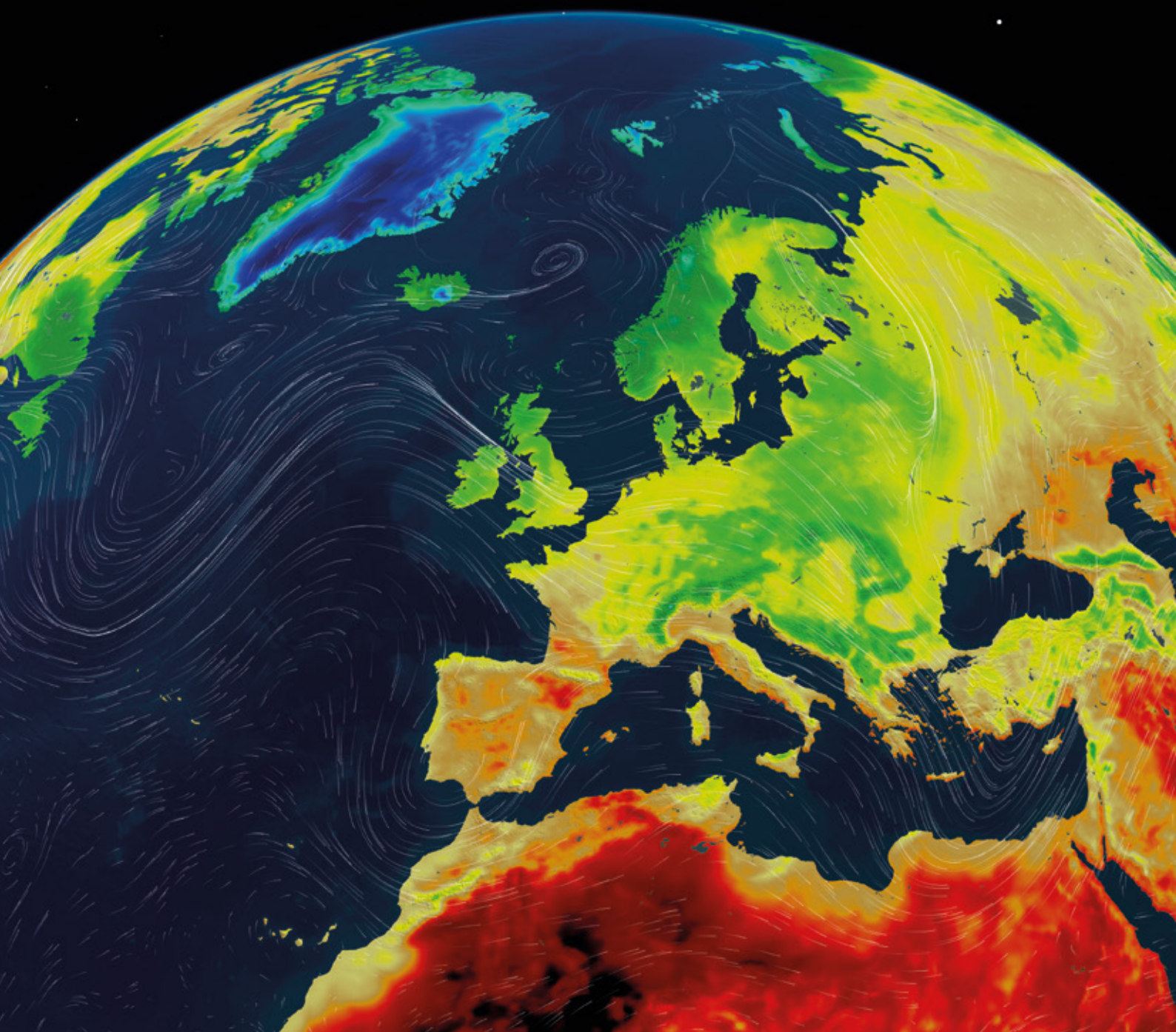


# Annual Report and Accounts

2015/16



## Annual Report and Accounts 2015/16

Presented to Parliament pursuant to section 4(6) of the Government Trading  
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2015/16

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# Performance report

## Introduction from the Chairman



**Greg Clarke** believes that quality and efficiency go hand in hand at the Met Office.

**There's no escaping the fact that, once again, the weather posed significant challenges to the UK in 2015. This was set against some turbulent economic headwinds. However, the year also offers another good example of how the Met Office can respond. Accurate advance warnings of December's severe flooding informed the emergency response strategy and also helped the many affected residents to take action to protect themselves and their property.**

The public can be assured that the Met Office, as a world-class organisation owned and backed by the people of the UK, is working tirelessly for them to combat the effects of extreme weather and longer-term climate change. This is in a landscape where more and more companies are entering the market to provide weather services, resulting in an array of meteorological opinions. That is why the Met Office's authoritative voice is a key part of the UK's ability to respond coherently and decisively to extreme weather and the challenges of a changing climate, as prioritised in the Government's National Risk Register of Civil Emergencies.

Our authoritative voice is also central to the National Severe Weather Warning Service, which the Met Office delivers on behalf of the UK Government to warn the public and emergency responders of severe or hazardous weather which has the potential to cause widespread disruption or danger to life.

Critical to our purpose is providing the very best 24/7 advice and services to communities, businesses and policymakers,

*"In the last year, the Met Office played its part by operating and delivering efficiently."*

and, to this end, our focus remains on efficient delivery. We stand out as an organisation that delivers useful, easily understood and relevant information that supports effective decision-making. This is demonstrated by the Met Office's number one position in 2015's 'Top 50 Companies for Customer Service' – a listing that includes well-known retailers and supermarket brands.

Bringing together world-class science, technology and operations to support decision-making demands close and effective relationships with a multitude of partner organisations. These range from environmental and academic bodies to international meteorological services – organisations that, working in close partnerships, progress meteorological science around the world.

Numerous successes over the past year confirm that we're using this cutting-edge science and technology in even smarter and more effective ways, and we're doing this increasingly in partnership to be sure that our customers really are getting the services they need.

The aviation sector is one example. As it continues to expand, so does the demand for services that not only contribute to passenger safety, but also drive efficiency and profitability. New, five-year contracts signed in early 2016 with both EasyJet and Gatwick Airport underline the value of embedded, on-site meteorologists for both airlines and airports.

The breadth and innovation of our portfolio is also highlighted as we look further afield. An agreement to support two German offshore wind farms signed in February, and a new website for viewing African weather data – built through cooperation with the World Meteorological Organization (WMO) and helping meteorologists anticipate and warn of severe weather – are just two examples.

But it's not only accurate weather forecasting that provides opportunities to work in

partnership; it's our drive to see through our customers' and collaborators' eyes. This enables us to understand the relevance of weather in their specific context and environment, and also get to grips with the real issues they face.

High profile appointments in the past year demonstrate the standing of our experts and unique organisation on the world meteorological stage. Our Chief Executive, Rob Varley, and Chief Scientist, Professor Dame Julia Slingo, were both appointed to distinguished bodies.

Rob was unanimously elected President of the influential EUMETNET grouping that brings together the national meteorological services of 31 European countries, around which other key strategic relationships are centred. Similarly, he was recently elected to the Executive Council of the WMO. He is also Council member of the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) and the European Centre for Medium-range Weather Forecasts (ECMWF), and has regular meetings with the Directors of other national meteorological services globally.

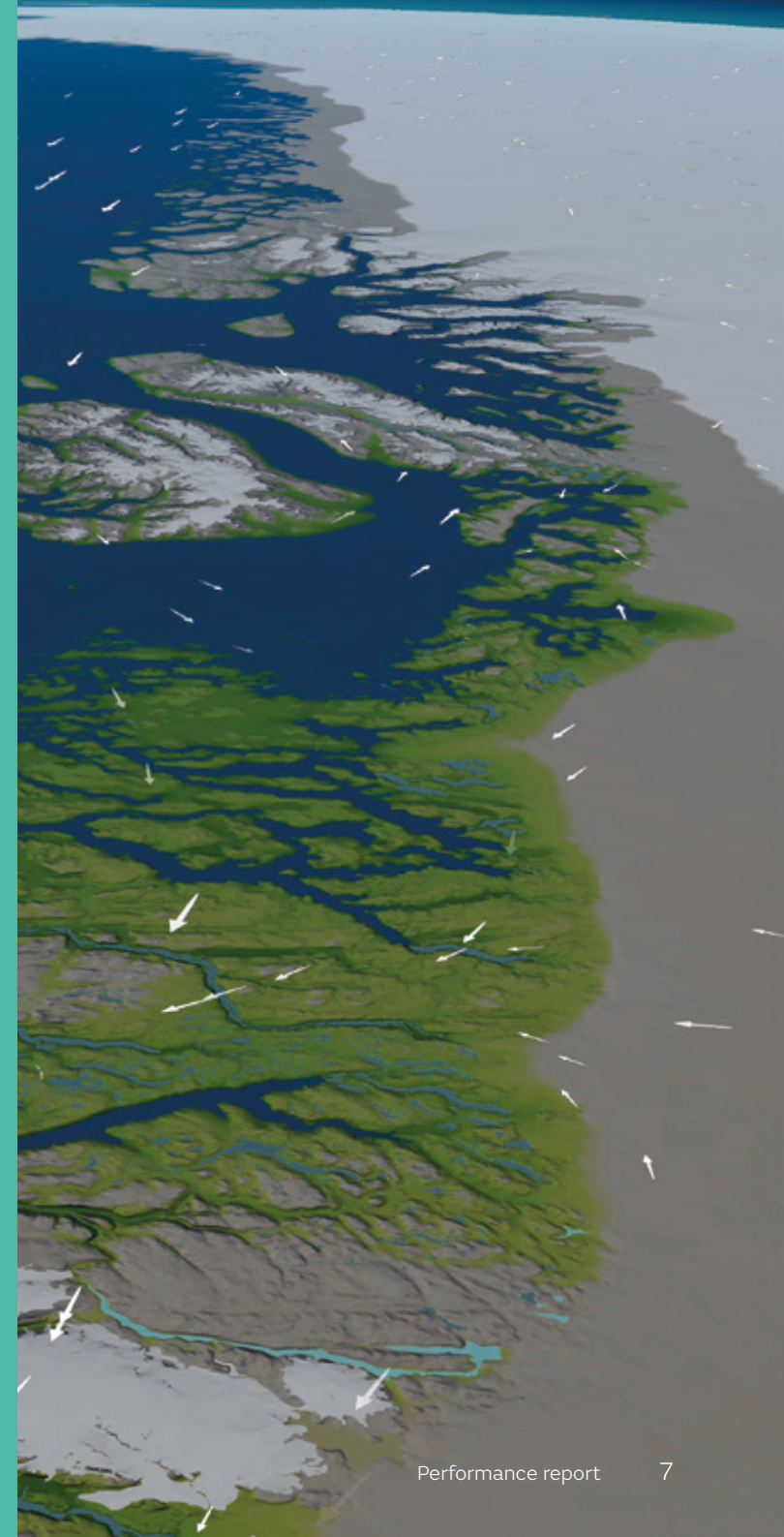
Dame Julia, meanwhile, was appointed as one of seven members of the new Scientific Advice Mechanism (SAM), a group convened to advise the European Union on specific policy and legislative issues. She was also elected a Fellow of the Royal Society, the world's longest-running scientific academy, dedicated to promoting excellence in science on behalf of the UK and the Commonwealth.

Their commitment to making a difference for UK and global communities is shared right across the Met Office and drives our thinking – and never more so than among those tasked with looking ahead.

Initiatives like our transformation and efficiency programme, including the recently-formed Business Group, continue to place improvement and innovation at the top of our agenda. While delivering the transformation and efficiency programme represents a challenge, it will help us to respond to emerging needs with relevant, cost-effective and targeted services that few others can provide. Drawing on the brightest people, most efficient processes and best computing systems, we will rise to tomorrow's challenges to deliver more highly differentiated, high-value offerings within a tightly managed economy. 

### Met Office Visual Cortex

Our new Visual Cortex graphics software is used daily for public output such as the National Weather video forecasts on our website and new app.



# Chief Executive's summary



Turning science into action for socioeconomic benefit lies at the heart of everything we do, says **Rob Varley**

**Against the backdrop of a complex and fast-changing global landscape, 2015 added to the world's challenges by breaking weather and climate records both at home and beyond.**

2015 saw the warmest year on record globally, the strongest El Niño for 15 years, and the UK's wettest 24 hours on record, when 341.2mm of rain drenched Honister Pass in December. This brought devastating floods to parts of northern England, with severe flooding also affecting other parts of the UK. These are just some of the extremes that showed why understanding our weather and climate has never been more critical.

However, there is no value in such knowledge unless we use it practically to help people make informed decisions; in their day-to-day lives, in business and when planning major public infrastructure projects like flood defences or nuclear power plants. That's why turning science into action for socioeconomic benefits lies at the heart of everything we do. Last year's Met Office General Review confirmed that this is a commitment against which we are delivering extremely effectively.

The Review was a major joint exercise led by our owning department, the Department for Business, Innovation and Skills (BIS), and supported by independent economic analysis. It recognised that, as one of the world's leading national meteorological services and one of only two World Area Forecast Centres for aviation, the Met Office does much more than just help to keep people safe.

The Review concluded that our services are projected to bring some £30 billion of value to the UK over the next ten years. This is equivalent to a return of £14 for every one pound invested. Our aim is to build on these figures through our transformative new Business Group. This restructures the way we deliver services to industry to provide even greater focus on the needs of our customers, and enables us to operate more competitively as we expand our sphere of influence.

*"Our services are projected to bring some £30 billion of value to the UK over the next ten years, which equates to a return of £14 for every one pound invested."*

Underpinning our ever more sophisticated forecasting and climate modelling systems is our supercomputer. Our high performance computing (HPC) facility is supported by £97 million of government investment, and is critical to maximising the benefits of our world-leading science. We now have six times the HPC capacity we had at the start of the 2015/16 financial year, with significantly more to come. Our plan is to perform calculations at least 15 times faster by 2017. All this means the UK is well on the way to having the biggest weather and climate computer in the world, which will help deliver socioeconomic benefits through more accurate predictions of severe weather and its impacts.

However, our ability to gather, model and process ever more vast volumes of data is only one step towards making the right decisions based on predictions of our weather and climate. Every bit as important is the way we communicate to our customers the insights it provides.

To achieve this, we have launched a new website for pilots, which can be viewed on desktop, tablet and smartphone, as well as a new version of our successful public weather app. These are just some

of the ways we're enabling people to make better decisions on the move, through accurate seven-day forecasts, including video content. This all benefits from new underpinning technology including innovative graphics software, Visual Cortex. This is a story that we're taking further still – to a million followers via Facebook, Twitter and other social media platforms – exceeding our engagement targets for 2015/16 by and extending our reach.

Meanwhile, turning science into action and helping people make the right decisions in order to minimise the effects of potentially damaging events requires us to think beyond just meteorology. As Met Office technology evolves and grows, so too do our UK and international partnerships on which world-leading weather and climate science depends.

For example, the emergency response community received timely guidance about the risk of significant and severe flood impacts. Incorporating the Met Office's rainfall forecast data, this guidance was produced by the Flood Forecasting Centre (FFC) operating in partnership with the Environment Agency for England and Wales, and also by the Scottish Flood Forecasting Service (SFFS) in collaboration with the Scottish Environment Protection Agency. These flood forecasts provided essential lead time for responders to help thousands of people across the UK protect their families and property from the serious flooding experienced during the difficult winter months.

We also contributed to the Government's National Flood Resilience Review which, based on innovative and world-leading science, considered plausible extreme rainfall scenarios to underpin the Environment Agency's 'stress testing' of existing national flood risk assessments.

Furthermore, the Natural Hazards Partnership (NHP), with its consortium of 17 public bodies, continues to deliver coordinated and coherent impact-based natural hazard advice for government, civil contingencies and emergency responder communities across the UK. And our in-demand space weather service, now into its second fully operational year, continues to show the value of close collaboration through working with, among others, RAL Space, the British Geological Survey, University of Bath and the US National Oceanic and Atmospheric Administration.

Further afield, growing the UK's international ambitions in other directions, the Newton Fund has brought scientific partners together for the benefit of the world's emerging economies, including China, Malaysia, South Africa and Brazil. This approach multiplies the impacts of our weather and climate science, sharing expertise, as well as building bridges internationally.

In the humanitarian sphere, we supported UNHCR, the UN Refugee Agency, working in partnership with the WMO and the Met Services of south-eastern Europe to evaluate the impact of weather on UNHCR operations in south-eastern Europe. More recently we provided meteorological support to the World Food Programme during its air drops in Syria.

On even longer timescales, we played a leading role in providing expert scientific advice to the UK Government in underpinning the UK's climate negotiations at the COP21 climate summit in Paris in December 2015. This work not only illustrates our unique scientific influence and international standing, but also helped inform the groundbreaking collective decision to reduce global carbon emissions in a forum where socioeconomic stakes could hardly be higher.

As the Met Office continues to deliver ever more accurate forecasts, including warnings of hazardous events such as floods, we are also working towards new initiatives like our storm-naming pilot project. Through the 2015/16 season, the storm naming scheme carried our authoritative voice to new audiences and helped to build on the trust on which we depend.

Our many successes in 2015/16 were driven entirely by the commitment of the world-leading team that makes our organisation such a stimulating and special place to work. Protecting people, supporting growth and well-being, and encouraging international development attracts a Met Office community that cares deeply and values making a real difference. And we do all this through a lens of sustainability. Working for the benefit of the UK and the wider global community, this is a team I continue to be immensely proud to lead. 🌩️



# Chief Scientist's statement



Dealing with weather and climate risk – making it relevant in terms of who is affected, when and where is at the heart of our latest Science Strategy, says Professor Dame Julia Slingo

**On 26 October 1859 the 'Royal Charter' founded on the rocks of Anglesey with the loss of around 450 lives, one of over 200 ships that were lost in that storm. Five years earlier the Met Office had been established with Robert FitzRoy as its first Director. He was to write the following in a letter to The Times following the loss of the 'Royal Charter':**

*'Man cannot still the raging of the wind, but he can predict it. He cannot appease the storm, but he can escape its violence, and if all the appliances available for the salvation of life [from shipwreck] were but properly employed the effects of these awful visitations might be wonderfully mitigated.'*

His words speak across the years to us today, and it is still the case that our ability to predict the weather and now the climate, too, helps us all to reduce and manage their impacts on all walks of life, not only in the UK but across the world.

This year we have celebrated several landmark events – 50 years since the first operational computerised weather forecast, 25 years since the Hadley Centre was founded. Admiral FitzRoy would be amazed to see the progress that has been made. We now know that the economic and social benefits of access to the best weather and climate science and predictions are profound, and that more than ever before, society is dependent on skilful, comprehensive predictions of the weather, climate and the broader environment for a wide range of decision-making.

Numerical Weather Prediction – the use of mathematical models of the fundamental physics of the atmosphere to simulate the future course of the weather – has been a remarkable combination of advances in science, observations and computing technologies. Each decade these advances have enabled us to deliver an extra day's lead time for forecasting and warning – a capability exemplified during the serious flooding in the UK's north-west just before Christmas 2015. Our five-day insight into

global weather patterns – alongside our kilometre-scale model of local UK weather that enables us to predict a seriously damaging event up to two days ahead – came into its own. Using our forecasts, emergency services were able to deploy equipment that helped protect lives and properties in Cumbria and other nearby areas.

Furthermore, a recent upgrade to our global forecasting system – involving, amongst other things, new ways of utilising information from weather satellites – has given one of the largest gains in forecast accuracy of the last decade. This was the first upgrade following the very successful implementation this year of the significant enhancement of our high performance computing capacity, and we are confident of delivering further scientific upgrades, utilising this capacity to make further significant improvements in forecast quality.

The same science and technology that we use to predict the weather also underpins our climate research. Since its establishment in 1990 by Prime Minister Margaret Thatcher, the Met Office Hadley Centre for Climate Prediction and Research has played a pivotal role in demonstrating that the world is warming and that these changes in climate are largely due to human activities.

Its work, as well as the direct contribution of many of its scientists, has been central to the work of the Intergovernmental Panel on Climate Change (IPCC) – recognised by governments around the world as the leading authority on the issue. The panel's detailed evidence underpinned last year's Paris agreement where 195 countries agreed to try to limit global warming to less than 2 °C above pre-industrial levels.

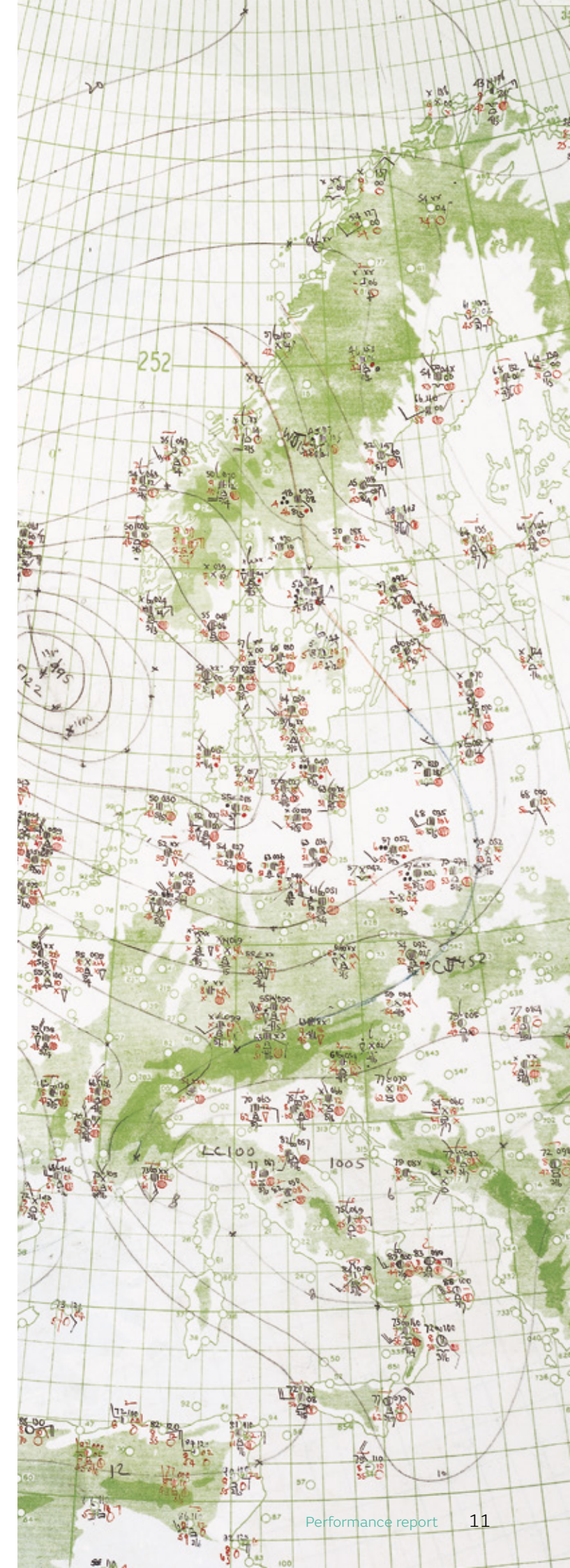
Now the real work begins on how we anticipate the impacts of climate change and how we respond to them in terms of adaptation and mitigation. We used the 25th anniversary to rename it to the Met Office Hadley Centre for Climate Science and Services, to signal the new role of climate science to produce actionable advice for the benefit of society.

*"This has been a year of landmarks: 50 years since the first numerical weather prediction, 25 years since the founding of the Met Office Hadley Centre."*

Dealing with weather and climate risk – making it relevant in terms of who is affected, when and where – is therefore at the heart of our latest 'Science Strategy 2016-2021: Delivering Science with Impact' published during the year. This is deliberately designed to place the impact of our science at the heart of what we will deliver, and make a strong case for continued investment in the core, underpinning research infrastructure.

Over more than 40 years the Met Office has benefitted from a highly directed science programme that has been geared to systematically improving the skill of weather forecasting and the reliability and usefulness of climate change prediction. This has enabled the Met Office to achieve its world-leading position as a service provider and at the same time placed it amongst the best geophysical research organisations, one that is recognised for its innovative and ground-breaking science.

Delivery of this new strategy will open up many new opportunities. It will help us address society's need for better information and advice on natural hazards and climate change; it will strengthen our international role in sharing data, knowledge and capabilities; and it will enable us to continue as a major facilitator and integrator of UK environmental science. By focusing on the effective translation and application of weather and climate science this strategy will help the Met Office and those we work with realise our collective potential for growth through improved services and exploitation of environmental intelligence. 🌿





# Some great feedback...

"Many thanks for your prompt reply. I use your website a lot to look at 5 day forecasts and I think it is of a very high standard and very informative."

Member of the general public

"I really value the forecasting service you provide - especially with the little 'overview graphics' - and I thank you for providing it."

Member of the general public

"I would like to take this opportunity to thank you for the support and assistance provided by staff within the MET Office during the recent flooding in Cumbria. The response from all agencies was excellent in ensuring people were kept informed with up to date information which was greatly appreciated. I would be grateful if you could forward my thanks to those involved."

Cumbria Constabulary

"I am seriously impressed with the speed and attention to detail in your response. With as many customers as you must have your dedication is very commendable."

Member of the general public

"Your services have been great and have been one of the main factors contributing to the success of this operation, delivering basic, urgent supplies to over 20,000 families that have been besieged for over two years."

Sherif Georges, Deputy Chief Aviation Service,  
World Food Programme

"The weather has a huge effect on Heathrow's operations. Having a better understanding of it helps us make informed decisions for all departures and arrivals."

Ricky Oakes, Heathrow's Winter Operations Manager

"By sending a team of specialists from the Met Office we are offering the very best of British expertise and weather know-how to strengthen the Philippines' resilience to future disasters. We are also helping restart vital fishing and farming industries so thousands of the poorest women-led households can get their livelihoods back."

Justine Greening, International Development Secretary

"This is an amazing moment and it's from the Met Office!!!!"

Joanna Geary, Head of News Partnerships at Twitter UK,  
tweeting about a Met Office Moment

"We would like to extend our deepest gratitude for the products and services you have provided during the past year. Indeed the products were very useful tool for forecasting the track of the tropical cyclone especially during the typhoon season."

Thelma Cinco, Asst. Weather Services Chief, Philippine Atmospheric Geophysical and Astronomic Service Administration (PAGASA)

"The introduction and use of MOMIDS 3G on DII at sea rocked my world."

Lt Cdr Matt Steele, Royal Navy, SMetO HMS Ocean  
Talking about the Met Office Military Information Display System (MOMIDS). DII is the Defence Information Infrastructure - the MoD desktop network.

"After just four months of working here, my applications were helping scientists to do their job, which is incredibly satisfying."

Jon Seddon, Scientific Software Engineer,  
Met Office employee

"The course was really interesting last week. I got a lot to take home with me. The training is good for our day to day business."

Sebastian Guse, Offshore Coordinator, Dong Energy

"The work we do is mind blowing; space weather, climate science, oceanography, flood warnings, helping aircraft to run efficiently and safely, defence, weather warnings, weather forecasts and much more!"

Ian Bishop, Test Analyst, Met Office employee

"Thank you for the explanation. I've been very impressed with the way you have dealt with my enquiry and the speed at which you have responded. It is refreshing to receive a personal communication rather than some generic standard reply. Well done all the team at the Met Office. Brilliant service, best in the world."

Member of the general public



*“The Met Office’s embedded forecaster team provides us with essential, real time information and advice throughout the winter period to help us keep the road network open and keep our customers, the media and our stakeholders fully informed.”*

**Highways England National Traffic Operations Centre (NTOC)**

*“By working together we have increased the public awareness of severe weather and ensured greater public safety.”*

**Gerald Fleming, Head of Forecasting, Met Éireann talking about the Naming Storms project**

*“We both have proud histories and are trusted leaders in our fields. RNLI volunteers are always ready to answer the call and, like the Met Office, the RNLI is a 24/7 organisation.”*

**Ros Whitlock, Corporate Partnerships Manager, the Royal National Lifeboat Institution (the Met Office’s corporate charity)**

*“The Met Office has been tremendous – not only with the provision of data, but with an in-depth understanding of how the weather affects businesses and communities.”*

**Patrick O’Meara, Business in the Community Membership Director**

*“The Informatics Lab is taking the bold steps which will assist the Met Office in transforming over the next few years. I look forward to working closely with them and seeing their innovations become mainstream across the Met Office.”*

**Terry Makewell, Chief Digital Officer, Office for National Statistics**

*“I find it re-ignites my desire to continue learning about science and meteorology whilst realising how lucky I am to work here.”*

**Guy Harrison-Roberts, Network Incident Manager, Met Office employee, talking about volunteering for Met Office Science Camps**

*“The alliance with the Met Office has enabled us to improve service delivery and improve our internally generated revenue.”*

**Kayode Ogunsola, General Manager, Business Development and Investment, NiMet (Nigerian met service)**

# About the Met Office

**As a world leader in weather and climate services the Met Office supports Government, businesses, the general public, armed forces and a diverse range of other organisations worldwide.**

We’ve been building our scientific understanding and global links for over 150 years, starting as a small Meteorological Department under the Board of Trade before extended periods with the Air Ministry and Ministry of Defence. We became a Trading Fund in 1996 and transferred to the Department for Business Innovation and Skills (BIS) in 2011.

The Met Office is one of the world’s most accurate forecasters. With a highly responsive approach and a staff of genuinely caring experts, it’s also a uniquely satisfying place to work. In 2015 we were named number one in the UK’s ‘Top 50 Companies for Customer Service’.

As a result, our customers trust the forecasts and briefings we deliver each day, using them to plan their leisure time, work and longer-term activities. Responsible for the National Severe Weather Warning Service – as well as environmental monitoring – we also advise the UK armed forces and help the Government to safeguard critical national infrastructure.

Our work at the forefront of climate change research leads the field. This ranges from global collaborative projects, such as key contributions to the Intergovernmental Panel on Climate Change (IPCC), to tailored advice and services to businesses and others to manage the risks and opportunities associated with a changing climate.

## 2015/16 highlights

‘Challenge’ was a key theme this past year. Continued heavy turbulence in the global economy and geo-political landscape was not helped by the weather itself that saw the warmest year on record. The winter then delivered the wettest day ever recorded in the UK – 341mm on 5 December in Cumbria – that caused devastating flooding. However, detailed advance warning by the Met Office and Flood Forecasting Centre, jointly operated with the Environment Agency, meant that residents and emergency responders were well prepared.

Understanding our changing climate, including increasingly extreme weather events, has driven the collaborative climate science for which the Met Office Hadley Centre has become so globally respected since its launch 25 years ago. Our work contributing to the UN’s groundbreaking COP21 climate talks in Paris in December was pivotal for the agreement that saw countries around the world commit to limiting global warming to less than 2 °C above pre-industrial levels.

While our weather and climate forecasts are vital for protecting lives and livelihoods, they also perform a critical role for promoting prosperity. The findings of 2015’s General Met Office Review – an in-depth exercise conducted with BIS – concluded the Met Office will deliver £30 billion of socio-economic value to the UK over the next 10 years at a cost-benefit ratio of around 14:1.

## Looking ahead

Having just celebrated 50 years of numerical weather prediction – and now using the latest high performance computing to model ever finer weather and climate detail – our supercomputer will continue to drive socio-economic benefits thanks to £97 million of Government investment. The role of technology at the Met Office has grown significantly, as has our technological expertise, as illustrated by our implementation of the new supercomputer. We are continually developing our communications approaches and harnessing technology to engage the public, for example continuing to grow our social media following which recently reached one million followers.

Technology will also be at the heart of Met Office transformation and efficiency programmes. Examples of making the vast data banks we have at our disposal practically useful include the powerful new Met Office weather app and other innovation yet to emerge from our ‘blue sky thinking’ Informatics Lab. Up to date weather and climate information, tailored to individual need, is making the world not only safer but more resilient and prosperous too.



Key risks

Overall 2015/16 has been a year in which significant corporate risks have had to be managed, including:

- understanding and responding to the Government spending review and impacts on Met Office services;
- uncertainty around future funding of the National Climate Capability to provide climate impacts, adaptation and vulnerability information;
- significant issues with retention and recruitment, in particular of scarce, skilled technology resources;
- recognising and mitigating the possible threat of cyber attacks and denial of service threats;
- delivering the remaining phases of the High Performance Computer and wider benefits identified in the business case that secured the investment;
- responding to the changing European landscape for meteorological services and the challenging international market;
- ensuring we have the capacity to meet future customer demands and achieve our aspirations for growth;
- ensuring operational resilience of our safety critical services is a priority for the organisation;
- ensuring that in a rapidly changing technological environment our weather forecasts and warnings are readily available to the majority of the UK public through existing and new channels in order to protect lives and property and to contribute to UK economic growth.

Further details on how the Met Office manages these risks and risk in general are included in the Governance Statement on pages 28 to 37.

Performance summary

Our Business Performance Measures (BPMs) are linked to corporate performance-related pay. This encourages employee engagement in driving the performance of the Met Office, as all employees can benefit. Progress is communicated to all staff through monthly briefings. Appropriate action plans are formed where additional action is required to improve performance.

Thanks to the collective efforts of individuals and teams the Met Office has had a good year, despite a challenging external environment, achieving the majority of the sub-measures that make up our overall targets. Our performance is measured in a variety of ways with each BPM detailed on the opposite page.

BPM	Measures	Met	Improvement on 2014/15
Forecast Accuracy	<b>Global position</b> - At least second when compared to other National Meteorological Services	EXCEEDED	SAME
	<b>Model output</b> - UK numerical weather prediction value added 3.5%	EXCEEDED	SAME
	<b>Public forecast targets</b> - achieve nine out of eleven of the Public Weather forecast targets focusing on accuracy in the one to five day period	EXCEEDED	YES
	<b>Customer targets</b> - achieve three out of four customer specific forecast accuracy targets including root mean square error, mean absolute error and service quality index scores	MET	YES
Growth	Total Met Office revenue	EXCEEDED	YES
	Total Met Office adjusted profit	MET	NO
	Business growth profit	NOT MET	NEW
Reach and Engagement	<b>Achieve two out of three of the following targets:</b>	EXCEEDED	
	<b>1. Digital reach</b>	EXCEEDED	NEW
	1a. Achieve average web and apps sessions of 35m per month		
	1b. Increase social media engagement - likes, retweets etc. by 24% compared to 2014/15	EXCEEDED	NEW
	1c. Achieve syndication of Met Office content by three partners	MET	NEW
	2. Achieve at least 76% in three out of four quarterly trust tracker surveys	EXCEEDED	SAME
Customer and Service Delivery	3. Reach of National Severe Weather Warnings achieve 70% positive responses in each survey	EXCEEDED	SAME
	<b>Deliver two out of three of the following targets:</b>	EXCEEDED	
	Deliver the outputs and performance indicators as defined by our customers in-service agreements for four customers: <b>Public Weather Service (PWS)</b> <b>Civil Aviation Authority (CAA)</b> <b>Defence</b> <b>Met Office Hadley Centre Climate Programme</b>	MET	SAME
	Deliver a range of products for our Commercial and Government customers by the target time (On time) and as described (In full). Overall target will be a score of 90% over 12 months	EXCEEDED	SAME
Efficiency	Following analysis of our Customer Attitude Survey 2013, three out of three remaining actions will be completed within financial year	MET	NEW
	Achieve a return on capital employed of 4.2%	MET	SAME
Sustainability Excellence	<b>Deliver three out of four of the following targets:</b>	EXCEEDED	
	Increase recycling rate to 83%	EXCEEDED	YES
	Offer 75 work experience placements	EXCEEDED	YES
	Continue to hold and develop Science Camps (x4) and increase the number of STEM (Science, Technology, Engineering and Maths) ambassador attended events to 80 events	EXCEEDED	YES
	Achieve 70% of invoices received electronically	EXCEEDED	SAME
Critical Success Factor Delivery	Delivery of phases 1a and 1b of the high performance computer	MET	NEW
	Delivery of three Data Programme milestones	NOT MET	NEW

The BPM Met Office adjusted profit and Return on Capital Employed figures above exclude some accounting adjustments as agreed by the Met Office Board.

Performance review

By achieving all our forecast accuracy measures we have demonstrated that our world-class science continually improves our models and that this improvement is pulled through directly into services. Our reliable and accurate forecasts enables the public and our commercial customers to act on our advice and achieve their goals.

Stretching financial targets were set by the Met Office Board to drive us towards growth in a very difficult economic environment. We exceeded our Total Met Office revenue target with £227.5m against a target of £225.9m. We also met our Total Met Office profit target of £10.2m before accounting adjustments. The Business growth profit target was not met due to difficult trading conditions in the oil and gas sector and longer lead times in securing international work. Our Return On Capital Employed (ROCE) measure was met.

Exceeding our customer expectations of service delivery is critical to our success. As such, we have a range of measures around delivering our services and outputs to the standard required, all of which were met or exceeded in 2015/16. We need to ensure that our forecasts and warnings are reaching a wide audience and that we raise awareness and build trust. We measure our success in this area against targets on growing our digital reach and our social media engagement. Both of these areas have increased significantly with social media engagement up 61% compared to 2014/15. Our refreshed apps and website have continued to be accessed in increasing numbers as an authoritative source of weather information. Other partners are also increasingly using our content on their sites.

The Met Office is recognised for sustainability excellence and we are committed to delivering our objectives in a sustainable way by continuing to set challenging targets. All elements of the sustainability BPM have been exceeded. Again, we have achieved UK Government-leading levels of recycling. Through reduced paper usage and timely payment, we ensured over 80% of supplier invoices were paid within five days. We continued to increase our presence in the community through Science, Technology, Engineering and Maths (STEM) events, work experience placements, Met Office Science Camps and visits and talks in local schools and colleges.

The Met Office is on track to install the largest operational supercomputer in Europe. The first two phases of installation have been delivered early, with the third due later in 2016. Operational weather forecasts and climate predictions are now running on the new supercomputer. Delivery of milestones related to consolidation and management of data within the Met Office has been more challenging with decisions made to redeploy resources to higher priority activities. The long-term importance of this work has been recognised and is in the process of being integrated into an organisation-wide change programme which will be delivered over the next few years.

Financial review

Overall

Met Office revenue grew by 3% to £227.5m (2014/15, £220.8m) driven by increases in the Climate Science for Service Partnership, aviation and space weather.

Despite this increase in revenue, operating profit dropped by 9% from £12.1m to £8.8m. This was in line with budget and reflects increased investment in IT development to

support improvements in Met Office services and maximise the benefits of the new HPC.

The Met Office met three out of its four financial Business Performance Measures (BPMs). The Business Growth profit target was not met due to difficult trading conditions in the oil and gas sector and longer lead times in securing international work.

	2015/16	2014/15	Variance to 2014/15
	£m	£m	£m
Revenue	227.5	220.8	6.7
Operating costs	(216.6)	(208.7)	(7.9)
Operating profit	8.8	12.1	(3.3)
Dividends	(0.5)	(8.5)	8.0
Total non-current assets	262.7	204.2	58.5
Net assets at 31 March	249.4	229.2	20.2



# By the numbers...

It's been a good year for the Met Office, let's take a quick look at some of the facts and figures of 2016.

## Total revenue (£m)

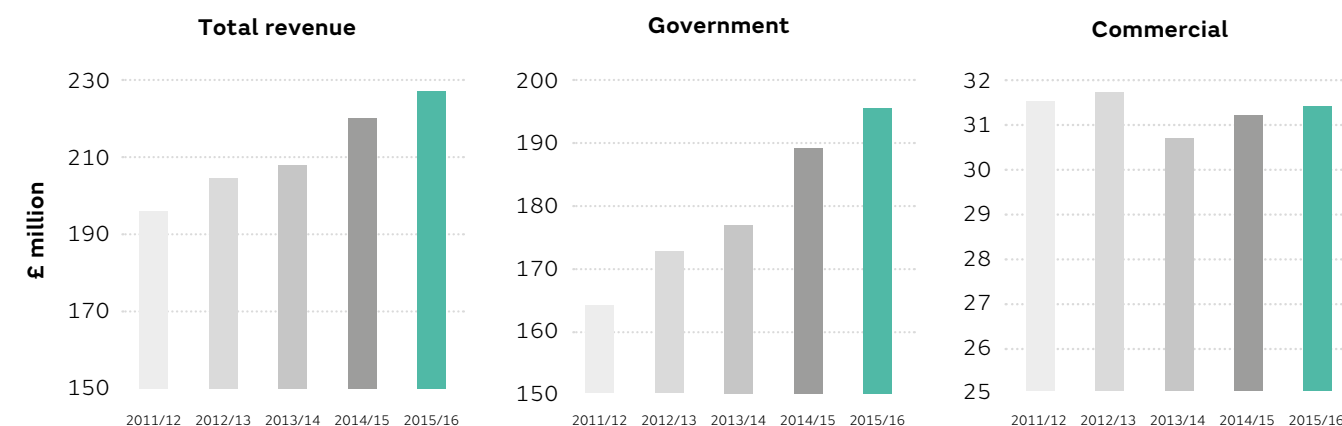
227.5

## Total revenue 2014/15 (£m)

220.8

3%

Growth from last year



### Revenue

Revenue has increased by £6.7m to £227.5m (2014/5, £220.8m).

**Government revenue** has increased by £6.5m. This reflects additional revenue generated from delivery of Newton Fund programmes (£2.2m) and in particular the Climate Science for Service Partnership: China. Work on the Copernicus Marine project generated an additional £1m of revenue. Additional work for the Public Weather Service was also provided, generating an additional £2.8m of revenue.

**Commercial revenue** remained stable with a £0.2m increase. Reductions in revenue due to difficult trading conditions in the oil and gas sector were offset by increases in aviation revenues.

### Operating costs

Operating profit decreased from £12.1m to £8.8m. This reflects difficult trading conditions in the oil and gas sector and longer lead times in securing international work. We have also increased investment in IT development to support improvements in Met Office services and maximise the benefits of the new supercomputer.

The largest cost increase has been in staff costs (£10.7m) reflecting increases in the necessary use of agency staff and contractors along with increases in both pension contributions and salary costs. Pension contributions increased by £1.9m due to reforms in the Civil Services Pension Schemes resulting in increased employers' contributions.

Other increases reflect increased IT and science resources to support improvements in the provision of Met Office services to customers and is largely offset by additional revenue.

The Met Office's costs reflect the provision of services to customers. Over the past four years margins on these services have remained consistent and so costs have tracked the revenue trends shown above.

### Dividends

Total dividends payable to our owner, the Department for Business, Innovation and Skills (BIS), were £0.5m (2014/15, £8.5m).

### Cash flows and liquidity

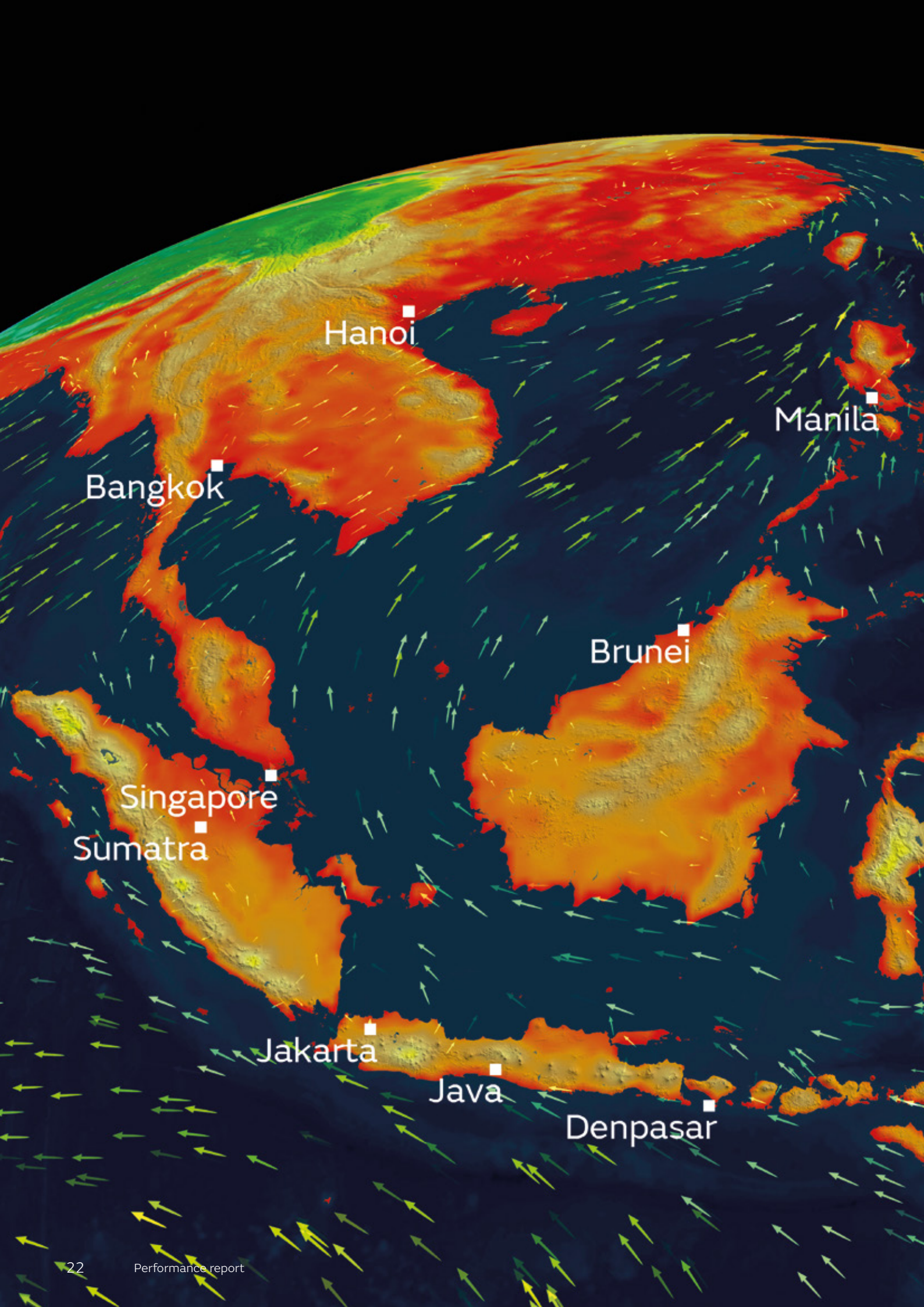
Cash balances totalled £58.2m as at 31 March 2016 compared to £56.8m as at 31 March 2015. Although cash shows a small increase in year of £1.4m, there was significantly increased investment in both satellite programmes and supercomputer. This is funded through receipt of a supercomputer capital grant of £50m and a BIS loan of £10m.

The Met Office holds cash deposits primarily to meet its short-term operating commitments. In the medium-term, capital contributions to meet international obligations are expected to increase significantly.

### Borrowing

Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office's sponsor department, BIS. Therefore, exposure to liquidity risk is limited to these arrangements. As at 31 March 2016, £20m of loans was outstanding (31 March 2015, £11m). Loan funding requirements are anticipated to increase over forthcoming years to finance the UK contribution to satellite programmes.





# Sustainability

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

Greenhouse Gas Emissions (GHG)		2012/13	2013/14	2014/15	2015/16
Non-financial indicators (tCO <sub>2</sub> e)	Total gross emissions for scopes 1 & 2 (including white fleet)	24,307	18,170	20,015	18,258
	Gross emissions scope 3 - business travel (less white fleet)	1,502	1,424	1,352	1,541
Related energy consumption (MWh)	Electricity: non-renewable (see Performance Commentary)	33,200	38,643	38,639	37,530
	Electricity: renewable (see Performance Commentary)	4,427	0	0	0
	Electricity: GQCHP	6,640	0	0	0
	Self generated renewable (solar PV installation at HQ site)		242	239	231
	Natural gas:	4,355	4,092	3,765	3,889
	Gas oil: (diesel)	309	152	294	149
Financial indicators (£)	Expenditure on energy	3,370,772	3,534,270	3,614,900	3,704,861
	Expenditure on business (administrative) travel	2,157,084	2,378,609	2,437,555	2,382,879
	Expenditure on Carbon Reduction Commitment Energy Efficiency Scheme allowances	284,844	249,180	317,522	290,000

## Energy

The energy consumed by our headquarters-based supercomputer accounts for most of our energy consumption and associated emissions. In April 2015, Phase 1a of our new supercomputer went live and ran in parallel with our existing supercomputer until September 2015. The old supercomputer was turned off in October 2015, resulting in a reduction in electricity consumption. Between December 2015 and February 2016, Phase 1b of our new supercomputer went live resulting in increased electricity consumption. After testing, we will move into the steady state phase for the new supercomputer and will be able to baseline our consumption.

The decrease in our oil consumption against the previous year was due to there being no Triad runs so the generators have only been run for maintenance purposes. The Triad runs enable the National Grid to meet maximum demand for electricity during peak period in the winter months. Electricity consumption figures for 2013/14 and 2014/15 have been revised. We previously reported electricity supplied under the Crown Commercial Services (CCS) Electricity Contract as “renewable” but, after investigation, we have established that the “renewable Levy Exemption Certificated (LEC) backed power” tariff we were receiving does not constitute a ‘renewable’ supply under the Defra carbon reporting guidance. Therefore the 2013/14 and 2014/15 electricity consumption under this contract has been moved under “non-renewable”.



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 business journeys and are continually looking at ways to minimise these, such as investment in video conferencing and smarter ways of working. The Government's CCS Electricity Contract agreed with the Energy Suppliers (EDF Energy and British Gas Business) continues to provide a greater proportion of electricity from a “green” source (i.e. from renewable and low carbon sources - supported by appropriate Levy Exemption Certificates). As a result of this initiative, the Met Office pays a reduced Climate Change Levy (CCL).

Waste

In 2014/15, total waste arising was 210 tonnes - a 29% increase on our 2013/14 figure of 163 tonnes. This increase was due to major refurbishment works including an IT hall refresh. However, we keep total waste to a minimum through initiatives such as selling old office furniture for reuse and ensuring that all IT waste is either reused or recycled.

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

Waste			2012/13	2013/14	2014/15	2015/16
Non-financial indicators (t)	Total waste arising (t)		204.05	162.69	210.32	206.91
	Hazardous waste	Total	1.42	0.63	1.23	0.16
		Recycled and reused	165.25	132.17	185.40	178.42
	Non-hazardous waste	ICT waste recycled and reused (externally)	17.01	8.70	19.52	8.24
		Composted	20.25	14.79	20.22	17.66
		Anaerobic digestion	-	-	-	30.27
		Incinerated/energy recovery	0	0	0	10.97
		Landfill	37.38	29.88	24.92	17.35
Financial Indicators (£)	Total disposal cost		78,371	80,947	83,193	84,151

Recycling

In 2010/11 we set ourselves a target to recycle 80% of our waste at our headquarters by 2014/15. We achieved this in 2012/13, recycling 80.99% of waste and have maintained this, achieving a recycling rate of 86.2% in 2015/16.

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

Water			2012/13	2013/14	2014/15	2015/16
Non-Financial Indicators (m3)	Water consumption	Imported (potable)	48,530	39,531	34,312	37,899
		Abstracted (borehole)	9,179	17,640	22,633	15,457
		Grey water (harvested rainwater)	7,140	3,133	318	0
		Recycled water (discharge from cooling towers)	-	-	8,015	6,628
Financial indicators (£)	Water supply costs		95,985	81,081	70,426	75,623

Finite resources (water)

We have metering at headquarters to monitor and record onsite water usage, most of which goes to cool the supercomputer. In 2015/16, we saw an increase of 10% in our mains water consumption which was due to the parallel running of old and new supercomputers and changes to cooling systems. We continue to treat water from our borehole so that it can be mixed with mains water to be used safely in the cooling systems. Since June 2014, we have been able to recycle water discharged from cooling systems and use this to flush toilets.

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 compliance with mandated and best practice Government Buying Standards on common goods and services.

In conjunction with the Observations team and suppliers, we have actively pursued a reduction in the environmental impact of real-time observations. This includes using batteries, consumption of gas and both the biodegradability and recyclability of sensors and instrumentation.

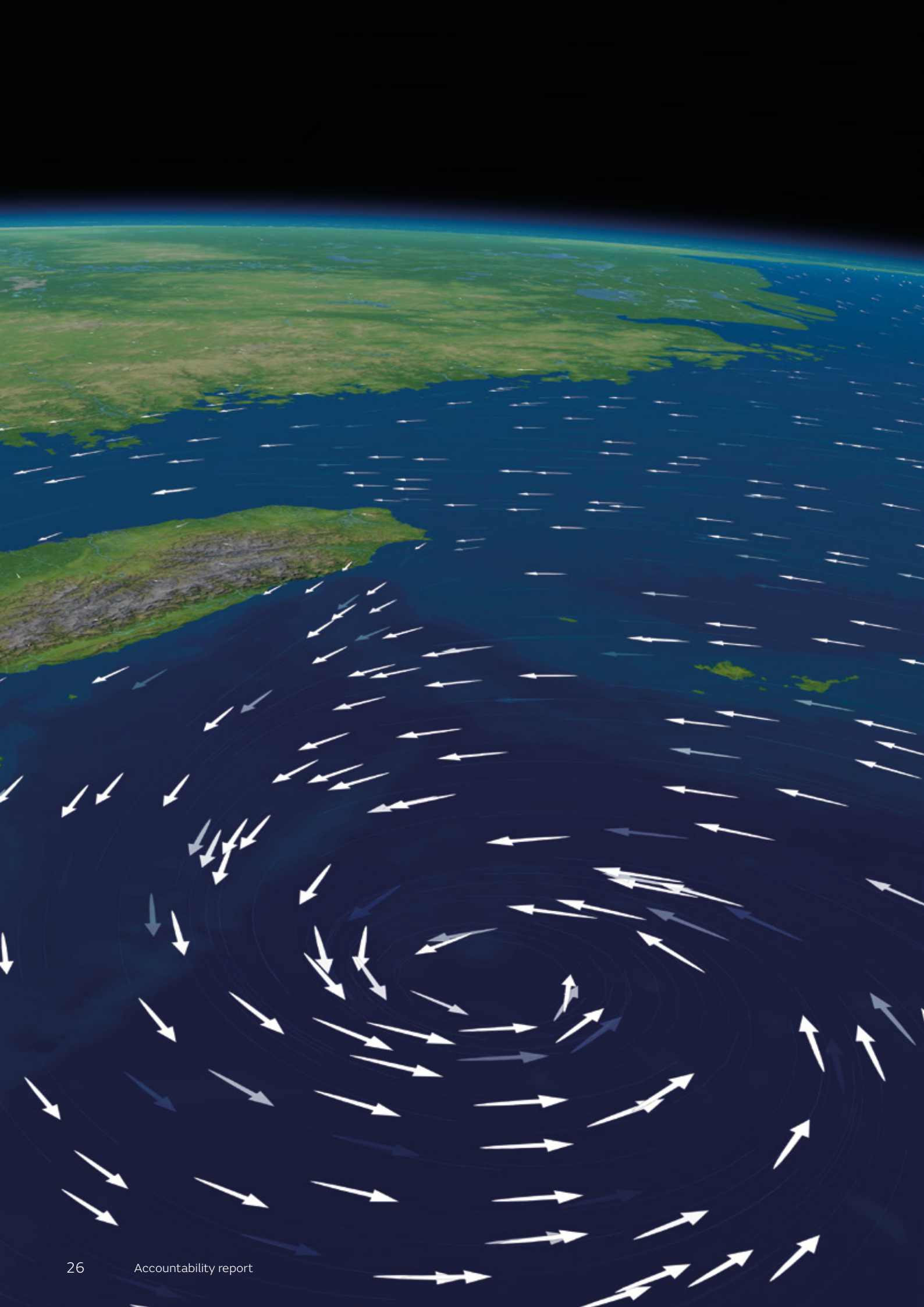
We continue to adopt a prudent approach to maximising the return on capital investment in observing systems. We aim to take systems beyond their original financial life, through ongoing upgrades and keeping instrumentation at the forefront of technology.

Biodiversity action planning

We are proud to have retained the Wildlife Trusts’ Biodiversity Benchmark Award for our headquarters site. A staff-led Biodiversity Working Group continues to work closely with the Property Management team to protect and enhance biodiversity. Their work includes grassland management to benefit different butterflies which has resulted in an increase in species such as the Marbled White and Common Blue. The approach to the front entrance has been planted with waves of lavender and marjoram and we will be implementing a biodiversity-rich planting scheme at our new site on the Exeter Science Park. We continue to record species observations so we can monitor the impact our work is having – during 2015 we conducted a Phase 2 habitat survey of our meadow as well as butterfly transects and bird surveys.



**Rob Varley**  
Chief Executive  
29 June 2016



# Accountability report

## Corporate governance report

### Directors' report

The following items, required as part of the Directors' report, are included in the Governance Statement on page 28:

- 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's 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 2015/16 financial year in the form and on the basis set out in the Accounts Direction issued on 18 December 2015 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 2016 and of the income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

- In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements;
  - prepare the financial statements on a 'going concern' basis.
- HM Treasury has appointed the Chief Executive of the Met Office as the Accounting Officer for the Trading Fund. His responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances, for which he is answerable, for keeping of proper records and for safeguarding the Met Office's assets, are set out in Managing Public Money published by HM Treasury.
- 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

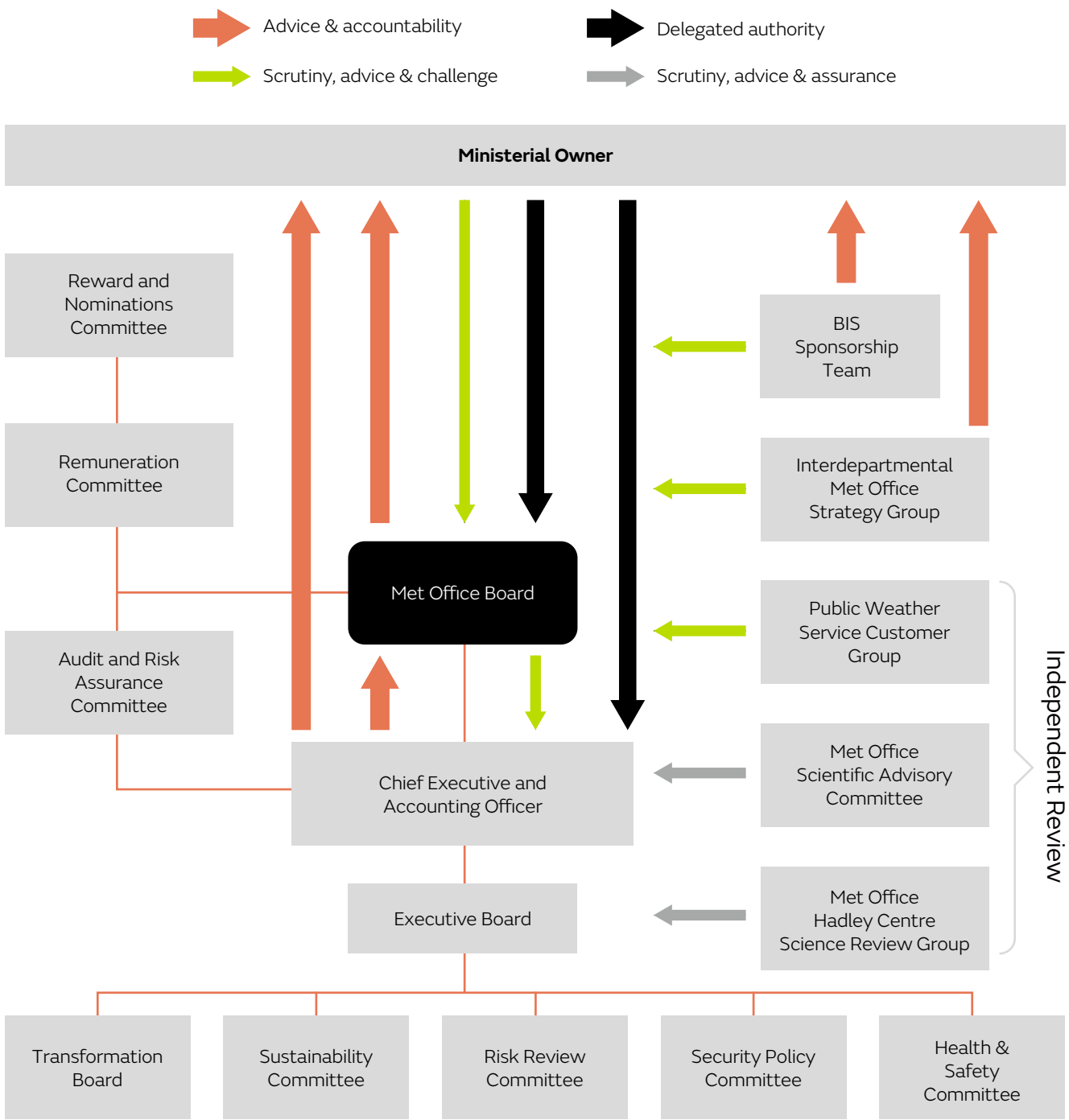
As Accounting Officer it is my responsibility to ensure that there is a sound system of governance, risk management and internal control in place; and that Met Office business is conducted in accordance with Managing Public Money to ensure public money is safeguarded, properly accounted for and used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

## The purpose of the Governance statement

The Governance statement, for which I, as Accounting Officer take personal responsibility, gives a clear understanding of the dynamics of the Met Office and its

control structures. These control structures provide an adequate insight into the business of the Met Office and its use of resources to 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 which includes the Met Office Board, its committees and senior management.

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



## Our governance structure

In 2015/16 the Minister of State for Universities and Science took on Ministerial responsibility for the Met Office. The BIS sponsorship team moved from the Shareholder Executive to Business and Science, reflecting the Met Office's key role as a science, operational and public service delivery body.

A General Review was completed in collaboration with BIS, focusing on the role of the Met Office, and how this is underpinned by its delivery and funding model. The General Review estimated that over the next ten years, the Met Office will deliver a Net Present Value of some £30 billion to the UK, a benefit of £14 for every £1 of public money spent. The economic analysis underpinning this review was published in December 2015. As a result of the review, the Interdepartmental Met Office Strategy Group was established to periodically bring together government departments, the Devolved Administrations and the Met Office to review, at a strategic level, Government's overall priorities for the Met Office.

A Transformation Board was set up as a sub-committee of the Executive Board to provide oversight and guidance on the alignment and delivery of the Met Office's critical success factor change programmes and future business architecture.

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

Following the Board effectiveness review in 2014/15, the Reward and Nominations Committee was set up as a sub-committee of the Remuneration Committee. Its purpose is to advise the Remuneration Committee on key elements of effectiveness including systems for identifying and developing leadership and high potential, the incentive structure and succession planning for the Board and senior leadership.

## Chief Executive and Accounting Officer

As Chief Executive I am responsible for the day-to-day leadership and management of the Met Office. I am accountable to the Ministerial Owner and the Met Office Board (acting, where appropriate, on the Ministerial Owner's behalf) for the performance of the Met Office in accordance with the Met Office Framework Document and Corporate Plan. The Executive Board, which I chair, is responsible for supporting me in implementing the strategy set out by the Met Office Board. The Executive Board has five sub-committees: the Risk Review Committee, the Sustainability Committee, the Security Policy Committee, the Health and Safety Committee and the Transformation Board. I am also Accounting Officer for the Met Office, personally responsible and accountable to Parliament for the organisation and quality of management in the Met Office, including its use of public money and the stewardship of its assets.

## BIS Sponsorship Team

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

## Additional review bodies

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

- **Public Weather Service Customer Group (PWSCG)** – oversees the Public Weather Service from a customer point of view, ensuring the quality, suitability and value for money of the service provided. The PWSCG comprises independent members and representatives from government departments, agencies, emergency responders, local authorities, the Scottish and Welsh Governments and the Northern Ireland Assembly. The PWSCG is chaired by 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. MOSAC is chaired by Professor Huw Davies and consists of leading scientists from UK academia and other national meteorological services from around the world.
- **Met Office Hadley Centre Science Review Group (SRG)** – provides an independent review, on behalf of Department of Energy and Climate Change and Department for Environment, Food and Rural Affairs, of the climate research carried out by the Met Office Hadley Centre. The SRG is chaired by Professor John Pyle and membership of the group includes leading UK and international scientists.

Membership and attendance at Met Office Board and Committee meetings

Board and committee composition and attendance	Committee memberships	Board Meetings	Audit and Risk Assurance Committee (ARAC)	Remuneration Committee	Reward and Nominations (RNC) <sup>3</sup>
Total number of meetings		6	3	1	1
Executive Directors					
Rob Varley Chief Executive		6/6	-	-	-
Nick Jobling Chief Financial Officer		6/6	-	-	-
Prof Dame Julia Slingo Chief Scientist		5/6	-	-	-
Steve Noyes Operations and Services Director		6/6	-	-	-
Non-Executive Directors					
Greg Clarke Met Office Chairman	Remuneration	6/6	-	1/1	-
Paul Rew Chair Audit and Risk Assurance	ARAC Remuneration	5/6	3/3	1/1	-
Wendy Barnes Chair Remuneration Committee, Chair Reward and Nominations sub-committee (RNC)	ARAC Remuneration RNC	6/6	3/3	1/1	1/1
David Burridge Non-executive Director	Remuneration RNC	6/6	-	1/1	1/1
Prof Sir John Beddington Non-executive Director	Remuneration	5/6	-	1/1	-
Christine Tacon Non-executive Director	ARAC Remuneration RNC	6/6	2/3	1/1	0/1
Dame Mary Keegan Non-executive Director from Sep 2015	ARAC Remuneration	4/4	2/2	0/0	-
John Kimmance Non-executive Director	Remuneration RNC	6/6	-	1/1	1/1
Michael Harrison Non-executive Director, BIS representative until Dec 2015	ARAC Remuneration RNC	4/4	2/2	1/1	1/1
Graham Turnock <sup>1</sup> Non-executive Director BIS representative from Jan 2016		1/2 <sup>2</sup>	-	-	-
Paul Hadley <sup>1</sup> BIS representative from Jan 2016 (not Board)	ARAC Remuneration RNC	1/1 <sup>2</sup>	1/1	0/0	0/0
Helen Stevens <sup>4</sup> Prospect representative		4/6	-	-	-

<sup>1</sup>Paul Hadley does not routinely sit on the Board – only ARAC, Remuneration and RNC committees; Graham Turnock is BIS representative on the Board.

<sup>3</sup>March RNC was cancelled and relevant issues discussed at ARAC and Board meeting.

<sup>2</sup>Paul Hadley deputised for Graham Turnock at January's Board meeting.

<sup>4</sup>Helen Stevens attended as a Prospect representative. She did not receive separate remuneration for her attendance.

Met Office Board activities in 2015/16

During 2015/16 the Met Office Board met six times. A summary of each Met Office Board meeting is published on the Met Office website. Some of the themes discussed at Board meetings during 2015/16 were: outcomes of the Government's Comprehensive Spending Review and, in this context, our 2016-21 vision and Corporate Plan; the outcomes of the independent General Review of the Met Office; the formation of the cross-government Inter-Departmental Met Office Strategy Group; the Met Office's corporate targets, performance and achievements towards its aim of being the global partner of choice for weather and climate services; and a review of the effectiveness of the Met Office Board.

Evaluation of Board performance

The performance of the Met Office Board and its committees was evaluated using a structured questionnaire. The 2015/16 review highlighted no serious issues, 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 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 2015/16 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.

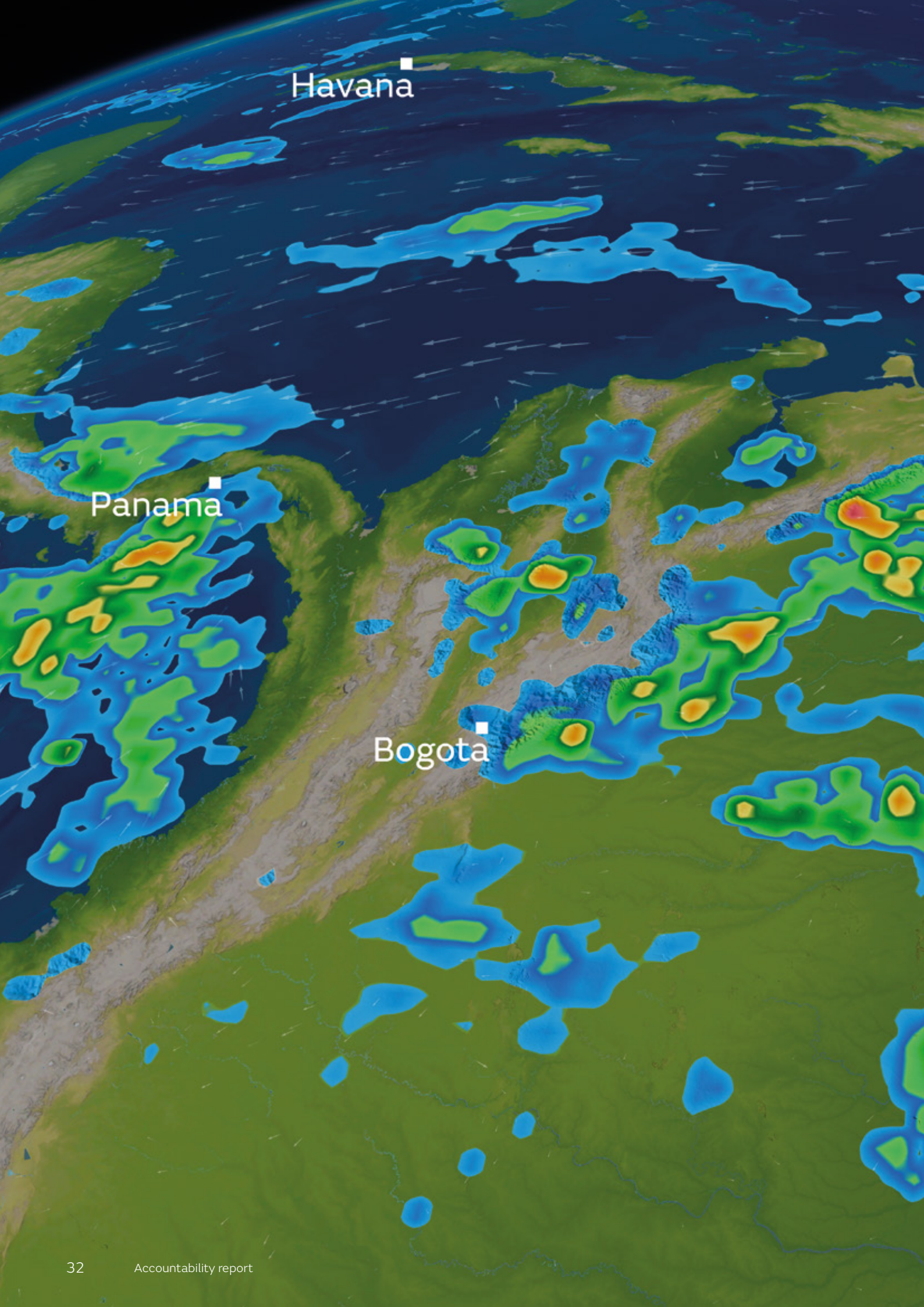
Protecting personal data

During 2015/16, no protecting personal data related incidents were reported to the Information Commissioner's Office, nor were any such incidents centrally recorded but not formally reported.

Statement of Compliance

Where applicable, the Met Office has complied during 2015/16 with the provisions of Corporate governance in central government departments: Code of good practice 2011.





**The risk and internal control framework**

*Risk management strategy and how the risk profile is managed*

The Met Office Corporate Plan describes the direction of the organisation and highlights key corporate objectives. Each business unit derives its objectives from the plan; these are cascaded to form individual objectives. Performance is represented on the corporate dashboard and covers all business areas, corporate objectives and Business Performance Measures (BPMs).

Assessing and managing risk is a fundamental part of day to day business management across the Met Office. Senior managers 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 identification, quantitative and qualitative assessment, ranking and reporting of risks in a consistent way that clearly 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*

The Met Office Board provides an external perspective to all risks. Twice a year, the Board reviews the most serious risks that threaten strategic objectives.

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 team identifies and manages risk in accordance with the risk appetite. Individual Executive members review risks within their Directorate at least quarterly and corporate risks are frequently reviewed at Executive Board meetings.

The Audit and Risk Assurance Committee reviews the corporate risks three times a year, and discusses the risk management strategy, so that it can provide assurance to the Accounting Officer and the Met Office Board on the effectiveness of the risk management framework and the effectiveness of mitigation actions.

The Risk Review Committee (RRC) reviews actions on all corporate and significant business risks and is the main champion of risk management within the Met Office. The RRC sits quarterly to support and challenge 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 in conjunction with the Corporate Risk and Benefits Manager as required.

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

Risk management information is used:

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

*Risk management assurance*

The annual risk management internal audit provided a maturity rating for risk management across the organisation. There are several areas which provide opportunities for us to further embed and improve the consistency of risk management that takes place throughout the organisation.

*Risk appetite*

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

The organisation's Risk Appetite Framework is based on Thinking about Risk, Managing your risk appetite: A practitioners guide, published by HM Treasury. The risk appetites are directly aligned to the corporate objectives outlined in the Corporate Plan, and are 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. It is reviewed regularly as part of the planning process.



*Summary of risks and uncertainties currently being managed*

Overall 2015/16 has been a year in which significant corporate risks have had to be managed. The risk portfolio has included the following key risks:

- The need to understand and respond to the Government spending review and impacts on Met Office services.
- Uncertainty around future funding of the National Climate Capability to provide climate impacts, adaptation and vulnerability information. We continue to actively engage with Government to provide a consistent and clear articulation of the wider benefits generated from the provision of services to UK plc.
- Significant issues with retention and recruitment, in particular of scarce, skilled technology resources.
- Recognise and mitigate the possible threat posed by cyber attacks and denial of service threats. This risk is being mitigated via the self-assessment of key systems, investments in technology and improvements in monitoring and awareness.
- Whilst great progress has been made in installing the first phase of our new High Performance Computer, if we fail to deliver the remaining phases and wider benefits identified in the business case that secured the investment we will compromise our reputation. Detailed planning, co-ordination of activities and monitoring of progress is in place to mitigate this risk.
- The changing European landscape for meteorological services and the challenging international market presents a risk to our plans for growth, and we are re-shaping our international strategy and increasing our presence in key agencies across Europe to counter this.
- Capacity restrictions could limit our ability to meet future customer demands, potentially limiting our aspirations for growth. We are currently implementing improvements to resource planning and developing an enhanced resource allocation methodology to ensure we get the best from the resources we have at our disposal.
- Ensuring operational resilience of our safety-critical services is a priority for the organisation. We are planning a substantial refresh of our underpinning systems and processes and whilst this is underway a review of business continuity options is being carried out to minimise the risk of interruption to these services.
- In a rapidly changing technological environment, we need to take action to ensure that our weather forecasts and warnings are readily available to the majority of the UK public through existing and new channels in order to protect lives and property and to contribute to UK economic growth.

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

*Control framework*

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

*Funds and assets*

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

- a corporate investment appraisal process to provide support and guidance in deciding on business cases for significant bids, expenditures or items that may be considered novel or contentious. This process ensures that a proposed investment or bid submission offers value for money, considers affordability, business requirement and justification (including fit with corporate strategy). Risk appetite, benefits, outcomes and risk management are also considered;
- the corporate investment appraisal process also addresses the financial propriety and other requirements from Managing Public Money, the Green Book and other HM Treasury guidance;
- a formal system of delegation of financial and contractual authority as defined in the Met Office Framework Document, fully integrated with the corporate investment appraisal process, is cascaded to members of the Executive Board, Executive Heads, Heads and other managers;
- a centralised procurement model is deployed to support and ensure financial and contractual delegations are followed. The Procurement team acts as the focal point for procurement expertise within the Met Office. Good procurement is a prerequisite for the organisation making sure we get the services we need from suppliers we can trust at a price we can demonstrate to be competitive;
- a robust system of budgetary control is in place with budget managers fully involved in the budget setting and rolling forecast processes. Budgets are set in a controlled manner, based on realistic and informed assumptions. Budgetary variations are analysed, investigated, explained and acted upon. Budgetary control is supported by a planning, budgeting and forecasting system which is used to collect and process data for financial forecasts, budgets and plans;
- the Met Office's accounting system comprises core ledgers (sales, purchase, and nominal) together with

integrated modules including stock, procurement, fixed assets, procurement card and sales invoicing. The integrated nature of the system ensures robust and consistent reconciliation between the different areas. There exists well established links to other software systems including financial forecasting, sales order processing, reporting and payroll;

- the production of monthly financial and business performance reports, monitored by both the Finance and Business Performance teams. Detailed reviews and discussions of performance are held on a monthly basis with the Met Office Executive. Any necessary action is taken to ensure the Met Office and its programmes perform to the desired level, supporting strategic goals and delivering benefits;
- asset management and control procedures, including the appropriate segregation of duties and processes to ensure accurate recording, accounting and safeguarding of Met Office assets; and
- independent assurance that management controls are working as intended is also provided through an annual internal audit programme of assurance work.

*Business critical models*

An inventory of business critical models used within the Met Office has been provided to BIS, along with commentary on the relevance of each to the organisation and its customers. Robust quality assurance arrangements are in place for each of these models, reflecting their importance in continuous service provision.

*Fraud*

We treat the risk of fraud extremely seriously and operate a policy of zero tolerance. We expect and require all our employees to observe the highest standards of personal honesty and integrity and to ensure that all our business is carried out in a manner that conforms to those same standards. In addition to a Counter Fraud Policy we also have an Anti-Bribery Policy, guided by the Bribery Act 2010. This policy, published on our website, declares our public position on bribery and we expect all staff, contracted parties and partner organisations to conform to it. Internal guidance has been published to help staff implement the policy, supplemented with periodic training opportunities.

The Counter Fraud Policy and the Anti-Bribery Policy and internal guidance were reviewed, updated and re-issued in 2015/16. The Met Office's Head of Legal is responsible for maintaining and implementing the policies. The Met Office's Head of Internal Audit is responsible for investigating and reporting on potential incidents of fraud and bribery in line with our Whistleblowing Policy.

*Health and safety*

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

*Information security*

We have a Senior Information Risk Owner (SIRO) at Executive Director level who is supported by twenty one Information Asset Owners (IAO) who cover information assets across the whole of the Met Office. These IAOs are supported by Information Asset Guardians (IAG). Forty two personnel who are either IAOs or IAGs have attended internal scenario-based workshop training to ensure that they are able to discharge their responsibilities. 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 an Information Security Steering Group which is chaired by the SIRO and oversees the Met Office Information Security Management System (ISMS). In addition to regular briefings given to this steering group, cyber security briefings are provided to the Met Office Board.

The Met Office has complied with the HMG Security Policy Framework for the financial year and has evidenced this through a completed Security Health Check Report, which has been independently validated by Internal Audit and returned to the BIS SIRO. 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 responsibility of the Chief Security Officer who holds the role of Departmental Security Officer (DSO) at the Met Office. During this year the Met Office Cyber Security Operations Centre has been created, providing cyber situational awareness and cyber incident response for the Office. This is recognised as a core capability in helping to ensure the resilience of operational services the Met Office provides to its customers, partners, Government and the public. The capability was invaluable during a Major Incident Management/Gold business continuity exercise which related to the Met Office's ability to respond to a cyber threat.



**Audit and Risk Assurance Committee’s reports on the organisation’s assurance arrangements and risk profile**

I am the primary reporting point for the Internal Audit Team. In addition the Audit and Risk Assurance Committee sat three times during 2015/16 and received reports on the work of Internal Audit. Results of the team’s work, including assurance ratings for individual audits and summaries on the progress of the implementation of agreed actions were reported to the Committee on a monthly basis, as well as at each Committee meeting. The Committee reported to the Met Office Board after each meeting.

The nature and status of key corporate risks is reported routinely to the Audit and Risk Assurance Committee, along with details of mitigating actions being taken. The Committee challenges management where necessary to gain the assurance it needs over the robustness of these actions. The Committee arranges for management representatives to attend its meetings to explain how corporate risks of particular concern are being reduced to an acceptable level. During the current year, this was the case for international travel, lessons learned across the business, control of contractors at unmanned sites and the project management of the design and delivery of IT Hall 3, where updates on progress have either been delivered to the Committee, or will be delivered during 2016/17.

The Audit and Risk Assurance Committee annually reviews the effectiveness of the internal and external audit functions. It has expressed the view that these functions continue to operate effectively for 2015/16 in the provision of assurance on Met Office standards of governance, risk management and control.

**Internal audit’s opinion on the quality of the systems of governance, risk management and internal control**

The Head of Internal Audit has concluded that ‘moderate’ assurance can be provided over the adequacy and effectiveness of the Met Office’s systems of governance, risk management and internal control. This is the same level given for 2014/15 but the moderate rating has improved slightly overall. This is due to fewer ‘low’ assurance ratings issued in the year and an increase of ‘moderate’ ratings in the upper half of the ‘moderate’ scale. Three themes have been identified which require attention: gaps in process design, a lack of management review and gaps in skills or expertise requiring to be filled.

**Review of effectiveness**

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

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

Internal Audit assessed the systems of governance, risk and control via a planned programme of assurance-generating work over the year. A structured process identified the activities to be audited, with corporate risk a key consideration in determining the actual audits to be undertaken. This work also included a maturity assessment for risk management, with opportunities identified for us to further embed and improve the consistency of risk management that takes place throughout the organisation.

In line with the Chartered Institute of Internal Auditors’ Internal Audit Standards, an external quality assessment of the internal audit function was undertaken in January 2016. This review, carried out by the Institute, reported that the team generally conforms with the Institute’s Standards and Code of Ethics, placing it in the top 10% of organisations it has reviewed. The assessment also confirmed that the team fully conforms to most of the UK Public Sector Internal Audit Standards.

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

The assessment of effective operation of the organisation’s business and environmental management systems has also been obtained via the retention of its certifications for ISO 9001:2008 and ISO 14001:2004.

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

**Significant governance and control issues**

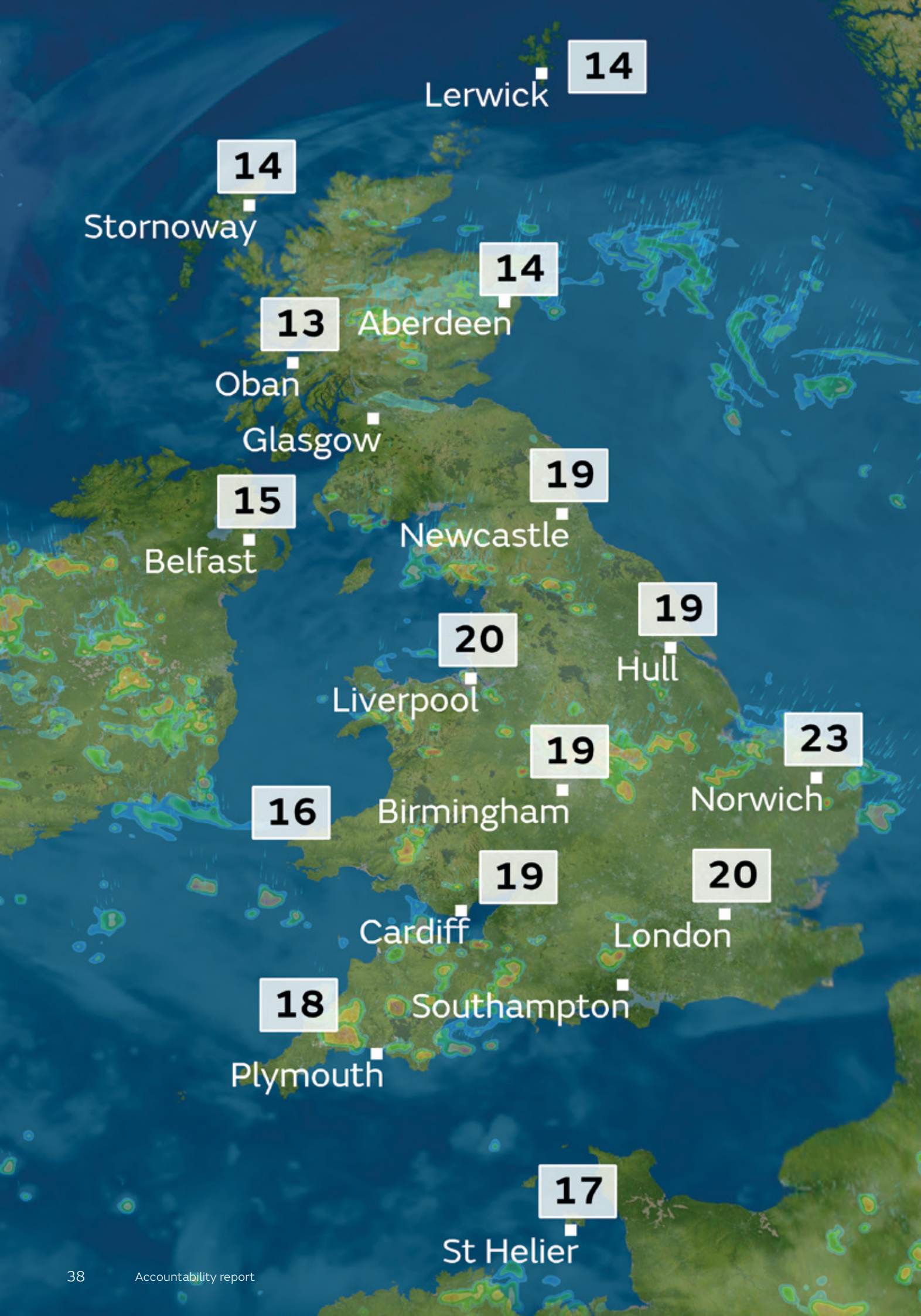
The Annual Assurance Statements referred to above have raised no significant issues and generated positive assurance on the direction and quality of the Met Office’s work.

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

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

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





# Remuneration and staff 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:

**R. Varley**, Chief Executive

**J. Slingo**, Chief Scientist

**N. Jobling**, Chief Financial Officer

**S. Noyes**, Operations and Services Director

## 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, Innovation and Skills (BIS), the Cabinet Office and HM Treasury and to gain ministerial approval from BIS before negotiating any changes to pay and grading systems and arrangements with the recognised Trade Union. This is achieved through the civil service pay remit process.

The Met Office Reward Strategy approved by the Chief Executive is designed to drive the behaviours required to deliver the Corporate Plan.



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

Remuneration (audited)

	2015/16					2014/15				
	Salary	Other taxable allowances	Performance - related pay	Pension benefits <sup>1</sup>	Total	Salary	Other taxable allowances	Performance - related pay	Pension benefits <sup>1</sup>	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>R Varley</b> Chief Executive from September 2014, previously Operations and Services Director	120-125	-	15-20	166	300-305	100-105	0-5	5-10	174	280- 285
<b>N Jobling</b> Chief Financial Officer	100-105	0-5	0-5	31	135-140	100-105	0-5	0-5	16	110-115
<b>J Slingo</b> Chief Scientist	140-145	-	15-20	61	215-220	140-145	0-5	20-25	63	230-235
<b>S Noyes</b> Operations and Services Director from January 2015	90-95	-	0-5	-	90-95	15-20 (Full Year Equivalent 90-95)	0-5	0-5	7	25-30

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

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.

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.

Performance scheme. This is based on an assessment of the performance of the Met Office against its Business Performance Measures and the level of declared profit.

The committee also considers performance awards for directors under the Met Office Personal Performance scheme.

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 2015/16 was £165,000 to £170,000 (2014/15 £165,000 to £170,000). This was 4.9 times (2014/15 5.0 times) the median remuneration of the workforce, which was £34,429 (2014/15, £33,953). In 2015/16, no employees (2014/15, 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.

Pension entitlements for each Director (audited)

	Accrued pension at pension age as at 31 March 2016 & related lump sum	Real increase in pension & related lump sum at pension age	CETV at 31 March 2016	CETV at 31 March 2015	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
<b>R Varley</b> Chief Executive from September 2014, previously Operations and Services Director	50-55 Plus lump sum of 150-155	5-10 Plus lump sum of 20-25	993	780	141
<b>N Jobling</b> Chief Financial Officer	15-20	0-2.5	319	266	24
<b>J Slingo</b> Chief Scientist	20-25	2.5-5	846	764	45

S Noyes chose not to be covered by the civil service pension arrangements during the reporting year.

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. Before 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 ten 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of 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 his 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 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 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (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 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the civil service pension arrangements can be found at the website: [www.civilservicepensionscheme.org.uk](http://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 purchasing additional pension benefits at their own cost. CETVs are in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

Real increase in CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by each Director. It is worked out using common market valuation factors for the start and end of the period.

Staff report

Staff numbers as at 31 March 2016 (audited)

	Full time equivalents		
	Male	Female	Total
Directors	7	2	9
Other permanent staff	1,396	670	2,066
Met Office employees total	1,403	672	2,075
Temporary/agency staff			79
Total			2,154

Staff policies – recruitment, development and promotion of disabled persons

The Met Office is accredited at bronze level as an Investor in People. This means we have been independently assessed as “effective at managing and developing our people to meet organisational ambitions”. The Met Office values difference, openness, fairness and transparency. We do not discriminate on the grounds of gender, race, disability, age, religion, sexual orientation, family status, trade union membership, or any pretext.

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

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

Sickness and absence data

In 2015/16 the Average Working Days lost per person was 5.2 (2014/15 4.9 days).

Expenditure on consultancy

During the year the Met Office spent a total of £4k on consultancy.



Off-payroll engagements

Off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months.

Number of existing engagements as of 31 March 2016	65
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	24
Number that have existed for between two and three years at time of reporting	6
Number that have existed for between three and four years at time of reporting	3
Number that have existed for four or more years at time of reporting	3

Off-payroll engagements

New off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 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 2015 and 31 March 2016	60
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	60
Number for whom assurance has been requested	60
Of which...	
Number for whom assurance has been received	54
Number for whom assurance has not been received	6
Number that have been terminated as a result of assurance not being received	0

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

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.

	2015/16	2014/15
	£'000	£'000
Greg Clarke	35-40	35-40
Professor Sir John Beddington	20-25	15-20
Wendy Barnes	20-25	15-20
Christine Tacon	20-25	15-20
Dr David Burridge	20-25	15-20
Paul Rew	20-25	15-20
Dame Mary Keegan (From September 2015)	10-15 (20-25 Full Year Equivalent)	-

Michael Harrison, Graham Turnock and Paul Hadley attended in conjunction with their responsibilities at the Department for Business Innovation and Skills. Further details of their attendance are given in the Governance Statement. They are not entitled to receive separate remuneration in undertaking Met Office duties. John Kimmance does not receive any remuneration in his role as a Non-executive Director.

Exit packages (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £10,000	-	1	-	-	-	1
£10,000 - £25,000	1	-	-	2	1	2
£25,000 - £50,000	-	-	-	-	-	-
£50,000 - £100,000	-	-	1	1	1	1
£100,000 - £150,000	-	-	-	-	-	-
Total number of exit packages by type	-	1	-	3	2	4
Total cost    £'000	15	1	95	93	110	94

The above figures represent exit packages agreed/paid during the year. They do not include provisions made for schemes where the final settlement is as yet unknown. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. 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.

# Regularity of expenditure (audited)

During the year there were no losses or special payments.



**Rob Varley**  
Chief Executive  
29 June 2016

# Certificate and report of the Auditor and Comptroller General

I certify that I have audited the financial statements of the Met Office for the year ended 31 March 2016 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 Taxpayer's Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures within the Accountability Report that are described in those reports as having been audited.

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

**Scope of the audit of the financial statements**  
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Met Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Met Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

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

**Opinion on financial statements**  
In my opinion:

- the financial statements give a true and fair view of the state of the Met Office's affairs as at 31 March 2016 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 other matters**  
In my opinion:

- the parts of the Remuneration Report and the Parliamentary Accountability disclosures within the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; 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 Remuneration and Staff Report, and certain elements of the Parliamentary Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**  
I have no observations to make on these financial statements.

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**Sir Amyas C E Morse**  
Comptroller and Auditor General  
5 July 2016

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP



# Accounts

## Statement of comprehensive income for the year ended 31 March 2016

		2015/16	2014/15
	Notes	£ '000	£ '000
<b>Revenue</b>	2	<b>227,480</b>	<b>220,795</b>
<b>Other operating income:</b>			
Operating costs	3	(218,679)	(208,658)
<b>Operating profit</b>		<b>8,801</b>	<b>12,137</b>
Finance income	4	167	159
Finance expense	5	(322)	(386)
<b>Net finance income</b>		<b>(155)</b>	<b>(227)</b>
<b>Profit for the financial year</b>		<b>8,646</b>	<b>11,910</b>
Dividend payable to Department for Business, Innovation & Skills	11	(500)	(8,462)
<b>Retained profit for the year</b>		<b>8,146</b>	<b>3,448</b>
<b>Other comprehensive income:</b>			
Net gain on revaluation of property, plant and equipment		2,038	3,678
Net gain on revaluation of intangible assets		252	1,543
Revaluation reserve realised on disposal of non-current assets		(19)	(32)
Revaluation reserve realised on impairment of non-current assets		(197)	-
Net gain/(loss) on cash flow hedges	14	10,049	(4,758)
<b>Other comprehensive income for the year</b>		<b>12,123</b>	<b>431</b>
<b>Total comprehensive income for the year</b>		<b>20,269</b>	<b>3,879</b>

The notes on pages 52-70 form part of these accounts.

## Statement of financial position as at 31 March 2016

		31 March 2016		31 March 2015	
	Notes	£ '000	£ '000	£ '000	£ '000
<b>Non-current assets</b>					
Property, plant and equipment	6		170,665		129,025
Intangible assets	7		89,556		75,160
Derivative financial assets	14		2,479		-
<b>Total non-current assets</b>			<b>262,700</b>		<b>204,185</b>
<b>Current assets</b>					
Inventories	8		1,509		1,256
Trade and other receivables	9		46,132		45,465
Derivative financial assets	14		2,468		135
Cash and cash equivalents	10		58,260		56,861
<b>Total current assets</b>			<b>108,369</b>		<b>103,717</b>
<b>Total assets</b>			<b>371,069</b>		<b>307,902</b>
<b>Current liabilities</b>					
Trade and other payables	11		(43,118)		(52,198)
Borrowings	13		(2,370)		(1,271)
Derivative financial liabilities	14		(343)		(4,042)
Provisions for liabilities and charges	15		(3,619)		(49)
<b>Total current liabilities</b>			<b>(49,450)</b>		<b>(57,560)</b>
<b>Non-current assets plus net current assets</b>			<b>321,619</b>		<b>250,342</b>
<b>Non-current liabilities</b>					
Trade and other payables	11		(54,162)		(9,206)
Borrowings	13		(17,488)		(9,673)
Derivative financial liabilities	14		-		(1,538)
Provisions for liabilities and charges	15		(539)		(764)
<b>Total non-current liabilities</b>			<b>(72,189)</b>		<b>(21,181)</b>
<b>Assets less liabilities</b>			<b>249,430</b>		<b>229,161</b>
<b>Capital and reserves</b>					
Public dividend capital			58,867		58,867
Revaluation reserve			37,540		37,626
General reserve			148,419		138,113
Hedging reserve			4,604		(5,445)
<b>Total Government funds</b>			<b>249,430</b>		<b>229,161</b>

The notes on pages 52-70 form part of these accounts.



**Rob Varley**  
Chief Executive  
29 June 2016

Statement of cash flows for the year ended 31 March 2016

		31 March 2016	31 March 2015
	Notes	£ '000	£ '000
<b>Cash flows from operating activities</b>			
Operating profit		8,801	12,137
Adjustments for non-cash transactions:			
Depreciation charges (net of capital grants)	3, 6	10,078	12,113
(Profit)/Loss on disposal of property, plant and equipment	3	97	(70)
Amortisation	3, 7	19,327	19,558
Impairment of property, plant and equipment		920	-
Deferred grants released		(670)	(524)
(Increase) / Decrease in inventories		(253)	26
(Increase) / Decrease in trade and other receivables		2,678	(10,613)
Increase / (Decrease) in trade and other payables		(884)	852
Increase / (Decrease) in provisions for liabilities and charges		3,350	(680)
<b>Net cash inflow from operating activities</b>		<b>43,444</b>	<b>32,799</b>
<b>Cash flows from investing activities</b>			
Payments to acquire satellite data		(35,333)	(23,075)
Payments to acquire property, plant and equipment		(55,493)	(12,657)
Capital grants received	12	50,000	-
Proceeds from sale of property, plant and equipment		10	272
Payments to acquire intangible assets (excluding satellite data)		(1,512)	(1,508)
Interest received		166	158
<b>Net cash outflow from investing activities</b>		<b>(42,162)</b>	<b>(36,810)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(8,500)	(9,500)
Loan advance received		10,000	-
Loan repayments		(1,383)	(1,384)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>117</b>	<b>(10,884)</b>
<b>Net increase in cash and cash equivalents</b>	<b>10</b>	<b>1,399</b>	<b>(14,895)</b>
<b>Cash and cash equivalents at 1 April</b>		<b>56,861</b>	<b>71,756</b>
<b>Cash and cash equivalents at 31 March</b>	<b>10</b>	<b>58,260</b>	<b>56,861</b>

The notes on pages 52-70 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2016

	Public dividend Capital	Revaluation Reserve	General Reserve	Hedging Reserve	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Balance at 1 April 2014</b>	<b>58,867</b>	<b>34,859</b>	<b>132,243</b>	<b>(687)</b>	<b>225,282</b>
<b>Comprehensive income</b>					
Profit for the financial year	-	-	11,910	-	11,910
Dividend	-	-	(8,462)	-	(8,462)
Retained profit for the year	-	-	3,448	-	3,448
<b>Other comprehensive income</b>					
Movement on foreign currency cash flow hedge	-	-	-	(4,758)	(4,758)
Net gain on revaluation of satellite assets	-	1,543	-	-	1,543
Net gain on revaluation of property, plant and equipment	-	3,678	-	-	3,678
Revaluation reserve realised as impairment of property, plant and equipment	-	-	-	-	-
Revaluation reserve realised on disposal of property, plant and equipment	-	(32)	-	-	(32)
Transfers between reserves	-	(2,422)	2,422	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>2,767</b>	<b>2,422</b>	<b>(4,758)</b>	<b>431</b>
<b>Total comprehensive income for 2014/15</b>	<b>-</b>	<b>2,767</b>	<b>5,870</b>	<b>(4,758)</b>	<b>3,879</b>
<b>Balance at 31 March 2015</b>	<b>58,867</b>	<b>37,626</b>	<b>138,113</b>	<b>(5,445)</b>	<b>229,161</b>
<b>Comprehensive income</b>					
Profit for the financial year	-	-	8,646	-	8,646
Dividend	-	-	(500)	-	(500)
Retained profit for the year	-	-	8,146	-	8,146
<b>Other comprehensive income</b>					
Movement on foreign currency cash flow hedge	-	-	-	10,049	10,049
Net gain on revaluation of satellite data	-	252	-	-	252
Net gain on revaluation of property, plant and equipment	-	2,038	-	-	2,038
Revaluation reserve realised as impairment of property, plant and equipment	-	(197)	-	-	(197)
Revaluation reserve realised on disposal of property, plant and equipment	-	(19)	-	-	(19)
Transfers between reserves	-	(2,160)	2,160	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>(86)</b>	<b>2,160</b>	<b>10,049</b>	<b>12,123</b>
<b>Total comprehensive income for 2015/16</b>	<b>-</b>	<b>(86)</b>	<b>10,306</b>	<b>10,049</b>	<b>20,269</b>
<b>Balance at 31 March 2016</b>	<b>58,867</b>	<b>37,540</b>	<b>148,419</b>	<b>4,604</b>	<b>249,430</b>

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

The notes on pages 52-70 form part of these accounts.



# Notes to the accounts

## 1. Accounting policies

### Basis of preparation

#### Preparation of the financial statements

These financial statements have been prepared in compliance with an Accounts Direction dated 18 December 2015 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 2015/16 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. A list of these standards is available from HM Treasury: [www.gov.uk/government/publications/government-financial-reporting-manual](http://www.gov.uk/government/publications/government-financial-reporting-manual)

The Met Office has not adopted any of these revised standards early and none are anticipated to have a future material impact on the financial statements of the Met Office.

In addition, details of changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2016, are available here from HM Treasury: [www.gov.uk/government/publications/government-financial-reporting-manual](http://www.gov.uk/government/publications/government-financial-reporting-manual)

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

### Critical accounting policies and key judgements

#### Valuation of property, plant and equipment

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

#### Freehold land and buildings

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

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

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

#### Plant and equipment

Assets classified as plant and equipment assets are revalued annually using the Gross Domestic Product Deflator Index. Assets classed as information technology use historical cost as a proxy for fair value due to the shorter lives of these assets.

#### Depreciation on revaluation

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

### Valuation of intangible assets

#### EUMETSAT satellite data

The UK is a member of EUMETSAT and the Met Office, as the UK National Meteorological Service, has the right to receive all EUMETSAT data, products and services to fulfil its official duty. The Met Office uses the data to generate its

weather forecasts and climate predictions used to deliver services to its customers.

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

Programme	Full operational service	Operational hot spare	Valuation basis
Meteosat Second Generation (MSG)	6.5	5	Depreciated Replacement Cost
European Polar Satellite	5.75	4.25	Value In use

#### 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 short lives of these assets.

#### Capital grants

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

Where no condition is imposed, the grant is recognised immediately in the income statement. Grant-funded assets are otherwise accounted for in the same way as other property, plant and equipment.

### Key accounting policies

#### Revenue

Revenue comprises the accrued value of services (net of VAT) supplied to the private sector, Government departments and the wider public sector. Revenue is recognised in accordance with the substance of the customer’s contractual arrangements and to the extent that the Met Office has performed or partially performed its contractual obligations. Where payments received from customers are greater than the revenue recognised under the contract, the amount in excess of the revenue

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

#### Operating segments

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

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

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

#### Research and development

The Met Office receives funding for a variety of research and development activities. This funding is treated as revenue attributable to the relevant Business Programme. Externally funded research and development costs are recognised based on the stage of completion of the project. Related revenues are recognised on an equivalent basis and in accordance with the revenue recognition policy outlined 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 the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. However, since the Met Office is unable to identify its share

of the underlying assets and liabilities it is accounted for as a defined contribution scheme. Contributions are paid at rates determined from time to time by the scheme's Actuary. 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.civilservice.gov.uk](http://www.civilservice.gov.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 instruments

### Financial Assets

#### *Trade and other receivables*

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

#### *Cash and cash equivalents*

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

#### *Impairment of financial assets*

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

### Financial liabilities

#### *Trade and other payables*

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

#### *Borrowings*

Borrowings are recognised initially at the proceeds received. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. The substance of a financial instrument, rather than its legal form, governs its classification in 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. 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.



2. Operating segments

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

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

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

Year ended 31 March 2016							
	Revenue	Depreciation/ amortisation & impairments	Operating profit			Interest receivable	Interest payable
			Business growth BPM	Non-BPM	Total		
Operating segment:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Government services	195,710	29,208	(951)	18,397	17,446		
Business development	31,419	1,117	4,757	-	4,757		
	227,129	30,325	3,806	18,397	22,203		
Corporate investment and other central income / expenses	351				(13,402)	167	(322)
Total per financial statements	227,480	30,325			8,801	167	(322)
Year ended 31 March 2015 (as restated to reflect changes in the classification of the Business Growth target for 2015/16)							
	Revenue	Depreciation/ amortisation	Operating profit			Interest receivable	Interest payable
			Business growth BPM	Non-BPM	Total		
Operating segment:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Government services	189,175	35,157	(559)	18,609	18,050		
Business development	31,246	1,308	5,241	-	5,241		
	220,421	36,465	4,682	18,609	23,291		
Corporate investment and other central income / expenses	374				(11,154)	159	(386)
Total per financial statements	220,795	36,465			12,137	159	(386)

Revenue includes £1,448,000 of income derived from EU contracts (2014/15 £2,292,000).

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 the Met Office's commercial services which are not part of the Met Office's Public Task

or the public task of other public bodies, they are supplied internally within the Met Office on the same terms and conditions as apply to external customers.

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

Government services are further analysed by revenue stream as follows:

	2015/16	2014/15
	£'000	£'000
Defence	33,690	33,037
Government strategic sectors	44,865	41,765
Public Weather Service	117,155	114,373
	195,710	189,175

Business development

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

The operating profit derived from commercial business is included within the business profit Business Performance Measure. Investment in commercial initiatives are excluded from the operating profit measure used in the Business Performance Measure for business profitability.

Corporate and other central income / expenses

This line comprises items that are not part of the Met Office's operating segments but is 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.

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

Geographical analysis

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

3. Operating costs

2015/162014/15			
	Note	£ '000	£ '000
Staff costs			
Salaries, performance related pay and allowances		81,279	75,218
Social security		6,408	6,177
Pension contributions		15,067	13,130
Early retirement and exit costs		116	128
Temporary/agency labour costs		7,434	4,919
Total staff costs		110,304	99,572
Equipment and services (net of government grant income)		43,196	42,255
International services and subscriptions	(i)	15,266	15,574
Depreciation (net of government grant income)		10,078	12,170
Amortisation		19,327	19,501
Accommodation		12,704	12,177
Travel and subsistence		5,218	5,123
Other operating costs		2,586	2,286
Total operating costs		218,679	208,658
Operating costs include the following:			
Audit fees		58	58
Operating leases - plant and machinery		219	249
Operating leases - other		991	979
Foreign currency losses		(126)	167
Net gain on disposal of non-current assets		97	(70)
Impairment of property, plant and equipment		920	-
Release of government grant income	(ii) 12	(6,065)	(5,236)
Research and development expenditure		53,692	49,687
(i) International services and subscriptions includes the following:			
		2015/162014/15	
		£'000£'000	
European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT)		4,874	4,991
European Centre for Medium-Range Weather Forecasts (ECMWF)		6,734	6,991
World Meteorological Organization (WMO)		2,352	2,263
Network of European Meteorological Services (EUMETNET)		795	809
Other international services and subscriptions		511	520
		15,266	15,574
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) Government grants are analysed as follows:			
		2015/162014/15	
		£'000£'000	
BIS new supercomputer		3,226	-
BIS polar satellite transfer		928	791
DECC supercomputer		578	2,312
Defra supercomputer		487	1,095
Department for Transport LIDAR project		441	248
NERC supercomputer		176	512
Environment Agency Weather Radar Network Renewal		229	278
		6,065	5,236

4. Finance income

2015/162014/15		
	£ '000	£ '000
Interest receivable	167	159
Total finance income	167	159

5. Interest payable and similar charges

2015/162014/15			
	Note	£ '000	£ '000
On Department of Business, Innovation and Skills loans repayable within five years	13	327	323
Discounting of provisions		(5)	63
Total interest payable and similar charges		322	386

6. Property, plant and equipment

The movements in each class of assets were:

	Land and buildings	Fixtures and fittings	Plant and equipment	Information technology	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation:						
At 1 April 2015	66,963	13,998	75,174	54,081	4,849	215,065
Additions	6	392	87	41,227	14,485	56,197
Transfers	-	463	493	2,421	(3,377)	-
Disposals	-	(12)	(702)	(24,825)	-	(25,539)
Revaluation	420	29	(212)	-	-	237
At 31 March 2016	67,389	14,870	74,840	72,904	15,957	245,960
Depreciation:						
At 1 April 2015	271	8,592	32,883	44,294	-	86,040
Charged during year	1,615	690	3,972	9,075	-	15,352
Impairment	-	-	920	-	-	920
Disposals	-	(12)	(597)	(24,804)	-	(25,413)
Revaluation	(1,517)	17	(104)	-	-	(1,604)
At 31 March 2016	369	9,287	37,074	28,565	-	75,295
Net book value:						
At 1 April 2015	66,692	5,406	42,291	9,787	4,849	129,025
At 31 March 2016	67,020	5,583	37,766	44,339	15,957	170,665



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
<b>Cost or valuation:</b>						
At 1 April 2014	65,498	13,102	71,016	51,945	1,817	203,378
Additions	(16)	685	4,276	4,189	4,366	13,500
Transfers	-	-	1,334	-	(1,334)	-
Disposals	(2)	(8)	(2,683)	(2,053)	-	(4,746)
Revaluation	1,483	219	1,231	-	-	2,933
<b>At 31 March 2015</b>	<b>66,963</b>	<b>13,998</b>	<b>75,174</b>	<b>54,081</b>	<b>4,849</b>	<b>215,065</b>
<b>Depreciation:</b>						
At 1 April 2014	171	7,633	31,212	35,468	-	74,484
Charged during year	1,537	837	3,624	10,822	-	16,820
Impairment	-	-	-	-	-	-
Disposals	-	(8)	(2,515)	(1,996)	-	(4,519)
Revaluation	(1,437)	130	562	-	-	(745)
<b>At 31 March 2015</b>	<b>271</b>	<b>8,592</b>	<b>32,883</b>	<b>44,294</b>	<b>-</b>	<b>86,040</b>
<b>Net book value:</b>						
<b>At 1 April 2014</b>	<b>65,327</b>	<b>5,469</b>	<b>39,804</b>	<b>16,477</b>	<b>1,817</b>	<b>128,894</b>
<b>At 31 March 2015</b>	<b>66,692</b>	<b>5,406</b>	<b>42,291</b>	<b>9,787</b>	<b>4,849</b>	<b>129,025</b>

- (i) All land and buildings are held as freehold. The net book value of freehold land and buildings includes £9.1 million of freehold land (31 March 2015 £8.6m) 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 2011/12 (values at 31 March 2012), in accordance with the RICS Valuation Standards (6th Edition) by external valuers Jones Lang LaSalle, a firm of property consultants who are regulated by the RICS.
- (iii) The bases of valuation adopted are Market Value and Existing Use Value as defined in the Standards. In carrying out the valuation, the majority of the assets are specialised and as a result of their location and/or specification, are considered to be assets which would rarely, if ever, sell on the open market. As a result Jones Lang LaSalle has utilised Depreciated Replacement Cost methodology where appropriate.

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

- (iv) In 2015/16 assets have been revalued using various indices (see Note 1 ( 'Property, plant and equipment') with the exception of the Exeter HQ building for which Jones Lang LaSalle carried out a 'desk-based' exercise to re-assess the valuation.
- (v) For further details of valuation and depreciation assumptions refer to Note 1 Accounting Policies.
- (vi) The majority of disposals recorded for Computers relates to disposal of the previous HPC. Additions to Computers and Assets under Construction (including transfers) also primarily consist of amounts relating to the new HPC.
- (vii) Impairment charges arose due to technical obsolescence on a part of the UK Meterological Monitoring System (MMS). The impairment charge reflects additional costs required to maintain the system's operational capability. The Net Book Value of MMS assets after the impairment charge is £1.4m.

7. Intangible assets

	EUMETSAT satellite data	Computer software	Software licences	EUMETSAT payments on account	CRC licences	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Cost or valuation:</b>							
At 1 April 2015	327,649	2,641	598	38,123	936	-	369,947
Additions	12,081	290	278	19,908	304	653	33,514
Disposals	-	-	-	-	-	-	-
Revaluation	1,409	-	-	-	-	-	1,409
<b>At 31 March 2016</b>	<b>341,139</b>	<b>2,931</b>	<b>876</b>	<b>58,031</b>	<b>1,240</b>	<b>653</b>	<b>404,870</b>
<b>Amortisation:</b>							
At 1 April 2015	292,808	1,548	431	-	-	-	294,787
Charged during year	18,908	347	116	-	-	-	19,371
Disposals	-	-	-	-	-	-	-
Revaluation	1,156	-	-	-	-	-	1,156
<b>At 31 March 2016</b>	<b>312,872</b>	<b>1,895</b>	<b>547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>315,314</b>
<b>Net book value:</b>							
<b>At 1 April 2015</b>	<b>34,841</b>	<b>1,093</b>	<b>167</b>	<b>38,123</b>	<b>936</b>	<b>-</b>	<b>75,160</b>
<b>At 31 March 2016</b>	<b>28,267</b>	<b>1,036</b>	<b>329</b>	<b>58,031</b>	<b>1,240</b>	<b>653</b>	<b>89,556</b>

	EUMETSAT satellite data	Computer software	Software licences	EUMETSAT payments on account	CRC licences	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Cost or valuation:</b>						
At 1 April 2014	311,440	2,132	637	25,789	-	339,998
Additions	10,843	509	-	12,334	936	24,622
Disposals	-	-	(39)	-	-	(39)
Revaluation	5,366	-	-	-	-	5,366
<b>At 31 March 2015</b>	<b>327,649</b>	<b>2,641</b>	<b>598</b>	<b>38,123</b>	<b>936</b>	<b>369,947</b>
<b>Amortisation:</b>						
At 1 April 2014	269,823	1,246	370	-	-	271,439
Charged during year	19,162	302	94	-	-	19,558
Disposals	-	-	(33)	-	-	(33)
Revaluation	3,823	-	-	-	-	3,823
<b>At 31 March 2015</b>	<b>292,808</b>	<b>1,548</b>	<b>431</b>	<b>-</b>	<b>-</b>	<b>294,787</b>
<b>Net book value:</b>						
<b>At 1 April 2014</b>	<b>41,617</b>	<b>886</b>	<b>267</b>	<b>25,789</b>	<b>-</b>	<b>68,559</b>
<b>At 31 March 2015</b>	<b>34,841</b>	<b>1,093</b>	<b>167</b>	<b>38,123</b>	<b>936</b>	<b>75,160</b>

- (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 satellite programme. This programme is currently in the build phase and is not expected to provide operational data until 2019 at the earliest.

8. Inventories

	31 March 2016	31 March 2015
	£ '000	£ '000
Meteorological equipment	1,456	1,204
Reserve equipment	18	19
Consumable stores	35	33
Total inventories	1,509	1,256

9. Trade and other receivables

		31 March 2016	31 March 2015
	Note	£ '000	£ '000
Amounts falling due within one year:			
Trade receivables		20,948	21,690
Less: provision for impairment of receivables		(52)	(61)
		20,896	21,629
Other receivables	(i)	319	366
Accrued income	(ii)	5,875	5,130
Prepayments		19,042	18,340
Total trade and other receivables		46,132	45,465

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

(i) Other receivables include staff loans totalling £319,000 to 104 employees predominantly in respect of housing advances on relocation and a cycle to work scheme (£356,000 and 149 employees at 31 March 2015)
- (ii) Accrued income includes £667,000 relating to EU funding (£554,000 at 31 March 2015).

10. Cash and cash equivalents

		31 March 2016	31 March 2015
	Note	£ '000	£ '000
Balance at 1 April		56,861	71,756
Net change in cash and cash equivalent balances	17	1,399	(14,895)
Balance at 31 March		58,260	56,861
The following balances at 31 March were held at:			
UK Debt Management Office, HM Treasury		54,500	55,901
EUMETSAT working capital fund		540	6
Total cash held on short-term deposit		55,040	55,907
Cash held at commercial banks and in hand		3,220	954
Balance at 31 March		58,260	56,861

Included in the above amounts is cash in transit of £3,148,000 (2014/15 - £653,000).

The Met Office holds four Euro bank accounts, in which there were amounts totalling £635,000 at 31 March 2016 belonging to third parties (31 March 2015, four accounts totalling £594,000). 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 continues to ring fence £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 payables and other payables

		31 March 2016	31 March 2015
	Note	£ '000	£ '000
Amounts falling due within one year:			
Trade payables		666	796
VAT		2,780	5,536
Other taxation and social security		3,505	3,259
Accruals		19,949	18,193
Dividend payable		500	8,500
Deferred income		14,713	13,888
Government grants	12	1,005	2,026
Total amounts falling due within one year		43,118	52,198
Amounts falling due after more than one year:			
Government grants	12	54,162	9,206
Total non-current trade and other payables		54,162	9,206
Total trade payables and other current liabilities		97,280	61,404



12. Government grants

		31 March 2016	31 March 2015
Note		£ '000	£ '000
Government grants at 1 April		11,232	16,468
Grants received in year		50,000	-
Grants recognised through the statement of comprehensive income		3(6,065)	(5,236)
Government grants at 31 March		55,167	11,232
Amounts falling due within one year		1,005	2,026
Amounts falling due after more than one year:		54,162	9,206
The following balances are included in Government grants:			
BIS - new supercomputer		46,772	-
BIS - polar satellite transfer		3,617	4,545
Environment Agency Weather Radar Network Renewal (WRNR)		32,701	2,930
Department for Transport volcanic ash lidar network		2,000	2,440
Other Government grants		77	1,317
		55,167	11,232
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, Innovation and Skills, repayable by instalments and bearing interest at 2.81% and 2.05% per annum

		31 March 2016	31 March 2015
		£ '000	£ '000
Loans due within:			
One year		2,370	1,271
One to five years		8,657	4,677
Over five years		8,831	4,996
Total		19,858	10,944

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 2015	135	5,580	(5,445)
Movement on fair value	4,812	(5,237)	10,049
As at 31 March 2016	4,947	343	4,604
Analysed between:			
Current	2,468	343	
Non-current	2,479	-	
	4,947	343	

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

Contract maturity date	Commitment hedged	Foreign currency value	Contract value	Contract	Forecast spot rate on maturity	Fair value (discounted)	Assets	Liabilities
		'000	£ '000	£ '000	Currency/£	£ '000	£ '000	£ '000
3 May 2016	EUMETSAT	Euro	21,000	16,439	1.2645	169	484	(315)
1 September 2016	EUMETSAT	Euro	9,100	7,057	1.2601	164	192	(28)
5 January 2017	WMO	CHF	3,482	2,445	1.3680	100	100	-
17 January 2017	EUMETSAT	Euro	22,500	16,277	1.2549	1,643	1,643	-
17 January 2017	EUMETNET	Euro	900	667	1.2549	50	50	-
2 May 2017	EUMETSAT	Euro	24,200	17,594	1.2507	1,741	1,741	-
1 September 2017	EUMETSAT	Euro	10,400	7,608	1.2451	737	737	-
				68,087		4,604	4,947	(343)

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

Forecast fair values are discounted at 0.7% based on rates provided by 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.

15. Provisions for liabilities and charges

	Early retirement and exits	Dilapidations	Leaseholds	Other	Total
	£ '000	£ '000	£ '000		£ '000
Balance at 1 April 2014	620	304	506	-	1,430
Provided/(written back) in the year	(478)	8	(16)	-	(486)
Unwinding of discount	2	12	8	-	22
Change in discount rate	-	-	42	-	42
Utilised in year	(23)	(58)	(114)	-	(195)
Balance at 31 March 2015	121	266	426	-	813
Provided/(written back) in the year	17	55	(13)	3,400	3,459
Unwinding of discount	1	(2)	(4)	-	(5)
Change in discount rate	-	-	-	-	-
Utilised in year	(67)	-	(42)	-	(109)
Balance at 31 March 2016	72	319	367	3,400	4,158
Discount rate 2014/15	1.3%	-1.5%	-1.5%		
Gross provision before discount as at 31 March 2015	125	261	412		
Discount rate 2015/16	1.37%	-1.55%	-1.55%	-1.55%	
Gross provision before discount as at 31 March 2016	75	316	357	3,348	

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

(iv) Other provisions relate to costs associated with ongoing legal disputes - further information is not provided to avoid prejudicing resolution of those disputes.
- (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.

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

The commitments provided for fall due in the following periods:

	Early retirement	Dilapidations	Leaseholds	Other	Total
	£ '000	£ '000	£ '000		£ '000
Amounts payable within:					
Under one year	29	135	55	3,400	3,619
One to five years	26	184	220	-	430
Over five years	17		92	-	109
Total	72	319	367	3,400	4,158

16. Related parties

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

R Varley through his capacity as Met Office Chief Executive is a Council / Executive Committee member of the following organisations: EUMETSAT, ECMWF, WMO and EUMETNET. The Met Office have had material transactions with these entities and these are disclosed in Note 4(ii) to the financial statements. There are no outstanding balances with these organisations as at 31st March 2016 (2015 - nil).

M Harrison and G Turnock acted as Met office Non Executive Directors during the year and are also employees of our owning department (BIS), within the Shareholder Executive (ShEx).

17. Notes to the cash flow statement

Reconciliation of cash and cash equivalents to movement in net funds

	At 1 April 2015	Cash flows	At 31 March 2016
	£ '000	£ '000	£ '000
Cash at bank and in hand	954	2,266	3,220
Cash on deposit	55,907	(867)	55,040
Cash and cash equivalents	56,861	1,399	58,260
Borrowings due within one year	(1,271)	(1,099)	(2,370)
Borrowings due after one year	(9,673)	(7,815)	(17,488)
Total net funds	45,917	(7,515)	38,402

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 2016	31 March 2015	31 March 2016	31 March 2015
	£ '000	£ '000	£ '000	£ '000
Leases expiring within:				
One year	702	878	93	588
One to five years	1,040	1,136	223	223
Over five years	964	1,144		-
Total	2,706	3,158	316	811



19. Capital commitments

	31 March 2016	31 March 2015
	£ '000	£ '000
<b>Contracted but not provided for:</b>		
Supercomputer	43,563	67,069
Information technology	196	166
Observations equipment	813	766
Property works	274	319
Contributions for satellite data	25,092	21,563
<b>Total</b>	<b>69,938</b>	<b>89,883</b>

Commitments for installation of the new Supercomputer will be met from grant funding provided by BIS. £50 million of this grant was received in the current financial year and £47 million is due to be received in 2016/17.

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

20. Contingent liabilities

As at 31 March 2016, the Met Office had contingent liabilities relating to ongoing legal disputes. The total value of these liabilities is highly uncertain and further information is not disclosed to avoid prejudicing their outcome.

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

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.

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.

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

	As at 31 March 2016			As at 31 March 2015		
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	1,047	3	(2)	1,283	8	45
Receivables beyond the due date - impaired	4	3	7	18	3	2
<b>Total receivables beyond the due date</b>	<b>1,051</b>	<b>6</b>	<b>5</b>	<b>1,301</b>	<b>11</b>	<b>47</b>

Liquidity risk

The Met Office maintains short-term liquidity throughout the year by management of its cash deposits. The Met Office aims to maintain cash levels to allow it to meets its short-term obligations The Met Office follows Treasury rules by investing all surplus funds on deposit with the UK Debt Management Office at HM Treasury.

Under the Met Office Trading Fund Order and Framework Document, the sole provider of loan funding is the Met Office’s sponsor department, the Department for Business, Innovation and Skills. Therefore, exposure to liquidity risk is limited to these arrangements. Loan funding requirements are anticipated to increase over forthcoming years to finance the UK contribution to the EUMETSAT satellite programme, and additional supercomputing investment, in line with our current corporate plan.

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.

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 16.

£10 million of expenditure was undertaken in foreign currencies which are not funded through the forward purchase contracts.

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 date

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

23. Authorisation of accounts

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



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