntary early retirement and severance scheme that operated during the year.
- (ii) The reimbursement from MoD represents funding received in support of the early retirement and severance costs associated with the Defence Services Review, a "spend to save initiative" agreed between the Met Office and MoD.
- (iii) The leasehold provision largely comprises the provision released in respect of one of the Bracknell leasehold properties. The lease was assigned to a third party and the Met Office relinquished its leasehold liabilities.
- (iv) Legal, professional and other fees relate to costs in relation to the administration and liquidation of weatherXchange Limited.
- (v) Loss on revaluation of plant and machinery asset relates to the revaluation undertaken in respect of the Exeter HQ mechanical and electrical services asset (see note 9).
- (vi) Impairment loss on plant and machinery asset arises on the Exeter HQ mechanical and electrical services asset. The recoverable amount, based on its value in use and measured by reference to its service potential was assessed as being below the asset's carrying value.

Cost of sales, selling and distribution and administrative charges are further analysed by expenditure type as follows:

	Note	2007/8 £ '000	2006/7 £ '000
Staff costs (excluding exceptional items)	8	78,018	75,955
Early retirement costs		227	297
Relocation - staff accommodation, travel and subsistence		38	283
Other travel and subsistence		4,777	5,175
Equipment and services		31,184	26,981
Accommodation		8,343	7,684
Operating leases - plant and machinery		1,127	1,323
Operating leases - other		1,270	(671)
Depreciation - on owned assets		21,291	19,070
- on assets held under finance leases		3,429	4,311
International services and subscriptions		12,009	12,556
Exceptional items - see above		(925)	7,561
Other expenses		3,194	2,580
<b>Total</b>		<b>163,982</b>	<b>163,105</b>

- (i) The early retirement costs exclude the early retirement costs scheme undertaken during the year which are shown as an exceptional item above.
- (ii) International services and subscriptions include £2.4m (2006/7, £2.6m) to the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) (excluding amounts capitalised as satellite assets), £5.1m (2006/7, £4.9m) to the European Centre for Medium-Range Weather Forecasts (ECMWF), £1.8m (2006/7, £1.8m) to the World Meteorological Organization (WMO) and £0.6m (2006/7, £0.6m) to the Network of European Meteorological Services Composite Observing System (EUCOS).
- 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.
- (iii) Equipment and services expenses include an audit fee of £67,500 (2006/7, £65,500) and a fee of £12,000 (2006/7, £17,000) for the review of Key Performance Indicators.
- (iv) The total cost of research was £41.0m (2006/7, £38.9m).
- (v) Relocation travel and subsistence relates to the costs of housing removal, temporary accommodation and travel between Bracknell and Exeter, for those staff who relocated to Exeter.

## 5. OTHER OPERATING INCOME

	2007/8 £ '000	2006/7 £ '000
Foreign exchange rate differences	64	9

## 6. LOSS ON DISPOSAL OF FIXED ASSETS

	2007/8 £ '000	2006/7 £ '000
Net loss on disposal of fixed assets	(19)	(4)

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2007/8 £ '000	2006/7 £ '000
On amounts wholly repayable within five years	18	295
On MoD loans repayable within five years	417	304
On finance leases wholly repayable within five years	–	3
Discounting of provisions	78	145
<b>Total interest payable and similar charges</b>	<b>513</b>	<b>747</b>

## 8. STAFF

### (a) Staff costs

	Note	2007/8 £ '000	2006/7 £ '000
Salaries, bonuses and allowances		61,707	59,899
Early retirement costs	4	1,790	1,459
Social security		5,095	5,071
Pension contributions		11,216	10,985
<b>Total staff costs</b>		<b>79,808</b>	<b>77,414</b>
Temporary / agency labour costs		4,436	4,075
		<b>84,244</b>	<b>81,489</b>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme which prepares its own scheme statements. The Met Office is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon and Woodrow) conducted a full actuarial valuation as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2007/8, pursuant to the Superannuation Act 1972, employer's contributions of £11.2m were payable to the PCSPS (2006/7, £11.0m) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008/9, the salary bands will be revised but the rates will remain the same. The rates will be changing with effect from April 2009. The contribution rates are set to meet the cost of the benefits accruing during 2007/8 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer's contributions, paid to appointed stakeholder pension providers and also to the Principal Civil Service Pension Scheme 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.

Staff costs include exceptional items in respect of early retirement and severance of £1,563,000 (2006/7, £1,162,000) but exclude the reimbursement from MoD in respect of the Defence Services Review (see note 4).

**(b) Average staff numbers**

	2007/8 number	2006/7 number
Senior management	6	6
Scientific, managerial, technical	1,388	1,343
Support	358	341
Locally engaged civilians overseas	18	18
Monthly average staff numbers (all UK Government Civil Servants except locally engaged civilians)	<b>1,770</b>	<b>1,708</b>

There were 1,838 staff employed at 31 March 2008 compared with 1,684 at 31 March 2007, both figures expressed as full-time equivalents. There were also 54 temporary/agency staff, expressed as full-time equivalents, engaged by the Met Office at 31 March 2008.

**(c) Directors' remuneration**

Details of directors' emoluments are contained within the Remuneration Report on page 35. Details of fees paid to Non-Executive Directors are also contained in the Remuneration Report.



## 9. TANGIBLE FIXED ASSETS

The movements in each class of assets were:

	Satellite programme £ '000	Land and buildings £ '000	Fixtures and fittings £ '000	Plant and equipment £ '000	Information technology £ '000	ACOC £ '000	Total tangible £ '000
<b>Cost or valuation:</b>							
At 1 April 2007	211,661	66,923	7,467	47,012	60,129	51	393,243
Additions	5,774	-	298	2,458	6,157	12	14,699
Disposals	-	-	(1,471)	(376)	(2,462)	-	(4,309)
Transfers	-	-	-	(589)	-	589	-
Revaluation	8,924	-	129	1,677	-	-	10,730
<b>At 31 March 2008</b>	<b>226,359</b>	<b>66,923</b>	<b>6,423</b>	<b>50,182</b>	<b>63,824</b>	<b>652</b>	<b>414,363</b>
<b>Depreciation:</b>							
At 1 April 2007	145,270	405	2,930	14,129	43,362	-	206,096
Charged during year	12,189	1,264	549	2,129	8,589	-	24,720
Disposals	-	-	(1,471)	(373)	(2,446)	-	(4,290)
Revaluation	6,145	-	34	410	-	-	6,589
<b>At 31 March 2008</b>	<b>163,604</b>	<b>1,669</b>	<b>2,042</b>	<b>16,295</b>	<b>49,505</b>	<b>-</b>	<b>233,115</b>
<b>Net book value:</b>							
At 1 April 2007	66,391	66,518	4,537	32,883	16,767	51	187,147
<b>At 31 March 2008</b>	<b>62,755</b>	<b>65,254</b>	<b>4,381</b>	<b>33,887</b>	<b>14,319</b>	<b>652</b>	<b>181,248</b>
Assets held under finance leases included above:							
Cost: At 31 March 2008	-	-	-	-	20,616	-	20,616
Depreciation: Charge for year	-	-	-	-	3,429	-	3,429
Depreciation: At 31 March 2008	-	-	-	-	17,187	-	17,187

- (i) All land and buildings are held as Freehold. The net book value of Freehold Land and buildings includes £11.3 million of freehold land (31 March 2007, £11.3m) 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 five to 25 years.
- (iii) Land and buildings, excluding the Exeter headquarters, were valued by GVA Grimley, International Property Advisers on 30 June 2005 in accordance with the Appraisal and Valuation Standard (5th Edition), published by the Royal Institution of Chartered Surveyors. The properties are all held for operational purposes and have been valued on the basis of Existing Use Value (minor elements of one site were valued on a Depreciated Replacement Cost basis) as defined in the Appraisal and Valuation Standard.

The Exeter headquarters land, buildings and mechanical and electrical services (within plant and equipment) were revalued by Atisreal Chartered Surveyors on 1 December 2006 in accordance with the Appraisal and Valuation Standards (the "Red Book"), published by the Royal Institution of Chartered Surveyors.

The assets concerned were considered to be specialised and have been valued on the basis of Depreciated Replacement Cost.

- (iv) Assets held under finance leases comprise a supercomputer. The Met Office has exercised its option under the lease to extend the lease term into the secondary rental period. Equipment providing a general purpose computing service, previously held under a finance lease, was disposed during the year.
- (v) Assets in the course of construction represents the purchase and refurbishment of a weather radar and a meteorological monitoring system.

## 10. STOCKS

	Note	31 March 2008 £ '000	31 March 2007 £ '000
Meteorological equipment		661	784
Reserve equipment		198	140
Consumable stores		31	35
<b>Total stock</b>		<b>890</b>	<b>959</b>

## 11. DEBTORS

Note	31 March 2008 £ '000	31 March 2007 £ '000
Amounts falling due within one year:		
Trade debtors	20,170	21,350
Other debtors	1,474	451
Prepayments and accrued income	19,729	14,221
<b>Total debtors</b>	<b>41,373</b>	<b>36,022</b>

Other debtors include staff loans totalling £508,000 to 61 officers predominantly in respect of housing advances on relocation.

### Intra-government balances

Balances with central government bodies	16,892	12,359
Balances with local authorities	212	158
Balances with NHS Trusts	173	3
Balances with public corporations and trading funds	524	563
<b>Subtotal: intra-government balances</b>	<b>17,801</b>	<b>13,083</b>
Balances with bodies external to government	23,572	22,939
<b>Total debtors at 31 March</b>	<b>41,373</b>	<b>36,022</b>

All intra-government balances are due within one year.

## 12. CURRENT ASSET INVESTMENTS

Note	31 March 2008 £ '000	31 March 2007 £ '000
Intangible asset		
- Emissions Trading Scheme Allowances	-	20

The Met Office's involvement in the EU Emission Trading Scheme ceased during the year with the completion of Phase I of the scheme. Due to the redefinition of criteria, the Met Office will not be participating in Phase II of the EU Emissions Trading Scheme.

Allowances were valued at open market value.

### 13. ANALYSIS OF CHANGES IN CASH AT BANK AND IN HAND

	Note	31 March 2008 £ '000	31 March 2007 £ '000
Balance at 1 April		1,330	4,205
Net cash outflow	20	(363)	(2,875)
<b>Balance at 31 March</b>		<b>967</b>	<b>1,330</b>

The Met Office holds three Euro bank accounts, in which there were amounts totalling £115,000 at 31 March 2008 belonging to third parties (31 March 2007 £357,000).

Cash in transit at 31 March 2008 amounted to £585,000.

Cash surplus to immediate requirements at 31 March 2008 amounted to £32.9 million (31 March 2007, £30.0 million) and is held in short-term interest-bearing accounts.

## 14. CREDITORS

Note	31 March 2008 £ '000	31 March 2007 £ '000
Amounts falling due within one year:		
Trade creditors	4,078	7,468
VAT	4,928	3,911
Other taxation and social security	2,216	1,777
Accruals	12,662	12,944
Dividend payable	7,077	6,667
Deferred income	9,573	8,591
Long-term loan repayable within one year	2,663	2,533
<b>Total amounts falling due within one year</b>	<b>43,197</b>	<b>43,891</b>
Amounts falling due after more than one year:		
Long-term loan (note 15)	4,106	6,769
<b>Total amounts falling due after more than one year</b>	<b>4,106</b>	<b>6,769</b>
<b>Total creditors</b>	<b>47,303</b>	<b>50,660</b>

## Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2008 £ '000	31 March 2007 £ '000	31 March 2008 £ '000	31 March 2007 £ '000
Balances with central government bodies	11,992	9,657	4,106	6,769
Balances with local authorities	1,191	183	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	86	1	–	–
<b>Subtotal: intra-government balances</b>	<b>13,269</b>	<b>9,841</b>	<b>4,106</b>	<b>6,769</b>
Balances with bodies external to government	29,928	34,050	–	–
<b>Total creditors at 31 March</b>	<b>43,197</b>	<b>43,891</b>	<b>4,106</b>	<b>6,769</b>

## 15. LONG-TERM LOANS

Ministry of Defence loans, repayable by instalments and bearing interest at 4.45% and 5.65% per annum:

Note	31 March 2008 £ '000	31 March 2007 £ '000
<b>Amounts repayable:</b>		
In not more than one year	2,663	2,533
In more than one year but not more than two years	2,799	2,663
In more than two years but not more than five years	1,307	4,106
<b>Amount falling due after more than one year</b>	<b>4,106</b>	<b>6,769</b>
<b>Total</b>	<b>6,769</b>	<b>9,302</b>

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

	Early retirement £ '000	Dilapidations £ '000	Leaseholds £ '000	Defence Services Review £ '000	Emissions £ '000	Total £ '000
Balance at 1 April 2007	3,402	1,062	1,666	–	6	6,136
Provided in the year	198	–	174	1,500	–	1,872
Unwinding of discount	26	20	32	–	–	78
Change in discount rate	(11)	–	–	–	–	(11)
Utilised in year	(1,682)	(670)	(266)	–	(6)	(2,624)
Released to Profit and Loss Account in year	–	–	(1,157)	–	–	(1,157)
<b>Balance at 31 March 2008</b>	<b>1,933</b>	<b>412</b>	<b>449</b>	<b>1,500</b>	<b>–</b>	<b>4,294</b>

- (i) The early retirement provision represents the outstanding liability for pension costs as at 31 March 2008 associated with 88 staff who had been offered early retirement during 2007/8 and previous years. The provision comprises the full cost of meeting each individual's pension payments to normal retirement age. The gross amount provided for, before discounting, is £1,991,000 (2006/7, £3,462,000). After discounting at 2.5% a net amount of £1,933,000 (2006/7, £3,402,000) is provided.
- (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 £454,000 (2006/7, £1,221,000). After discounting at 2.2% a net amount of £412,000 (2006/7, £1,062,000) is provided.
- (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 £456,000 (2006/7, £1,769,000). After discounting at 2.2% a net amount of £449,000 (2006/7, £1,666,000) is provided. Following the assignment of the lease in respect of one of the Bracknell leasehold properties, the Met Office has relinquished its leasehold liabilities and the associated provision has been released.
- (iv) The Defence Services Review provision represents early retirement and severance costs associated with the decision to restructure the Met Office's delivery of operational defence meteorological services.
- (v) The emissions provision represents the obligation to deliver allowances in respect of emissions made under the EU Greenhouse Gas Emission Allowance Trading Directive.

The commitments provided for fall due in the following periods:

	Early retirement £ '000	Dilapidations £ '000	Leaseholds £ '000	Defence Services Review £ '000	Emissions £ '000	Total £ '000
<b>Amounts payable within:</b>						
Under one year	867	155	224	600	–	1,846
One to five years	1,024	74	225	800	–	2,123
Over five years	42	183	–	100	–	325
<b>Total</b>	<b>1,933</b>	<b>412</b>	<b>449</b>	<b>1,500</b>	<b>–</b>	<b>4,294</b>

## 17. REVALUATION RESERVE

	31 March 2008		31 March 2007	
	£ '000	£ '000	£ '000	£ '000
Revaluation reserve at 1 April		27,652		14,625
Revaluation of satellite assets	2,779		3,617	
Revaluation of land, buildings, plant and equipment	1,362		10,652	
Transfer to general reserve	(2,867)		(1,242)	
		1,274		13,027
<b>Revaluation reserve at 31 March</b>		<b>28,926</b>		<b>27,652</b>

## 18. GENERAL RESERVE

	31 March 2008	31 March 2007
	£ '000	£ '000
General reserve at 1 April	112,181	108,801
Transfer from revaluation reserve	2,867	1,242
Credit / (charge) due to change in discount rate applied to early retirement provision	11	(21)
Retained profit / (loss)	2,936	2,159
<b>General reserve at 31 March</b>	<b>117,995</b>	<b>112,181</b>



## 19. RELATED PARTIES

The Ministry of Defence (MoD) is regarded as a related party. During the year, the Met Office had material transactions with this Department and with other entities for which MoD is regarded as the parent department. In addition, the Met Office had material transactions with a number of other public bodies, Government departments and their agencies, principally the Civil Aviation Authority, the Department for Transport, Local Government and the Regions, the Home Office and the Department for Environment, Food and Rural Affairs. 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.

## 20. NOTES TO THE CASH FLOW STATEMENT

	Notes	2007/8 £ '000	2006/7 £ '000
<b>a) Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		12,662	7,860
Depreciation charges	4, 9	24,720	23,381
Exceptional items - impairment of plant and machinery asset	4	–	4,513
Exceptional items - revaluation of plant and machinery asset	4	–	1,803
Provisions for liabilities and charges		44	(283)
Provisions utilised in-year	16	–	(147)
(Increase) / decrease in stocks		69	(341)
(Increase) / decrease in debtors		(6,814)	(6,091)
Increase / (decrease) in creditors		(565)	627
<b>Net cash inflow from operating activities</b>		<b>30,116</b>	<b>31,322</b>

## b) Gross cash flows

	31 March 2008		31 March 2007	
	£ '000	£ '000	£ '000	£ '000
<b>Payments for exceptional item</b>				
Early retirement	(1,682)		(2,104)	
Leaseholds	(265)		(434)	
		(1,947)		(2,538)
<b>Returns on investments and servicing of finance</b>				
Interest received	1,905		1,687	
Interest paid	(457)		(568)	
Interest element of finance lease rentals	–		(3)	
		1,448		1,116
<b>Capital expenditure</b>				
Payments to acquire satellite assets	(4,333)		(18,475)	
Payments to acquire plant and machinery, land and buildings	(9,558)		(6,498)	
Receipts from sales of tangible fixed assets	–		11,700	
		(13,891)		(13,273)
<b>Management of liquid resources</b>				
Net (payments to) / receipts from Debt Management Office deposit account		(2,889)		(3,518)
<b>Financing</b>				
Capital element of finance lease rental payments	–		(7,016)	
Loan advance received	–		4,400	
Loan repayments	(2,533)		(1,098)	
		(2,533)		(3,714)

## c) Analysis of changes in net funds

	At 1 April 2007 £ '000	Cash flows £ '000	Other changes £ '000	At 31 March 2008 £ '000
Cash at bank and in hand	1,330	(363)	-	967
Cash on deposit	30,018	2,889	-	32,907
Sub-total	31,348	2,526	-	33,874
Debt due within one year	(2,533)	2,533	(2,663)	(2,663)
Debt due after one year	(6,769)	-	2,663	(4,106)
<b>Total</b>	<b>22,046</b>	<b>5,059</b>	<b>-</b>	<b>27,105</b>

## d) Reconciliation of net cash flow to movement in net debt

	Notes	2007/8 £ '000	2006/7 £ '000
Increase / (decrease) in cash	20	(363)	(2,875)
Increase / (decrease) in cash on deposit	20	2,889	3,518
Other movements	20	2,533	3,714
Increase / (decrease) in net funds		5,059	4,357
Net funds at 1 April	20	22,046	17,689
<b>Net funds at 31 March</b>		<b>27,105</b>	<b>22,046</b>

## 21. OPERATING LEASES

	2007/8 £ '000	2006/7 £ '000	2007/8 £ '000	2006/7 £ '000
Annual commitments are as follows:				
	Land and buildings		Other	
Leases expiring within:				
Under one year	25	457	22	321
One to five years	527	235	-	17
Over five years	664	617	1,227	1,097
<b>Total</b>	<b>1,216</b>	<b>1,309</b>	<b>1,249</b>	<b>1,435</b>

## 22. CAPITAL COMMITMENTS

	2007/8 £ '000	2006/7 £ '000
Contracted for, but not provided for :		
Other	4,283	2,355
Contribution for satellite programme	3,671	3,897
<b>Total</b>	<b>7,954</b>	<b>6,252</b>

The commitment for the satellite programme 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.

## 23. LOSSES AND SPECIAL PAYMENTS

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

## 24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Met Office's Treasury operations are governed by the Met Office Trading Fund Order 1996, under the Government Trading Funds Act 1973 (a) as supplemented by the Met Office's Framework Document.

The Met Office's financial instruments comprise cash deposits, debtors, creditors, loans, provisions 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 government accounting.

### Foreign currency risk

The Met Office makes significant foreign currency payments for subscriptions and contributions to international meteorological organisations. These costs are funded by the National Met Programme.

To manage the risk of currency movements, the Met Office has a policy of buying forward foreign currency.

### Liquidity risk

The Met Office has maintained short-term liquidity throughout the year by managing its cash deposits. To finance the disposal of the leasehold properties in Bracknell in 2005/6, the Met Office borrowed £6.0 million from sponsor department, the Ministry of Defence. In 2006/7 loan funding was also received from the Ministry of Defence to finance the centralisation of the Met Office's civil forecast production network and commercial strategy. All loans are repayable over five years.

### 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 the Ministry of Defence to fund specific strategic requirements.

Short-term debtors and creditors are excluded from the following disclosures:

#### Financial assets

	Fixed rate £ '000	Floating rate £ '000	Total 31 March 2008 £ '000
Cash on deposit	–	32,907	32,907

Cash on deposit at 31 March 2008 consists of 13 short-term deposits totalling £32.9 million with the UK Debt Management Office at HM Treasury for a weighted average period of 32.85 days at a weighted average interest rate of 5.11%. At 31 March 2008, £7,000 was also held on deposit in the working capital fund at EUMETSAT. The fair value of financial assets approximates to the book value.

**Financial liabilities**

	Fixed rate £ '000	Floating rate £ '000	Total 31 March 2008 £ '000
Ministry of Defence loans (Note 15)	6,769	-	6,769

The fair value of the loan is assessed at £5.9 million as at 31 March 2008, calculated by discounting cash flows at prevailing interest rates.

**Forward foreign currency contracts**

As at 31 March 2008, the Met Office held two forward contracts to buy a total of €11.1million, equating to £7.9 million at the contracted exchange rates, with a value date in 2008/9. The Met Office held one forward contract to sell €1.4million, equating to £1.0 million at the contracted exchange rates, with a value date in 2008/9.

The Met Office also held one forward contract to buy forward 4.1 million Swiss Francs, equating to £1.9 million at the contract rate with a value date in 2008/9.

**25. AUTHORISATION OF ACCOUNTS**

The accounts were authorised for issue (defined as the date of the Certificate and Report of the Comptroller and Auditor General) on 10 June 2008.

## FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

	2007/8 £'000	2006/7 £'000	2005/6 £'000	2004/5 £'000	2003/4 £'000
<b>Profit and loss account</b>					
Turnover	176,580	170,956	170,361	165,580	160,775
Gross profit / (loss)	33,792	28,886	36,620	38,647	29,279
Operating profit / (loss)	12,662	7,860	13,419	9,524	(9,207)
Retained profit / (loss)	2,936	2,159	3,223	6,278	1,891
<b>Capital expenditure</b>					
Tangible fixed assets additions	14,699	15,225	15,518	22,107	57,600
<b>Balance sheet</b>					
Fixed assets	181,248	187,147	187,354	192,990	199,747
Net current assets	32,940	24,458	8,909	8,929	1,291
Non-current assets	-	-	-	-	11,700
Non-current liabilities	8,400	12,905	13,970	26,166	45,163
<b>Number of employees</b>					
Average for year	1,770	1,708	1,763	1,799	1,829



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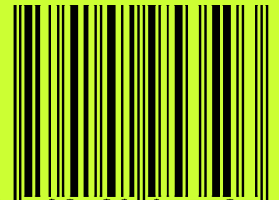
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