

The Met.Office

Annual Report and Accounts
1999/2000

Putting the customer first



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Putting the customer first

*An Executive Agency of the Ministry of
Defence*

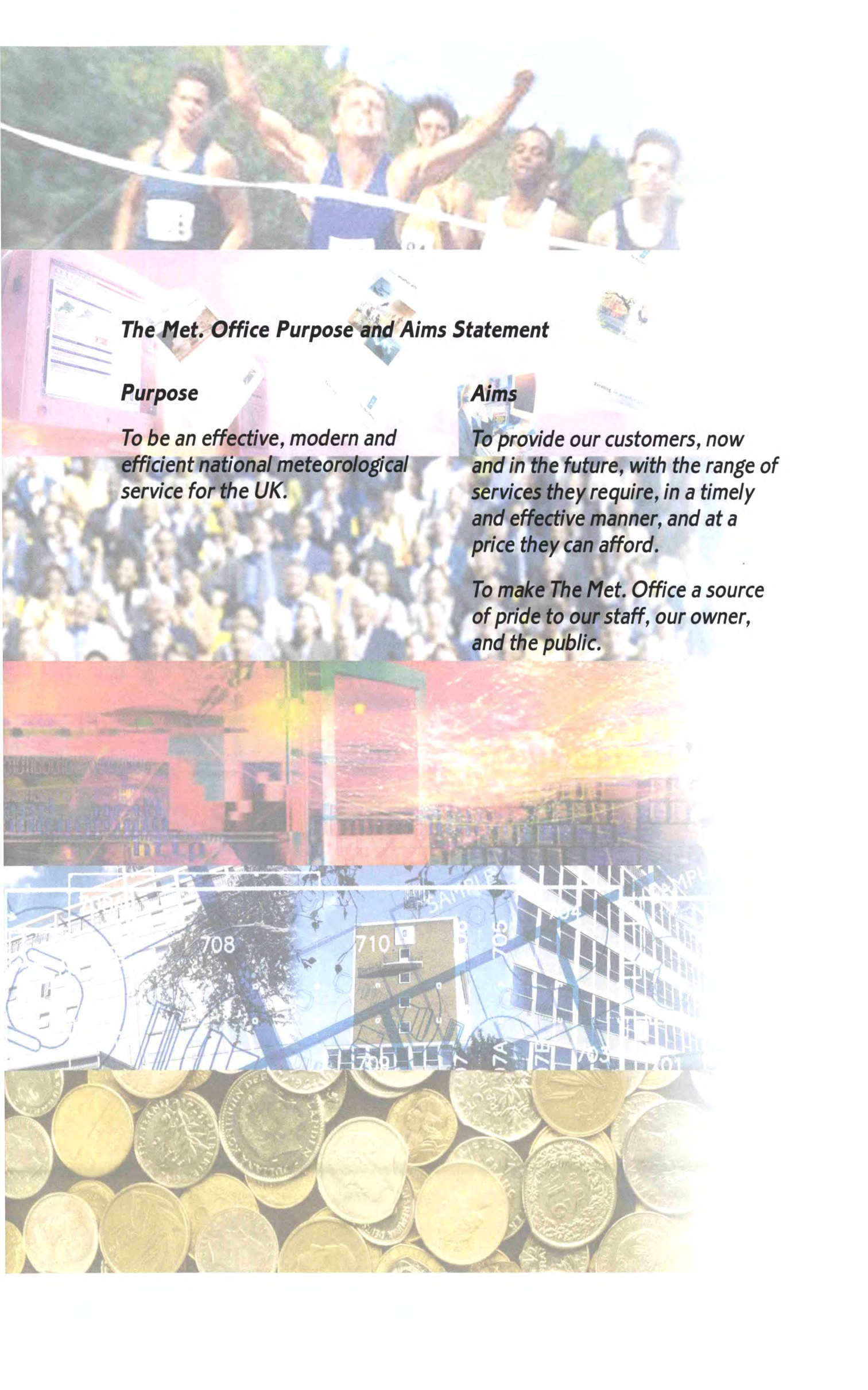
*Presented to Parliament in pursuance of
section 4(6) of the Government Trading
Funds Act 1973*

*Ordered by the House of Commons to be
printed on 8 June 2000*

LONDON: The Stationery Office

HC517

£12.65



The Met. Office Purpose and Aims Statement

Purpose

To be an effective, modern and efficient national meteorological service for the UK.

Aims

To provide our customers, now and in the future, with the range of services they require, in a timely and effective manner, and at a price they can afford.

To make The Met. Office a source of pride to our staff, our owner, and the public.

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Introduction

ABOUT THIS REPORT

This Report provides the Ministry of Defence (MoD), as our owner, Parliament, our customers and staff with a review of our main activities in 1999/2000 and of our performance against key targets. We hope that it will also be of interest to members of the public.

This year's Report is in six main sections. Following the *Chief Executive's overview* and *Performance and strategy*, the section *Investing in our products and services* covers major changes to our customer services, and *Investing in our staff* looks at the various improvements we have made to our 'human' activities. *Investing in our research and development* describes the scientific and technological developments that have taken place across the organisation during the year, while *Investing in our infrastructure* covers some of our underpinning technological systems and 'fabric'. We have also included a *Glossary of technical terms* on page 28. The Accounts section (pages 29 to 55) reports the results for the year ended 31 March 2000.

Readers might like to know that we also produce a sister publication to the *Annual Report and Accounts 1999/2000* called the *Scientific and Technical Review 1999/2000* — aimed at the worldwide scientific community — which deals in much greater depth with our scientific and technical programmes, and the progress we have made during the year. To obtain a copy, please contact our Communications Branch — see inside back cover for details.

ABOUT THE MET. OFFICE

The Met. Office was formed in 1854, as a small department within the Board of Trade, to provide meteorological and sea current information to mariners. Early last century, The Met. Office started responding to new demands for weather services, most importantly in the field of aviation. This led to The Met. Office being taken under the wing of the Air Ministry just after the First World War, later moving into the Ministry of Defence. It became an Executive Agency in April 1990 and started operating as a trading fund on 1 April 1996.

The Met. Office employs around 2,200 people, over 70% of them scientists. Some 900 staff are spread across more than 80 locations around the UK and overseas, observing the weather and providing forecast services to our customers. The remainder work in our main offices at Bracknell, Berkshire, in a wide range of activities including forecasting, research, the development of IT and observational systems, central support functions such as finance and human resources, and sales and marketing. We also have a small number of research facilities elsewhere in the UK.



INVESTOR IN PEOPLE

Chief Executive's overview

OUR PERFORMANCE...

By any measure, 1999/2000 was a successful year for The Met. Office. For the first time, we exceeded both our performance targets for numerical weather prediction (NWP) — measures of our underlying weather forecasting accuracy — reinforcing our position as Europe's leading meteorological service and second to none in the world for accuracy. The global index, in particular, saw an increase of nearly seven points, the biggest one-year rise since the index was introduced 10 years ago.

We also exceeded our targets for efficiency and service quality, demonstrating our ongoing commitment to offer all our customers — from individuals to the largest public and private sector organisations — a better service at lower cost. At the same time we achieved a healthy return on capital employed, ensuring we have the resources to meet our ambitious investment programme and our customers' future needs. And, while we did not achieve our demanding target for commercial financial contribution, our commercial business still helped to reduce the cost of the public weather services, as well as delivering a wide range of quality services to industry and commerce. We also restructured our Commercial Division, putting it on a firm footing for the future, enabling it to compete on level terms in a growing global market.

During the year, we successfully completed several major projects, including the commissioning of our second T3E supercomputer, establishing our new Customer Centre, and managing the year 2000 and leap year (29 February) date changes without a hitch. We also achieved the *Investor in People* standard — a major government target for all public bodies — demonstrating our commitment to our staff and to their development and training.

Finally, in terms of our overall performance, we met nearly 90% of our Business Plan objectives on time, an improvement of some 5% over the previous year.

Of course, none of this could have been achieved without the knowledge, skill and commitment of our staff, and I am pleased to take this opportunity to acknowledge publicly their contribution and to thank them for the indispensable part they have played in our success.

OUR SERVICES...

While meeting formal performance targets and maintaining our pre-eminent position in meteorology are important, ultimately it is the service we provide to our customers that will determine our success and standing. In particular, it will be our responsiveness to their needs and our ability to add real value to their businesses and to the achievement of their desired outcomes that will set us apart. So, what have we achieved over the past year? In this brief overview I am able to give only a few examples which demonstrate the breadth and depth of our services, and encourage you to read both this report and its sister publication, the *Scientific and Technical Review 1999/2000*, to find out more.

As part of our work on climate change, we produced the world's first 100-year prediction of climate, helping planners and policy makers to understand and take account of the changing climate both in the UK and worldwide. At the other end of the spectrum, we issued early and consistently accurate weather forecasts for the eclipse on 11 August (albeit we were unable to improve the cloudy conditions!), and we provided a millennium forecast service to over 700 clients — ranging from the emergency services and hospitals,

*Lord Sainsbury
(Minister for
Science) and Peter
Ewins during the
former's visit to our
NMC and Hadley
Centre on
21 January 2000*



through central government and local authorities, to the electricity, gas and water companies — to help them plan for the unprecedented millennium celebrations.

At short notice, we provided forecasts in support of UK and NATO operations in Kosovo, and for Mozambique in support of humanitarian relief in that flood-stricken country. For civil aviation, we provided detailed information about the ash plume from the eruption of the Hekla volcano in Iceland, helping to ensure aircraft safety and maintain airline schedules; and we equipped the first two British Airways 747s with automated observing software as part of our aviation observing network.

On the international scene, we completed a five-year contract to install a new operational forecasting facility for the Thailand Meteorological Department, helping them to create one of the strongest forecasting capabilities in Asia. Nearer to home, the Scottish storms on the night of 2 January 2000 were well forecast, enabling Scottish Hydro to have engineers in place to speed the repair of downed power lines.

These events show The Met. Office at its best, responding to a wide variety of special events and needs while continuing to provide routine weather forecasts for all our customers 24 hours a day, seven days a week and 52 weeks a year. As Lord Sainsbury, Minister for Science at the DTI, acknowledged when he opened our new Environment Monitoring and Response Centre (EMARC): “The Met. Office continues to provide a crucial service to those affected by the weather every day. This centre I am opening today will respond to extraordinary weather circumstances.”

AN INTEGRATED APPROACH...

The Met. Office is an organisation with tremendous underlying strengths — in the knowledge, experience and sheer professionalism of our staff, in our research and development (R&D) base, in our infrastructure of observations, communications and computing, in our wide range of products and services, and in our understanding of our customers’ needs. And it is the harnessing of these strengths into what we call ‘know-how’ that gives The Met. Office a clear and demonstrable edge over all our competitors.

But, maintaining that edge — to meet the growing demands of our customers, the expectations of the public and the ambitions of our staff — requires sustained and focused effort. And that is why our plans for the next few years are based on steady and sustainable growth, coupled with substantial investment in the training of all our staff; in our infrastructure and underpinning R&D programmes; and in new services which go beyond weather forecasting and climate change into the wider natural environment. At the same time we will maintain our relentless attack on costs to ensure we remain competitive and our services become more affordable.

Throughout the following pages you will see numerous references to our recent activities and to our plans for the future, including our planned relocation in early 2003. All these are aimed at achieving our vision of enabling individuals, societies and enterprises everywhere to make the most of the weather and the natural environment.

I hope you enjoy reading our *Annual Report and Accounts 1999/2000*, that you share our vision, and that you will be proud to be associated with The Met. Office and its future.

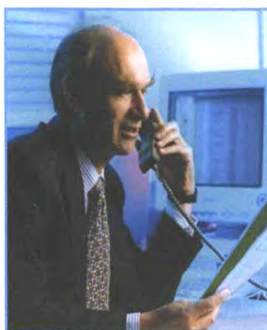
HIGHLIGHTS OF 1999/2000

- Successfully achieved five out of six key performance targets
- Significant improvement in accuracy of our numerical weather prediction models
- Income maintained in a difficult market and costs tightly controlled
- Successfully completed our Project 2000 programme with a trouble-free millennium roll-over
- Provided significant support for NATO activities in the Balkans
- Created and opened new Environment Monitoring and Response Centre
- Successful forecasts of very severe weather in Scotland, 2 January 2000
- Introduced new structure to Commercial Division
- New supercomputer installed and running
- Introduced new method of recognising and rewarding our staff
- Achieved *Investor in People* accreditation
- Plans well advanced for relocation of Bracknell accommodation
- Introduced new Customer Centre





*Peter Ewins,
Chief Executive*



*Paul Mason,
Chief Scientist*



*Jim Caughey,
Technical Director*



*Stephen Lawrenson,
Managing Director Commercial*

THE MANAGEMENT TEAM

The operation of The Met. Office is overseen by the Defence Meteorological Board, which advises the Secretary of State for Defence, the agency's owner. Management of The Met. Office was effected through the Met. Office Board and the Executive Committee. Membership of both Boards and the Executive Committee is shown below. However, the Board and Committee structure changed on 1 April 2000. A number of non-executive Directors have been appointed to the Met. Office Board, which is now supported by a Management Board comprising senior executive Directors. The Executive Committee has been disbanded and replaced by a number of sub-committees. These address day-to-day operational and business matters previously overseen by the Executive Committee.

Stephen Lawrenson joined the Board as Managing Director Commercial in July 1999. Ann Tourle left The Met. Office on 12 May 2000 and was replaced by Martin Sands. Two non-executive Directors — Anabel Gammidge and James May — joined the Board in May 2000.

Board members at 31 March 2000 were:

Peter Ewins, Chief Executive

Paul Mason, Chief Scientist

Jim Caughey, Technical Director

Stephen Lawrenson, Managing Director Commercial

Colin Flood, Forecasting Director

Roger Hunt, Business Director

Philip Mabe, Finance Director

Ann Tourle, Company Secretary

(The Executive Committee comprised the Board members plus John Ponting, Director IT, Dave Carson, Director Numerical Weather Prediction, and Alan Thorpe, Director Climate Research. Steve Noyes joined the Executive Committee in January 2000 as Director of Relocation.)

Corporate Governance

In accordance with the Code of Best Practice published by the Cadbury Committee on Financial Aspects of Corporate Governance, an audit committee ensures that appropriate financial risk management procedures are in place. In addition, a remuneration committee, under the auspices of the Defence Meteorological Board, considers executive and 'incentivised' remuneration matters in relation to The Met. Office.

The Defence Meteorological Board

The Defence Meteorological Board advises the Secretary of State for Defence, owner of The Met. Office. The Board comprises members with relevant scientific and commercial experience, and normally meets four times a year. Members of the Defence Meteorological Board at 31 March 2000 were:

Mr RT Jackling CB CBE, Second Permanent Under Secretary, MoD

Prof Sir Keith O'Nions, Chief Scientific Adviser, MoD (replaced Sir David Davies 1 January 2000)

Mr JM Legge CMG, Deputy Under Secretary (Civilian Management), MoD

Rear Admiral S Moore, Assistant Chief of the Defence Staff (Operations), MoD (replaced Maj Gen GA Ewer CBE, Assistant Chief of the Defence Staff (Logistics), MoD, 1 April 1999)

Mr PD Ewins, Chief Executive, The Met. Office



*Colin Flood,
Forecasting Director*



*Roger Hunt,
Business Director*



*Philip Mabe,
Finance Director*



*Ann Tourle,
Company Secretary*

External members

Sir Brian Fender CMG, Chief Executive, Higher Education Funding Council for England

Mr CM Brendish CBE, Chairman, Admiral plc

Mr David Filkin, independent television producer (appointed by Under Secretary of State 29 February 2000)

The Meteorological Committee

The Meteorological Committee advised The Met. Office's Chief Executive on broad aspects of Met. Office policy. The committee met twice a year to review aspects of The Met. Office's programmes and activities with particular emphasis on meeting customer needs. However, at the request of the then Under Secretary of State for Defence, Peter Kilfoyle MP, the Meteorological Committee was disbanded in November 1999. At that time, members of the Meteorological Committee were:

Baroness Platt of Writtle CBE DL (Chair)

Mr DA Davis

Mr D Filkin

Ms A Gammidge

Prof BJ Hoskins CBE

Mr JNM May

Ex Officio

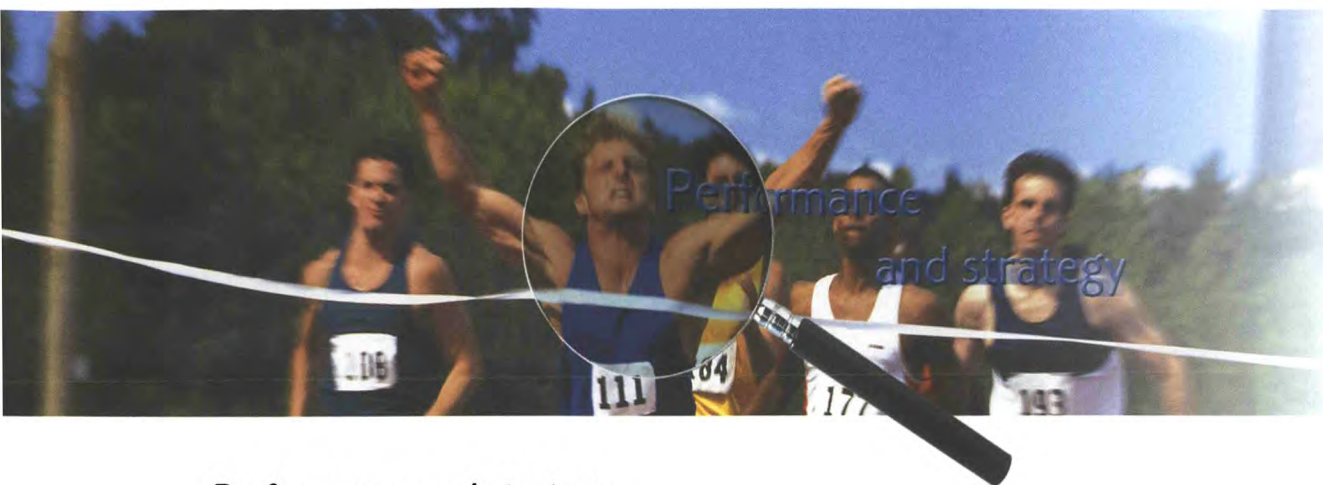
Mr PD Ewins

Mr KS Groves

Mr JM Legge CMG

Mr IR Hall

Cdre S Auty, RN



Performance and strategy

PERFORMANCE AGAINST TARGETS

We are committed to continual improvement in performance; this is crucial to maintaining our standing as a world-class meteorological service. To achieve this, it is vital that we can understand and demonstrate how well we are performing.

Our six key performance indicators (KPIs) cover the activities of greatest importance to our business. At the start of each financial year, the Chief Executive and the Secretary of State for Defence agree targets for the indicators and these are announced in Parliament. These realistic, yet challenging, targets provide a benchmark against which we and our stakeholders can judge our performance; they also help to motivate us to deliver on our commitment to continual improvement.

Our KPIs reflect all the scientific factors involved in delivering our services as well as our efficiency and our financial performance.

* Results for 1999/2000

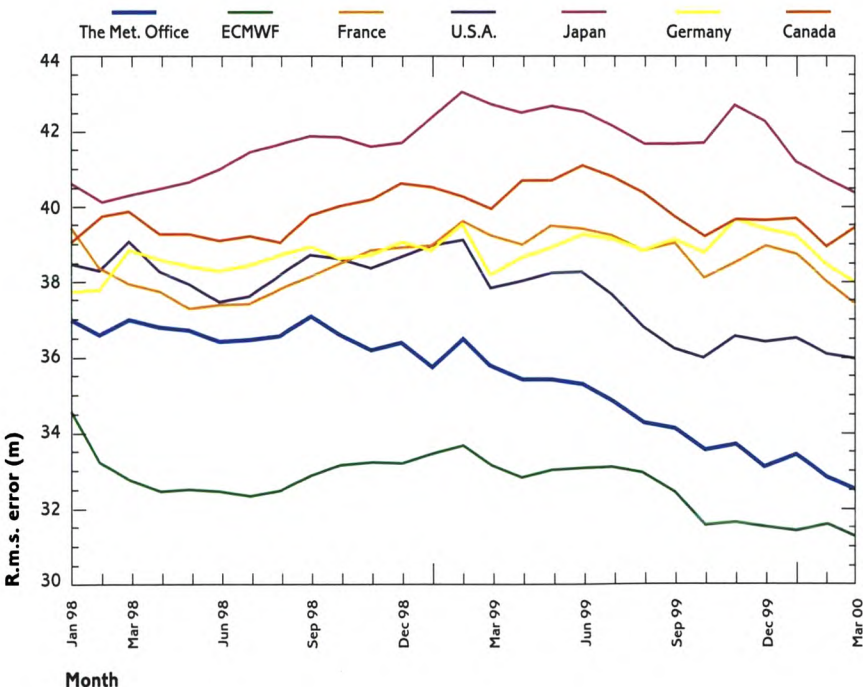
(See table on page 15)

Forecasting accuracy

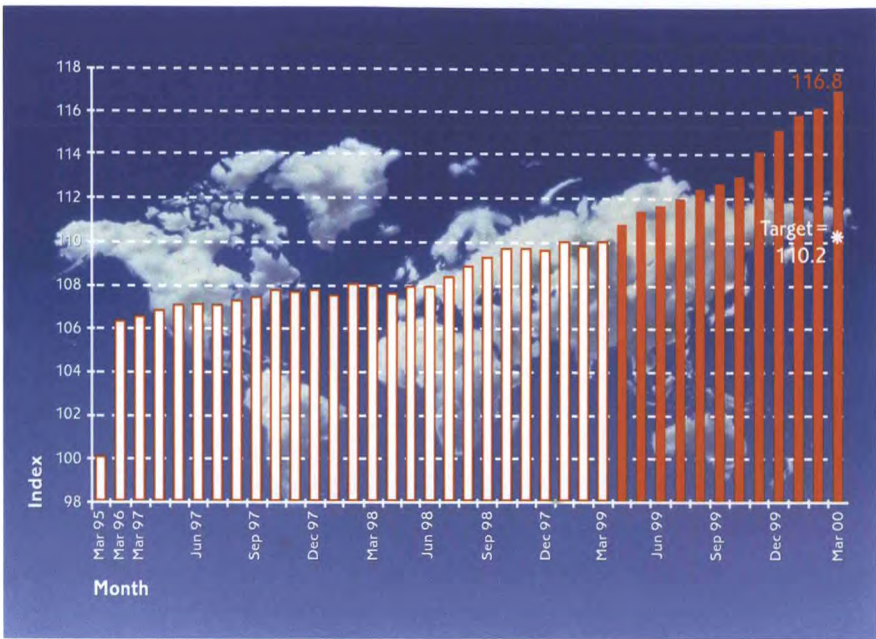
The accuracy of our published forecasts relies heavily on the accuracy of our computerised numerical weather prediction (NWP) models. These models are run several times a day, every day, on both a global scale and, in greater detail, on a local scale for the UK.

In addition to the formal monitoring of the accuracy of our own forecasts as part of the KPIs, we also compare our performance with that of the other leading meteorological services. An example of such a comparison, for just one of the many different forecast elements, is shown below. The measure used is root mean square (r.m.s.) errors, so smaller errors represent better performance. These comparisons enable us to ensure that we maintain our position as a world-class weather forecasting centre.

R.m.s. error (in metres)
in the three-day
forecasts of 500 hPa
height relative to
radiosonde
observations over
Europe (12-month
moving average)



Global NWP Index



Global NWP Index

This index measures the overall forecasting skill of our global NWP model compared with persistence (a forecast of ‘no change’ in the weather) for up to five days ahead, worldwide. It takes account of the location, intensity, development and movement of weather systems, as well as forecasts of winds at heights important for aircraft and for other forecasting operations.

The target for this index was agreed in the context of a potential loss of data from other parts of the world as a result of the so-called ‘millennium bug’. In the event, few data were lost resulting in no significant impact on NWP performance at the millennium roll-over. The significant improvement in performance, which began in March 1999 with the simultaneous introduction of both a new

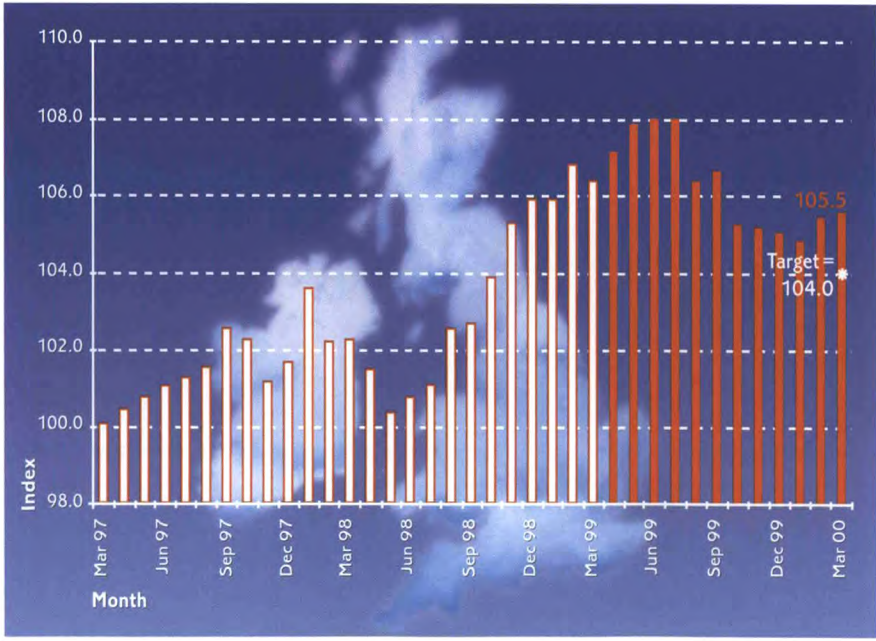
method of analysing data and new observations from satellites, has therefore continued throughout the year. As a result the target has been exceeded.

UK NWP Index

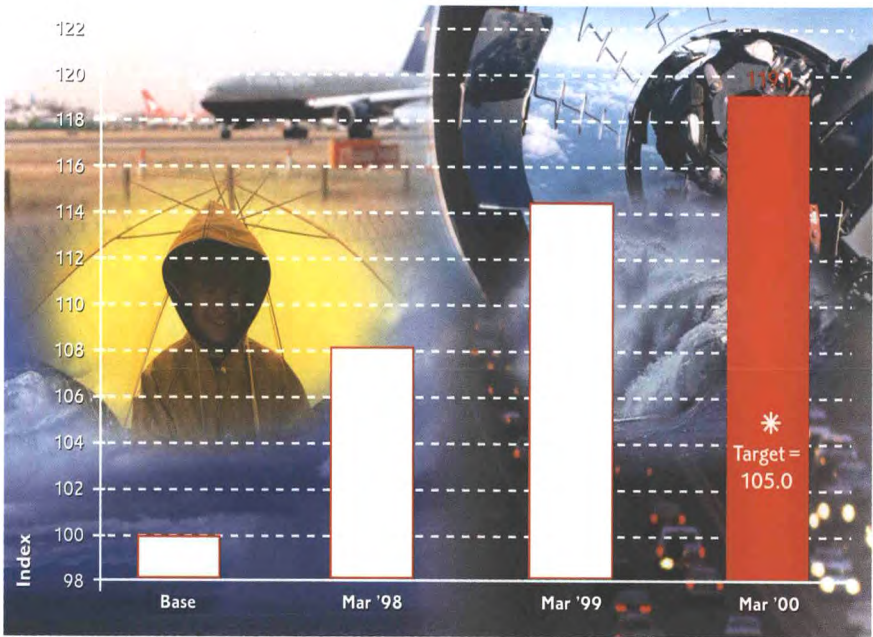
This index measures the overall forecasting skill of the UK NWP model compared with persistence for up to 24 hours ahead at specific sites in the UK. It takes account of wind, temperature and precipitation.

The first quarter of the year saw this index rise as the effects of the implementation of an enhanced version of the UK NWP model in June 1998 continued to feed through. Since then however, while performance has been good, it has not matched the record scores achieved in the second half of 1998/99. Consequently the index has fallen slightly since last year but remains above the target.

UK NWP Index



Service Quality Index



Service Quality

Service Quality Index (SQI)

This index covers a representative range of services and products across defence, civil aviation, public and business users; the target level is agreed each year, based on specific customer requirements. The areas covered in 1999/2000 were forecasts for civil airfields, forecasts and weather warnings for defence airfields, gale warnings for shipping, the UK Cities three-day forecast on the internet, predictions of icy roads for gritting operations, and storm tide alerts.

Excellent all-round performance contributed to the index ending the year significantly above target. The largest contributors to this score were the storm tide alert service and the defence airfield forecasts and warnings.

Efficiency

Efficiency Index

Our Efficiency Index measures the change in outputs in relation to costs for two major areas of our activities — Core services, represented by the accuracy of NWP model output for the North Atlantic Ocean and Europe, and defence services, represented by our service to defence stations.

The index demonstrates that efficiency has improved steadily, ending the year well above the three-year target set in 1996/97. It therefore shows that while we have improved the quality of what we produce, as demonstrated by the SQI, we have maintained tight control over our costs.

Efficiency Index



Financial

Return on capital employed (ROCE)

The ROCE measures the rate of return on average net assets (see also note 2 to the Accounts on page 41). The target was set at a level that reflected the significant investments we planned to make during the year. We have made these investments and still maintained pressure on costs, allowing us to exceed this target. We are also well on course to meet the Treasury's target of delivering an average 7% ROCE over the first five years of the trading fund (see again note 2 on page 41).

Commercial Activities Contribution

This indicator measures the financial contribution to Core and central services from commercially competed activities, excluding services to the Civil Aviation Authority and the climate research contract with the Department of the Environment, Transport and the Regions (DETR).

While we have maintained the levels of income achieved in 1998/99, we have not met the challenging target we set for ourselves. Nonetheless, we are confident that the changes made throughout The Met. Office, and particularly in Commercial Division, will yield improvements in the coming year.

Targets for 2000/1

(See table on page 15)

A single NWP index

In order to produce a balanced set of KPIs, and to provide the opportunity to introduce a completely new measure, we will be merging the Global and UK NWP Indices into a single NWP Index. This will also allow us to implement a number of improvements to the way we verify the constituent indices; for example, we plan to expand the scope of the UK element to include cloud and visibility along with temperature, wind and rainfall.

Service Quality Index

The Service Quality Index remains unchanged with the same components as in 1999/2000. However, we plan to introduce some changes to the monitoring scheme for the storm tide alert service that will expand its scope and give greater stability to the measure. The SQI target set is based directly upon the customer's stated requirements for each component of the index.

Efficiency Index

Having completed the final year of the three-year efficiency target, we have reviewed the Efficiency Index and made some improvements for 2000/1. These changes will increase the scope of the index by including Civil Aviation alongside Core and Defence in the calculations.

ROCE

As explained on page 16 we intend to make major strategic investments during 2000/1 and are consequently planning to make only a very small profit before interest. In order for this to be a useful target, we have expressed it as achieving ROCE of 0% while making an operating profit of at least £13.7 million before strategic investments.

Investments

As has been explained throughout this Report, it is essential — for the organisation and for the service we give to our customers — that we invest for the future. Recognising the importance of this investment activity, we have a target of making strategic investments of at least £13.5 million in 2000/1. These investments include a major contribution to the research and development for the polar satellite programme.

Commercial Activities Contribution

The target of £3.575 million reflects our confidence that the Commercial Division will deliver significantly improved results for 2000/1.

Staff Skills Index

Finally, we will be developing a Staff Skills Index based on our annual staff-reporting process. As this is a completely new measure, baseline data will not be available until after the 1999/2000 performance appraisal process has been completed. It has therefore been agreed that the first target for this measure will be set for 2001/2.



(1) See 'Additional key targets 2000/1'.

(2) The basis of calculating the return on capital employed changed during 1998/99 as a result of the introduction of FRS12, a financial reporting standard that affected the accounting treatment of provisions. ROCE performance up to that date is therefore shown both pre-FRS12, being the basis upon which the 1998/99 target was set, and post-FRS12, being the basis which has to be used in the preparation of the Profit and Loss Account since 1998/99 (see page 36).

PERFORMANCE AGAINST KEY MINISTERIAL TARGETS

Key ministerial targets		Targets, outturns and achievements				Targets for 2000/1
		1996/97	1997/98	1998/99	1999/00	
Efficiency						
Efficiency Index	Target	n/a	104.0	108.0	112.0	n/a ⁽¹⁾
	Outturn	100.0	109.9	111.5	116.8	
Quality						
Service Quality Index	Target	n/a	103.2	104.8	105.0	107.1
	Outturn	100.0	108.2	114.5	119.1	
Financial performance						
Return on capital employed (pre-FRS12) ⁽²⁾	Target	7%	7%	7%	n/a	n/a
	Outturn	20.7%	17.6%	10.0%		
Return on capital employed (post-FRS12) ⁽²⁾	Target	n/a	n/a	n/a	2.9%	0.0%
	Outturn	21.8%	20.6%	6.3%	3.5%	
Commercial Contribution	Target	£3.3m	£3.0m	£1.1m ⁽³⁾	£2.2m ⁽³⁾	£3.575m
	Outturn	£5.3m	£6.3m	£1.8m	£0.3m	
Forecast accuracy						
Global NWP Index	Target	n/a	108.0	111.1	110.2 ⁽⁴⁾	n/a ⁽¹⁾
	Outturn	106.4	107.9	109.9	116.8	
UK NWP Index	Target	n/a	n/a	104.2	104.0	n/a ⁽¹⁾
	Outturn	100.0	102.2	106.3	105.5	

ADDITIONAL KEY TARGETS 2000/1

Efficiency

Efficiency Index	A revised form of the Efficiency Index is to be introduced in 2000/1 with a baseline of 100.0 as at 31 March 2000 and a target of 103.7.
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Financial performance

Strategic investment	A target of £13.5m of strategic investment has been set for 2000/1.
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Forecast accuracy

NWP Index	The separate Global and UK NWP Indices are to be replaced with a single NWP Index with a baseline of 100.0 as at 31 March 2000 and a target of 101.6.
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Other performance

Staff Skills Index	A new key performance measure, based on staff competencies, as demonstrated in the annual staff appraisal form, is to be introduced with effect from 1 April 2000. It has been agreed with the owner that it is not appropriate to set a target for this initial year.
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(3) The basis of the Commercial Contribution measure changed with effect from 1998/99. The target and result from that time on are therefore not directly comparable to those of earlier years.

(4) The agreed reduction in Global NWP target for 1999/2000 was in recognition of the risk to the quality of Met. Office forecasts arising from the potential impact of the so-called ‘millennium bug’ on the collection and/or distribution of meteorological observations from any of our worldwide suppliers.

The Comptroller and Auditor General has examined the statement of performance against key targets reported above and he is satisfied that the performance achieved is fairly stated.

BUSINESS STRATEGY

Meeting our customers' needs in a cost-effective and timely manner remains at the heart of our business strategy. Expectations regarding price and quality continue to grow — a trend that will persist, and rightly so. We are not only committed to meeting this challenge but also to looking at ways to improve our responsiveness as the requirements of our customers, and of society and individuals generally, become more demanding.

There is an increasing demand for a widening range of weather-related services. This, together with the pressures both to reduce costs and improve service quality, has led us to look afresh at how we should position ourselves in the future for the benefit of all our customers. We want to continue to be well-placed to provide timely and affordable services, which means growing our customer-base to spread costs, and also looking at innovative ways of taking full advantage of the latest and anticipated technological developments. This will include, in particular, creating an environment where innovation can thrive, and exploiting the opportunities offered by the internet.

Our strategic intent, or 'vision', is clear — *through unrivalled know-how, to enable individuals, society and enterprises everywhere to make the most of the weather and the natural environment.*

Our investment plans are cast to support this vision, and the two main themes of our strategy, in particular, will help ensure we achieve it. These are:

- diversifying to expand our product and service base, including other areas of the natural environment; and,
- encouraging and promoting improved co-operation and collaboration with other European meteorological services.

We are developing several associated initiatives and these are outlined in the following sections of this Report.

Investment

Major investments during 1999/2000 included introducing a new supercomputer, significant contributions to the all-important satellite programmes that will ensure we retain our scientific edge, improvements to our products and services, and staff development/*Investor in People*. Together these have accounted for some £25 million.

We also engaged in a considerable volume of work to deliver our strategic intent, the costs of which were borne directly by us and not charged to customers. In addition, we completed the compliance work linked to overcoming the year 2000 issue, an investment in time and resources which alone cost some £2.8 million a year (and a total of £11.8 million) but which was rewarded by a trouble-free millennium roll-over.

The effect of these investments has obviously been to depress our financial performance. In a period of investment, both of capital and people's time, it follows that our profitability and cash balances have reduced, and our financial results are consistent with our plans. The cost of our investments has been partially offset by our constant efforts to reduce costs and by our successful appeal against rating assessments, which yielded a refund of £3.3 million.

The coming year will be another year of major investment. There will also be a significant increase in the cost of continued research and development for the polar-orbiting satellite programme. This will be some £6 million, a major increase over prior years. We did not expect to bear this cost when The Met. Office trading fund was established, and it represents a major financial burden which we have accepted on behalf of our owner. The costs of this and the other investments, which again we will fund ourselves, are such that we plan to make only a very small profit in 2000/1. We therefore intend not to pay a dividend in respect of 1999/2000 and 2000/1. We are confident that this strategy of investment will yield longer-term gains for us and for our stakeholders.

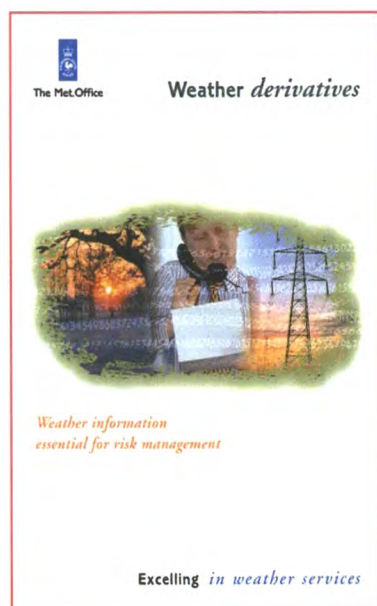


Investing in our products and services

UK CUSTOMER FOCUS...

Weather derivatives

Our Commercial Division continues to pioneer innovative uses for weather information. A new market is developing in Europe, mirroring a similar market in the US that allows weather-sensitive business to transfer financial risk. The leading companies in this market are major energy producers and, increasingly, investment banks and insurance companies.



We have created a service on our internet web site containing real-time and historical temperature data that meets the current need from this developing market. The service, which began in July 1999, is already

being extensively used, and after close consultation with market participants, we are enhancing the service to meet customers' increasing demands for high-quality weather information.

The Met. Office web site – www.met-office.gov.uk

In line with our investment strategy, we have continued to develop our internet site.

- Anticipating the huge public interest in watching the solar eclipse in August, we created special pages for the event as early as Spring 1999.

- To help customers for our commercial web services, online credit card facilities were tested and are being brought into use.
- We have improved the educational content of our site as a result of developments with the Department for Education and Employment.
- In response to requests from customers, we made improvements to our worldwide weather and UK climate information.

Plans are in place to introduce many more improvements to the site in the coming year, including a major redesign following the introduction of a new corporate identity.

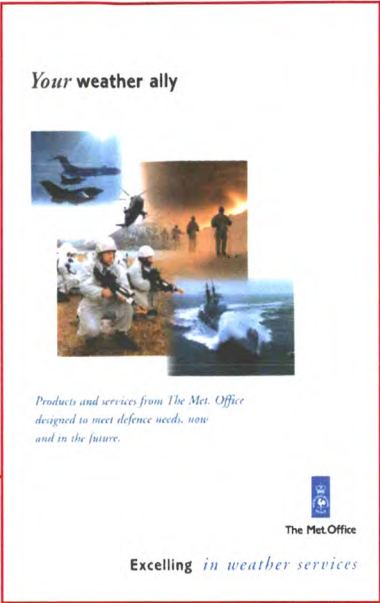
(This publication can be found on our web site at www.met-office.gov.uk/sec1/annual_report/)

Monitoring the environment

In January 2000, the Minister for Science, Lord Sainsbury of Turville, formally opened our new Environment Monitoring and Response Centre (EMARC). This specialist operational unit will provide timely advice in response to a wide range of significant environmental incidents, including extremely high tides and the spread and deposition of volcanic ash and radioactive or chemical pollutants. It also has an important role to play in establishing closer links with the Environment Agency.

'And now over to the BBC Weather Centre...'

For over 75 years, we have worked closely with the BBC to provide weather services on radio and TV. This unique relationship provides us with our most public face. The scale of the services has grown in recent years such that we now have 26 members of staff who broadcast on the BBC's international, national and regional networks. As multimedia and digital services begin to take off, we are entering a period of further change and opportunity. Our services to BBC Online and CEEFAX have been greatly expanded during the year.



Impacts of severe weather

We have invested considerable effort in quantifying the impacts of severe weather on various sectors of the community. The Home Office is closely involved with the project, which has already demonstrated promising results in identifying effects on electricity supplies and transport of individual storms during the 1999/2000 Winter. The aim of this vital work is to provide useful forecasts of the impacts of severe weather as well as of the weather itself.

Joined-up government

We have established better links with other public sector bodies to deliver benefits to the public through services that make more co-ordinated use of weather information. Examples of this include the new framework agreement with the Environment Agency (EA), which covers such items as improved public information on floods and a national weather service for the EA, and research on the links between weather and health which could be of considerable benefit to the Department of Health and the public at large.

Royal Navy services

We were successful in our bid to supply forecaster workstations to the Royal Navy as the basis for their Environmental Support System. This major development is part of increasing contact between the two organisations

in Bosnia, Macedonia and Kosovo. When the hostilities in Kosovo ended, our forces continued to need meteorological support, albeit at a more routine level. The MMU established a presence in Pristina airport to meet this need on 25 June 1999. Staff from the MMU continue to be deployed in Split (Croatia), Goia del Colle (Italy), and also at Incirlik (Turkey) and Ali Al Salem (Kuwait) in support of operations to patrol the No Fly Zones in Iraq.

In September 1999, we arranged a special mesoscale numerical weather prediction model for Indonesia in response to a request by the Royal Navy. This was in support of United Nations activities in East Timor. The Chief Forecaster at HQ Strike Command, High Wycombe, also provided briefings on the weather in the region to the Permanent Joint Headquarters.

Once it had been decided that MoD resources would be deployed to help with the relief effort following the Mozambique floods, and at the request of the Permanent Joint Headquarters, forecasters at HQ Strike Command provided overview forecasts for the areas affected. We also provided task-specific advice to 33 Squadron operating out of an airfield at Maputo, the capital of Mozambique. On his return from Africa, Wing Commander Bas North, Commanding Officer of the 33 Squadron Puma helicopters, said: "The Met. Office guidance was the best forecast around — it gave us exactly what we wanted to fly our missions and plan the next few days ahead."

Thailand success

As a global leader in meteorological services, The Met. Office is ideally placed to offer its expertise commercially to other countries. During 1999, our

INTERNATIONAL CUSTOMER FOCUS...

Support for Armed Forces

Staff from our Mobile Meteorological Unit (MMU) reacted well to the many and varied requests for weather services in support of the NATO activities



Opened in December 1999, our Customer Centre now handles around 3,500 calls each week, and call volumes are growing all the time



Future service provision will come from a reduced network of seven Weather Centres (shown in bold text)

computer systems Business Unit, Metstar, completed a five-year project to create and install a new operational forecasting facility for the Thailand Meteorological Department. The success of this project has aroused significant interest among other developing countries looking to upgrade their own meteorological facilities, and we expect this to lead to other projects of a similar nature over the next few years.

Volcano eruption

On 26 February 2000, the Icelandic volcano Hekla erupted explosively, generating a large plume of ash. Our Environment Monitoring and Response Centre (EMARC) had just taken on the operational role of Volcanic Ash Advisory Centre, so the eruption provided an excellent opportunity to test its new skills. During the following five days, EMARC issued 20 Volcanic Ash Statements and provided graphical output to the aviation community, giving advice on the dispersion of the ash plume.

OpenRoad in the USA

During the winter we carried out a successful trial of OpenRoad, our flagship service for keeping roads safe, in several states of the USA. Moreover, we competed for, and won, the contract to provide winter road services to the state of Montana.

Japanese nuclear incident

Following the nuclear accident at Tokaimura on 30 September 1999, we provided information about the pollution on request to the Department of the Environment, Transport and the Regions. There was no real threat outside Japan.

COMMERCIAL DIVISION — ORGANISING TO MATCH THE MARKET

The knowledge and use of weather information is growing among commercial companies. To match this need and to make maximum commercial

advantage from its operations, we restructured our Commercial Division in September 1999. The Division now operates through seven market-facing Business Units — retail, marine, consultancy, media, computer systems, utilities and infrastructure. Each one sells and delivers products to its customers in a variety of ways, ranging from direct contact via our new Customer Centre through to indirect channels such as the internet.

PUTTING THE CUSTOMER IN TOUCH

Following a very demanding project timetable — just three months from start to finish — we opened our new Customer Centre to schedule on 1 December 1999. Through this responsive, single point of contact, we are now delivering a wide range of services to members of the public and commercial customers.

The number of calls answered by the Customer Centre has increased steadily since it opened, with a significant increase in revenue from the sales of standard commercial products, including those on MetWEB, our commercial web site. We expect the Customer Centre to generate significant streams of new business in the coming years as well as continuing to provide a personal, high-quality link with customers.

REORGANISING OUR WEATHER CENTRES

In Spring 1999, we finished a review of our whole forecast production process and our network of regional Weather Centres. The review recommended that we should concentrate our forecast production at fewer regional centres and make better use of the automated production methods we had developed from advances in computer-based forecasting.



George Anderson

The successful forecasting of severe weather events is critical to our customers



We hold workshops at the end of the 'review' phase of each Business Process Improvement project

By Summer 1999, plans were in place to manage the closure of five of our Weather Centres; those at Southampton and Norwich will close during 2000, and those at Bristol, Newcastle and Leeds in 2001. We expect to bring more-streamlined production processes into effect in late 2000, leading to further efficiencies in 2001.

Linked to this programme, we intend to introduce upgraded production facilities to our OpenRoad forecasting services for winter road maintenance in Autumn 2000; at the same time, Aberdeen Weather Centre will start providing services for the offshore industry from new premises using enhanced production techniques.

○ FORECASTING KEY WEATHER EVENTS

In the UK

Perhaps the most 'public' forecast for the UK in 1999 was that for the eclipse on 11 August. The forecast was consistently accurate, though disappointing for eclipse viewers, with a cover of thick cloud correctly predicted for the area of totality in the south-west of England. In the run-up to the event, we used the concept of 'the probability of seeing the eclipse' and this proved to be well understood by both the press and the media.

We also gave accurate early warning of winds gusting to 90 m.p.h. associated with the storm that affected Scotland on the night of Sunday 2 January 2000. Media forecasts talked of gusts causing structural damage and our office at RAF Kinloss issued a storm warning on Sunday afternoon to Saxa Vord, Shetland. In the event, gusts of just over 103 m.p.h. were recorded at Stornoway and Lerwick. Scottish Hydro, who lost a lot of power lines, said on TV that, due to timely warnings from The Met. Office, they had engineers in place ready to start the anticipated repair work.

International

The US National Hurricane Center, Miami, again recognised the skill of our NWP model in accurately predicting hurricane tracks in their report summarising the prediction of hurricane events in the 1999 season. We are delighted that for the second consecutive year, our global model produced the best track forecasts of tropical cyclones for 1999 in the North Atlantic.

The Indian cyclone of November 1999, which caused such devastation and loss of life, was also forecast well by our global model. While it proved very difficult for us to translate this into mitigating the terrible consequences of the event on this occasion, we are exploring how this can be better achieved in the future.

IMPROVING OUR PROCESSES FOR ISO 9000 ○

The aims of our Business Process Improvement programme are to improve the efficiency and effectiveness of the things we do, and to demonstrate our success in this by registering our quality management system to the appropriate international standard, ISO 9001. The programme, which has been running since January 1999, involves identifying our key processes, reviewing them and making appropriate cost-effective improvements. Hence our strategy, to first improve our processes and then seek ISO 9001 certification.

Since we are heavily dependent on software, one important strand of this programme is TickIT, effectively 'ISO 9000 for software'. In addition, we have already completed four 'pilot' projects and work is in hand to carry out another 19 projects in the coming year. Benefits arising from the four projects are a streamlining of the way some routine tasks are carried out and some cost savings. Also, we have started putting in place better management information to improve our decision-making.



Investing in our staff

INVESTOR IN PEOPLE THROUGH STAFF DEVELOPMENT

Our ongoing Staff Development project culminated in *Investor in People (IiP)* accreditation on 9 December 1999. This was welcome recognition of our firm commitment to staff development and our efforts to ensure this is a fundamental part of our investment strategy. The project met one of our key Business Plan objectives and came in on time and within budget. As part of the project, over 400 staff attended a workshop designed to help them use our *Staff Development Process* to best effect.



Steve Smyth

Xanthe Bowers, Staff Development Training, received The Met. Office's Investor in People plaque from the Chief Executive of Stoke Mandeville Hospital, 3 February 2000

The *IiP* assessors felt that the introduction of our *Personal Development Portfolio*, issued to each member of staff, had done much to encourage them to take responsibility for their own training. They commented favourably on the improved clarity of role and style arising from our investment in the two-day 'Manager's Role' training course, and that training had become much more focused over the past year. They also recognised the significant improvement to our internal communications. Several areas for improvement

were nevertheless identified, including our management of change and the upward flow of information within Team Briefing; we have started work on addressing all these issues.

IT'S GOOD TO TALK!

Improving our internal communications, one strand of our *Improving our Performance* initiative, has continued on two main fronts.

- We have further improved the structure and content of Metnet, our intranet system, and introduced a new structure to our 'newsgroups' for sharing information and ideas. Many staff are now using Metnet as their main source of information.



- A review of our Team Briefing system confirmed the need to listen more closely to staff. As a result, we have put in place a formal system of feedback from staff to senior management.

RECOGNISING AND REWARDING PEOPLE

By 1998, it was clear that the pay and grading system introduced three years earlier no longer met our business needs — we needed a simpler, more flexible system that better reflected our requirement to encourage, recognise and reward high performance. Following consultation with staff and the Trade Unions, and clearance of the business case by interested parties, a new system was agreed in September 1999 and is now being introduced. It places less emphasis on job weight and more on personal effectiveness, experience, skills and commitment. We expect the new scheme to be fully 'live' by this summer.

The palantypist, Lisa Cordaro, in action at a major presentation — the speech-to-type system enables deaf people to follow word-for-word what is said



Karen Edgington (centre) receives her Long Service Award from the Shaw Trust, which supports the placement of disabled people in mainstream work



- Key points of the new scheme are that it:
- is simpler — five Job Levels instead of 15 Job Value Bands;
 - provides longer, overlapping pay scales;
 - better matches rewards to performance — performance-related pay increases are awarded annually via a pay matrix;
 - provides scope for additional discretionary awards.

To ensure equality and consistency across the organisation, we intend to introduce a Remuneration and Audit Panel.

RECRUITMENT

Staff numbers have remained broadly unchanged throughout the year. As in previous years, a high proportion of our new entrants hold graduate qualifications in mathematics, physics or computing, which is in line with our need to maintain our lead in the field of meteorology. However, this year, we also recruited staff with specialist professional qualifications to fill roles in our services and commercial areas; for example, staff to work in our new Customer Centre. We continued to attract support staff through the local employment service.

It is our policy to recruit staff in accordance with the Civil Service Commissioners' Recruitment Code 1999. Individual appointments are made on the basis of fair and open competition. We did, however, have to take exceptional action to extend one casual contract beyond the 12-month period. This action was required to assist with a key part of our internal communications system.

Staff recruited during 1999/2000

	Male	Female	Total	Ethnic minority*	Disabled people*
Total	82	77	159	6	5

* All entrants were surveyed but some chose not to respond.

EQUAL OPPORTUNITIES ○

We constantly strive to promote and encourage equality in the workplace. We have reinforced this policy during the year in three important ways. Firstly, our Board agreed that all staff should enjoy the benefits of equality training; we expect this programme to be complete by Autumn 2001. Secondly, our successful achievement of *IiP* accreditation is based on the premise that all staff should have training and development opportunities. And thirdly, our new pay and performance scheme places strong emphasis on equality by monitoring performance assessment decisions and the associated rewards.





Investing in our research and development

FORECASTS MORE ACCURATE THAN EVER

The new method for analysing weather observations introduced into the global forecasting model in March 1999 has proved every bit as successful as we had expected, with further refinements made between July and October. Its introduction marked the culmination of six years' investment to develop the new data assimilation method and the associated suite of software and supporting systems. It allows us to make better use of observations from a wide range of sources, particularly data from satellites.

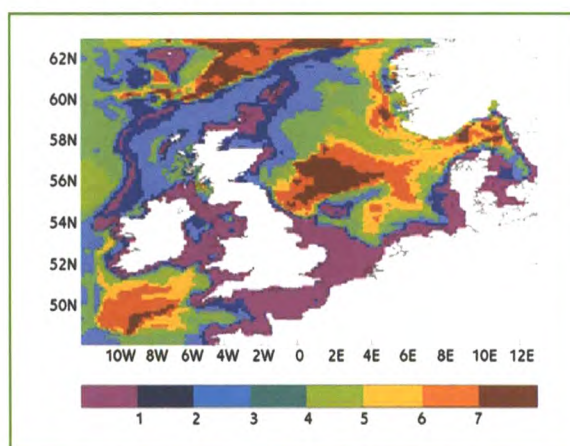
As a result, our Global NWP Index has risen throughout the year (see *Performance against targets*, page 10) and we now have more flexible, portable and maintainable software that allows us to simply 'add in' new observation types whenever appropriate.

We also carried out many improvements to our detailed UK and experimental seasonal forecasting models. In particular, changes to the former have produced improved forecasts of low cloud, fog and night-time temperatures.

Research scientists in several parts of The Met. Office contributed to all these successful examples of 'pull through' from research to operations. We plan to continue refining our NWP systems in the coming year with the promise of further improvement in performance.

MODELLING THE OCEANS

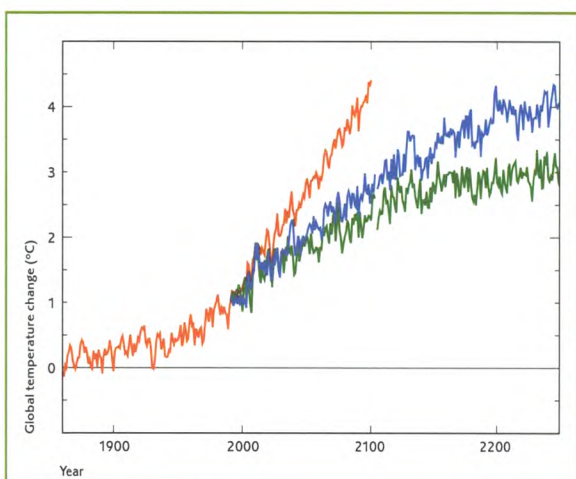
Operational oceanography is an area of growing significance, not only nationally but also internationally. Over the year, our work in this area has concentrated on developing a suite of versions of our deep-ocean forecasting model, carrying out trials of a shelf-seas model and understanding wave-current interactions in our new wave model for UK waters. We have also made good progress with our coupled atmosphere–ocean model for use in climate research studies.



Region covered by the shelf-seas model, showing computed surface to bottom temperature difference (°C) for 1 August 1999

LEADING THE WAY IN CLIMATE RESEARCH

This year, for the first time anywhere in the world, scientists at our Hadley Centre for Climate Prediction and Research have produced a 100-year prediction of climate that includes full interaction and feedback between the ocean, the land biosphere and the atmosphere.



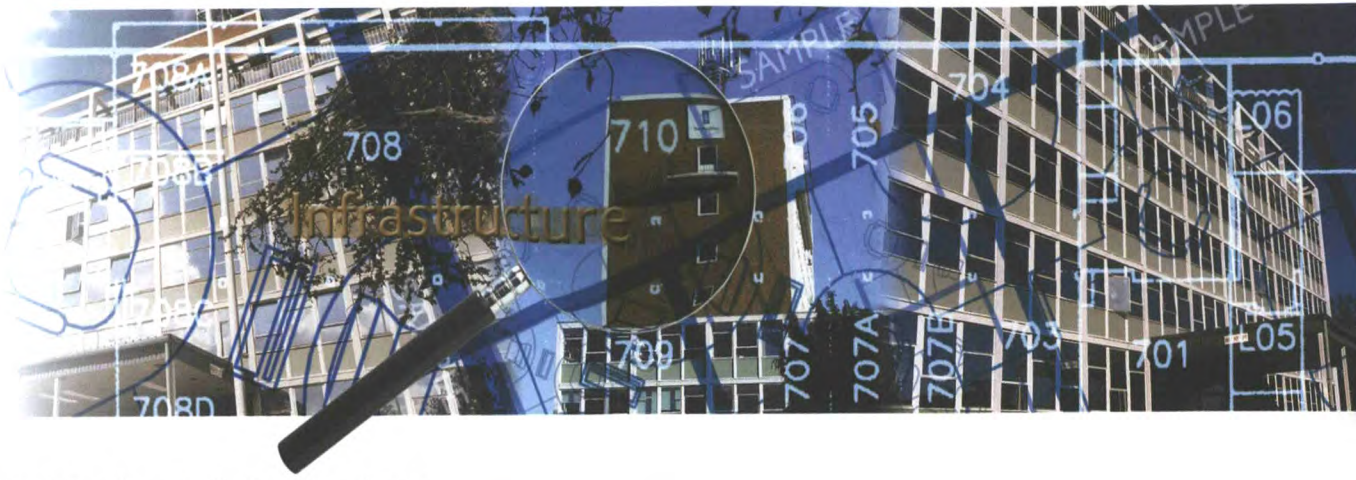
The global average temperature rise resulting from 'business-as-usual' greenhouse gas emissions (red), compared to that when emissions are reduced in order to stabilise CO₂ concentrations at 750 ppm (blue) and 550 ppm (green)

A major result from this DETR-funded research is that we find strong feedback between ecosystems and climate. This includes strong 'dieback' of the Amazonian rainforest due to higher temperatures and less rainfall. As it declines, the forest absorbs decreasing amounts of carbon dioxide, leading to enhanced global warming. In addition, as temperatures rise during the second half of the 21st century, the entire land surface becomes a source of carbon dioxide as the release of carbon from the soil, via respiration, dominates over the absorption of atmospheric carbon dioxide by photosynthesis. These preliminary results suggest a

strong feedback between ecosystems and climate that needs further investigation. If confirmed, the result is likely to have a significant impact on the international policy for reducing emissions of greenhouse gases.

SUPPORTING UK POLICY NEGOTIATIONS

Our Hadley Centre scientists once again supported the policy makers by attending the Fifth Conference of the Parties to the UN Framework Convention on Climate Change in Bonn in October 1999. They presented the first-ever predictions of climate change over the next 250 years, assuming emissions which lead to stabilised concentrations of atmospheric carbon dioxide at 550 parts per million (ppm) and 750 ppm; current levels are about 370 ppm. Alongside these predictions, the report also included research from our collaborators about the implications for agriculture, water resources, natural ecosystems, human health and sea levels.



Investing in our infrastructure

OVERCOMING THE ‘MILLENNIUM BUG’

We successfully negotiated the millennium roll-over with no effect on the services we provide, the culmination of a project that began in 1997. As expected, a few minor issues arose, but our Systems Recovery Teams, under the direction of an Executive Management Team, were able to deal quickly with any incidents, so ensuring the continuity of our services. Throughout the millennium weekend, we kept our owners, central government and our customers fully informed of our ‘year 2000 status’.



Our Project 2000 team finished checking and testing our systems for date-related errors during Summer 1999 and issued compliance

certificates for 63 fully tested systems by early September. The entire programme was independently assessed by the National Audit Office later in September and awarded a ‘blue’ marking — no significant risk to the national infrastructure — under the UK’s Action 2000 assessment scheme. Given the scale and complexity of the systems involved, we were delighted with this result.

During 1999, national preparations for the millennium made it clear that the weather was likely to be a potentially more significant factor than the ‘millennium bug’ itself — if there were any crises, weather could certainly affect the emergency services’ response. To assist authorities and businesses in their planning, we set up a special Millennium Weather Service. We began in mid-1999 by providing planning information, based on long-term averages, and followed up with indications of the likely weather type from our seasonal and month-ahead forecasts. In the immediate run-up to the millennium roll-over, we issued detailed 10-day forecasts covering all regions of the country and the major cities, with separate information for upland regions. Reaction to these services from the users was extremely positive, with over 900 customers taking the 10-day forecast service.

As well as overcoming the millennium bug, this major project has provided us with a number of valuable long-term benefits. These include such things as up-to-date operational contingency plans and many ‘lessons learnt’.

*The en suite
bedrooms in the
new College
accommodation
provide excellent
facilities for study
and relaxation*



*New Cray
supercomputer comes
online — senior
members of both The
Met. Office and Cray
teams mark the event*



RELOCATION OF OUR BRACKNELL ACCOMMODATION

We moved to our present Bracknell building in 1961 and have since expanded to a number of other sites in the Bracknell area. After almost 40 years, the main building is becoming expensive to maintain and prone to failures; it is also inhibiting business development and putting our ability to provide operational services at risk. Refurbishment would be both expensive and impractical, and would fail to address many of our current accommodation problems.

To provide the dynamic working environment we require for the future, we plan to relocate by March 2003. Our preferred local site is Shinfield Park, Reading, which has attractions in terms of developing our long-standing relations with the European Centre for Medium-range Weather Forecasts. However, we are also considering other locations and we are certainly not averse to a long-distance move away from the Bracknell area. In the coming year we plan to complete the definition of our requirements and appoint developers to provide the new accommodation.

NEW FACILITIES AT THE MET. OFFICE COLLEGE

In Autumn 1999, we opened Alexandra House, a new building providing 60 en suite bedrooms for students at The Met. Office College. The College occupies an old RAF camp built over 50 years ago, with students previously accommodated in small study-bedrooms in refurbished 'barrack' blocks.

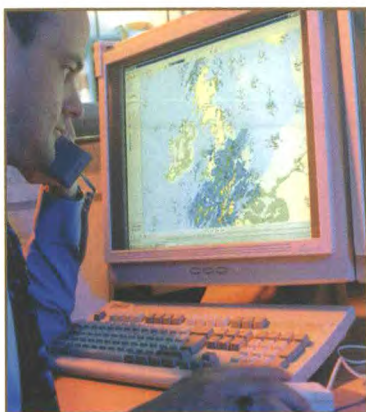
Alexandra House was the name of the College premises when they were situated at Kingsway in London in the post-war years. The new building now provides modern accommodation of a quality equal to similar training establishments and the right environment for staff attending the 100-plus different courses held at the College each year. It also allows us to sell places more effectively on our courses to staff from other organisations, thereby increasing revenue.

BIGGER AND FASTER SUPERCOMPUTER... ...PLUG AND GO!

To meet the ever-growing demands for supercomputing capacity, we decided in January 1999 to increase the size of our Cray T3E supercomputer. This investment decision took into account our planned relocation programme (see left) and the likely introduction of the next generation of supercomputers in 2002. After a considerable upgrade to the supporting cooling and air conditioning, the additional system was installed in November 1999. Testing went very successfully, the system being accepted within 24 hours of the earliest possible date.

The enhanced supercomputer, operated as twin systems, has virtually doubled the capacity of the original machine by using operating speeds that are typically some 15–20% faster. Our vital forecasting system can now run on either part of the machine giving greater operational flexibility.

The new capacity will support growing numbers of experiments related to climate research and ocean-atmosphere modelling, key to our work for the DETR, and will allow us to introduce further planned improvements to the operational forecast models later this year.



A Nimbus workstation, our in-house designed visualisation and production system



Inside the MASS tape library, a grabber is transferring one of over 2,500 state-of-the-art cartridges

NEW OBSERVING TECHNIQUES

The following activities are just some of our extensive investment programme designed to improve our observing networks.

- In March 2000, we upgraded our long-range lightning detection system in direct response to aviation customer requirements.
- We began installing closed-circuit TV cameras at four sites in the RAF's low-flying training areas, and completed installations at two of our existing observing sites.
- We installed two automatic radiosonde systems, one near Ormskirk in Lancashire and the other at Eskdalemuir in Dumfries and Galloway.
- We equipped the first two of British Airways' 747 fleet with automated observing software during the Winter of 1999/2000.

DESKTOP COMPUTING — THE BEST TOOLS FOR THE JOB

In Autumn 1999, we completed the task of replacing all our general-use desktop PCs and supporting systems with Windows NT. This investment was aimed at making our systems more reliable and compliant with year 2000 requirements, reducing support costs and improving electronic communication.

At the same time, we were installing Nimbus workstations — our in-house designed visualisation and production system — at forecasting offices around the UK. All our Weather Centres were using the flexible, year 2000 compliant systems before the millennium roll-over, and we expect to complete installations at our Defence forecasting offices by December 2000.

DATA STORAGE WAREHOUSE

Because our operational and climate research models generate huge, and increasing, amounts of output, we are investing in a single, massive data warehouse. With plans for the initial system to be operating by June 2000, we expect the complete, fully expandable facilities to be available from Autumn 2000. As well as providing a much more efficient data retrieval system, it will allow us to 'retire' the previous equipment and make savings on maintenance costs.



Courtesy of Adrian Meredith Photography

- We introduced a scheme to obtain additional real-time data from voluntary observers in periods of severe weather for the Winter of 1999/2000.

Glossary

CORE

The programme of work necessary to generate, and make available centrally, the underpinning weather forecasts and climatological services which are the basis for specified ‘Direct Services’ to Core customers.

ECMWF

European Centre for Medium-range Weather Forecasts, Reading.

FORECASTING OCEAN—ATMOSPHERE MODEL

Using actual measurements of ocean temperature and data from our NWP model, our atmosphere—ocean model produces real-time analyses and forecasts of the temperature, salinity and currents of the deep ocean.

INVESTOR IN PEOPLE

A national quality standard that improves investment in staff development and training, which we have achieved as part of the *Improving our Performance* process.

ISO 9000

A family of international standards that describe how quality management systems should be set up and managed, corresponding to the working practices expected from an ‘excellent’ company.

MOBILE METEOROLOGICAL UNIT (MMU)

Our team of Met. Office weather forecasters, able to deploy anywhere in the world to provide local forecasts and advice to our defence customers.

NATIONAL METEOROLOGICAL CENTRE (NMC)

Our national forecasting centre, responsible for giving guidance to regional and local offices with three centralised teams — National, Aviation and Commercial.

NUMERICAL WEATHER PREDICTION (NWP)

Our primary method of weather forecasting — by solving a set of equations, a computer model of the atmosphere shows how weather conditions will change over time.

POLAR SATELLITE PROGRAMME

A programme of launches of polar-orbiting satellites — those that orbit the earth, passing over the poles — controlled by EUMETSAT, the European organisation responsible for the exploitation of meteorological satellites.

PROJECT 2000/YEAR 2000

The year 2000 problem related to how computers interpret two-figure representations of the year. We needed to ensure our computers would interpret ‘00’ as year 2000 rather than year 1900 — Project 2000 was our programme of work to tackle this problem.

SHELF-SEAS MODEL

This simulates the shallow seas over the continental shelves around the edges of the ocean.

UPPER-AIR OBSERVATIONS

Weather observations, taken at various heights, usually over 300 metres, by weather balloons and aircraft, for use in our forecast models.

WAVE-CURRENT INTERACTIONS

Ocean currents can influence the period and height of waves on the sea surface through interaction.

WMO — WORLD METEOROLOGICAL ORGANIZATION

Comprising over 160 States and Territories, WMO is a specialised agency of the United Nations encompassing the field of meteorology.



Accounts and financial information

Accounts and financial information

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FOREWORD TO THE ACCOUNTS

Statutory background

The accounts for The Met. Office have been prepared in accordance with the Direction given by HM Treasury on 19 June 1997 in pursuance of section 4(6) of the Government Trading Funds Act 1973. The Direction is reproduced on pages 54 to 55.

History

The Met. Office was established as the Meteorological Department of the Board of Trade in 1854 and adopted its present title in 1867. Separate meteorological branches for each of the armed forces were set up in 1914 and The Met. Office became part of the Air Ministry in 1920 and subsequently part of the Ministry of Defence in 1964. The Met. Office became an Executive Agency on 2 April 1990 and started operating as a trading fund on 1 April 1996, in accordance with Statutory Instrument SI 1996/774.

Review of activities

Our principal activities are set out on page 2, The Met. Office Purpose and Aims Statement. There have been no significant changes in these activities during the year.

Board members

The operation of The Met. Office is overseen by the Defence Meteorological Board, which advises the Secretary of State for Defence, the Agency’s owner. Management of The Met. Office was effected through the Met. Office Board and the Executive Committee. Membership of both Boards and the Executive Committee is shown on page 8. However, the Board and Committee

structure changed on 1 April 2000. A number of non-executive Directors have been appointed to the Met. Office Board, which is now supported by a Management Board comprising senior executive Directors. The Executive Committee has been disbanded and replaced by a number of sub-committees. These address day-to-day operational and business matters previously overseen by the Executive Committee.

In accordance with the Code of Best Practice published by the Cadbury Committee on Financial Aspects of Corporate Governance, an audit committee ensures that appropriate financial risk management procedures are in place. In addition, a remuneration committee under the auspices of the Defence Meteorological Board, considers executive and ‘incentivised’ remuneration matters in relation to The Met. Office.

Payment policy

Payments to suppliers are predominately made direct from The Met. Office. The policy is to pay suppliers within contracted payment terms or, in the absence of specifically agreed terms, within 30 days of receipt of a valid invoice (as specified by the Better Payment Practice Code), or of the delivery date if later. In the year ended 31 March 2000, 95.2% of undisputed invoices were paid within 30 days of receipt (March 1999, 98%).

The Met. Office is required to report its bill paying performance to MoD. Measuring its performance on a basis as close as possible to that used by MoD, The Met. Office paid 100% of its bills on time during the year.

Results and appropriations

The Met. Office's turnover for the year was £151.0 million (1998/99, £152.9 million). Total expenditure, before exceptional items and interest, was £145.8 million (1998/99, £143.2 million) and operating profit was £8.5 million (1998/99, £9.7 million). This operating profit includes a rebate of £3.3 million (1998/99, £nil) that was received in respect of business rates and has been noted as an exceptional item in the accounts. Net assets as at 31 March 2000 were £154.5 million (31 March 1999, £148.3 million). The return on capital employed (ROCE) key target of 2.9% was met with a performance of 3.5%. Profit after interest was £10.0 million (1998/99, £11.1 million). As explained on page 16, no dividend is to be paid in respect of 1999/2000.

Market value of land

It is considered that there is no significant difference between the open market value and the book value of land on an existing use basis.

Research and development

A programme of applied research and development is conducted in support of the operational services provided by The Met. Office. Additional research and development concerning man-made climate change is conducted under contract to the Department of the Environment, Transport and the Regions.

Year 2000 compliance

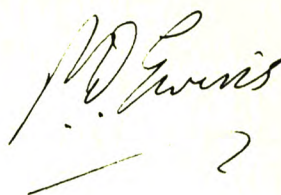
For information regarding our activities that addressed the year 2000 issue, see the item on page 25. A new accounting system, which is year 2000 compliant, was introduced in 1999. A total of £11.8 million has been spent on compliance up to and including 1999/2000.

Disabled persons

The Met. Office is committed to a policy of Equal Opportunity, a policy recognised in 1999 by attainment of 'Positive about Disabled People' accreditation. The only test applied for recruitment, retention or advancement is the ability to do the job.

Employee involvement

Formal consultation with staff is undertaken through The Met. Office Functional Whitley Committee, its sub-committees and local committees. The Met. Office regards the health, safety and welfare of its employees (and others) as of paramount importance. A full-time Health and Safety Officer is employed to ensure that all staff are fully aware of new and existing requirements and of their responsibilities. Employee involvement is through the Health and Safety sub-committee of the Functional Whitley Committee. In addition, the Trades Unions have been consulted on a range of special issues, including the introduction of *Investor in People* as part of the *Improving our Performance* initiative. Staff are informed of new developments within The Met. Office by team briefings and by *Mercury*, the staff magazine.



P D Ewins
Chief Executive
31 May 2000

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by The Met. Office.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

In 1999/2000, the system operated within the context of the following management structure:

- the Executive Committee, which comprised the Chief Executive and all 11 Met. Office directors, was responsible for the day-to-day running of operations and ensuring that customers' requirements were met;
- the Met. Office Board, which comprised the Chief Executive and seven senior Met. Office directors, was responsible for strategic issues;
- The Met. Office Audit Committee, which comprises two external members, ensures that the appropriate financial risk management procedures are in place;
- the Defence Meteorological Board, which comprises The Met. Office's Chief Executive and senior MoD representatives along with three external members, advises the Secretary of State for Defence, as owner of The Met. Office.

The Board and Committee structure was changed on 1 April 2000. The Executive Committee has been disbanded and the Met. Office Board is now supported by a number of sub-committees. These address the day-to-day operational and business matters previously overseen by the Executive Committee.

The system of internal financial control is based on a framework of regular management information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. In particular, it includes:


- comprehensive budgeting systems within an annual budget which is reviewed and agreed by the Met. Office Board;
- regular reviews by the Met. Office Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Met. Office employs the Directorate of Internal Audit (DIA) for the MoD to carry out specified internal audit work which is performed to standards defined in the *Government Internal Audit Manual*. The work of the internal audit unit is informed by an analysis of the risk to which The Met. Office is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by The Met. Office's Audit Committee and approved by me. During the year, the DIA reports to me on all internal audit activity in The Met. Office, as specified and agreed. The reports include the Director Internal Audit's independent opinion on the adequacy and effectiveness of The Met. Office's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditors, the executive managers within The Met. Office who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by them.



P D Ewins
Chief Executive
31 May 2000

STATEMENT OF THE RESPONSIBILITIES OF THE AGENCY AND THE CHIEF EXECUTIVE

Under section 4 (6) of the Government Trading Funds Act 1973, HM Treasury has directed The Met. Office to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction on pages 54 and 55. The accounts are prepared on an accruals basis and must give a true and fair view of the The Met. Office's state of affairs at the year end, and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Agency is required 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the 'going concern' basis, unless it is inappropriate to presume that the Agency will continue in operation.

HM Treasury has appointed the Chief Executive of The Met. Office as the Accounting Officer for the Trading Fund. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by HM Treasury and published in *Government Accounting*.

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements on pages 36 to 53 under the Government Trading Funds Act, 1973. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 40 and 41.

Respective responsibility of The Met. Office, the Chief Executive and Auditor

As described on page 33, The Met. Office and the Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Met. Office and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Trading Fund Act 1973 and Treasury directions made thereunder, and whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 32 and 33 reflects The Met. Office's compliance with Treasury's guidance *Corporate governance: statement on the system of internal financial control*. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by The Met. Office and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to The Met. Office's circumstances, consistently applied and adequately disclosed. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity, and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of The Met. Office at 31 March 2000 and of the profit, total recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Trading Funds Act 1973 and directions made thereunder by the Treasury; and
- in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
2 June 2000

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

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 MARCH 2000

		1999/2000	1998/99
	Notes	£ '000	£ '000
Turnover	3	151,013	152,875
Cost of sales	4, 6	121,607	119,844
Gross profit		29,406	33,031
Operating expenses	4, 6	20,953	23,287
Operating profit		8,453	9,744
Loss on disposal of fixed assets		(199)	(791)
Profit on ordinary activities		8,254	8,953
Interest receivable		3,124	4,236
Interest payable	5	(1,359)	(2,115)
Retained profit		10,019	11,074
Return on capital employed (ROCE)	2	3.5%	6.3%
Target		2.9%	7.0%
Average ROCE since 1 April 1996		13.1%	16.3%

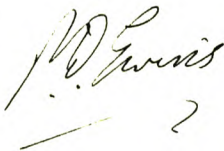
The notes on pages 40 to 53 form part of these accounts.

The movement on the General Reserve is set out at note 15 on
page 51.

BALANCE SHEET AS AT 31 MARCH 2000

	Notes	31 March 2000		31 March 1999	
		£ '000	£ '000	£ '000	£ '000
Fixed assets	7		104,369		93,033
Current assets					
Stocks	8	1,169		1,056	
Debtors and prepayments	9	22,688		20,577	
Cash on deposit	10	55,000		64,900	
Cash at bank and in hand	10	605		379	
		79,462		86,912	
Creditors: amounts falling due within one year	11	(29,337)		(31,602)	
Net current assets			50,125		55,310
Total assets less current liabilities			154,494		148,343
Financed by:					
Provisions for liabilities and charges	12		1,374		1,483
Capital and reserves					
Public dividend capital		58,867		58,867	
Long-term loans	13	2,568		10,936	
Revaluation Reserve	14	9,207		4,598	
General Reserve	15	82,478		72,459	
Government funds		153,120		146,860	
			154,494		148,343

The notes on pages 40 to 53 form part of these accounts.



P D Ewins, Chief Executive

**CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 MARCH 2000**

	Note	1999/2000 £ '000	1998/99 £ '000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		8,453	9,744
Depreciation charges		17,820	17,011
Revaluation on buildings charged to the Profit and Loss Account		119	–
Provisions for liabilities and charges		(109)	(819)
(Increase)/Decrease in stocks		(113)	353
(Increase)/Decrease in debtors		(2,205)	4,055
(Decrease)/in creditors		(2,966)	(1,293)
Net cash inflow from operating activities		20,999	29,051
Cash Flow Statement			
Net cash inflow from operating activities		20,999	29,051
Returns on investments and servicing of finance	17	1,859	2,170
Capital expenditure	17	(24,500)	(17,803)
Management of liquid resources	17	9,900	(3,400)
Financing	17	(8,032)	(13,194)
Increase/(Decrease) in cash		226	(3,176)
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash		226	(3,176)
(Decrease)/Increase in cash on deposit	17	(9,900)	3,400
Other movements	17	8,032	13,194
Change in net funds		(1,642)	13,418
Net funds at 1 April	17	46,311	32,893
Net funds at 31 March		44,669	46,311

The notes on pages 40 to 53 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND
LOSSES FOR THE YEAR ENDED 31 MARCH 2000

		1999/2000	1998/99
	Note	£ '000	£ '000
Profit for the financial year		10,019	11,074
Surplus on revaluation of fixed assets credited to the Revaluation Reserve	14	4,609	1,210
Total Recognised Gains and Losses relating to the year		14,628	12,284

		1999/2000	1998/99
	Note	£ '000	£ '000
Reconciliation of movements in Government funds			
Government funds at 1 April		146,860	142,608
Total Recognised Gains and Losses relating to the year		14,628	12,284
Movements in long-term loans	13	(8,368)	(8,032)
Net movement in Government funds		6,260	4,252
Balance at 31 March		153,120	146,860

The notes on pages 40 to 53 form part of these accounts.

NOTES TO THE ACCOUNTS

1 Accounting policies

a) Basis of accounting

The accounts have been prepared in accordance with the accruals concept and the historical cost convention, modified to include revaluations of fixed assets and stocks. They comply with the accounting and disclosure requirements of the Companies Act 1985 and the Accounting Standards Board, where appropriate.

b) Turnover

Turnover comprises the invoiced value of services (net of VAT) supplied to the private sector, the wider public sector and other Government departments. Income received under collaborative arrangements for the capital installation of rainfall radar systems is credited as deferred income within creditors until tangible fixed assets are acquired.

c) Research and development

All research and development expenditure is charged to the Profit and Loss Account.

d) Tangible fixed assets

Valuation

Freehold land and buildings are revalued by qualified valuers every five years, or at shorter periods if it is considered that values have changed materially.

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

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

The Met. Office is a member of EUMETSAT and, as such, contributes to the cost of its satellite programmes. The Met. Office benefits from the data and services resulting from these programmes. Expenditure other than research and development on the programmes to date has been capitalised and revalued annually using the Aerospace Combined Input Cost Index.

Depreciation

Freehold land is not depreciated.

Depreciation on buildings is calculated to write off the cost, or value, by equal instalments over the asset's estimated useful life (not exceeding 50 years).

Computers, plant and equipment, other than the supercomputer facility, are depreciated by the reducing balance method at a rate calculated to reduce the net book value to 5% of current replacement cost over the asset's estimated useful life (between three and ten years).

The supercomputer facility, where it is considered the benefit accrues evenly over the life of the asset, is depreciated by the straight-line method. This asset has been enhanced during 1999/2000 by the purchase of an additional supercomputer. The combined asset is being written off on a straight-line basis to 31 March 2003.

Satellite assets are depreciated using the straight-line method, based on the expected operational life, currently to 2013.

e) Leasing commitments

All leasehold property is held under operating leases which are charged to current expenditure.

f) Stocks

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

g) Insurance

In line with Government policy, it is normal practice for The Met. Office to self-insure against insurable risks. In the event of a major loss, The Met. Office will consult with the Ministry of Defence about the action to be taken.

h) Pensions

Excepting locally employed civilians and certain staff on short-term contracts, all staff are covered by the provisions of the Civil Service and Armed

Forces Pension schemes. Payments are made into the Consolidated Fund at contribution rates determined by HM Treasury.

i) Foreign exchange

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

2 Return on capital employed (ROCE)

ROCE is calculated as operating profit after profit/loss on disposal of fixed assets as a percentage of the average Government funds (excluding unrealised capital reserves) employed in the business at the beginning and end of the year. The ROCE 1999/2000 excludes the £3.3 million rebate of business rates in respect of prior years. In addition to the in-year ROCE target, there is a further

target of achieving a ROCE of 7% averaged over the five-year period to 31 March 2001. The table below shows the in-year and averaged ROCE over the four-year period to 31 March 2000. The table has been prepared in accordance with FRS12 requiring a restatement of the 1996/97 and 1997/98 reported ROCE (1996/97, 20.7% and 1997/98, 17.6%).

	1996/97	1997/98	1998/99	1999/2000
ROCE	21.8%	20.6%	6.3%	3.5%
Average ROCE to date	21.8%	21.2%	16.3%	13.1%

3 Turnover and Segmental Analysis

a) Customer Group Analysis

		1999/2000			1998/99		
	Main customer	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
		Core	Direct	Total	Core	Direct	Total
		Services			Services		
Defence	MoD	26,619	28,312	54,931	26,949	28,088	55,037
Civil aviation	CAA	16,346	9,438	25,784	16,557	10,121	26,678
Civil Departments		26,606	9,213	35,819	26,952	8,682	35,634
Climate research	DETR	–	7,315	7,315	–	6,829	6,829
Commerce		–	20,907	20,907	–	21,131	21,131
Other		1,735	4,522	6,257	1,475	6,091	7,566
Total turnover		71,306	79,707	151,013	71,933	80,942	152,875

(i) All turnover relates to the same class of business, the provision of meteorological and related services. There were no acquisitions or discontinued operations.

(ii) ‘Core’ is the programme of work necessary to generate, and make available centrally, the underpinning weather forecasts and climatological services which are the basis for specified ‘Direct Services’ to Core customers.

(iii) ‘Commerce’ contracts are subject to open competition.

(iv) This note meets the requirements of HM Treasury’s Fees and Charges Guide.

b) Commerce Analysis

	1999/2000 £ '000	1998/99 £ '000
Turnover	20,907	21,131
Expenditure	20,602	19,260
Contribution to Core	305	1,871

The Commerce customer group achieved a contribution to Core activities of £0.3 million, against a target of £2.2 million.

4 Cost of sales and operating expenses

		1999/2000	1998/99
	Note	£ '000	£ '000
Staff costs	6	74,392	71,372
Travel and subsistence		4,261	4,011
Equipment and services		28,746	32,287
Accommodation		9,516	9,493
Rates rebate		(3,263)	–
Depreciation	7	17,820	17,011
International subscriptions		9,152	7,744
Other administrative expenses		1,936	1,213
Total cost of sales and operating expenses		142,560	143,131

(i) Accommodation includes £2.0 million (1998/99, £1.8 million) operating lease rentals of property.

(ii) The rebate of £3.3 million is in respect of business rates which had been calculated using excessive valuations on properties over an eight-year period.

(iii) International subscriptions include the European Centre for Medium-range Weather Forecasts, the World Meteorological Organization and EUMETSAT (excluding amounts capitalised as satellite assets).

(iv) Other administrative expenses include an audit fee of £50,000 (1998/99, £50,000) and £10,000 (1998/99, £nil) for the review of performance indicators.

(v) Total cost of research and development, which was funded by customers including the Department of the Environment, Transport and the Regions was £21.2 million (1998/99, £17.6 million).

5 Interest payable and similar charges

	1999/2000	1998/99
	£ '000	£ '000
On loans wholly repayable within five years	1,359	2,115
Total interest payable and similar charges	1,359	2,115

6 Staff

a) Staff costs

	1999/2000 £ '000	1998/99 £ '000
Salaries, bonuses and allowances	61,723	59,294
Social security	4,974	4,681
Pension contributions	7,695	7,397
Total staff costs	74,392	71,372

The employees of The Met. Office are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972, and subsequent amendments, apply. For 1999/2000, contributions of £7.7 million (1998/99, £7.4 million) were paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. These rates ranged from 12% to 18.5%, unchanged from 1998/99 — see note 1(h).

b) Average staff numbers

	1999/2000 number	1998/99 number
Senior management	11	11
Scientific, managerial, technical	1,651	1,583
Support	550	591
Locally engaged civilians overseas	19	19
Monthly average staff numbers	2,231	2,204

There were 2,219 staff employed at 31 March 2000 compared with 2,229 at 31 March 1999, both figures expressed as full-time equivalents.

c) Directors remuneration

(i) Salaries and benefits

Salaries and benefits are reviewed annually. Basic salaries for members of the senior management were increased with effect from 1 April 1999. The pay award was dependent on performance and ranged from 3.0% to 7.4%.

(ii) Performance-related bonuses

These are calculated in accordance with a fixed formula which measures performance against The Met. Office's key performance targets. It is paid to Board members on the recommendation of the Remuneration Committee.

(iii) Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme. This is a statutory scheme which provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three year's pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in

service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

It was agreed that The Met. Office would continue Professor Thorpe's contributions to the University Superannuation Scheme (USS) during the period of his employment, The Met. Office pay both the employer's and employee's contributions on his behalf.

(iv) Directors' emoluments

Name	Age	Emoluments 1999/2000	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March 2000
		£'000	£'000	£'000
PD Ewins	57	85–90	0–2.5	35–40
PJ Mason	54	75–80	0–2.5	30–35
CR Flood	56	60–65	0–2.5	25–30
SJ Caughey	54	60–65	0–2.5	20–25
RD Hunt	51	55–60	0–2.5	20–25
S Lawrenson	40	50–55	n/a	0–5
P Mabe	41	70–75	0–2.5	5–10
AL Tourle	46	50–55	0–2.5	15–20
DJ Carson	56	60–65	0–2.5	20–25
JF Ponting	50	50–55	0–2.5	15–20
AJ Thorpe	47	55–60	n/a	15–20
S Noyes	40	50–55	n/a	10–15

Members of the pension scheme have the option to pay Additional Voluntary Contributions; any contributions made are not included in the above table.

Notes

(a) The Chief Executive, Peter Ewins, received emoluments comprising a basic salary and a performance bonus.

(b) Stephen Lawrenson and Alan Thorpe are currently employed on three-year fixed-term contracts.

(c) Stephen Lawrenson was recruited as Managing Director Commercial in July 1999.

(d) Steve Noyes was appointed as Director of Relocation in January 2000, although his gross remuneration for the whole year is included.

(e) Ann Tourle left The Met. Office on 12 May 2000 and was replaced by Martin Sands who received no emoluments or pension benefits for this period.

d) Early retirement

	1999/2000 £ '000	1998/99 £ '000
Expenditure incurred in current year	83	21

This represents the full cost of employees who left in year.

7 Fixed assets

The movements in each class of assets were:

	Satellite programme £ '000	Land and buildings £ '000	Plant and equipment £ '000	Total tangible £ '000
Cost or valuation:				
At 1 April 1999	102,599	11,999	42,127	156,725
Additions	9,773	1,588	13,486	24,847
Disposals	–	–	(1,859)	(1,859)
Revaluation	4,296	1,776	291	6,363
At 31 March 2000	116,668	15,363	54,045	186,076
Depreciation:				
At 1 April 1999	41,399	1,425	20,868	63,692
Charged during year	9,560	456	7,804	17,820
Disposals	–	–	(1,678)	(1,678)
Revaluation	1,733	–	140	1,873
At 31 March 2000	52,692	1,881	27,134	81,707
Net book value:				
At 1 April 1999	61,200	10,574	21,259	93,033
At 31 March 2000	63,976	13,482	26,911	104,369

- (i) The net book value of freehold land and buildings includes £5.7 million of freehold land following revaluation during the year (1 April 1999, £4.5 million) which has not been depreciated.
- (ii) The net book value of plant and equipment is based on a valuation at 14 December 1995 by Grimley, updated by appropriate indices.

- (iii) Land and buildings were valued by Chesterton Chartered Surveyors on 2 November 1999, in accordance with the practice statements and guidance notes set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of open market values for existing use, except that a specialised building has been valued on the basis of depreciated replacement cost.
- (iv) The Met. Office's share of the net assets of the EUMETSAT satellite programme has been reclassified from intangible fixed assets to tangible fixed assets.

8 Stocks

	31 March 2000 £ '000	31 March 1999 £ '000
Meteorological equipment	722	614
Reserve equipment	320	282
Consumable stores	127	160
Total stock	1,169	1,056

9 Debtors

	31 March 2000 £ '000	31 March 1999 £ '000
Trade debtors	12,812	11,030
Other debtors	850	855
Prepayments and accrued income	9,026	8,692
Total debtors	22,688	20,577

10 Analysis of changes in cash at bank and in hand

	Note	31 March 2000 £ '000	31 March 1999 £ '000
Balance at 1 April		379	3,555
Net cash inflow/(outflow)	17	226	(3,176)
Balance at 31 March		605	379

Cash which is surplus to immediate requirements is held in short-term interest-bearing accounts — £55 million (31 March 1999, £64.9 million) with the National Loans Fund.

11 Creditors

	Notes	31 March 2000 £ '000	31 March 1999 £ '000
Amounts falling due within one year:			
Current instalment on long-term loans	13, 17	8,368	8,032
Trade creditors		639	3,067
Taxation and social security		6,081	6,650
Early retirement payments		2	1
Accruals and deferred income		14,247	13,852
Total amounts falling due within one year		29,337	31,602

12 Provisions for liabilities and charges

	Dilapidations £ '000	Reorganisation £ '000	Total £ '000
Balance at 1 April 1999	613	870	1,483
Transferred from Profit and Loss Account	77	—	77
Utilised in year	—	(186)	(186)
Balance at 31 March 2000	690	684	1,374

The Reorganisation Provision has been made for the future cost of leasehold properties which are surplus to requirements following reorganisation. Amounts required to reinstate leasehold properties prior to expiry of lease term (dilapidations) have been reclassified under provisions (previously included in long-term creditors).

13 Long-term loan repayments

Government loans, repayable by instalments, and bearing interest at 8% and 8.25% per annum.

	31 March 2000 £ '000	31 March 1999 £ '000
Loans at 31 March comprise amounts repayable in two to five years	2,568	10,936
Total loan repayments	2,568	10,936

Amounts repayable in one year are included in creditors — see note 11.

14 Revaluation Reserve

	31 March 2000 £ '000	31 March 1999 £ '000
Revaluation Reserve at 1 April	4,598	3,388
Revaluation of satellite assets	2,563	1,050
Revaluation of land and buildings, and plant and equipment	2,046	160
Revaluation Reserve at 31 March	9,207	4,598

£1,313,000 (31 March 1999, £809,000) of the Revaluation Reserve was realised.

15 General Reserve

	31 March 2000 £ '000	31 March 1999 £ '000
General Reserve at 1 April	72,459	61,385
Retained profit	10,019	11,074
General Reserve at 31 March	82,478	72,459

16 Related parties

The Ministry of Defence is regarded as a related party. During the year, The Met. Office has had material transactions with the Department and with other entities for which MoD is regarded as the parent department, primarily the Defence Evaluation and Research Agency. In addition, The Met. Office has had material transactions with a number of other public bodies, Government Departments and their agencies, principally the Civil Aviation Authority, Department of the Environment, Transport and the Regions, Home Office and Ministry of Agriculture, Fisheries and Food. None of the Met. Office Board members, key managerial staff or other related parties has undertaken any material transactions with The Met. Office during the year.

17 Cash Flow Statement

a) Gross cash flows

	31 March 2000		31 March 1999	
	£ '000	£ '000	£ '000	£ '000
Returns on investments and servicing of finance				
Interest received	3,218		4,285	
Interest paid	(1,359)		(2,115)	
		1,859		2,170
Capital expenditure				
Payments to acquire satellite assets	(9,773)		(11,459)	
Payments to acquire tangible fixed assets	(14,709)		(6,371)	
(Costs of)/Receipts from sales of tangible fixed assets	(18)		27	
		(24,500)		(17,803)
Management of liquid resources				
Net receipts from/(payments to) National Loans Fund deposit account	9,900		(3,400)	
		9,900		(3,400)
Financing				
Loan repayment	(8,032)		(13,194)	
		(8,032)		(13,194)

b) Analysis of changes in net funds

	At 1 April 1999 £ '000	Cash flows £ '000	Other changes £ '000	At 31 March 2000 £ '000
Cash at bank and in hand	379	226		605
Cash on deposit	64,900	(9,900)		55,000
Debt due within one year	(8,032)	8,032	(8,368)	(8,368)
Debt due after one year	(10,936)	–	8,368	(2,568)
		8,032		
Total	46,311	(1,642)	0	44,669

18 Operating leases

	1999/2000 £ '000	1998/99 £ '000	1999/2000 £ '000	1998/99 £ '000
Annual commitments are as follows.	Land and buildings		Vehicles	
Leases expiring within:				
Under one year	200	3	164	104
One to five years	55	133	–	50
Over five years	1,784	1,695	–	–
Total	2,039	1,831	164	154

19 Capital commitments

	1999/2000 £ '000	1998/99 £ '000
Contracted	2,330	8,716

20 Derivatives

The Met. Office makes significant foreign currency payments for subscriptions and contributions to international meteorological organisations. These costs are recovered from customers of Core services on fixed-price contracts. To manage the risk of currency movements, The Met. Office has a policy of buying forward foreign currency, or of taking out options to buy currency (discontinued in 1999/2000), as soon as amounts can be reliably estimated. During 1999/2000, there were no options to write-off costs (1998/99, £0.2 million).

TREASURY ACCOUNTS DIRECTION AND SCHEDULES

Accounts Direction given by HM Treasury in accordance with section 4(6) of the Government Trading Funds Act 1973

1. The Met. Office shall prepare accounts for the financial year ended 31 March 1997 and subsequent financial years comprising:
 - (a) a foreword;
 - (b) a Profit and Loss Account;
 - (c) a Balance Sheet;
 - (d) a Cash Flow Statement; and
 - (e) a statement of Total Recognised Gains and Losses,
 including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. The accounts shall give a true and fair view of the profit or loss, and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. Subject to this requirement, the accounts shall be prepared in accordance with:
 - (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
 - (b) the disclosure and accounting requirements contained in the *Fees and Charges Guide* (in particular those relating to the need for segmental information for services or forms of service provided) and in any other guidance which HM Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
 - (c) the accounting and disclosure requirements of *Government Accounting* (in particular Chapter 17) and HM Treasury's guidance paper *Next Steps Agencies — Annual Reports and Accounts* (February 1993), as amended or augmented from time to time, insofar as these are appropriate to The Met. Office and are in force for the financial period for which the accounts are to be prepared.
4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 of this Direction. Additional disclosure requirements are set out in Schedule 2 of this Direction.
5. The Profit and Loss Account and Balance Sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - (a) fixed assets at their value to the business by reference to current costs; and
 - (b) stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
6. This direction and, where appropriate, the Treasury Minute (see paragraph 2 of Schedule 2) shall be reproduced as appendices to the accounts.

Signed: Jamie Mortimer
Treasury Officer of Accounts
19 June 1997

Schedule 1

Application of the Accounting and Disclosure Requirements of Companies Act and Accounting Standards

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to The Met. Office unless specifically approved by HM Treasury.
2. The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to The Met. Office shall be contained in the foreword.
3. When preparing its Profit and Loss Account, The Met. Office shall have regard to the Profit and Loss Account format 1 prescribed in Schedule 4 to the Companies Act.
4. When preparing its Balance Sheet, The Met. Office shall have regard to the Balance Sheet format 1 prescribed in Schedule 4 to the Companies Act. The Balance Sheet totals shall be struck at 'net assets'.
5. The Met. Office is not required to provide the historical cost information described in paragraph 33(3) of Schedule 4 of the Companies Act.
6. The foreword and Balance Sheet shall be signed by the Accounting Officer and dated.

Accounting standards

7. The Met. Office is not required to include a note showing historical cost profits and losses as described in FRS 3.

Schedule 2

Additional Disclosure Requirements

1. The foreword shall, inter alia:
 - a) state that the accounts have been prepared in accordance with a direction given by HM Treasury in accordance with section 4(6) of the Government Trading Funds Act 1973;
 - b) include a brief history of The Met. Office and its statutory background.
2. The notes to the accounts shall include details of the further financial objectives set by the responsible Minister as described in a Treasury Minute in accordance with section 4(1) (b) of the Government Trading Funds Act 1973, together with an indication of the performance achieved.



The Met. Office

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www.met-office.gov.uk

Copies of the Scientific and Technical Review 1999/2000 can be obtained from Met. Office Communications on 01344 854643. The Annual Report and Accounts 1999/2000 and Scientific and Technical Review 1999/2000 can also be accessed from our web site at www.met-office.gov.uk

All other enquiries, including those relating to products and services, should be directed to our Customer Centre on 0845 300 0300.

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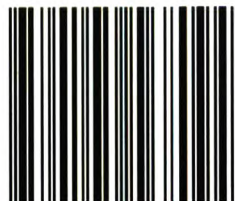
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