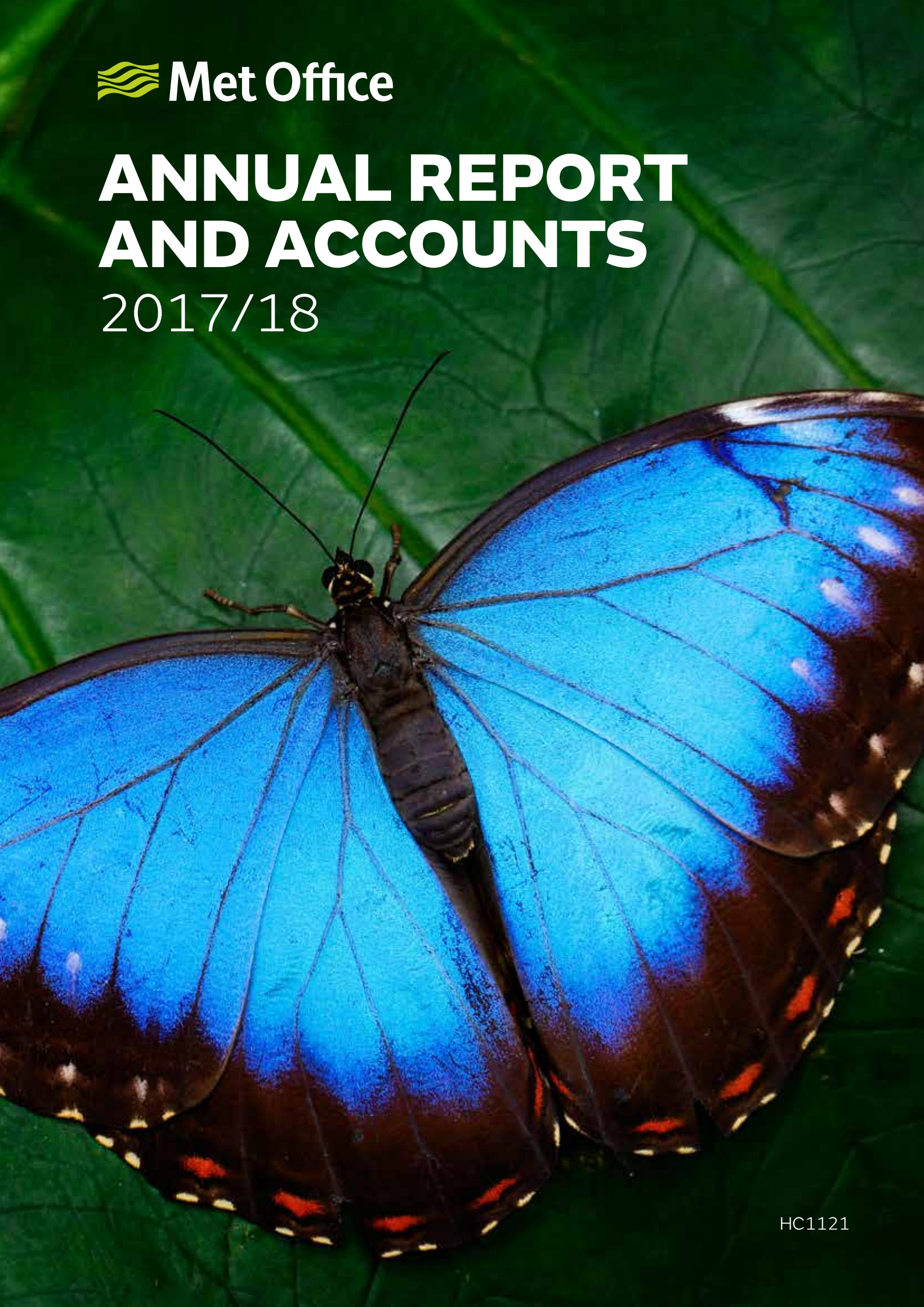
Met Office

ANNUAL REPORT AND ACCOUNTS

2017/18



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Met Office Annual Report and Accounts 2017/18

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Met Office

2017/18

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ANNUAL REPORT AND ACCOUNTS

2017/18

PERFORMANCE REPORT

ACCOUNTABILITY REPORT

ACCOUNTS

INTRODUCTION FROM THE CHAIRMAN

The Met Office works at the forefront of weather and climate science for protection, prosperity and well-being. As acting Chairman, it is satisfying to see how this purpose is being consistently fulfilled.

Nowhere was this more evident than during the spells of significant snowfall of February and March 2018 when our staff performed exceptionally well – not just in terms of the accuracy of forecasts, but in going above and beyond the call of duty to ensure our customers received essential services from us. I was heartened by the stories of staff across the country walking in the snow to get to their bases, or staying in hotels away from their families to ensure they were available for shifts in HQ. The high quality forecasts and early warnings we provided enabled the Government, industry and the UK public to prepare for the freezing conditions and snow and take action to protect assets, services and lives.

Around this time, the Met Office also saw change in its senior management team when Rob Varley's employment as Chief Executive and Accounting Officer was terminated. I was pleased that Nick Jobling agreed to take on this role on an interim basis and Nick has successfully provided the continuity and leadership that has ensured the Met Office has continued to deliver seamlessly over this period. Having served as Chief Financial Officer since 2007, Nick brings a wealth of experience and is leading a programme of Transformation and Efficiency across the organisation.

Looking back on the year, the Met Office's unique ability to turn science into useful advice came to the fore last June with accurate, timely forecasts of a particularly warm spell, warning people of the impact that hot weather can have on health. This advice enabled Public Health England to issue a Heat Health Watch. This was followed by accurate forecasts of the thundery showers marking the end of the hot weather. Again, in October, our warnings helped people stay safe when ex-hurricane Ophelia brought storm force winds to some western parts of the UK and Ireland.

This commitment to turn word-class science and complex data into vital, accessible, round-the-clock public services is at the heart of what we do. That's why we're investing in new technology and ground-breaking research to ensure we continue to blaze the trail for innovative, progressive science that makes a tangible difference for so many people.

The recently completed £10 million upgrade of the UK's rainfall radar network is a good example. Jointly funded by the Met Office and the Environment Agency, this powerful new technology is delivering, amongst other benefits, more accurate flood forecasts and earlier flood warnings that enable both government and partners in industry to take decisive and timely action.

We continue to deliver towards our Corporate Plan, and our new supercomputer is helping us to break new ground, further establishing the South West as a UK research hub of global standing. The Met Office continues to be a highly attractive place to work, employing world-class people. This year we are proud to be delivering transformational change to our pay model in line with government policy. Our new system focuses on gender pay equality and performance related base pay increases.

Our multi-disciplinary approach relies on the strong partnerships we have formed, both in the UK and around the world. The EUPORIAS project, which explored with users how to develop useful and operational climate information, is a case in point. Led by the Met Office, this endeavour involved a broad range of European partner organisations, experts, UN agencies and commercial organisations, all working to develop new scientific capability and prototype services for various sectors, including agriculture, transport and renewable energy.

> **Our multi-disciplinary approach relies on the strong partnerships we have formed, both in the UK and around the world.**

Professor Sir John Beddington CMG FRS

The Met Office serves a wide range of government departments, strengthening their services to create a combined national capability that is world-class and supporting some of Government's key policy priorities. We're playing a growing role in cross-Government work to create a truly global Britain – showcasing the best of British science and delivering cutting edge climate and forecasting services in response to emerging needs across the world.

Last September we provided expert advice to inform UK Government preparations for, and response to, the run of damaging Atlantic hurricanes that decimated areas of the Caribbean. We also worked closely with our colleagues in the United States National Weather Service, sharing our latest research and modelling to support their forecasting at that critical time. While the hurricanes had devastating impacts, our support with early warnings enabled decision-makers in the UK and abroad to take rapid action to help protect lives and to implement safe recovery plans afterwards.

Elsewhere, through the UK Government's Newton Fund, we're working with organisations in South East Asia and the UK to build a research programme that will further understanding of extreme weather impacts in the region. Plus, together with the World Meteorological Organization (WMO), we continue to provide training for national weather services in developing countries.

With climate change bringing more extreme and variable weather, our pioneering work is more important than ever. This year, working in collaboration with others including the Department for International Development and The Gates Foundation, we established a means of predicting when and how aggressive strains of wheat rust are most likely to spread – enabling our partners to take action to enhance global food security. This typifies the tremendous impact of our science and is just one example of why we are here – proud to lead the way in helping to meet some of the greatest challenges of our times.

CHIEF EXECUTIVE'S SUMMARY

This year the Met Office celebrated 150 uninterrupted years of the Shipping Forecast, believed to be the world's longest running continuous forecast and testament to our tireless commitment and service. We also marked 30 years since the Great Storm of 1987 that was such a catalyst for change within the Met Office – both in terms of improving accuracy but also in how we communicate with our partners and the UK public.

It's rewarding to see how far we have come. This year, we met all of our forecast accuracy targets, thanks to our continual drive to push the boundaries of science and technology and deliver ever better information. I'm also especially pleased to see how we continue to deliver weather forecasts and warnings where people want them across a broad range of platforms. In broadcast media, Sky joined the many broadcasters using the free at the point of use Met Office Public Weather Media Service during the year. While our contract to supply the BBC with weather services has now ended, the BBC will continue to broadcast Met Office national severe weather warnings to ensure a consistent message during times of severe weather. Our services for the next three Wimbledon Tennis Championships and the next two Open Golf Championships were confirmed, demonstrating the value of our expert advice when embedded within customer operations.

We've continued to develop innovative content and platforms that make our forecasts available directly to the UK public. The recently improved Met Office app now includes a rainfall map and has been downloaded over five million times. Our Amazon Alexa Flash Briefing service won the Real IT Award, and we launched a highly successful, exciting new online weather course for the public.

The success of 'Name our Storms' continues, and our latest #3wordweather campaign that invites the public to describe their local weather in three words had great levels of engagement. We've also been working with partners to get key messages across, including the #CoverUpMate skin cancer campaign in conjunction with NHS England. Together, these efforts ensure our vital forecasts, weather warnings and advice reach the people who need them, further establishing the Met Office as the voice the public trusts.

We hit the vast majority of our targets this year, and I am delighted that the Business Group made a £2.2 million profit, demonstrating the success of our business model. We continue to operate in a responsible and sustainable way, and our programme of Transformation and Efficiency is changing every aspect of the way we work to ensure the Met Office is fit to thrive in the 2020s. We are streamlining our processes, simplifying our IT, updating our communications tools and introducing new, efficient and effective ways of working that make us simpler to work with and simpler to work for.

This preparation for the future is all the more important in light of the Government's recently launched Industrial Strategy, which highlights the crucial role of science, skills and infrastructure in underpinning productivity, growth and resilience in every part of the UK. Recognised within the strategy as a world-leading research laboratory, the Met Office has an important role to play. Our forecasting, climate risk analysis and commercial services underpin the construction, location and use of infrastructure.

We help public and private organisations operate safely and efficiently, and we are already key to enhancing the UK's future resilience and security. Our extensive and award winning Science, Technology, Engineering and Maths (STEM) outreach programme is helping develop the next generation of scientists and technologists, and our apprenticeship and industry placement schemes are providing new avenues for high quality skills and career development. But we have the potential to do even more.

We continue to operate in a responsible and sustainable way, and our programme of Transformation and Efficiency is changing every aspect of the way we work.

Nick Jobling Acting Chief Executive

Just a handful of recent examples can demonstrate the value we bring to the nation. Originally launched in response to the 1987 Great Storm, the National Severe Weather Warning Service has been enhanced to make it even more accessible. As a result the Government, civil contingency stakeholders, emergency responders and the UK public can quickly and easily access the information they need.

We introduced major improvements to our mountain forecasts, which directly help people and organisations plan mountain-based activities and stay safe. We've worked in partnership with the Royal National Lifeboat Institution (RNLI), our corporate charity for the last three years, to provide enhanced weather information that helps lifeguards safely carry out their life-saving work. Our new collaboration with Marks & Spencer helps it plan transportation and logistics around the weather and anticipate the seasonal goods its customers want. And, for the first time, our meteorologists are permanently on site at Heathrow and Gatwick airports and the National Air Traffic Services (NATS) air traffic control centre, working around the clock to integrate weather advice that helps the safety and efficiency of air traffic operations.

Within the context of the Industrial Strategy, while we're contributing significantly now, there is potential for us to play an even bigger role. Looking ahead, we will continue to push the boundaries of research and collaborate across Government and with our partners at home and abroad to help secure the safety, productivity and resilience of the UK long into the future.

CHIEF SCIENTIST'S STATEMENT

It is fitting that, in the centenary year of modern forecasting, the new Met Office supercomputer enabled significant leaps forward in our research and modelling capability. So for example, a major scientific and technical upgrade to our Numerical Weather Prediction (NWP) systems this year has resulted in enhanced global NWP resolution, and a world-leading hourly-updating kilometre-scale forecast capability for the UK based on advanced, four-dimensional data assimilation. All this means more accurate, detailed forecasts, and enables new products and improvements that will support our partners and stimulate growth.

The sharp focus on turning science into practical services is fundamental to the Met Office, and we're extending this capability to the global arena, developing new solutions that promote UK excellence. Take fog – a notoriously difficult phenomenon to predict. New, ultra-high resolution simulations are being evaluated as a means to deliver more accurate fog forecasts for aviation. Experimental work at San Francisco airport has demonstrated that this approach is replicable at other locations around the world.

2017 was the warmest year on record without the warming influence of El Niño. The Met Office global temperature forecast suggests that, while 2018 will be another warm year globally, it is unlikely to set a new record due to the effects of a moderate La Niña in the Pacific. In the context of a warming climate, better understanding of climate risk remains a key priority. This year, we will deliver the next set of Met Office UK Climate Projections (UKCP18) – but with a difference. As well as running simulations in unprecedented detail, for the first time we'll run ultra-high resolution projections to investigate changes in convective rainfall which can lead to intense precipitation and potential flooding. This information will be invaluable for the Government, enabling it to take informed action and enhance UK resilience well into the future.

As we are already experiencing the impacts of a changing climate, our research is adapting accordingly. This year, under the Climate Science for Service Partnership China (supported by the UK Government's Newton Fund), the Met Office, along with our partners, has pioneered a breakthrough methodology that applies simulations of our current climate to better understand risks from extreme weather. This new technique has many applications. It is currently being used to investigate diverse risks, such as very cold winters in the UK and simultaneous crop failures in East Asia and the US. This research will help communities strengthen their resilience in the face of extreme weather now and in the future.

All of these research areas and new developments have been made possible by our new supercomputer. Nevertheless, this in itself presents a major challenge. The supercomputer generates huge amounts of forecast data each day – how we manage this data mountain is crucial, which is why the Met Office Decoupler project was such a major breakthrough. The initiative has transformed how we manage and process NWP data, simplifying an increasingly complex process. It means that it is much easier for users to find the forecast information they require within the data mountain. Decoupler also enables us to continue turning our improved science into world-class products and services.

> **The sharp focus on turning science into practical services is fundamental to the Met Office, and we're extending this capability to the global arena, developing new solutions that promote UK excellence.**

Professor Stephen Belcher

As Chief Scientist, I'm proud of the value and leadership the Met Office brings to the research community. Collaboration is key to advancing knowledge. It is exciting to see the impressive development of projects such as the UK Earth System Model, a collaboration between the Met Office and the Natural Environment Research Council (NERC). One of the important reasons that we develop these Earth system models is for their ability to provide insight into the Earth's carbon cycle; how much of the carbon emitted through burning fossil fuels will be absorbed by the oceans and vegetation, and how much will remain in the atmosphere as carbon dioxide? Knowing this is vital for understanding our global 'carbon budget' if we are to ensure global temperatures do not exceed two degrees celsius above pre-industrial levels, as set out in the Paris Agreement.

Looking ahead, the Met Office is already engaging the wider international climate research community about the next technological challenge – the age of exascale computing. This technological revolution means supercomputers will be capable of performing a billion billion calculations per second and requires the re-engineering of the Met Office's model code to exploit this capability. Therefore, by rising to the challenge now, we'll be able to provide the necessary leadership across a broad range of scientific disciplines that will also need to adapt to this demanding new paradigm.

About the Met Office

Right across the world, every single day, people make decisions based on the weather. Met Office weather and climate forecasts help with those decisions so people can be safe, well and prosperous.

Everything we do is based on world-leading science and enhanced by close working relationships with partner organisations around the globe. We collect and make sense of massive amounts of data every day, using cutting-edge technology for the benefit of humanity – and our planet.

Trusted expertise

Many people know us best as the people behind the weather forecasts that feature on TV, online and on your phone – keeping you in touch with our ever-changing weather. Regularly ranked as one of the most accurate forecasters in the world, we are responsible for the UK's National Severe Weather Warning Service.

We are also trusted to help protect UK armed forces as they plan missions around the weather, and to keep technology safe with our space weather forecasts. Met Office science and technology enables significant socio-economic benefits. For example, we provide value and help improve productivity through our business partnerships. This includes advising energy and retail sectors of weather that might affect consumer trends. We also help airlines reduce costs, and run safely and on schedule.

We use our technological expertise and supercomputer to drive improvements in our weather and climate predictions. Meanwhile, our innovative content and delivery platforms, such as the Met Office weather app, help people make informed decisions.

Met Office climate change research helps determine the worldwide response to a changing climate. We provide evidence on climate change to the UK Government and internationally through the Intergovernmental Panel on Climate Change (IPCC). Met Office climate services help decision-makers and businesses across public and private sectors to manage risks and opportunities of a changing climate.

Working in partnership

Around the world, and around the clock, together with our partners, we work hard to make accurate weather and climate advice available to all. We support businesses, agencies and governments in making short- and long-term decisions, making the world a safer and more resilient place tomorrow, and for the years – and decades – to come.

Varied work around the UK and internationally makes the Met Office a great place to work with rewarding careers. We support our staff to develop their individual skills and also provide opportunities to experience different areas of the Met Office.

By working in collaboration with other national meteorological services, we help to build capacity to ensure sustainable delivery and improvement of weather and climate services. One example of our international work is our role as delivery partner for the UK Government's Newton Fund through the Weather and Climate Science for Service Partnership (WCSSP) programme.

Proud history and a bright future

We are proud of our history – the Met Office was originally established in 1854 as the Meteorological Department within the Board of Trade, before periods within the Air Ministry and Ministry of Defence. After becoming a Trading Fund in 1996, the Met Office transferred to the Department for Business, Innovation and Skills (BIS) in 2011 which was replaced by the Department for Business, Energy & Industrial Strategy (BEIS) in July 2016.

In future, we will continue our multi-disciplinary approach to turning world-leading science into services, as well as working on grand challenges such as big data and climate change. It is vital that our science and services continue to be directed by the needs of business and industry and remain clearly linked to good economic outcomes for the UK.

The Met Office is transforming so that we are simpler to work with and simpler to work for. This evolution involves applying our expertise in ever more varied, innovative and valuable ways.

PERFORMANCE REVIEW

OUR PRIORITIES

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

Providing the right information to people and businesses remains key to what we do. To deliver this we maintained our position as the most accurate operational forecaster in the Global Numerical Weather Prediction (NWP) Forecast Accuracy Ranking.

Awareness of our forecasts also increased, especially during several severe weather events. A survey of awareness of the red warning issued in March 2018 showed 100% awareness among those surveyed, achieving this level for the first time.

We also built on our work as a commissioning body delivering new science and services for the UK Government and globally. Our work with the UK Government's Netwon Fund expanded to include new partners in Malaysia and the Philippines. In June 2017 we signed an agreement with the Department for International Development to deliver the Weather and Climate Information Services for Africa (WISER) programme.

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

Our research continues to be world-leading and papers co-authored by Met Office staff were cited 22,227 times and by 672 organisations. Building on our research, this year saw the first runs of our next generation forecast model. This work is necessary to meet our objective of being able to exploit exascale high performance computing in an operational context by the 2020s.

We also completed the Weather Radar Network Renewal project. Jointly funded by the Environment Agency, this £10m, seven-year project represents a significant investment in new weather radar systems.

Transform how we work to make us fit for the future

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

One element of this transformation is the Service Hub, a collection of technologies and processes that will enable us to more easily expose and make available our data in a standard way. In future, our customers and partners will benefit. For example, with new interfaces they will have access to the latest operational release in near real-time and have more control over when and what to download and test.

The Service Hub project reached its first major milestone in October 2017. The four atmospheric models are available via the Service Hub on a test basis and it is now possible to access exposed data through the cloud.

A key part of the transformation process will be to deliver £15m of annual savings by 2020. We took the first step towards this in 2017/18 by delivering £0.3m of savings and a delivery profile for the remaining efficiencies up to 2020.

To sustain this change it is important that our managers are equipped with the right tools to deliver against our priorities. As a first step towards this, we met our target for 90% of our managers to attend a managing change workshop in the year.

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

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

We also continue to deliver the benefits from our investment in new supercomputing capacity. For example, we introduced new capabilities in the summer of 2017 to enable our UK model to be run out to twelve hours every hour. This helps us to improve forecasts of severe weather that develops very quickly.

Our Business Group also exceeded its targets by delivering a £2.2m profit and £24.7m of revenue in 2017/18. One per cent of this revenue is re-invested into a rolling programme of activities designed to help UK industries make their operations safer and more effective.

Corporate measures

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

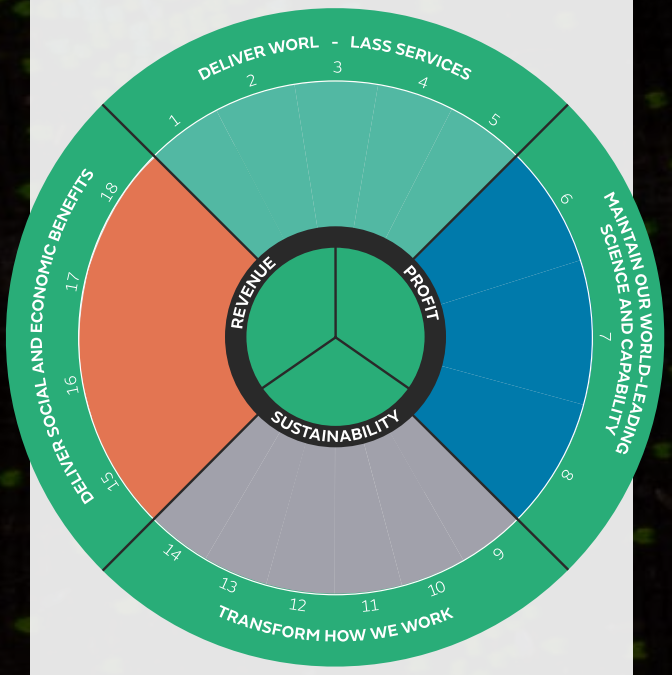
We are committed to delivering our objectives in a sustainable way by continuing to set challenging targets. We exceeded all elements of the sustainability Key Performance Indicator (KPI). We continue to strengthen our engagement with the wider community through Science, Technology, Engineering and Maths (STEM) outreach events, Science Camps and work experience.

We also met our target to maintain our ISO9001 and 14001 certifications, demonstrating our continued commitment to maintaining robust quality and environmental management systems. Our hope is that we will soon have certification against the new versions of these standards.

KEY PERFORMANCE INDICATORS

Our Key Performance Indicators (KPIs) link to our corporate performance-related pay, and fit into our four priorities. As all employees can benefit, this encourages employee engagement in driving the performance of the Met Office. Monthly briefings communicate progress to all staff. Where additional action is required to improve performance we develop appropriate action plans.

We have achieved or exceeded almost all of the sub-measures that make up our overall targets. The challenges of maintaining, and in some cases improving, the world-class research and services that the Met Office delivers should not be underestimated. Doing this alongside delivering a programme of Transformation and Efficiency is a testament to the quality and commitment of our staff.



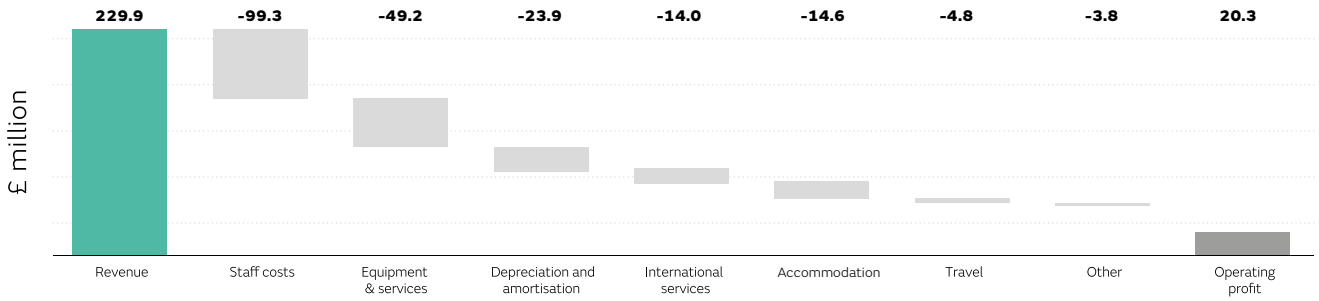
FINANCIAL REVIEW

Summary

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

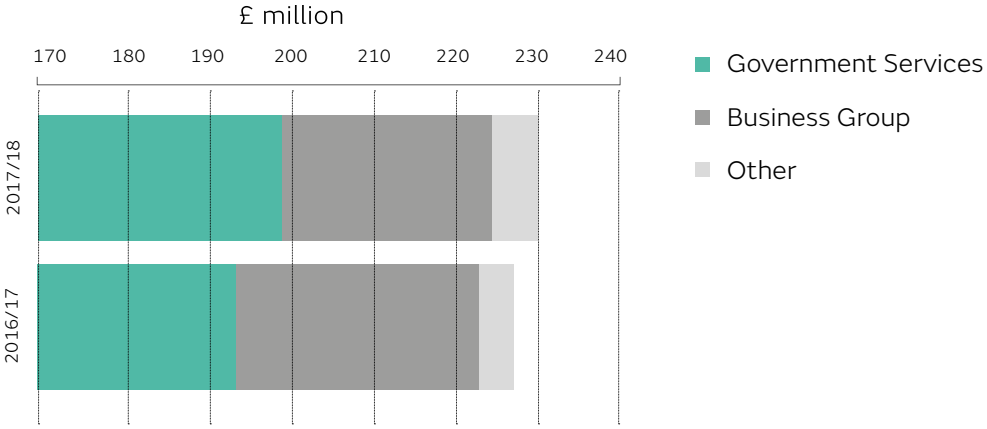
Key performance indicator	Target (£m)	Achieved (£m)
Total revenue	229.3	229.9
Total operating profit	11.2	20.3
Business Group revenue	23.8	24.7
Business Group operating profit	1.9	2.2

Summary financial performance 2017/18



Operating profit increased to £20.3m in 2017/18 (£4.9m 2016/17). This is partly due to provisions for costs in 2016/17 being reversed in 2017/18. A focus on cost reduction has improved profitability for both the Government Services and Business Group segments.

Revenue



Overall revenue remained largely stable at £229.9m compared to £226.8m in the previous year.

Funding for the Met Office's programme of Transformation and Efficiency was increased from £4.5m to £6.1m, reflecting the planned increases in activity during the year. Fund management activities, including the UK Government's Newton Fund and the Weather and Climate Information Services for Africa (WISER) programmes, also showed increased revenue from £8.9m to £11.2m. These increases were partly offset by a reduction in Business Group's regulated aviation revenue of £1.1m.

Operating costs

Operating costs reduced after provisions made in 2016/17 were used or reversed.

In 2016/17 provision was also made for a staff voluntary exit scheme and this was completed in 2017/18.

A further provision made in 2016/17 was released after implementing a revised pay deal, which addresses equal pay issues identified in the Met Office's 2017 pay audit.

Underlying staff costs and other cost reductions are driven by our reduced headcount and cost control measures as we continue to deliver savings through our programme of Transformation and Efficiency. A planned increase in costs for our programme of Transformation and Efficiency was delivered, enabling several key milestones to be reached.

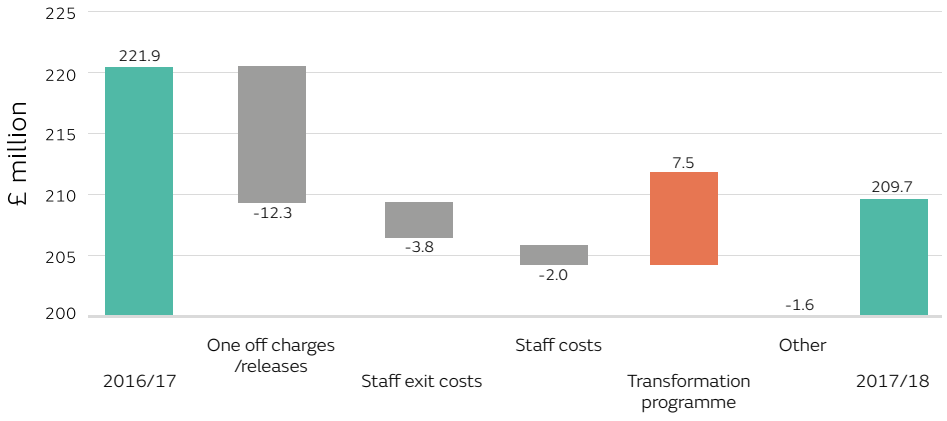
Transformation and Efficiency

The multi-year programme of Transformation and Efficiency aims to transform the way the Met Office works so that we are both simpler to work with and simpler to work for. It also aims to realise cost savings as part of the Met Office response to the most recent UK Government Spending Review.

Dividends

Total dividends payable to our owner, the Department for Business, Energy and Industrial Strategy (BEIS) are £8.5m (2016/17 £4.0m)

Cost changes



Cash flows and liquidity

Cash balances totalled £67.2m as at 31 March 2018 compared to £65.1m as at 31 March 2017.

Significant investments in satellite programmes (£52m) were partly offset by the receipt of loan funding (£29m) from BEIS. The Met Office holds cash deposits primarily to meet its short-term operating commitments. However, in the short to medium-term, capital contributions to meet international obligations are expected to increase.

Borrowing

Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office's sponsor department, BEIS. Therefore, exposure to liquidity risk is limited to these arrangements. As at 31 March 2018, £58m in loans were outstanding (31 March 2017, £34m). Loan funding requirements are anticipated to increase over forthcoming years to finance the UK contribution to the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT).

SUSTAINABILITY SUMMARY

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

Energy

The energy consumed by our headquarters-based supercomputer accounts for most of our energy consumption and associated emissions. Electricity consumption for HQ is at steady state. The 32% increase in overall electricity consumption is due to the supercomputer at the Exeter Science Park seeing its first year of full operational running. Gas consumption is at a steady state.

Our solar panel installation is now fully operational and meeting its projected outputs.

Travel

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

Waste

In 2017/18, our total waste arising was 187 tonnes – a decrease from our 2016/17 figure of 231 tonnes due largely to the completion of the first phase of our office refurbishment work. We continue to strive to keep our total waste to a minimum through initiatives such as selling old office furniture for re-use and ensuring that all our IT waste is either re-used or recycled. Since December 2015, we have been sending all our residual waste for incineration at a local facility in Plymouth for energy from waste.

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

Recycling

In 2017/18, we achieved a recycling/re-use rate of 66.6% and a recovery rate of 33.1% which means that less than 1% of our waste went to landfill.

We currently recycle or re-use cardboard, metal, food, batteries, glass and all types of plastic. We also recycle or reuse our electrical/information communication technology waste. We have recycling champions who encourage their colleagues to be more proactive and use the wide range of recycling facilities.

Greenhouse Gas Emissions		2014/15	2015/16	2016/17	2017/18
Non-financial indicators (tCO_2e)	Total gross emissions for scopes 1 & 2 (including white fleet)	20,015	18,258	19,251	**21,385**
	Gross emissions scope 3 - business travel (less white fleet)	1,352	1,541	1,570	**1,484**
Related energy consumption (MWh)	Electricity: non-renewable (see performance commentary)	38,639	37,530	43,904	**56,838**
	Electricity: renewable (see performance commentary)	-	-	-	
	Electricity: good quality combined heat and power	-	-	-	
	Self generated renewable (solar panel installation at HQ site)	239	231	105	**224**
	Natural gas	3,765	3,889	5,383	**5,221**
	Gas oil (diesel)	294	149	65	**61**
Financial indicators (£)	Expenditure on energy	3,614,900	3,704,861	4,697,680	**5,875,046**
	Expenditure on business (administrative) travel	2,437,555	2,382,879	2,202,420	**2,217,499**
	Expenditure on Carbon Reduction Commitment Energy Efficiency Scheme allowances	318,302	291,658	317,881	**347,927**

Waste		2014/15	2015/16	2016/17	2017/18
Non-financial indicators (t)	Total waste arising (t)	210.32	206.91	231.13	**187.1**
	Recycled and re-used	185.40	178.42	142.01	**124.63**
	ICT waste recycled and re-used (externally)	19.52	8.24	24.38	**9.47**
	Composted	20.22	17.66	20.51	**27.6**
	Anaerobic digestion	-	30.27	32.41	**32.18**
	Incinerated/energy recovery	-	10.97	33.61	**27.96**
	Landfill	24.92	17.35	3.13	**0.52**
Financial indicators (£)		**83,193**	**84,151**	**85,340**	**87,783**

Water			2014/15	2015/16	2016/17	2017/18
Non-financial indicators (m^3)	Water consumption	Imported (potable)	34,312	37,899	27,740	**33,280**
		Abstracted (borehole)	22,633	15,457	26,857	**21,334**
		Grey water (harvested rainwater)	318	-	-	
		Recycled water (discharge from cooling towers)	8,015	6,628	7,907	**6,499**
Financial indicators (£)	**Water supply costs**		**70,426**	**75,623**	**55,957**	**66,467**

Finite resources (water)

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

In 2017/18, we saw a 20% increase in our mains water consumption. Due to the new supercomputer, we have an increased need to use water for cooling. We are able to use a mix of mains water and softened borehole water for this purpose but have yet to increase our water softening capability to meet the increased demand from the borehole.

Sustainable procurement

We continue to monitor our performance against Government Buying Standards, in line with the Greening Government Commitments and benchmark our performance with other government departments on key commodities and services.

Through these supplier engagement activities, we aim to continually improve our compliance to mandated and best practice Government Buying Standards on common goods and services. We actively encourage engagement with small and medium-sized enterprises (SME) in line with Government SME policy, by looking to break down procurements into Lots, and are a signatory to the Government Prompt Payment Code, both committing to make payments to suppliers in a timely manner, and to promote equivalent terms to related sub-contractors.

Biodiversity action planning

We are proud to have retained the Wildlife Trust's Biodiversity Benchmark Award for our headquarters site where our staff-led Biodiversity Working Group continues to work closely with colleagues in our Property Management team to protect and enhance biodiversity. Our ongoing work includes grassland management to benefit different butterfly species as well as the addition of nettle patches. We continue to record species observations so we can monitor the impact our work is having – during 2017 we conducted a Phase 2 habitat survey of our meadow as well as our ongoing butterfly transects and bird surveys.

Nick Jobling
Acting Chief Executive and Interim Accounting Officer
11 July 2018

CORPORATE GOVERNANCE REPORT

Directors' report

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

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

Statement of the Met Office and Accounting Officer's responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973, HM Treasury has directed the Met Office to prepare a statement of accounts for the 2017/18 financial year in the form and on the basis set out in the Accounts Direction issued on 20 December 2017 and in guidance received on 20 February 2015.

Accounts are prepared on an accruals basis and must give a true and fair view of the Met Office's state of affairs as at 31 March 2018 and of the income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the accounts on a going concern basis.

With effect from 2 March 2018 HM Treasury appointed Nick Jobling as acting Chief Executive and interim Accounting Officer for the Trading Fund. His responsibilities as Accounting Officer, which include responsibility for the propriety and regularity of the public finances, for which he is answerable, keeping of proper records and safeguarding the Met Office's assets, are set out in Managing Public Money published by HM Treasury. Rob Varley was the previous Chief Executive and Accounting Officer. His employment was terminated on 1 March 2018.

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

The Accounting Officer also confirms that he takes personal responsibility for the Annual Report and Accounts and the judgements required to ensure that they are fair, balanced and understandable.

GOVERNANCE STATEMENT

Scope of responsibility

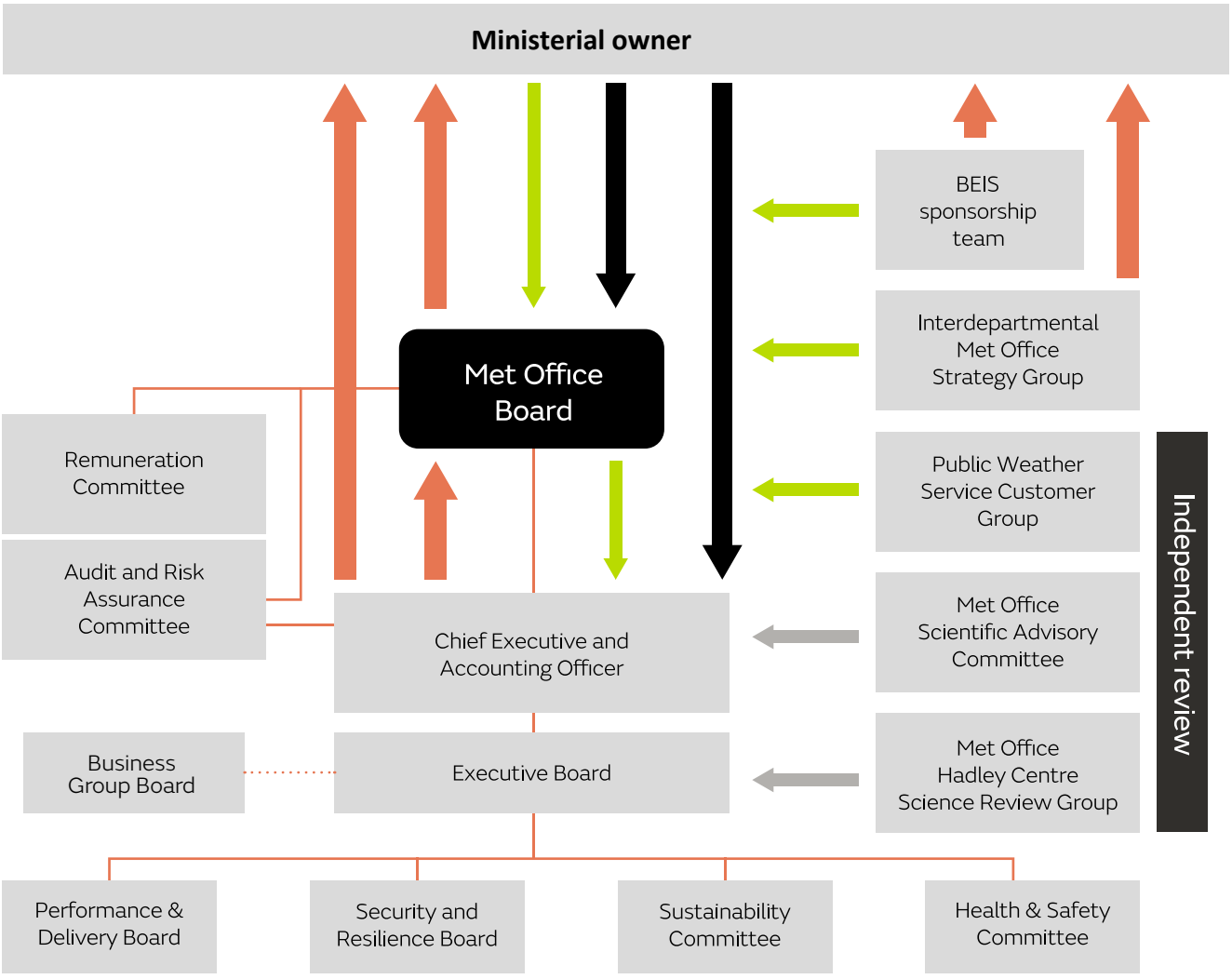
As interim Accounting Officer, it is my responsibility to ensure that there is a sound system of governance, risk management and internal control in place; and that Met Office business is conducted in accordance with Managing Public Money to ensure public money is safeguarded, properly accounted for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

- Advice and accountability
- Scrutiny, advice and challenge
- Delegated authority
- Scrutiny, advice and assurance

The purpose of the governance statement

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

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



Met Office governance structure

Our governance structure

On 1 March 2018, Rob Varley's employment as Chief Executive and Accounting Officer was terminated and he left the organisation as a result of governance and management control issues raised in a number of independent audits. These issues are reported in more detail in the Significant governance and control issues section of this Governance statement. I was appointed acting Chief Executive and interim Accounting Officer with effect from 2 March 2018.

Met Office Board and committees

Role of the Met Office Board

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

Met Office Board composition

The Chair is responsible for leading the Met Office Board and ensuring that it is effective in discharging its role. He is supported by additional non-executives, chosen to ensure an appropriate mix of skills and experience. The Met Office Board has two committees – the Audit and Risk Assurance Committee (ARAC) and the Remuneration Committee, each chaired by a non-executive board member.

Professor Sir John Beddington has acted as interim Chair throughout 2017/18. Rob Woodward has been appointed Chair with effect from 1 July 2018.

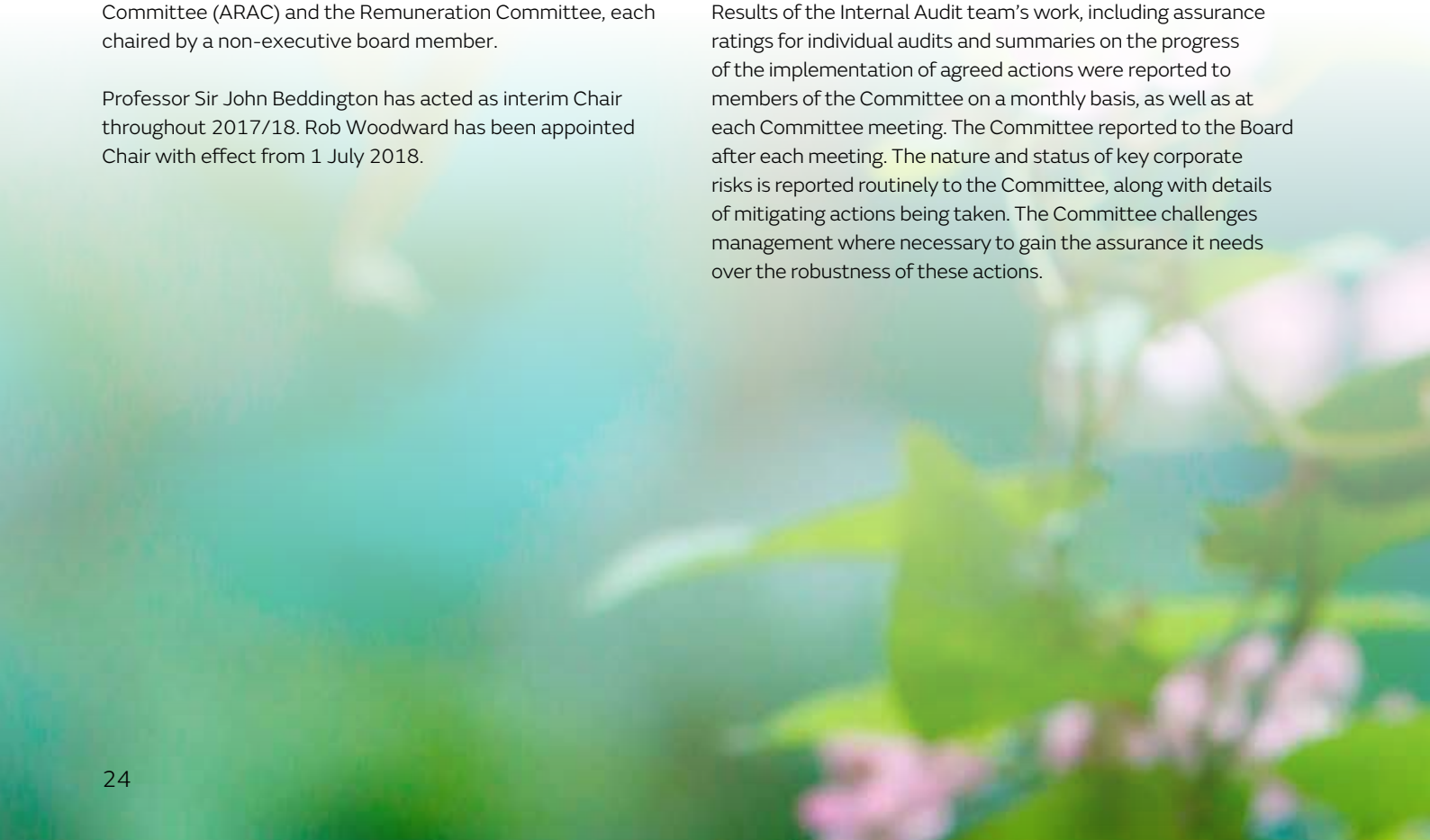
Met Office Board activities in 2017/18

During 2017/18 the Met Office Board met seven times, which included a strategy session in January 2018. A summary of each Board meeting is published on the Met Office website. Themes discussed at Board meetings during 2017/18 included: the Met Office's corporate strategy, targets, performance and achievements towards its purpose working at the forefront of weather and climate science for protection, prosperity and well-being. In this context, the Board discussed and monitored progress towards the Met Office's Corporate Plan, including an ongoing programme of Transformation and Efficiency; developments in science and technology; performance of the Met Office Business Group; activities in relation to business continuity, security and resilience; work towards agreeing and implementing a new equality-proofed pay system; services in support of government and international humanitarian relief; improving customer experience; next generation supercomputing; and activities related to reach and communications.

As reported under the Significant governance and control issues section below, various investigations that identified certain governance and control issues were carried out during the year. For reasons of confidentiality, the Board and Audit and Risk Assurance Committee did not have access to some of the investigation reports at the time. Discussion of some reports was postponed until the Audit and Risk Assurance Committee and Board met in March 2018, and discussion of others was not possible until the Committee and Board meetings in June 2018.

Audit and Risk Assurance Committee

Members of the Committee met three times during 2017/18. Results of the Internal Audit team's work, including assurance ratings for individual audits and summaries on the progress of the implementation of agreed actions were reported to members of the Committee on a monthly basis, as well as at each Committee meeting. The Committee reported to the Board after each meeting. The nature and status of key corporate risks is reported routinely to the Committee, along with details of mitigating actions being taken. The Committee challenges management where necessary to gain the assurance it needs over the robustness of these actions.



BEIS sponsorship team

The Department for Buisness, Energy and Industrial Strategy (BEIS) sponsorship team advises BEIS Ministers on the management of the Government's interest in the Met Office. A BEIS representative sits on the Met Office Board and its committees. The Met Office Framework Document is currently being refreshed.

Executive Board and committees

I was appointed as acting Chief Executive on 2 March 2018. In this role, I am responsible for the day-to-day leadership and management of the Met Office. I am accountable to the Ministerial Owner and the Met Office Board (acting, where appropriate, on the Ministerial Owner's behalf) for the performance of the Met Office in accordance with the Met Office Framework Document and Corporate Plan. I am also interim Accounting Officer for the Met Office, personally responsible and accountable to Parliament for the organisation and quality of management in the Met Office, including its use of public money and the stewardship of its assets. The Chief Executive chairs the Executive Board, which is responsible for supporting me in the implementation of the strategy agreed by the Met Office Board.

Additional review bodies

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

- Interdepartmental Met Office Strategy Group (IMOSG) – comprising relevant government departments, the devolved administrations and the Met Office, IMOSG meets periodically to review, at a strategic level, Government's overall priorities for the Met Office.

- Public Weather Service Customer Group (PWSCG) – oversees the Public Weather Service from a customer point of view, ensuring the quality, suitability and value for money of the service provided. The PWSCG comprises independent members and representatives from government departments, agencies, emergency responders, local authorities, the Scottish and Welsh Governments and the Northern Ireland Assembly. The PWSCG is chaired by Dr Wyn Williams and its Annual Report is available through the Met Office website.

- Met Office Scientific Advisory Committee (MOSAC) – provides an independent assessment of the quality and relevance of the Met Office's scientific research which underpins our weather, climate and oceanographic services. The Committee comprises external independent experts in the field of climate science, meteorology, oceanography or numerical weather prediction drawn from UK universities, and from meteorological services and climate institutions of other countries. Professor Huw Davies was chair of MOSAC during 2017/18.

- Met Office Hadley Centre Science Review Group (SRG) – provides an independent review, on behalf of BEIS and the Department for Environment, Food and Rural Affairs, of the climate research carried out by the Met Office Hadley Centre. The SRG is chaired by Professor Ted Shepherd.

Met Office Board and committee composition and attendance	Dates served	Met Office Board	Audit and Risk Assurance Committee	Remuneration Committee
Total number of meetings		7	3	1
Executive Directors				
Rob Varley Chief Executive	Left Met Office on 1 March 2018	5/5	-	1/1
Nick Jobling Acting Chief Executive Chief Financial Officer[1]	From 2 March 2018 Until 1 March 2018	7/7	-	-
Steve Noyes Deputy Chief Executive	Left Board in July 2017	2/2	-	-
Prof Stephen Belcher Chief Scientist	-	7/7	-	-
Phil Evans Chief Operating Officer	Appointed to Board in July 2017	5/5	-	-
Non-executive Directors				
Prof Sir John Beddington Interim Chairman		7/7	-	1/1
Dame Mary Keegan Chair of ARAC		6/7	3/3	1/1
David Burridge		7/7	3/3	1/1
John Kimmance		7/7	-	1/1
Robert Drummond		7/7	3/3	1/1
Catherine Quinn	Appointed April 2017	6/7	3/3	1/1
Paul Hadley BEIS representative		7/7	3/3	1/1
Helen Stevens Prospect union representative		3/6		

1. John Taylor was appointed as interim Chief Financial Officer in April 2018

Evaluation of Board performance

The performance of the Met Office Board and the Audit and Risk Assurance Committee was evaluated using structured questionnaires. The 2017/18 review highlighted some areas of concern for the Board, consistent with control issues mentioned in this statement, and the Board endorsed the implementation of recommendations for improvement over the following year.

Conflicts of interest

The Met Office maintains a public Register of Interests that details company directorships and other significant interests held by Met Office Board members which may conflict with their responsibilities. The register is reviewed at least on an annual basis. Where appropriate, conflicts of interest were declared during 2017/18 and, where there was any perceived conflict, the member in question was excluded from the relevant conversation and any decisions made on that subject. The register is available to view by applying in writing to my Private Secretary at the Met Office, FitzRoy Road, Exeter EX1 3PB.

Compliance with Corporate Governance Code

Where applicable, the Met Office has complied during 2017/18 with the provisions of Corporate governance in central government departments: Code of good practice April 2017.

Risk management strategy and how the risk profile is managed

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

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

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

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

Accountability and Responsibility framework for risk management

The Met Office Board provides an external perspective to all corporate risks. The Met Office Board reviewed the most serious risks threatening strategic objectives in May 2017 and again in March 2018 (see also Key risks and issues arising below).

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

The Performance and Delivery Board (PDB), chaired by the Chief Financial Officer, reviews actions on all corporate and significant business risks and is the main champion of risk management within the Met Office. The PDB sits monthly. It supports and challenges the Met Office Executive in identifying risks and opportunities, highlighting where risks are being ineffectively managed and addressing these areas with management.

The Executive Heads and senior management ensure that they understand the risk policy, process and reporting requirements, ensuring that a risk register is compiled and maintained for each major activity, and escalate risks to the PDB in conjunction with the Corporate Risk and Benefits Manager as required. The Executive Heads also undertake a monthly 'deep dive' review of a departmental risk register, recommendations from which are reported to the PDB.

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

Risk management information is used:

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

Risk management assurance

In response to a National Audit Office (NAO) report evidencing the under reporting of incidents of fraud across the Public Sector, third-line assurance over risk management in 2017/18 focused on fraud risk and how it might impact the Met Office. Specifically, focus was placed on grant management and travel and subsistence. This work concluded that reasonable control design existed in the area of grant management, with opportunities to improve the implementation of controls such as due diligence in grant defrayment. For travel and subsistence, reasonable controls were also evidenced as being in place to detect fraud. However, it was recognised that improved management information was required by local budget holders to enable them to properly oversee and validate spend.

The Corporate Risk and Benefits Manager undertakes quality assurance checks throughout the year to encourage compliance with corporate risk management protocols and identify areas of the business where risk management practices require strengthening. In support of this, risk management training sessions have been delivered during the year and are ongoing. The purpose of these is to raise awareness of the value of risk management and offer practical advice on implementing effective management actions.

Risk appetite

Risk appetite is defined as the level of risk the organisation is willing to face to achieve its objectives. Our risk appetite framework recognises that different objectives can have differing levels of risk tolerance. With reference to risk appetite we are able to apply appropriate levels of mitigation to risks dependent on whether a risk is assessed as falling within or outside our appetite. In this way we can ensure our risks are prioritised and that we are making efficient use of our resources in managing the key risks.

The organisation's Risk Appetite Framework is based on 'Thinking about Risk, Managing your risk appetite: A practitioner's guide' HM Treasury, November 2006. Our risk appetite is directly aligned to the corporate objectives outlined in the Corporate Plan, and is framed against the categories of Legal/Regulatory/Security/Financial/Operational Delivery and Reputation. This provides a granular view of the risk appetite for each corporate objective. Risk appetite was last reviewed early in 2017 and will be reviewed again commensurate with any update to the organisation's corporate objectives.

Key risks and issues arising

2017/18 has been a year in which significant corporate risks and issues have had to be managed. The risk portfolio has included the following key risks:

- concerns relating to equal pay which have been addressed by a mutually-agreed settlement between the Met Office and the trade union, Prospect;
- active engagement with the Government to achieve a sustainable way forward for funding of the Met Office Hadley Centre Climate Programme for a three-year period 2018-2021, where an agreement has now been reached;
- ensuring our position as the authoritative source of information during times of high impact or severe weather is retained following the transition of BBC weather forecasts to a new supplier. A free Public Weather Media Service has been developed and is now in use by almost all national broadcasters. The BBC has also signed a formal agreement to broadcast, display and attribute Met Office National Severe Weather Warnings during periods of high impact or severe weather;
- maintaining operational resilience, which is a priority for the organisation. We have focused on protecting and improving the resilience of our key services and staff and this continues to be an area of focus, particularly during the implementation of our programme of Transformation and Efficiency;
- ensuring that our programme of Transformation and Efficiency delivers the required changes to our people, processes and technology to place us in a strong position for the future, being careful to ensure that it does not have an adverse impact on our operational resilience as we make the required changes.

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

Other control and governance structures

Internal financial control

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

Business critical models

The Met Office maintains an inventory of business critical models. We continue to ensure that robust quality assurance arrangements are in place for each of these models, reflecting their importance in continuous service provision, and in compliance with the Macpherson review of the quality assurance of Government analytical models.

Information security

We have a Senior Information Risk Owner (SIRO) at Executive Director level who is supported by Information Asset Owners (IAOs) who cover information assets across the whole of the Met Office. Twenty one Information Asset Guardians (IAG) support these IAOs. They work with the SIRO to ensure business critical and sensitive information assets are risk managed appropriately so that the value of our information assets is protected as described by our risk appetite. Wider governance is delivered through the Security and Resilience Board (SRB), which meets regularly and is chaired by the Chief Operating Officer and oversees Met Office security and business continuity/resilience. The SRB has several working groups targeted at a lower level on threat and vulnerability; policy; information assurance and resilience. In addition, a working group focused on managing risk regarding staff joining, leaving and moving within the Met Office has been established. In the year to come there will be a particular focus on the further development of our security and resilience strategy, and on updating our security policies and processes.

The Met Office has evidenced how it complies with the Security Policy Framework and the four Cabinet Office Security Standards for the financial year by completing the Departmental Security Health Check. This has been independently validated by Internal Audit. In addition, the Met Office successfully achieved certification against the National Cyber Essentials scheme, which helps us to demonstrate a good foundation of information security compliance to our partners and customers.

Protective security is the joint responsibility of the Chief Information Security Officer and Security Manger (Physical and Personnel) who jointly fulfil the role of Departmental Security Officer (DSO) at the Met Office. In September 2017 a Crisis Management (gold) exercise was run with a scenario of both sensitive data leakage and a potential attack (physical and cyber) by a terrorist group. This exercise included the Executive Board, and crisis management process documentation and training plans have been amended to reflect lessons learned.

Controls around the protection of personal data have a high priority, however there are occasional cases of data losses or breaches of data protection legislation. These are referred to BEIS which is the legal data controller, and determine whether individual cases require reporting to the Information Commissioner's Office (ICO). No data protection incidents were reported to the ICO during 2017/18. I have been made aware of one breach of data protection legislation that occurred in previous years, and have been advised that it does not require reporting to the ICO. Owing to the nature of the incident the Investigatory Powers Commissioner's Office has been consulted as to whether further action is necessary.

During the year, we implemented a formal General Data Protection Regulations (GDPR) Project sponsored by a member of the Executive Board, which has worked closely with all Met Office business areas (and has regularly reported to the Met Office Audit and Risk Assurance Committee) to ensure that the organisation was prepared for compliance with the GDPR ahead of the regulations coming into force on 25 May 2018.

Monitoring governance performance and effectiveness

Audit and Risk Assurance Committee report

The Audit and Risk Assurance Committee arranges for management representatives to attend its meetings to explain how corporate risks are being reduced to an acceptable level or how issues of particular concern identified in internal audits are being managed effectively. During the current year there was specific focus on the programme of Transformation and Efficiency, security and resilience, GDPR, ISO9001 certification and the significant governance and control issues referred to below.

The Audit and Risk Assurance Committee annually reviews the effectiveness of the internal and external audit functions, and has expressed the view that these functions continue to operate effectively for 2017/18 in the provision of assurance on Met Office standards of governance, risk management and control.

Accounting Officer review

As interim Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This review is informed by the work of Executive Directors and the programme of work delivered by the Internal Audit team and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

Internal Audit assessed the systems of governance, risk and control via a planned programme of assurance-generating work over the course of the year. A structured process identified the activities to be audited, with corporate risk a key consideration in determining the actual audits to be undertaken. However, some planned audits had to be postponed this year to accommodate unplanned independent audit work carried out by the team, with much of this effort focusing on the governance and control issues referred to below.

During the year we have continued to engage with the BEIS counter-fraud network with a particular emphasis on developing controls and procedures in line with the 11 Cabinet Office standards. Whistle-blowing processes proved effective in relation to the significant governance and control issues noted below, however subsequent investigations highlighted concerns around some management behaviours. We will therefore update all procedures around raising concerns, be they potential fraud, bullying, harassment, management behaviours, whistle-blowing or other issues. I will then personally communicate these to staff to ensure that they and stakeholders have confidence in our processes in this area.

Annual Assurance Statements were obtained from each Executive Director, the Executive Head of Media and Communications and Advisor to the Chief Executive describing the extent to which, and how, they have complied with internal rules and regulations that form a key part of the organisation's governance framework. Internal Audit reviewed these statements to identify any material issues or trends. These statements raised no significant issues other than confirming the significant governance and control issues referred to below.

Significant governance and control issues

As a result of a report from a whistle-blower, management undertook both internal and independent reviews. These reports identified management control and governance failings in a limited number of areas of the business, which do not impact on the operations of the Met Office and the services it provides. Major control weaknesses were addressed at that time. Additional internal and independent audits were commissioned in order to investigate further, to establish the full extent of the issues. These audits concluded that the major failings were limited to a narrow area of the business and included lack of enforcement of established controls around travel expenditure and expenses, and a lack of appropriate and comprehensive management response to the concerns raised by staff. These matters were identified as having operational proximity to the former Chief Executive and his employment was terminated with effect from 1 March 2018. Control weaknesses and governance issues identified are being addressed robustly, under my personal oversight, with a view to minimise future impacts.

Internal audit annual opinion

The Head of Internal Audit has given moderate assurance over the adequacy and effectiveness of the Met Office's systems of governance, risk management and internal control. Compared to last year the moderate rating has reduced. This is due to the combined results of three low assurance rated audits and two investigations where significant control weaknesses were identified. A continuing theme for improvement, originally reported in 2016/17, is the lack of maturity of governance arrangements. Ten internal audit reviews found issues connected to immature governance arrangements, particularly a lack of compliance reviews by owners of policies or procedures. The acting Chief Executive has initiated a governance review looking into the design and effectiveness of the governance framework, including compliance reviews by policy owners.

Accounting Officer's conclusion

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

I have carefully considered the governance and control issues noted above, and many of the key controls have already been improved. However, the evidence from Internal Audit is that there is a theme from their work of immature governance, and the Audit and Risk Assurance Committee has also made related recommendations in its annual report. Some aspects of governance and process improvements will be addressed through our programme of Transformation and Efficiency. In addition I have commissioned work, led by the interim Chief Financial Officer, to review the governance framework to enhance governance, controls and accountabilities.

REMUNERATION AND STAFF REPORT

Remuneration report

Remuneration policy

The remuneration of those who serve on the Met Office Board is disclosed within this report. The following Met Office Board members are also members of the Executive Board and are Met Office employees:

- **N. Jobling, acting Chief Executive** (from 2 March 2018), Chief Financial Officer (until 1 March 2018) and Deputy Chief Executive (from 1 August 2017 to 1 March 2018)
- **R. Varley, Chief Executive** (until 1 March 2018)
- **S. Noyes, Deputy Chief Executive** (until 1 August 2017)
- **S. Belcher, Chief Scientist**
- **P. Evans, Chief Operating Officer** (appointed to the Board from 1 August 2017)

Service contracts

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

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

Met Office employees

Met Office employees have their remuneration determined by a process consistent with HM Treasury civil service pay guidance.

Further details of HM Treasury civil service pay guidance can be found at **https://www.gov.uk/government/collections/civil-service-pay-guidance**

Subject to the constraints of government policies on public sector pay, the Chief Executive has delegation to determine pay and conditions for all Met Office employees. This delegation requires the Chief Executive to consult with the Department for Business, Energy and Industrial Strategy (BEIS), the Cabinet Office and HM Treasury and to gain ministerial approval from BEIS 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.

Remuneration Committee

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

The purpose of the Committee includes the consideration of distributions to employees under the Met Office Corporate Performance Pay scheme. This is based on an assessment of the performance of the Met Office against its Key Performance Indicators and the level of declared profit. The committee also considers performance awards for directors under the Met Office Personal Performance scheme.

Salary

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

Other taxable allowances

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

Remuneration (audited)

	2017/18					2016/17				
	Salary	Other taxable allowances	Performance - related pay	Pension benefits [1]	**Total**	Salary	Other taxable allowances	Performance - related pay	Pension benefits [1]	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
R Varley (until 1 March 2018)	115-120 (125-130 full year equivalent)	-	-	(2)	110-115	120-125	-	15-20	15	150-155
N Jobling	100-105	-	0-5	32	135-140	100-105	0-5	0-5	36	140-145
S Belcher	135-140	-	10-15	53	195-200	40-45 (135-140 full year equivalent)	-	0-5	25	65-70
S Noyes (until 1 August 2017)	35-40 (95-100 full year equivalent)	-	-	-	35-40	80-85 (90-95 full time equivalent)	-	0-5	-	85-90
P Evans (from 1 August 2017)	55-60 (85-90 full year equivalent)	45-50	0-5	52	155-160	-	-	-	-	
J Slingo (until 31 December 2016)	-	-	-	-		95-100 (140-145) full year equivalent)	-	10-15	70	180-185

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

Performance-related pay

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

Pay multiples (audited)

The banded remuneration of the highest-paid Director in the Met Office in the financial year 2017/18 was £140,000 to £145,000 (2016/17 £155,000 to £160,000). This is 3.74 times (2016/17 4.46 times) the median remuneration of the workforce, which was £37,986 (2016/17 £35,533). In 2017/18, no employee (2016/17 nil) received remuneration in excess of the highest-paid Director.

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

The ratio between the highest paid director and the median remuneration of the workforce has decreased, both due to a change in the highest paid director and the implementation of a new pay deal. The post of the highest paid director was recruited part way through 2016/17 as the previous holder had left the Met Office. During 2017/18 the Met Office implemented a revised pay deal, which addressed issues identified in the Met Office's 2017 pay audit, increasing the median remuneration.

Pension entitlements for each director (audited)

	Accrued pension at pension age as at 31 March 2018 & related lump sum	Real increase in pension & related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase in CETV
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
R Varley until 1 March 2018	50-55 lump sum 160-165	0-2.5 lump sum 0-2.5	1,128	1,062	(2)
N Jobling	20-25	0-2.5	397	355	14
P Evans from 1 August 2017	30-35 lump sum 90-95	2.5-5 lump sum 0-2.5	642	568	33
S Belcher	10-15	2.5-5	178	135	28

Civil service pensions

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

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

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at **www.civilservicepensionscheme.org.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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff report

Staff numbers as at 31 March 2018 (audited)

	Full time equivalents			
	Male	**Female**	**31 March 2018**	**31 March 2017**
Directors	6	1	7	9
Other permanent staff	1,250	647	1,897	1,988
Met Office employees total	1,256	648	1,904	1,997
Temporary/agency staff			85	48
Total			**1,989**	**2,045**

Staff costs

	2017/18	**2016/17**
	£ '000	**£ '000**
Staff costs		
Salaries, performance-related pay and allowances	70,170	83,822
Social security	8,284	8,569
Pension contributions	14,752	15,135
Early retirement and exit costs	266	4,096
Temporary/agency labour costs	5,856	5,744
Total staff costs	**99,328**	**117,366**

Diversity

Individuals make big things happen at the Met Office. They break new ground, turn incredible ideas into reality and deliver the meteorological services that millions of people around the world rely on. That's why we treat our people as individuals. We value and appreciate everyone's differences. They make us who we are.

We're committed to embracing and encouraging diversity. We want to maintain a culture that values difference and ability; a culture that promotes openness, fairness and transparency.

One of the main objectives of our Corporate Plan was to transform our pay model to enable us to retain and reward a highly skilled and agile workforce. We have now achieved this objective by delivering a new approach that focuses on delivering equal pay for equal work. Pay relates to performance and is critical in enabling us to recruit, retain and recognise world class people while adhering to government pay policy. A copy of our gender pay report is available on our website.

We are working to make the Met Office fully inclusive for all employees, applicants and people who work with us. As part of this we have a range of activities to improve our approach including participating in the Government's Disability Confident scheme and providing Workplace Adjustment Passports. We provide sign language opportunities with accredited trainers and support a range of staff-led diversity action groups with participants across the organisation.

We consider employee well-being to be of key importance and have a range of support mechanisms including the introduction of mental health awareness training and fully trained mental health first aiders across the organisation. Our approach also embeds ways of supporting flexible working.

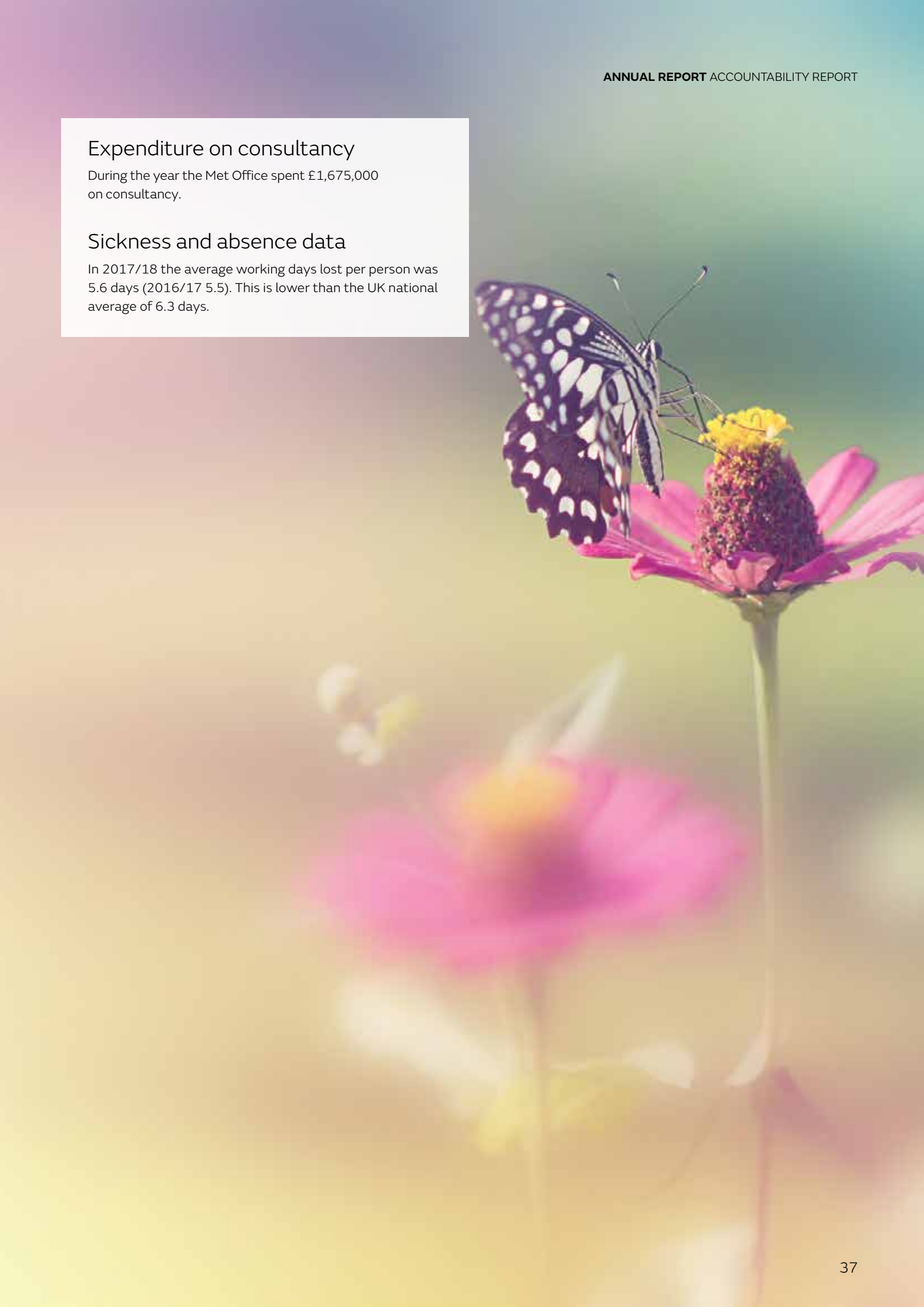
We are committed to continually improving our approach to diversity and inclusion and to support this we have policies and plans which we review and develop. One example is our approach to encouraging an increased number of women in Science, Technology, Engineering and Maths (STEM). As part of this we achieved Athena Swan accreditation in May 2018.

Expenditure on consultancy

During the year the Met Office spent £1,675,000 on consultancy.

Sickness and absence data

In 2017/18 the average working days lost per person was 5.6 days (2016/17 5.5). This is lower than the UK national average of 6.3 days.



Off-payroll engagements

This table shows off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months.

Number of existing engagements as of 31 March 2018	40
Of which...	
Number that have existed for less than one year at time of reporting.	29
Number that have existed for between one and two years at time of reporting.	8
Number that have existed for between two and three years at time of reporting.	1
Number that have existed for between three and four years at time of reporting.	2
Number that have existed for four or more years at time of reporting.	0

This table shows new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	44
Of which...	
Number assessed as caught by IR35	43
Number assessed as not caught by IR35	1
Number engaged directly (via Personal Services Companies contracted to BEIS) and are on the Met Office payroll	0
Number of engagements reassessed for consistency/assurance	0

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

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

Fees paid to non-executive directors (audited)

Met Office non-executive directors are not Met Office employees and are not members of the Principal Civil Service Pension Scheme.

	2017/18	2016/17
	£'000	£'000
Professor Sir John Beddington	35-40	30-35
Dr David Burridge	20-25	20-25
Catherine Quinn (from April 2017)	15-20	-
Dame Mary Keegan	20-25	20-25
Robert Drummond	15-20	- (15-20 full year equivalent)

Paul Hadley attended as part of his responsibilities at the Department for Business, Energy and Industrial Strategy. Further details of his attendance are given in the Governance Statement. He is not entitled to receive separate remuneration in undertaking Met Office duties. John Kimmance does not receive any remuneration in his role as a non-executive director.

Robert Drummond was appointed in March 2017.

Exit packages (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0 - £10,000	-	-	13	-	13	-
£10,000 - £25,000	-	-	36	-	36	-
£25,000 - £50,000	-	-	34	2	34	2
£50,000 - £100,000	-	-	34	-	34	-
Total number of exit packages by type	**-**	**-**	**117**	**2**	**117**	**2**
Total cost £'000	-	-	4,215	64	4,215	64

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

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

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

Regularity of expenditure (audited)

Following investigations that are reported in the Governance Statement, it has been established that expenditure of approximately £55,000, incurred in previous financial years between 2008 and 2017, may not have been value for money. Although these costs were not irregular they could be considered improper and are noted for reasons of transparency despite falling below the threshold for disclosing specific losses or special payments.

Remote contingent liabilities

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

The organisation is a 'société civile' (a not-for-profit organisation) under French law, meaning it has unlimited liability. As a shareholder the Met Office is exposed to liability risk in proportion to the shareholding.

Nick Jobling
Acting Chief Executive and Interim Accounting Officer
11 July 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Met Office for the year ended 31 March 2018 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Met Office's affairs as at 31 March 2018 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Met Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Met Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- In the light of the knowledge and understanding of the Met Office and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have appended an explanatory report, relating to the dismissal of the Chief Executive of the Met Office on 1 March 2018, to this certificate.

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

Date: 13 July 2018

Explanatory report from the Comptroller & Auditor General relating to the dismissal of the Chief Executive of the Met Office on 1 March 2018

As explained in the Governance Statement on page 24, the employment of Rob Varley, the Chief Executive and Accounting Officer was terminated on 1 March 2018. Mr Varley was dismissed following investigations into concerns around governance and management control issues within the Met Office. Nick Jobling, formerly Deputy Chief Executive and Chief Financial Officer, has been appointed as acting Chief Executive and interim Accounting Officer with effect from 2 March 2018.

As the Governance Statement also explains, the concerns around governance and control first came to light following an investigation in response to a whistle-blower. The Met Office and the Department for Business, Energy & Industrial Strategy subsequently commissioned a series of internal and independent reviews to establish the nature and extent of the issues raised. These reviews identified major failings in a specific area of the Met Office relating to the lack of enforcement of controls around travel expenditure and expenses, and a lack of appropriate and comprehensive management response to the raising of concerns by staff.

On the lack of enforcement of controls around travel expenditure and expenses, the conclusions from the Internal Audit work indicate that this issue was not pervasive through the organisation and was generally restricted to one area under the direct responsibility of Mr Varley. On the lack of an appropriate and comprehensive management response to concerns raised by staff relating to management behaviours, the Accounting Officer has set out his commitment to update all related policies and personally communicate these to staff.

Due to the sensitive nature of the whistle-blowing concerns and the significance of these for the Chief Executive's office, the audits and investigations were conducted without the full knowledge of the Met Office Board or the Audit Committee. The final investigation report into Mr Varley's role in the management and oversight of the business area that ultimately resulted in his dismissal, was only made available to the Audit Committee for discussion in June 2018. Having reviewed this final report the Audit Committee included in their Annual Report to the June Board the list of actions management was taking in response to the findings of the reviews and audits into this matter. The Board has agreed to regularly review progress against these actions.

As explained in the Regularity of expenditure note on page 40, the Internal Audit investigations have established that the control failings concerned travel expenditure and expenses of approximately £55,000, incurred in the financial years between 2008 and 2017. Although the expenditure related to business activities, it considers that there was not always appropriate challenge and authorisation and this expenditure could be considered improper.

While the control failings are significant, the losses were not material within the context of the Met Office's financial statements and relate to periods prior to 2017/18. I am therefore satisfied that the control failings that led to Mr Varley's dismissal did not result in material financial loss or irregularity that would merit modification of my opinion on the regularity of expenditure in the 2017/18 financial statements. My audit opinion is therefore not qualified in this regard.

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

Date: 13 July 2018

ACCOUNTS

Statement of comprehensive income for the year ended 31 March 2018

	Notes	2017/18 £ '000	2016/17 £ '000
Revenue	2	229,952	226,827
Other operating income			
Operating costs	3	(209,661)	(221,888)
Operating profit		**20,291**	**4,939**
Finance income	4	113	122
Finance expense	5	(754)	(636)
Net finance income		**(641)**	**(514)**
Profit for the financial year		**19,650**	**4,425**
Dividend payable to Department for Business Energy and Industrial Strategy	11	(8,500)	(4,000)
Retained profit for the year		**11,150**	**425**
Other comprehensive income:			
Net gain/(loss) on revaluation of property, plant and equipment		**4,570**	**(5,479)**
Net gain on revaluation of intangible assets		**1,639**	**1,616**
Revaluation reserve realised on disposal of non-current assets		**(52)**	**(33)**
Revaluation reserve realised on impairment of non-current assets		**(69)**	**-**
Net (loss)/gain on cash flow hedges	14	**(4,904)**	**76**
Other comprehensive income for the year		**1,184**	**(3,820)**
Total comprehensive income for the year		**12,334**	**(3,395)**

The notes on pages 48-68 form part of these accounts.

Statement of financial position as at 31 March 2018

		31 March 2018		31 March 2017	
	Notes	£ '000	£ '000	£ '000	£ '000
Non-current assets					
Property, plant and equipment	6		179,097		197,050
Intangible assets	7		147,963		116,283
Derivative financial assets	14		-		180
Other financial assets	20		88		-
Total non-current assets			327,148		313,513
Current assets					
Inventories	8	1,486		1,599	
Trade and other receivables	9	54,774		51,744	
Derivative financial assets	14	806		4,696	
Cash and cash equivalents	10	67,159		65,136	
Total current assets			124,225		123,175
Total assets			**451,373**		**436,688**
Current liabilities					
Trade and other payables	11	(71,011)		(69,143)	
Borrowings	13	(6,339)		(3,552)	
Derivative financial liabilities	14	(545)		(196)	
Provisions for liabilities and charges	15	(723)		(13,287)	
Total current liabilities			**(78,618)**		**(86,178)**
Non-current assets plus net current assets			**372,755**		**350,510**
Non-current liabilities					
Trade and other payables	11	(61,562)		(73,831)	
Borrowings	13	(52,007)		(30,281)	
Derivative financial liabilities	14	(485)		-	
Provisions for liabilities and charges	15	(332)		(363)	
Total non-current liabilities			**(114,386)**		**(104,475)**
Assets less liabilities			**258,369**		**246,035**
Capital and reserves					
Public dividend capital			58,867		58,867
Revaluation reserve			31,389		29,865
General reserve			168,337		152,623
Hedging reserve			(224)		4,680
Total Government funds			**258,369**		**246,035**

Nick Jobling
Acting Chief Executive and Interim Accounting Officer
11 July 2018

The notes on pages 48-68 form part of these accounts.

Statement of cash flows for the year ended 31 March 2018

	Notes	2017/18 £ '000	2016/17 £ '000
Cash flows from operating activities			
Operating profit		20,291	4,939
Adjustments for non-cash transactions:			
Depreciation charges (net of capital grants)	3, 6	9,024	9,115
Loss on disposal of property, plant and equipment	3	273	11
Loss on revaluation of property, plan and equipment	3	21	65
Amortisation	3, 7	14,888	13,729
Impairment of property, plant and equipment		372	-
Impairment of intangible assets		373	-
Deferred grants released		(114)	(641)
(Increase) / decrease in inventories		113	(90)
(Increase) / decrease in trade and other receivables		24	(4,338)
Increase in trade and other payables		3,146	6,460
Increase / (decrease) in provisions for liabilities and charges		(12,403)	9,363
Net cash inflow from operating activities		**36,008**	**38,613**
Cash flows from investing activities			
Payments to acquire satellite data		(49,350)	(40,493)
Payments to acquire property, plant and equipment		(4,513)	(51,465)
Capital grants received	12	-	47,000
Proceeds from sale of property, plant and equipment		340	666
Payments to acquire intangible assets (excluding satellite data)		(154)	(571)
Payments to acquire other financial assets		(88)	-
Interest received		104	120
Net cash outflow from investing activities		**(53,661)**	**(44,743)**
Cash flows from financing activities			
Dividends paid		(4,000)	(500)
Loan advances received		29,000	16,000
Loan repayments		(5,324)	(2,494)
Net cash inflow from financing activities		**19,676**	**13,006**
Net increase in cash and cash equivalents	**10**	**2,023**	**6,876**
Cash and cash equivalents at 1 April		**65,136**	**58,260**
Cash and cash equivalents at 31 March	**10**	**67,159**	**65,136**

The notes on pages 48-68 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2018

	Public dividend capital	Revaluation reserve	General reserve	Hedging reserve	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 2016	**58,867**	**37,540**	**148,419**	**4,604**	**249,430**
Comprehensive income					
Profit for the financial year	-	-	4,425	-	4,425
Dividend	-	-	(4,000)	-	(4,000)
Retained profit for the year	-	-	425	-	425
Other comprehensive income					
Movement on foreign currency cash flow hedge	-	-	-	76	76
Net gain on revaluation of satellite assets	-	1,616	-	-	1,616
Net gain on revaluation of property, plant and equipment	-	(5,479)	-	-	(5,479)
Revaluation reserve realised as impairment of property, plant and equipment	-	-	-	-	-
Revaluation reserve realised on disposal of property, plant and equipment	-	(33)	-	-	(33)
Transfers between reserves	-	(3,779)	3,779	-	-
Total other comprehensive income	**-**	**(7,675)**	**3,779**	**76**	**(3,820)**
Total comprehensive income for 2016/17	**-**	**(7,675)**	**4,204**	**76**	**(3,395)**
Balance at 31 March 2017	**58,867**	**29,865**	**152,623**	**4,680**	**246,035**
Comprehensive income					
Profit for the financial year	-	-	19,650	-	19,650
Dividend	-	-	(8,500)	-	(8,500)
Retained profit for the year	**-**	**-**	**11,150**	**-**	**11,150**
Other comprehensive income					
Movement on foreign currency cash flow hedge	-	-	-	(4,904)	(4,904)
Net gain on revaluation of satellite data	-	1,639	-	-	1,639
Net gain on revaluation of property, plant and equipment	-	4,570	-	-	4,570
Revaluation reserve realised as impairment of property, plant and equipment	-	(69)	-	-	(69)
Revaluation reserve realised on disposal of property, plant and equipment	-	(52)	-	-	(52)
Transfers between reserves	-	(4,564)	4,564	-	-
Total other comprehensive income	**-**	**1,524**	**4,564**	**(4,904)**	**1,184**
Total comprehensive income for 2017/18	**-**	**1,524**	**15,714**	**(4,904)**	**12,334**
Balance at 31 March 2018	**58,867**	**31,389**	**168,337**	**(224)**	**258,369**

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

The notes on pages 48-68 form part of these accounts.

Notes to the accounts

01 Accounting policies

Basis of preparation

These financial statements have been prepared in compliance with an Accounts Direction dated 20 December 2017 in accordance with Section 4(6)(a) of the Government Trading Funds Act 1973. These statements also comply with the principles laid out in the 2017/18 Government Financial Reporting Manual (FReM) issued by HM Treasury, including additional guidance on the treatment of capital grants issued to the Met Office on the 20 February 2015.

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

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

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

Accounting developments and changes

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

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

The standards below will be applied when adopted by the FReM. IFRS 9 and IFRS 15 will be adopted for 2018/19; the date of adoption for IFRS 16 is still to be determined by HM Treasury.

- IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, simplifying the classification and measurement of financial assets as well as simpifying how hedge effectiveness is assessed. IFRS 9 is not expected to have a material effect on the financial statements of the Met Office. Whilst the Met Office applies the principles of hedge accounting to its forward foreign currency purchases, the changes between IAS 39 and IFRS 9 in this area will not have a material impact on how these contracts are accounted for.
- IFRS 15 Revenue from Contracts with Customers replaces both IAS 18 Revenue and IAS 11 Construction Contracts, unifying the concepts in these two standards into a single model to recognise revenue once performance obligations under a contract are satisfied. The Met Office has reviewed its revenue recognition accounting policies and practices, and IFRS 15 is not expected to have a material effect on how revenue is recognised. Additional disclosures will be provided, as required by the standard, on changes in the value of assets and liabilities associated with contracts with customers.
- IFRS 16 Leases replaces IAS 17 Leases, removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing). IFRS 16 requires the recognition of all leases with terms over 12 months to be recognised as finance leases. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position. IFRS 16 could have a material effect on the Statement of Financial Position as the Met Office occupies administrative properties under operating leases, but a more limited effect on recognition of expenditure.
- IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Met Office does not expect IFRIC 22 to have a material impact on its financial statements.

Critical accounting policies and key judgements

Valuation of property, plant and equipment

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

Freehold land and buildings

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

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

- Specialised property assets - Building Tender Price Index and Residential Land Value Index
- Non-specialised property assets - Gross Domestic Product Deflator Index

Plant and equipment

Assets classified as plant and equipment assets are revalued annually using the Gross Domestic Product Deflator Index.

Depreciation on revaluation

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

Satellite data

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

The Met Office uses the data to generate its weather forecasts and climate predictions used to deliver services to its customers. Contributions other than research and development on programmes to date is capitalised and, once operational data are received, revalued annually at the lower of DRC and value in use.

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

EUMETSAT satellite data assets are amortised using the straight-line method to allocate the costs of the programmes over their estimated useful lives. This method reflects the principle that the economic benefit of satellite data remains constant between individual satellites.

The Meteosat Second Generation programme is estimated to remain as the primary geostationary programme until September 2022 and is valued at DRC. The European Polar Satellite Programme is estimated to remain as the primary polar programme until December 2020 and is valued at value in use.

The UK contribution to the cost of developing the Meteosat Third Generation and European Polar Second Generation programmes are capitalised but are not depreciated until they become operational programmes.

Computer software and software licences

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

Capital grants

Grant-funded property, plant and equipment assets are capitalised at their fair value. Where the donor has imposed a condition on how the future economic benefits embodied in the grant are to be consumed, the grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met. This will usually result in the grant being deferred until the asset is completed and in active use.

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

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

Key accounting policies

Revenue

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

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

Operating segments

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

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

The Met Office derives over 80% of its revenue from public sector bodies. No operating segments have been aggregated to form the reportable segments. The Met Office's management evaluates performance of the segments based on segment revenue and operating profit.

Research and development

The Met Office receives funding for a variety of research and development activities. This funding is treated as revenue attributable to the relevant business programme. Externally funded research and development costs are recognised based on the stage of completion of the project. Related revenues are recognised on an equivalent basis and in accordance with the revenue recognition policy outlined above.

All research expenditure is charged to the income statement. Development expenditure is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the Met Office from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated. Where these criteria are met, it is capitalised as an intangible asset.

Retirement benefits

Met Office staff are covered by civil service pensions arrangements. These are unfunded multi-employer defined benefit schemes. However, since the Met Office is unable to identify its share of the underlying assets and liabilities they are accounted for as defined contribution schemes. Contributions are paid at rates determined from time to time by the scheme's actuary. The scheme actuary (Aon Hewitt Limited) conducted a full actuarial valuation as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).
Full provision for early retirements is normally made in the year of retirement.

Property, plant and equipment

Recognition

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

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

Depreciation

Freehold land, assets in the course of construction and assets held for sale are not depreciated. Depreciation on other assets is calculated to write-off the cost, or value, by equal instalments over the asset's estimated useful life. The lives assigned to the principal categories of assets are as follows:

Freehold buildings	Not exceeding 50 years
Plant and equipment	3-30 years
Fixtures and fittings (inc. leasehold improvements)	5-25 years
Information technology	3-12 years

Intangible assets

Computer software and licences

Where computer software forms an integral part of any hardware equipment (e.g. an operating system) this is capitalised under the hardware asset as a tangible asset. Computer software and licences are capitalised where the useful life exceeds three years and the cost of acquisition and installation exceeds £5,000 (excluding VAT). Amortisation is calculated using the straight-line method to allocate the cost of software and licences over their estimated useful lives of three to five years.

Impairment of non-financial assets

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

Financial assets

Trade and other receivables

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount, and are subsequently carried at amortised cost less provisions made for doubtful receivables. Provisions are made specifically where there is evidence of a risk of non-payment, taking into account ageing, previous losses experienced and general economic conditions.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and qualifying institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. Cash also includes any surplus funds held by EUMETSAT that are attributable to the Met Office.

Other financial assets

The Met Office holds an interest in Mercator Ocean. Mercator Ocean is a not-for-profit entity and co-ordinates the Copernicus Marine Services, which provides free and open access to constantly updated information about the global ocean and the seas of the European region. The Met Office has a right to dispose of the interest at the same value as purchased. The interest is therefore held at cost.

Financial liabilities

Trade and other payables

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

Borrowings

Borrowings are recognised initially at the proceeds received. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. The substance of a financial instrument, rather than its legal form, governs its classification on the Met Office's Statement of Financial Position.

Derivative financial instruments and hedge accounting

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

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

All the Met Office's derivative financial instruments are designated as cash flow hedging instruments. At the start of a hedging transaction, the Met Office documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Met Office also documents its assessment, both at the start of the hedging relationship and on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the cash flow of the hedged items.

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

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

Leases

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

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

Capital and reserves

Public dividend capital

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

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

General reserve

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

Revaluation reserve

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

Hedging reserve

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

02 Operating segments

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

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

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

Year ended 31 March 2018

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

Year ended 31 March 2017 (as restated to reflect changes in the classification of some business sectors in 2017/18)

	Revenue	Depreciation/ amortisation	Operating profit	Interest receivable	Interest payable
Operating segment:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Government Services	194,790	22,139	17,045		
Business group	27,537	732	(140)		
	222,327	22,871	16,905		
Other	4,500		(11,966)	122	(636)
Total per financial statements	226,827	22,871	4,939	122	(636)

Government Services

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

The majority of the Met Office's non-competed services relate to the Met Office's public task, its role as the UK's National Meteorological Service and its support of the Ministry of Defence and other government departments in respect of weather and climate related services. Where data or products are required for Met Office's commercial services which are not part of the Met Office's public task or the public task of other public bodies, they are supplied internally within the Met Office on the same terms and conditions as apply to external customers.

Business Group

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

Government Services is further analysed by revenue stream as follows:

	2017/18	2016/17
	£'000	**£'000**
Defence	29,744	29,794
Government Strategic Sectors	53,794	51,137
Public Weather Service	115,636	113,859
	199,174	**194,790**

Geographical analysis

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

Other

This line comprises items that are not part of the Met Office's operating segments but are required to reconcile to the income statement. It includes corporate items which are not allocated to operating segments, such as the cost of Met Office wide initiatives or capabilities that underpin all activities, interest receivable and payable. These items are managed at a corporate level. 2017/18 also includes £6.1m of revenue (£4.5m 2016/17) and costs allocated from Public Weather Service funding for the Transformation and Efficiency programme.

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

03 Operating costs

	Note	2017/18 £ '000	2016/17 £ '000
Staff costs			
Salaries, performance-related pay and allowances		70,170	83,822
Social security		8,284	8,569
Pension contributions		14,752	15,135
Early retirement and exit costs		266	4,096
Temporary/agency labour costs		5,856	5,744
Total staff costs		**99,328**	**117,366**
Equipment and services (net of government grant income)		49,184	47,521
International services and subscriptions	(i)	14,069	13,839
Depreciation (net of government grant income)		9,025	9,115
Amortisation		14,888	13,729
Accommodation		14,596	13,531
Travel and subsistence		4,794	4,832
Other operating costs		3,777	1,955
Total operating costs		**209,661**	**221,888**
Operating costs include the following:			
Audit fees		58	58
Apprenticeship levy		377	-
Operating leases - plant and machinery		193	217
Operating leases - other		713	952
Foreign currency losses		9	(117)
Net loss on disposal of non-current assets		273	11
Loss on revaluation of property, plant and equipment		21	65
Impairment of non-current assets		744	-
Release of government grant income	(ii) 12	(17,747)	(10,970)
Research and development expenditure		53,823	51,562

(i) International services and subscriptions includes the following:	**2017/18**	**2016/17**
European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT)	3,196	3,279
European Centre for Medium-Range Weather Forecasts (ECMWF)	7,287	6,860
World Meteorological Organization (WMO)	2,139	2,281
Network of European Meteorological Services (EUMETNET)	798	775
Other international services and subscriptions	649	644
	14,069	13,839

Membership of these organisations enables the Met Office, on behalf of the UK, to engage in, and benefit from, the European meteorological satellite programme and to receive support in its provision of medium-range weather forecasts and associated research. Membership also enables the Met Office, on behalf of the UK, to promote and benefit from co-operations between members in the exchange of observational data and forecasts, together with a widening range of environmental programmes.

(ii) Release of government grant income is analysed as follows:	**2017/18**	**2016/17**
BEIS new supercomputer	16,613	9,498
BEIS polar satellite transfer	790	653
Department for Environment, Food and Rural Affairs supercomputer	-	19
Department for Transport LIDAR project	230	572
NERC supercomputer	-	58
Environment Agency Weather Radar Network Renewal	114	170
	17,747	10,970

04 Finance income

	2017/18	2016/17
	£ '000	£ '000
Interest receivable	113	122
Total finance income	**113**	**122**

05 Interest payable and similar charges

		2017/18	2016/17
	Note	£ '000	£ '000
On Department for Business, Energy and Industrial Strategy loans repayable	13	944	507
Discounting of provisions		(190)	129
Total interest payable and similar charges		**754**	**636**

06 Property, plant and equipment

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

Property, plant and equipment (continued)

	Land and buildings	Fixtures and fittings	Plant and equipment	Information technology	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:						
At 1 April 2016	67,389	14,870	74,840	72,904	15,957	245,960
Additions	-	739	3,454	38,558	8,344	51,095
Transfers	19,427	328	2,579	1,094	(23,428)	-
Disposals	(22)	(5,343)	(1,429)	(11,794)	-	(18,588)
Revaluation	(8,242)	187	1,714	-	-	(6,341)
At 31 March 2017	**78,552**	**10,781**	**81,158**	**100,762**	**873**	**272,126**
Depreciation:						
At 1 April 2016	369	9,287	37,074	28,565	-	75,295
Charged during year	1,510	787	3,885	12,609	-	18,791
Transfers	(60)	-	60	-	-	-
Impairment	-	-	-	-	-	-
Disposals	(6)	(5,332)	(1,207)	(11,667)	-	(18,212)
Revaluation	(1,813)	77	938	-	-	(798)
At 31 March 2017	**-**	**4,819**	**40,750**	**29,507**	**-**	**75,076**
Net book value:						
At 1 April 2016	**67,020**	**5,583**	**37,766**	**44,339**	**15,957**	**170,655**
At 31 March 2017	**78,552**	**5,962**	**40,408**	**71,255**	**873**	**197,050**

(i) All land and buildings are held as freehold. The net book value of freehold land and buildings includes £12.2 million of freehold land (31 March 2017 £12.2m) which has not been depreciated. Freehold buildings are depreciated in full over their estimated lives (not exceeding 50 years).

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

(iii) The basis of valuation adopted is Existing Use Value as defined in the Standards. In carrying out the valuation, a number of the assets were identified as specialised as a result of their location and/or specification. As a result they are considered to be assets which would rarely, if ever, sell on the open market. For these assets the Depreciated Replacement Cost methodology has been used. The sources of information and assumptions made in producing the various valuations are set out in the valuation report.

(iv) For further details of valuation and depreciation assumptions refer to Note 1 Accounting policies.

(v) The following net book value amounts are included above for the new supercomputer. The assets are funded by a capital grant.

	31 March 2018 £'000	31 March 2017 £'000
Land and buildings	20,967	18,939
Information technology	49,219	65,107
Total	**70,186**	**84,046**

07 Intangible assets

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

	EUMETSAT satellite data	Computer software	Software licences	EUMETSAT payments on account	CRC licences	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:							
At 1 April 2016	341,139	2,931	876	58,031	1,240	653	404,870
Additions	9,032	445	47	30,187	-	116	39,827
Transfers	-	769	-	-	-	(769)	-
Disposals	-	(944)	(30)	-	(292)	-	(1,266)
Revaluation	12,758	-	-	-	-	-	12,758
At 31 March 2017	**362,929**	**3,201**	**893**	**88,218**	**948**	**-**	**456,189**
Amortisation:							
At 1 April 2016	312,872	1,895	547	-	-	-	315,314
Charged during year	13,752	536	94	-	-	-	14,382
Disposals	-	(903)	(28)	-	-	-	(931)
Revaluation	11,141	-	-	-	-	-	11,141
At 31 March 2017	**337,765**	**1,528**	**613**	**-**	**-**	**-**	**339,906**
Net book value:							
At 1 April 2016	**28,267**	**1,036**	**329**	**58,031**	**1,240**	**653**	**89,556**
At 31 March 2017	**25,164**	**1,673**	**280**	**88,218**	**948**	**-**	**116,283**

(i) The EUMETSAT satellite data intangible asset represents the value of all EUMETSAT observational data used in generating Met Office forecasts. This principally includes data from both the Meteosat geostationary satellite and polar orbiting satellite and the Met Office, as the UK's National Meteorological Service, has the right to access and use this data to generate its weather forecasts and climate predictions in fulfilling its Public Task. The Met Office makes contributions on behalf of the UK to EUMETSAT's programmes.

(ii) EUMETSAT payments on account represent the contributions made by the Met Office, on behalf of the UK, to the Meteosat Third Generation and Polar Second Generation satellite programmes. These programmes are currently in the build phase and are not expected to provide operational data until 2020 at the earliest.

08 Inventories

	31 March 2018	31 March 2017
	£ '000	**£ '000**
Meteorological equipment	1,426	1,530
Reserve equipment	20	26
Consumable stores	40	43
Total inventories	**1,486**	**1,599**

09 Trade and other receivables

		31 March 2018	31 March 2017
	Note	**£ '000**	**£ '000**
Amounts falling due within one year:			
Trade receivables		20,401	23,707
Less: provision for impairment of receivables		(44)	(37)
		20,357	23,670
Other receivables	(i)	183	250
Accrued income	(ii)	9,239	7,694
Prepayments		24,995	20,130
Total trade and other receivables		**54,774**	**51,744**

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

(i) Other receivables include staff loans totalling £183,000 to 56 employees predominantly in respect of housing advances on relocation and a cycle to work scheme (£250,000 and 82 employees at 31 March 2017)

(ii) Accrued income includes £985,000 receivable from the European Commission (£568,000 at 31 March 2017).

10 Cash and cash equivalents

	Note	2017/18 £ '000	2016/17 £ '000
Balance at 1 April		65,136	58,260
Net change in cash and cash equivalent balances	17	2,023	6,876
Balance at 31 March		**67,159**	**65,136**
The following balances at 31 March were held at:			
UK Debt Management Office, HM Treasury		59,257	62,901
EUMETSAT working capital fund		2,597	474
Total cash held on short-term deposit		**61,854**	**63,375**
Cash held at commercial banks and in hand		5,305	1,761
Balance at 31 March		**67,159**	**65,136**

Included in the above amounts is cash in transit of £5,229,000 (2016/17- £463,000).

The Met Office holds four Euro bank accounts, in which there were amounts totalling £1,290,000 at 31 March 2018 belonging to third parties (31 March 2017, four accounts totalling £367,000). They are held or controlled for the benefit of third parties on projects where the Met Office is the lead co-ordinator and are not included in Met Office cash balances or accounts.

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

11 Trade and other payables

	Note	31 March 2018 £ '000	31 March 2017 £ '000
Amounts falling due within one year:			
Trade payables		414	1,604
VAT		5,652	5,403
Other taxation and social security		3,716	3,567
Accruals		22,816	20,224
Dividend payable		8,500	4,000
Deferred income		18,026	16,979
Government grants	12	11,887	17,366
Total amount falling due within one year		**71,011**	**69,143**
Amounts falling due after more than one year:			
Government grants	12	61,562	73,831
Total non-current trade and other payables		**61,562**	**73,831**
Total trade and other payables		**132,573**	**142,974**

12 Government grants

	Note	2017/18	2016/17
		£ '000	£ '000
Government grants at 1 April		91,196	55,167
Grants received in year		-	47,000
Grants recognised through the statement of comprehensive income	3	(17,747)	(10,970)
Government grants at 31 March		**73,449**	**91,197**
Amounts falling due within one year		11,887	17,366
Amounts falling due after more than one year		61,562	73,831
The following balances are included in Government grants:			
BEIS new supercomputer		67,660	84,274
BEIS polar satellite transfer		2,174	2,964
Environment Agency Weather Radar Network Renewal (WRNR)		2,417	2,531
Department for Transport Volcanic Ash Lidar Network		1,198	1,428
		73,449	91,197

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

13 Borrowings

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

	31 March 2018	31 March 2017
	£ '000	£ '000
Loans due within:		
One year	6,339	3,552
One to five years	26,612	15,004
Over five years	25,395	15,277
Total	**58,346**	**33,833**

14 Derivative financial instruments

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

	Assets	Liabilities	Total
	£ '000	**£ '000**	**£ '000**
As at 31 March 2017	**4,876**	**196**	**4,680**
Movement on fair value	**(4,070)**	**834**	**(4,904)**
As at 31 March 2018	**806**	**1,030**	**(224)**
Analysed between:			
Current	806	545	
Non-current	-	485	
	806	1,030	

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

Contract maturity date	Commitment hedged	Foreign currency	Foreign currency value	Contract value	Forecast spot rate on maturity	Fair value	Assets	Liabilities
			'000	£ '000	Currency/£	£ '000	£ '000	£'000
04 September 18	EUMETSAT	EURO	12,400	10,747	1.1351	177	177	-
02 May 18	SAT	EURO	26,500	22,879	1.1273	629	629	-
04 January 19	WMO	CHF	2,859	2,217	1.3245	(58)	-	58
30 April 18	EUMETSAT	EURO	6,090	5,431	1.1403	(90)	-	90
03 September 18	EUMETSAT	EURO	3,390	3,036	1.1352	(50)	-	50
16 January 19	EUMETSAT	EURO	25,000	22,497	1.1287	(347)	-	347
30 April 19	EUMETSAT	EURO	25,000	22,584	1.1235	(332)	-	332
02 September 19	EUMETSAT	EURO	12,500	11,342	1.1172	(153)	-	153
				100,733		**(224)**	**806**	**1,030**

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

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

From 31 March 2018 the Met Office ceased to apply discount rates to financial instruments as their impact is immaterial.

15 Provisions for liabilities and charges

	Early retirement and exits	Dilapidations	Leaseholds	Other	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 April 2016	**72**	**319**	**367**	**3,400**	**4,158**
Provided in the year	3,733	28	-	5,915	9,676
Written back in the year	-	-	-	-	-
Unwinding of discount	2	5	18	39	64
Change in discount rate	-	-	-	-	-
Utilised in year	(14)	(178)	(56)	-	(248)
Balance at 31 March 2017	**3,793**	**174**	**329**	**9,354**	**13,650**
Provided in the year	563	-	-	-	563
Written back in the year	(437)	(5)	-	(7,410)	(7,852)
Unwinding and removal of discount	92	(8)	(29)	(246)	(191)
Utilised in year	(3,352)	-	(65)	(1,698)	(5,115)
Balance at 31 March 2018	**659**	**161**	**235**	**0**	**1,055**
Discount rate 2016/17	0.24%	-2.70%	-2.70%	-2.70%	
Gross provision before discount as at 31 March 2017	**3,886**	**166**	**300**	**9,108**	

From 31 March 2018 the Met Office ceased to apply discount rates to provisions as their impact is immaterial.

(i) The Early Retirement and Exit Provision represents the outstanding liability for pension and severance costs. For staff offered early retirement, the provision represents the full cost of meeting each individual's pension payments to normal retirement age. There is some uncertainty on timing and amounts of payments relating to amounts provided in-year where final exit terms have not yet been agreed with affected staff.

(ii) The Dilapidations Provision relates to contractual future costs of making good leasehold properties when they are vacated. Discounting has been applied where payments are due in more than one year. There is no uncertainty as to the timing of amounts but the final amounts may change during final negotiations with the relevant landlord at the end of the lease.

(iii) The Leaseholds Provision is principally in respect of future cost of leasehold properties, which became surplus to requirements on relocation to Exeter.

(iv) Other provisions were utilised and released after implementation of a new pay deal, which addresses equal pay issues identified in the Met Office's 2017 pay audit.

The commitments provided for fall due in the following periods:

	Early retirement	Dilapidations	Leaseholds	Other	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Amounts payable within:					
Under one year	637	21	65	-	723
One to five years	6	140	170	-	316
Over five years	16	-	-	-	16
Total	**659**	**161**	**235**	**-**	**1,055**

16 Related parties

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

The Met Office manages the UK's membership of a number of international organisations: EUMETSAT, ECMWF, WMO, EUMETNET and ECOMET. As part of this, it sits on the relevant governing body of those organisations. The Met Office had material transactions with these entities during the year and these are disclosed in note 3(i)to the financial statements.There were no outstanding balances with these organisations as at 31 March 2018 (31 March 2017 - nil)

P Hadley acted as a Met Office non-executive director during the year and is also an employee of BEIS.

The Met Office holds a 5% interest in Mercator Ocean. The Met Office participates in the Copernicus Marine programme, which Mercator Ocean co-ordinates. During the year the Met Office received £1.6m in revenue (2016/17 £1.3m) from Mercator Ocean. No balances were outstanding with Mercator Ocean as at 31 March 2018 (31 March 2017 - nil).

17 Notes to the cash flow statement

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

	At 1 April 2017	Cash flows	At 31 March 2018
	£ '000	£ '000	£ '000
Cash at bank and in hand	1,761	3,544	5,305
Cash on deposit	63,375	(1,521)	61,854
Cash and cash equivalents	65,136	2,023	67,159
Borrowings due within one year	(3,552)	(2,787)	(6,339)
Borrowings due after one year	(30,281)	(21,726)	(52,007)
Total net funds	**31,303**	**(22,490)**	**8,813**

18 Commitments under operating leases

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

	Land and buildings		Other	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£ '000	£ '000	£ '000	£ '000
Leases expiring within:				
One year	751	691	156	185
One to five years	927	848	150	302
Over five years	398	766	-	-
Total	**2,076**	**2,305**	**306**	**487**

19 Capital commitments

	31 March 2018	31 March 2017
	£ '000	£ '000
Contracted but not provided for:		
Information technology	1,433	189
Observations equipment	-	248
Property works	27	97
Contributions for satellite data	40,315	27,914
Total	**41,775**	**28,448**

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

20 Other financial assets

During the period the Met Office purchased a 5% share of Mercator Ocean at a cost of €100,000 (£88,000). Mercator Ocean is the co-ordinating entity for Copernicus Marine Services in which the Met Office participates.

21 Financial instruments and financial risk management

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

Credit risk

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

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

	As at 31 March 2018			As at 31 March 2017		
Trade receivables beyond the due date:	**0-3 months**	**3-6 months**	**Over 6 months**	**0-3 months**	**3-6 months**	**Over 6 months**
	£ '000	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Receivables beyond the due date - not impaired	782	3	-	1,000	5	3
Receivables beyond the due date - impaired	7	2	3	8	4	-
Total receivables beyond the due date	**789**	**5**	**3**	**1,008**	**9**	**3**

Liquidity risk

The Met Office maintains short-term liquidity throughout the year by management of its cash deposits. We aim to maintain cash levels to allow us to meet our short-term obligations. We follow HM Treasury rules by investing all surplus funds on deposit with the UK Debt Management Office at HM Treasury.

Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office's sponsor department, BEIS. Therefore, exposure to liquidity risk is limited to these arrangements. Loan funding requirements are anticipated to increase over forthcoming years to finance the UK contribution to the EUMETSAT satellite programme, in line with our Corporate Plan.

Foreign currency risk

The Met Office makes significant foreign currency payments for subscriptions and contributions to international meteorological organisations including payments for satellite programmes. These costs are funded by the Public Weather Service.

In order to manage foreign exchange risk the Met Office policy is to buy forward foreign currency for payments to international bodies as soon as amounts can be reliably estimated. The forward currency contracts are in hedging relationships under IAS 39 and the Met Office has elected to adopt IAS 39 hedge accounting rules.

Details of forward contracts held can be found in note 14.

£14.5 million of expenditure was undertaken in foreign currencies which are not funded through the forward purchase contracts.

Interest rate risk

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

Details of cash on deposit are included in note 10. The fair values of cash and cash equivalents approximate to book value due to their short maturities.

Significant accounting policies

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

22 Events after the reporting period

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

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