



The Met.Office

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# ANNUAL

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# REPORT

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# ACCOUNTS

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1994/95





**The Met.Office**

# **An Executive Agency of the Ministry of Defence**

## **Annual Report and Accounts 1994/95**

Presented to Parliament in pursuance of section 5(1) of the  
Exchequer and Audit Departments Act 1921

Ordered by the House of Commons  
to be printed on 19 July 1995

## Aim and Objectives

The Met. Office provides weather and climate-related services to a wide range of customers. We are well known to the public through weather forecasts broadcast on television and radio but also provide specialised services, such as those in support of the Armed Forces and civil aviation, warnings of severe weather events and advice to the Government on climate change. Weather intelligence can also be used to advantage in business planning and operations.

The formal aim and objectives (as shown below) are taken from the Framework Document (1990) of The Meteorological Office Executive Agency. The document has been revised and is awaiting approval; only minor changes have been proposed.

### Aim

The aim of The Meteorological Office Executive Agency is to provide for United Kingdom military and civil users an effective, modern and efficient National Meteorological Service.

### Objectives

In fulfilling its aim, the principal objectives of The Meteorological Office shall be to:

provide a range of meteorological services to meet the requirements specified by the British Armed Forces and the Ministry of Defence;

provide under contract meteorological services to the Civil Aviation Authority;

make available warnings, forecasts and other meteorological services to shipping, the general public and others as may be required by the Secretary of State for Defence;

offer, and provide on payment, meteorological services to other Government Departments, commerce and industry;

provide information and advice to Ministers as required by them on matters related to meteorology;

represent and maintain British interests within the World Meteorological Organization and other relevant international bodies;

maintain an up-to-date National Meteorological Library and Archive.

In meeting these objectives The Meteorological Office will:

aim to achieve progressively more-demanding quality of service and efficiency targets;

pursue research to attain those levels of capability and expertise necessary to meet its objectives economically and on repayment to meet customer requirements;

develop and pursue profitable commercial outlets for its services within Departmental guidelines;

maintain and renew the buildings and equipment needed for its operation in the light of forward plans agreed with the Ministry of Defence;

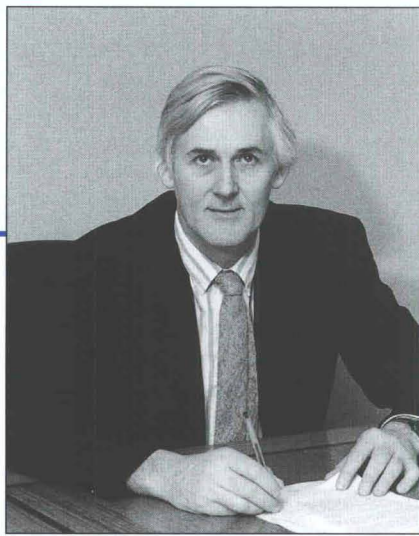
ensure that it recruits, trains and retains the right level and mix of personnel to meet its objectives in accordance with good employer practices.



**The Met.Office**

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J.C.R. Hunt Chief Executive

## Chief Executive's Foreword

This year, our fourth as an Executive Agency, saw the organisation under review, as part of the Defence Costs Study. Its recommendations were accepted by the Ministry of Defence and H M Treasury. The first of the study's main conclusions was that The Met. Office should remain a world-class science-based organisation within the public sector. The second, that The Met. Office should change its administrative and financial framework to become a Trading Fund, is being implemented, with shadow Trading to start in mid-1995 in anticipation of full Trading Fund status from 1 April 1996. The first two stages in the implementation of these plans have been a change in the structure of our organisation - in order to improve the focus on our wide range of customers, as set out in our Framework Document - and the adoption of the commercial accounting system used by our sister agency, the Defence Evaluation and Research Agency.

Against this background of change, The Met. Office has achieved some outstanding results during 1994/95. The most notable of these is the significant improvement we have made in the accuracy of UK and world-wide forecasts from our numerical prediction model, resulting particularly from the close collaboration between our Research and Central Forecasting teams. This, combined with recent progress in climate research, also produced marked improvements in climate simulation and prediction. While improvements in our day-to-day forecasting accuracy underpin much of our operational work, those associated with climate research further enhanced the scientific basis for the UK Government's presentation at the First Conference of the Parties of the UN Framework Convention on Climate Change held in Berlin in April 1995. We are also proud and pleased that Dr Paul Mason, our Chief Scientist, was elected to become a Fellow of the Royal Society.

Under its Director, Bernard Herdan, who has now left us to become Chief Executive of his own Agency, our Commercial Services (CS) Division had another excellent year, achieving 8% revenue growth

(excluding CAA and DoE) and making a highly valued £3.1m contribution to our core costs and general overheads. This result was achieved in the face of vigorous competition from the private sector. However, it is significant that some 44% of our CS revenue came through joint ventures with the private sector. The result confirms that the activities of our CS Division are definitely not subsidised by the Defence vote. The services provided to the UK and UN Defence forces have been further developed, with specialised numerical forecasts and tactical forecasting advice provided by our staff working alongside the Servicemen on location around the world.

We have met four of the six key Business Plan targets, narrowly missing the other two. We met the essential cash limit key target by delivering our agreed programme of activities within budget. This was achieved partly through the introduction of efficiency measures in most departments and partly through the successful introduction of a programme of voluntary early retirement. This latter initiative has allowed us to reduce overall staff numbers by 151 over the year, yielding considerable cost-savings, equivalent to some £4m in a full year.

Work has continued to develop a new pay scheme based on the value of individual jobs and a reduction in the number of staff grades. While progress has been slower than originally planned, the new scheme is expected to be in operation from 1 November 1995. There have also been productive negotiations about increases in pay, and about certain reductions in the number and value of pay-related allowances. After some hard bargaining, and goodwill from all parties, agreement was reached. We expect the same robust but realistic relations to continue as we progress to Trading Fund.

From its inception in 1854, The Met. Office has made a vital contribution to the safety of the nation, the theme of the World Meteorological Day on 23rd March 1995. In more recent years, the economic benefits of meteorological services have also become increasingly valued here and

throughout the whole world. These economic benefits were highlighted at a World Meteorological Organization (WMO) conference held in Geneva in September 1994, just one of the many WMO programmes to which our staff made significant contributions. Other contributions have included the work on new methods and protocols for international warnings of meteorological and other natural disasters, and on a new co-ordination framework for the Inter-Agency World Climate Programme.

Our international focus is not just confined to WMO. Every year, more of our operational and research projects depend on collaboration with international partners. In the last year, collaboration with other European National Meteorological Services culminated in the approval in principle by the European Commission of the ECOMET scheme for a concerted approach to the provision of service, data and products in Europe. We also made progress in forming EUMETNET, a co-ordination framework for optional programmes designed to improve and to economise on the European wide meteorological infrastructure. In the forum of the International Civil Aviation Organisation (ICAO), Met. Office staff were heavily involved with the organisation and implementation of the SADIS (Satellite Distribution System) programme, particularly in Africa.

The speed and number of the changes we have faced during 1994/95 have made this a difficult year for all of us. Further changes and challenges are inevitable as we make the transition to Trading Fund. I am delighted at the progress we have already made and I am grateful to my staff for their loyalty and commitment; I am confident that they will rise to the challenges of new technical and financial responsibilities. I also feel sure that they will participate fully in developing the new organisation and will press on with the exciting advances we are making in all aspects of meteorology.

## Targets and Performance 1994/95

### Quality

- To achieve at least 80% of all Business Plan targets for customer satisfaction, forecast accuracy and timeliness.

**This target was not achieved.**

34 of the 44 Business Plan targets (77%) for customer satisfaction, forecast accuracy and timeliness were met, and seven were missed marginally. Of the remainder, one was not met due to a policy change and two were not completed during the year.

- To attain an accuracy of at least 84% for the 24-hour national forecasts broadcast at 1755 by BBC Radio 4.

**Achieved.**

The accuracy of the forecasts was 85% when averaged over the whole year. These forecasts are produced by our staff working at the BBC Weather Centre in TV Centre, London. Since the forecasts are based on guidance from the Central Forecasting Office, Bracknell, this measure is used as an indicator of the accuracy of all our forecasting output.

### Resources

Only the net expenditure target can be derived from the audited accounts. Other financial targets have been set with reference to cash based management information.

- To deliver the agreed programme within the Business Plan cash limit of £75m.

**Achieved.**

The outturn was £73.6m.

- To reduce net expenditure, as shown in the Annual Report and Accounts, to £93.2m, representing a decrease of 9.1% on the 1993/94 budget (both at 1994/95 prices).

**Achieved.**

Net expenditure was £91.4m.

- To provide a net contribution to core and general overheads of £3.6m from commercial services (excluding CAA and DoE), representing an increase of £0.3m over the 1993/94 budget (both at 1994/95 prices).

**Not achieved.**

Commercial revenue has increased from £19.1m in 93/94 to £20.6m this year, a growth of 8%. However, the net contribution to core and general overheads was £3.1m. The shortfall was due to changes in internal accounting procedures introduced after the target was set.

### Efficiency

- To increase efficiency in individual business areas by between 2% and 3%, typically, through improvements in quality and volume of service and reduced unit costs.

**An efficiency increase of more than 2% was achieved across the Office overall; one business area fell marginally below the 2% level.**

## Targets and Plans for 1995/96

- To achieve Trading Fund status on 1 April 1996.

### Quality

- To achieve at least 80% of the Business Plan external targets for customer satisfaction, forecast accuracy and timeliness.
- To attain an average accuracy over the UK of at least 84% for the 24-hour national weather forecasts broadcast at 1755 by BBC Radio 4.

### Resources

- To deliver the agreed programme within the Business Plan cash limit of £78.3m.
- To reduce net expenditure, as shown in the Annual Report and Accounts, to £90.3m, representing a decrease of 2.6% on the 1994/95 budget (both at 1994/95 prices).
- To provide a net contribution to core and general overheads of £3.8m from Commercial Services (excluding CAA and DoE).

### Efficiency

- To increase efficiency in individual business areas, as given in the Business Plan targets for each area, mainly through improvements in quality and volume of services and reduced unit output cost.

## Organisation

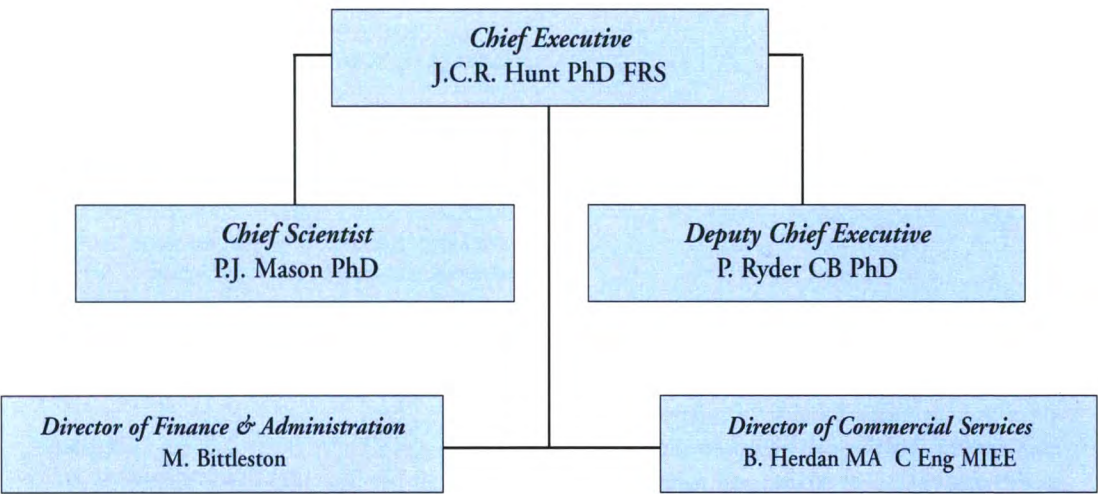
### Defence Meteorological Board (at 1 April 1994)

The Secretary of State for Defence, as owner of the Agency, is advised by the Second Permanent Under Secretary with the support of a Defence Meteorological Board. The Board comprises members with relevant scientific and commercial experience.

- Chairman** Mr J.M. Stewart CB, Second Permanent Under Secretary
- Members** \* Mr F.J. Benton, Retired Managing Director, IMI Yorkshire Alloys Ltd; Mr J.K. Ledlie, Deputy Under Secretary of State (Personnel & Logistics); \* Prof B.E.F Fender CMG, Vice-Chancellor, University of Keele; Vice-Admiral The Hon Sir Nicholas Hill-Norton KCB, Deputy Chief of the Defence Staff (Commitments) — retired Christmas 1994; Lieutenant General A.G.H. Harley, Deputy Chief of the Defence Staff (Commitments) — from Christmas 1994; Prof J.C.R. Hunt PhD FRS, Chief Executive, The Met. Office; Prof Sir David Davies CBE FIEE FEng FRS, Chief Scientific Adviser.
- \* Not employed within the Ministry of Defence
- Secretary** Mr T. Knapp, Assistant Under Secretary of State (Infrastructure & Logistics)

### The Met. Office Management Structure (at 1 April 1994)

The Management Board of The Met. Office is responsible for the day-to-day running of the Agency's operations and for ensuring that the customers' requirements are met.



On 1 May 1995, a new management structure was created for The Met. Office with new posts, appointments and job titles at Board level. Bernard Herdan, on completion of his contract, left the Office to take up an appointment as Chief Executive of the Driving Standards Agency. The post of Director of Commercial Services, re-designated Director of Services and Business, was filled by Mike Nicholls, previously Director of Observations.

## Foreword to the Accounts

The accounts for the Office have been prepared in accordance with the Direction given by the Treasury on 1 July 1993 in pursuance of section 5(1) of the Exchequer and Audit Departments Act 1921. The Direction is reproduced on pages 21 to 22 of the Annual Report and Accounts.

The 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 Office became part of the Air Ministry in 1920. This became part of the Ministry of Defence in 1964 and the Office became an Executive Agency on 2 April 1990 as part of the Government's 'Next Steps' initiative.

The principal activities of the Office are set out opposite page 1. There have been no significant changes in these activities during the year.

The operation of the Office is overseen by the Defence Meteorological Board and the Chief Executive is advised by the Meteorological Committee and its Research Sub-committee. The day-to-day business of the Office is managed by the Management Board, as shown on the facing page, supported by seven additional Directors.

The total expenditure of the Office in the year ended 31 March 1995 was £148.4 million (1993/94 £152.4 million) and a total of £57.0 million (1993/94 £54.9 million) was recovered from repayment customers. The balance, representing net expenditure, which is the only key target derivable from the Accounts, was £91.4 million (1993/94 £97.5 million). Total Assets less Current Liabilities at 31 March 1995 were £100.1 million (31 March 1994 £90.2 million).

The Office disposed of its Eastern Road site and Hostel building during the year. 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.

In anticipation of becoming a Trading Fund on 1 April 1996 a new commercial accounting system was introduced in April 1995.

A programme of applied Research and Development is conducted in support of the operational services provided by the Agency. Additional Research and Development concerning man-made climate change is conducted under contract to the DoE.

The Office is committed to a policy of equality of opportunity. The only test applied for recruitment, retention, training or advancement is the ability to do the job.

Formal consultation with staff is undertaken through the Meteorological Office Functional Whitley Committee, its sub-committees and local committees. The 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 Trade Unions have been consulted on a range of special issues including changes in personnel management arrangements, the introduction of new pay and grading structures for the Office and the arrangements for market testing of Office activities. Staff are informed of new developments within the Office by circulars and *Mercury*, the house magazine.



J.C.R. Hunt  
Chief Executive  
6 July 1995

## Net Expenditure Account for the year ended 31 March 1995

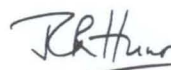
|   |      | 1994/95            | 1993/94            |
|---|------|--------------------|--------------------|
|   | Note | £ million          | £ million          |
| <b>INCOME</b>   |      |                    |                    |
| Income from non-MoD customers   | 2    | <u>57.0</u>        | <u>54.9</u>        |
| <b>EXPENDITURE</b>  |      |                    |                    |
| Staff costs   | 3    | 65.3               | 64.3               |
| Accommodation charges   | 4    | 7.5                | 7.3                |
| Other costs   |      |                    |                    |
| Operational activities:   |      |                    |                    |
| Observations  |      |                    |                    |
| Central Forecasting   |      |                    |                    |
| Data Collection and Processing  | 5    | 36.1               | 39.0               |
| Commercial activities, Research<br>and Administration                           | 6    | 26.8               | 26.5               |
| International Subscriptions   | 7    | <u>5.4</u>         | <u>5.4</u>         |
| Total Operating Expenditure   | 2    | <u>141.1</u>       | <u>142.5</u>       |
| <b>NET OPERATING EXPENDITURE</b>  | 2    | <u>84.1</u>        | <u>87.6</u>        |
| Loss on disposal of fixed assets  |      | 0.9                | 4.3                |
| Interest charges on Capital   | 1D   | <u>6.4</u>         | <u>5.6</u>         |
| <b>NET EXPENDITURE</b><br>(representing<br>THE NET DEPARTMENTAL COST OF OUTPUT) |      | <u><u>91.4</u></u> | <u><u>97.5</u></u> |

The notes on pages 12 to 18 form part of these accounts.

The movement on the General Reserve is set out at note 16 on page 18.

## Balance Sheet as at 31 March 1995

|   |      | 31 March 1995 |                     | 31 March 1994 |                    |
|---|------|---------------|---------------------|---------------|--------------------|
|   | Note | £ million     | £ million           | £ million     | £ million          |
| <b>FIXED ASSETS</b>                           |      |               |                     |               |                    |
| Intangible                                    | 8    |               | 43.8                |               | 39.9               |
| Tangible                                      | 8    |               | <u>54.4</u>         |               | <u>40.9</u>        |
|   |      |               | 98.2                |               | 80.8               |
| <b>CURRENT ASSETS</b>                         |      |               |                     |               |                    |
| Stocks  | 9    | 1.8           |                     | 2.2           |                    |
| Debtors                                       | 10   | <u>11.9</u>   |                     | <u>13.4</u>   |                    |
|   |      | 13.7          |                     | 15.6          |                    |
| <b>CURRENT LIABILITIES</b>                    |      |               |                     |               |                    |
| Creditors: amount falling due within one year | 11   | <u>(11.8)</u> |                     | <u>(6.2)</u>  |                    |
| <b>NET CURRENT ASSETS</b>                     |      |               | <u>1.9</u>          |               | <u>2.4</u>         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>  |      |               | <u><b>100.1</b></u> |               | <u><b>90.2</b></u> |
| <b>FINANCED BY</b>                            |      |               |                     |               |                    |
| Creditors: amount falling due after one year  | 11   |               | 8.6                 |               | —                  |
| Revaluation Reserve                           | 15   | 1.0           |                     | (1.6)         |                    |
| General Reserve                               | 16   | <u>90.5</u>   |                     | <u>91.8</u>   |                    |
| Government Funds                              |      |               | <u>91.5</u>         |               | <u>90.2</u>        |
|   |      |               | <u><b>100.1</b></u> |               | <u><b>90.2</b></u> |



J.C.R. Hunt  
Chief Executive  
6 July 1995

The notes on pages 12 to 18 form part of these accounts.

## Cash Flow Statement for the year ended 31 March 1995

|   | 1994/95            | 1993/94            |
|---|--------------------|--------------------|
|   | £ million          | £ million          |
| <b>NET OPERATING EXPENDITURE</b>                            | <b>84.1</b>        | <b>87.6</b>        |
| (From the Net Expenditure Account)                          |                    |                    |
| Adjustments for items not involving the movements of funds: |                    |                    |
| Depreciation  | (23.4)             | (17.5)             |
| Notional Charges  |                    |                    |
| Departmental costs  | (2.2)              | (2.3)              |
| Contribution in lieu of rates                               | —                  | (1.5)              |
| Other   | —                  | (0.3)              |
| Movements in:   |                    |                    |
| Stocks — (decrease)/increase                                | (0.4)              | 0.2                |
| Debtors — (decrease)/increase                               | (2.3)              | 3.5                |
| Creditors — (increase)/decrease                             | <u>(2.3)</u>       | <u>0.2</u>         |
| <b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>           | <b>53.5</b>        | <b>69.9</b>        |
| <b>SERVICING OF FINANCE</b>                                 |                    |                    |
| Interest element of finance lease rentals                   | 0.9                | —                  |
| <b>INVESTING ACTIVITIES</b>                                 |                    |                    |
| Payments to acquire fixed assets                            | 30.6               | 13.8               |
| Proceeds from sale of fixed assets                          | <u>(2.6)</u>       | <u>—</u>           |
|   | <u>28.0</u>        | <u>13.8</u>        |
| <b>NET CASH OUTFLOW BEFORE FINANCING</b>                    | <b><u>82.4</u></b> | <b><u>83.7</u></b> |
| <b>FINANCING</b>  |                    |                    |
| Payments from Defence Appropriation Accounts (Note 17)      | 148.5              | 145.8              |
| Receipts from Defence Appropriation Accounts                | (67.2)             | (62.7)             |
| Adjustment for VAT  | <u>1.1</u>         | <u>0.6</u>         |
| <b>NET CASH INFLOW FROM FINANCING</b>                       | <b><u>82.4</u></b> | <b><u>83.7</u></b> |
| <b>INCREASE/DECREASE IN CASH</b>                            | <b><u>NIL</u></b>  | <b><u>NIL</u></b>  |

Major non-cash transactions:

During the year the office entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £22.8 million (1993/94 nil).

The notes on pages 12 to 18 form part of these accounts.

## Statement of recognised Gains and Losses for the year ended 31 March 1995

|   | 1994/95     | 1993/94     |
|---|-------------|-------------|
|   | £ million   | £ million   |
| Net Expenditure for the financial year  | 91.4        | 97.5        |
| Unrealised (surplus)/deficit on revaluation of fixed assets                     | (2.6)       | 1.8         |
| Total net expenditure and gains and losses recognised during the financial year | <u>88.8</u> | <u>99.3</u> |

### Reconciliation of movements in Government Funds

|   | 1994/95     | 1993/94     |
|---|-------------|-------------|
|   | £ million   | £ million   |
| Government funds at 1 April   | 90.2        | 96.4        |
| Total net expenditure and gains and losses recognised during the financial year | (88.8)      | (99.3)      |
| Net cash flow from financing  | 82.4        | 83.7        |
| Notional charges  | 7.7         | 2.4         |
| Government funds at 31 March  | <u>91.5</u> | <u>90.2</u> |

The notes on pages 12 to 18 form part of these accounts.

## Notes to the Accounts

### 1. Accounting Policies

#### A. Basis of Accounting

The accounts for The Meteorological Office have been prepared in accordance with the accounts Direction issued by HM Treasury on 1 July 1993 pursuant to section 5(1) of the Exchequer and Audit Departments Act 1921 (see pages 21 to 22). The accounts follow the accruals concept of accounting and the historical cost convention, modified to include revaluations of Fixed Assets and Stocks as set out in the Notes F, G and H below. Subject only to compliance with the requirements set out in the Accounts Direction, the accounts also

- (i) comply with the accounting and disclosure requirements of the Companies Act 1985 insofar as they are consistent with the status of a Vote-funded Agency of the Ministry of Defence (the Department).
- (ii) comply with accounting standards issued or adopted by the Accounting Standards Board unless they are deemed to be inapplicable by the Treasury.

#### B. Value Added Tax

The Agency is not separately registered for Value Added Tax (VAT) as VAT is accounted for centrally by the Ministry of Defence (MoD). Amounts included in the Net Expenditure Account and the Balance Sheet are exclusive of VAT. The Defence Appropriation Accounts are inclusive of VAT and VAT is therefore included as a reconciling item in the financing section of the Cash Flow Statement.

#### C. Income

Income comprises the invoiced value of services supplied to the Private Sector, the wider Public Sector and other Government departments. The funding of the Agency by the Department is shown in the Cash Flow Statement. Income received under collaborative arrangements for the capital installation of weather rainfall radar systems is credited as deferred income within creditors until tangible fixed assets are acquired.

#### D. Notional Charges

- (i) Departmental Overhead Charges  
Notional amounts are included in the Net Expenditure Account for charges in respect of services provided from other areas of the Department.
- (ii) Contribution in lieu of Rates (CILOR)

A notional charge for CILOR was included in the Net Expenditure Account in 1993/94. This cost is no longer notional and is met from Defence Appropriation Accounts.

- (iii) Interest Charges on capital

A notional charge for interest on capital is included in the Net Expenditure Account calculated at 6% of the average value of total assets less current liabilities and finance leases. The finance charges in respect of finance leases are also included.

#### E. Research and Development

All research and development expenditure incurred during the year is charged to the Net Expenditure Account.

#### F. Tangible Fixed Assets and Depreciation

- (i) Land and Buildings
    - (a) Where the Agency is the principal beneficial user of the Departmental Estate, such estate is treated as an asset of the Agency although legal ownership rests with the Secretary of State for Defence.
    - (b) A valuation of the Departmental Estate assets of the Agency was carried out at 31 March 1992 by the Valuation Office in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The Valuation Office last updated their valuation to 31 March 1994 using suitable indices.
    - (c) All leasehold property is held under operating leases as defined by Statement of Standard Accounting Practice Number 21. Major enhancements are capitalised.
  - (ii) Plant and Equipment
    - (a) Plant and equipment, including computers, is capitalised where the useful life exceeds five years and the cost of acquisition and installation exceeds £4,500, excluding VAT.
    - (b) Certain meteorological equipment installed in commercial aircraft or at sea is not capitalised as it is outside the direct control of the Office and has an uncertain operational life.
    - (c) Major items of capitalised plant and equipment are revalued annually using the Gross Domestic Product Deflator Index.
  - (iii) Depreciation
- Freehold land is not depreciated. Depreciation on buildings, mainframe computers, plant and

equipment is calculated to write off the cost, or value, by equal installments over the assets estimated useful life. A residual value equal to one year's depreciation is retained. Asset lives are periodically reviewed for technological obsolescence.

| <u>Asset Category</u> | <u>Estimated useful life</u> |
|-----------------------|------------------------------|
| Buildings             | Not exceeding 50 years       |
| Mainframe computers   | 7 years                      |
| Plant and equipment   | Between 5 and 10 years       |

G. Intangible Assets

(i) The Meteorological Office is a member of EUMETSAT and, as such, contributes to the cost of its satellite programmes. The Office benefits from the data and services resulting from these programmes. Expenditure on individual programmes is capitalised and revalued annually using the Aerospace Combined Input Cost Index. The value of each programme is depreciated from the date that the programme becomes operational over its expected life (currently of the order of ten years) using the straight line method.

(ii) During 1993/94 the Aerospace Combined Input Cost Index was revised to reflect changes in the weighting of cost elements. The cost and depreciation to date have been revalued to reflect the revised index.

H. Stocks

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

I. Leasing commitments

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Office, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

J. Early retirement

Normal accounting practice is to provide for the full cost of early departure of employees in the year in which the early departure decision is made. However, for employees leaving between 1 October 1994 and the anticipated start of trading fund status, 1 April 1996, only 20% of the payments made in the year ending 31 March 1996 will be borne by the Agency, the remaining 80% being met from the Civil Superannuation Vote. The Treasury has issued a direction that, whereas the 20% element borne by the Agency should be charged to the Income and Expenditure account straight away and taken to a provision on the balance sheet, the annual payments from the Civil Superannuation Vote in respect of the 80% element should be reflected (as notional costs) in the Agency's Income and Expenditure account when actually paid. The policy will be reviewed in the light of trading fund status.

2. Segmental Reporting

The analysis of net operating expenditure by business segment was as follows. This note meets the requirements of the Treasury's Fees and Charges guide.

|                             | 1994/95             |                          | Net<br>operating<br>Expenditure<br>£ million | 1993/94             |                          | Net<br>operating<br>Expenditure<br>£ million |
|-----------------------------|---------------------|--------------------------|--|---------------------|--------------------------|--|
|                             | Income<br>£ million | Expenditure<br>£ million |  | Income<br>£ million | Expenditure<br>£ million |  |
| Intra-Departmental Services | —                   | 86.4                     | 86.4   | —                   | 88.4                     | 88.4   |
| Inter-Departmental Services | 13.0                | 11.1                     | (1.9)  | 11.6                | 10.9                     | (0.7)  |
| Commercial Services         | <u>44.0</u>         | <u>43.6</u>              | <u>(0.4)</u>                                 | <u>43.3</u>         | <u>43.2</u>              | <u>(0.1)</u>                                 |
|                             | <u>57.0</u>         | <u>141.1</u>             | <u>84.1</u>                                  | <u>54.9</u>         | <u>142.5</u>             | <u>87.6</u>                                  |

There were no acquisitions or discontinued operations.

### 3. Staff

(i) The staff costs were:

|                                | 1994/95<br>£ million | 1993/94<br>£ million |
|--------------------------------|----------------------|----------------------|
| Salaries, wages and allowances | 54.6                 | 53.5                 |
| Social security costs          | 4.0                  | 4.3                  |
| Pension costs                  | <u>6.7</u>           | <u>6.5</u>           |
|                                | <u>65.3</u>          | <u>64.3</u>          |

(ii) The average number of staff employed in Civil Service grade bands during the year was:

|                                     | 1994/95     | 1993/94     |
|-------------------------------------|-------------|-------------|
| Unified Grades 2–7                  | 195         | 197         |
| Other Grades:                       |             |             |
| Scientific                          | 1711        | 1788        |
| Technical                           | 159         | 167         |
| Administrative and support          | 307         | 320         |
| Locally employed civilians overseas | <u>26</u>   | <u>30</u>   |
|                                     | <u>2398</u> | <u>2502</u> |

There were 2323 staff employed at 31 March 1995 (31 March 1994, 2474 staff).

(iii) Professor J.C.R. Hunt, the Chief Executive received total emoluments, excluding pension contributions, of £84,000 in 1994/95. In 1993/94 he received £73,000. He is an ordinary member of the Principal Civil Service Pension Scheme.

(iv) The emoluments, excluding pension contributions, of other higher paid employees, Civil Service grade 5 and above, fall into the following ranges:

| Grade | 1994/95                      |   | No | 1993/94                      |   | No |
|-------|------------------------------|---|----|------------------------------|---|----|
|       | Standard<br>Salary band<br>£ |   |    | Standard<br>Salary Band<br>£ |   |    |
| 3     | 49,920–59,599                | 1 |    | 49,920–59,599                | 1 |    |
| 4     | 44,390–53,740                | 1 |    | 44,390–53,740                | 2 |    |
| 5     | 36,019–53,470                | 9 |    | 36,019–53,470                | 9 |    |

In addition, one Grade 5 employee received a bonus of £7,000.

(v) Excepting locally employed civilians, all staff are covered by the provisions of the Civil Service and Armed Forces Pension schemes. With effect from 1 April 1993 payments are made into the Consolidated Fund at a rate determined from time to time by the Treasury. For 1994/95 the rate was 13.5% of pay, excluding certain allowances.

(vi) Travel and subsistence expenditure was £1.7 million (1993/94 £1.8 million).

(vii) Early retirement costs were as follows:

|   | 1994/95<br>£million |
|---|---------------------|
| Expenditure incurred in 1994/95                     | 0.2                 |
| Provision for expenditure in 1995/96:               |                     |
| Full charge for employees leaving before 1 Oct 1994 | 0.2                 |
| 20% charge for employees leaving after 1 Oct 1994   | 0.1                 |
| Provision for expenditure in 1996/97 and beyond:    |                     |
| Full charge for all employees leaving in 1994/95    | <u>1.3</u>          |
|   | <u>1.8</u>          |

The full cost of employees leaving in 1994/95 was £2.1 million (1993/94 £0.1 million).

### 4. Accommodation

These costs include rents, utilities, maintenance charges and depreciation on buildings.

### 5. Observations, Central Forecasting, Data Collection and Processing

These costs include equipment and material supplies, services required to collect and process data for the production of forecasts, and depreciation charges.

### 6. Commercial, Research and Administration

(i) These costs represent equipment, materials and services supporting the commercial, research and administration activities, notional Departmental overhead charges and a notional audit fee of £40,000 (1993/94, £42,000).

(ii) Total costs of the Research and Development activities in the year were £18.6 million (1993/94 £19.5 million) including £9.6 million (1993/94 £7.9 million) funded by DoE.

7. International Subscriptions

The costs of subscriptions include the European Centre for Medium-range Weather Forecasts and the World Meteorological Organization.

8. Fixed Assets

(i) The movements in each class of asset were:

|                     | Intangible   |             | Tangible     |              |
|---------------------|--------------|-------------|--------------|--------------|
|                     | Fixed        | Freehold    | Plant and    |              |
|                     | Assets       | land and    | equipment,   | Total        |
|                     | £ million    | buildings   | including    |              |
|                     |              | £ million   | computers    | £ million    |
| Cost or valuation:  |              |             |              |              |
| At 1 April 1994     | 91.4         | 19.2        | 40.3         | 59.5         |
| Additions           | 13.6         | —           | 27.1         | 27.1         |
| Disposals           | —            | (1.8)       | (2.2)        | (4.0)        |
| Revaluation         | <u>3.6</u>   | <u>—</u>    | <u>0.3</u>   | <u>0.3</u>   |
| At 31 March 1995    | <u>108.6</u> | <u>17.4</u> | <u>65.5</u>  | <u>82.9</u>  |
| Depreciation:       |              |             |              |              |
| At 1 April 1994     | 51.5         | 1.7         | 16.9         | 18.6         |
| Charged during year | 11.3         | 0.6         | 11.5         | 12.1         |
| Disposals           | —            | (0.1)       | (1.4)        | (1.5)        |
| Revaluation         | <u>2.0</u>   | <u>—</u>    | <u>(0.7)</u> | <u>(0.7)</u> |
| At 31 March 1995    | <u>64.8</u>  | <u>2.2</u>  | <u>26.3</u>  | <u>28.5</u>  |
| Net Book Value:     |              |             |              |              |
| At 1 April 1994     | 39.9         | 17.5        | 23.4         | 40.9         |
| At 31 March 1995    | 43.8         | 15.2        | 39.2         | 54.4         |

(ii) The net book value of freehold land and buildings includes £6.0 million of freehold land (31 March 1994, £7.1 million) which has not been depreciated.

(iii) The net book value of plant and equipment above includes an amount of £16.1 million (1993/94 nil) in respect of assets held under finance leases. The depreciation charge was £6.7 million (1993/94 nil).

(iv) Land and Buildings have been valued by the Valuation Office on the basis of open market values for existing use, except that specialised buildings have been valued on the basis of depreciated replacement cost.

## 9. Stocks

|                          | 1994/95<br>£ million | 1993/94<br>£ million |
|--------------------------|----------------------|----------------------|
| Meteorological equipment | 0.8                  | 0.8                  |
| Reserve equipment        | 0.8                  | 1.1                  |
| Consumable stores        | <u>0.2</u>           | <u>0.3</u>           |
| <b>Total</b>             | <u>1.8</u>           | <u>2.2</u>           |

## 10. Debtors

|                                       | 1994/95<br>£ million | 1993/94<br>£ million |
|---------------------------------------|----------------------|----------------------|
| <b>Operating Expenditure</b>          |                      |                      |
| Amounts falling due within one year:  |                      |                      |
| Trade debtors                         | 3.2                  | 3.5                  |
| Prepayments for operating expenditure | <u>4.6</u>           | <u>6.6</u>           |
|                                       | <u>7.8</u>           | <u>10.1</u>          |
| <b>Capital Expenditure</b>            |                      |                      |
| Amounts falling due within one year:  |                      |                      |
| Capital debtors                       | —                    | 1.0                  |
| Prepayments for capital expenditure   | <u>4.1</u>           | <u>2.3</u>           |
|                                       | <u>4.1</u>           | <u>3.3</u>           |
| <b>Total</b>                          | <u>11.9</u>          | <u>13.4</u>          |

## 11. Creditors

|  | 1994/95<br>£ million | 1993/94<br>£ million |
|--|----------------------|----------------------|
| <b>Operating Expenditure</b>                           |                      |                      |
| Amounts falling due within one year:                   |                      |                      |
| Trade creditors  | 1.6                  | 1.8                  |
| Early retirement provision                             | 0.2                  | —                    |
| Deferred income and accruals for operating expenditure | <u>4.8</u>           | <u>3.8</u>           |
|  | 6.6                  | 5.6                  |
| Amounts falling due after one year:                    |                      |                      |
| Early retirement provision                             | <u>1.3</u>           | <u>—</u>             |
|  | <u>7.9</u>           | <u>5.6</u>           |
| <b>Capital Expenditure</b>                             |                      |                      |
| Amounts falling due within one year:                   |                      |                      |
| Deferred income for capital expenditure                | 0.6                  | 0.6                  |
| Obligations under finance leases                       | <u>4.6</u>           | <u>—</u>             |
|  | 5.2                  | 0.6                  |
| Amounts falling due after one year:                    |                      |                      |
| Obligations under finance leases                       | <u>7.3</u>           | <u>—</u>             |
|  | <u>12.5</u>          | <u>0.6</u>           |
| Total amounts falling due within one year              | 11.8                 | 6.2                  |
| Total amounts falling due after one year               | <u>8.6</u>           | <u>—</u>             |
| <b>Total</b>   | <u>20.4</u>          | <u>6.2</u>           |

12. Operating Leases

(i) Annual commitments under operating leases were as follows:

|                         | Land and Building |            | Others    |            | Total      |            |
|-------------------------|-------------------|------------|-----------|------------|------------|------------|
|                         | 1994/95           | 1993/94    | 1994/95   | 1993/94    | 1994/95    | 1993/94    |
|                         | £ million         | £ million  | £ million | £ million  | £ million  | £ million  |
| Leases expiring within: |                   |            |           |            |            |            |
| Less than one year      | –                 | –          | –         | –          | –          | –          |
| One year to five years  | 0.5               | 0.5        | –         | 7.1        | 0.5        | 7.6        |
| Over five years         | <u>1.4</u>        | <u>1.4</u> | <u>–</u>  | <u>–</u>   | <u>1.4</u> | <u>1.4</u> |
| Total                   | <u>1.9</u>        | <u>1.9</u> | <u>–</u>  | <u>7.1</u> | <u>1.9</u> | <u>9.0</u> |

(ii) The amount charged to the Net Expenditure Account in 1994/95 was £1.9 million (1993/94, £6.9 million).

13. Obligations under Finance Leases

(i) The maturity of these amounts is as follows:

|  | 1994/95       | 1993/94   |
|--|---------------|-----------|
|  | £ million     | £ million |
| Amounts payable:   |               |           |
| within one year  | 5.1           | –         |
| within two to five years   | <u>7.4</u>    | <u>–</u>  |
|  | 12.5          | –         |
| Less: finance charges allocated to future periods                            | <u>(0.6)</u>  | <u>–</u>  |
|  | <u>11.9</u>   | <u>–</u>  |
| Analysis of changes in finance leases during the current and previous years: |               |           |
| At 1 April   | –             | –         |
| Inception of finance lease contracts   | 22.8          | –         |
| Capital element of finance lease rental payments                             | <u>(10.9)</u> | <u>–</u>  |
| At 31 March  | <u>11.9</u>   | <u>–</u>  |

(ii) Finance charges payable under finance leases were £0.9 million (1993/94 nil).

## 14. Capital Commitments

|  | 1994/95<br>£ million | 1993/94<br>£ million |
|--|----------------------|----------------------|
| Contracted   | 0.6                  | 0.1                  |
| Authorised, but not contracted                     | –                    | 0.3                  |
| Authorised contribution<br>for satellite programme | <u>8.5</u>           | <u>4.9</u>           |
| <b>Total</b>                                       | <u>9.1</u>           | <u>5.3</u>           |

## 15. Revaluation Reserve

(i) The Revaluation Reserve was set at zero on 1 April 1992 by order of the Treasury.

(ii) Movement in Year

|   | 1994/95<br>£ million | 1993/94<br>£ million |
|---|----------------------|----------------------|
| Revaluation Reserve at<br>1 April         | (1.6)                | 0.2                  |
| Revaluation of<br>Intangible fixed assets | 1.6                  | (0.1)                |
| Revaluation of<br>Tangible fixed assets   | <u>1.0</u>           | <u>(1.7)</u>         |
| Revaluation Reserve at<br>31 March        | <u>1.0</u>           | <u>(1.6)</u>         |

## 16. General Reserve

(i) The General Reserve was set at £99.2 million as at 1 April 1992 representing Net Assets employed at that date.

(ii) Movement in Year

|                                   | 1994/95<br>£ million | 1993/94<br>£ million |
|-----------------------------------|----------------------|----------------------|
| General Reserve at 1 April        | 91.8                 | 96.2                 |
| Net cash inflow from<br>Financing | 82.4                 | 83.7                 |
| Notional charges                  | 7.7                  | 9.4                  |
| Less Net Expenditure              | <u>(91.4)</u>        | <u>(97.5)</u>        |
| General Reserve at<br>31 March    | <u>90.5</u>          | <u>91.8</u>          |

## 17. Financing

Payments from Defence Appropriation Accounts include payments on Class 1 Vote 1 section N by the Office, and payments on other sections for services and supplies by the Department on behalf of the Office. Included in Vote 1 section N is £10.9 million for repayment of capital elements of a finance lease.

## 18. Contingent Liabilities

A contingent liability exists in the event of any damage arising from the improper use of a computer leased by the Office. No realistic estimate of any financial effect can be made as the risk is considered low.

# Statement of Agency's and Chief Executive's responsibilities

Under section 5 of the Exchequer and Audit Departments Act 1921 the Treasury have directed The Meteorological Office to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction at page 21. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Agency is required to:

- observe the accounts direction issued by the 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.

The Accounting Officer for the Ministry of Defence has appointed the Chief Executive of The Meteorological Office as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting (HMSO).

## **The Certificate and Report of the Comptroller and Auditor General to the House of Commons**

I have audited the financial statements on pages 8 to 18 which 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 12 and 13.

### **Respective responsibilities of Agency, Chief Executive and auditors**

As described on page 19 the Agency and the Chief Executive are responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

### **Basis of opinion**

I certify that I have examined the financial statements referred to above in accordance with Section 5 of the Exchequer and Audit Departments Act 1921 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency'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 fraud or other irregularity or error. In forming my opinion I 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 Meteorological Office Executive Agency at 31 March 1995 and of its net expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and with the directions made thereunder by the Treasury.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General

10 July 1995

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

# Accounts Direction of the Treasury

The Treasury, in pursuance of section 5(1) of the Exchequer and Audit Departments act 1921, hereby gives the following Direction.

1. The statement of accounts which it is the duty of The Meteorological Office to prepare in respect of the financial year ended 31 March 1993 and in respect of any subsequent financial year shall comprise;

- (a) a foreword;
- (b) a net expenditure account;
- (c) a balance sheet;
- (d) a cash flow statement; and
- (e) (1993/94 onwards) a statement of recognized gains and losses;

including in each case such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The Meteorological Office shall observe all relevant accounting and disclosure requirements given in "Government Accounting" and in the Treasury booklet "Trading Accounts; a Guide for Government Departments and Non-Departmental Public Bodies" (the "Trading Accounts booklet") as amended or augmented from time to time.

3. The statement of accounts referred to above shall give a true and fair view of the income and expenditure, state of affairs and cash flow of The Meteorological Office. Subject to the foregoing requirement, the statement of accounts shall also, without limiting the information given and as described in Schedule 1 of this Direction, meet:

- (a) the accounting and disclosure requirements of the Companies Act;
- (b) best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, with the exception of the

requirement contained in FRS 3 for the inclusion of a note showing historical cost profits and losses;

- (c) any disclosure and accounting requirements which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view; and
- (d) any additional disclosure requirements contained in "The Fees and Charges Guide", in particular those relating to the need for segmental information for different services provided,

insofar as these are appropriate to The Meteorological Office and are in force for the financial period for which the statement of accounts is to be prepared.

4. Additional disclosure requirements are set out in Schedule 2 of this Direction.

5. The net expenditure 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 valued at the lower of cost, or net current replacement cost if materially different, and net realisable value.

Signed: T.J. Burr  
Treasury Officer of Accounts  
1 July 1993

## Schedule 1

### Application of the Companies Act's Requirements

1. The disclosure exemptions permitted by the Companies Act in force for the financial period for which the statement of accounts is to be prepared shall not apply to The Meteorological Office unless specifically approved by the Treasury.
2. The foreword shall contain the information required by the Companies Act to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to The Meteorological Office.
3. The profit and loss formats prescribed in Schedule 4 of the Companies Act shall not apply to The Meteorological Office's net expenditure account which shall be in the form set out in the annex to this direction. Minor changes may be introduced subject to Treasury agreement.
4. In preparing its balance sheet, the Meteorological Office shall adopt format 1 prescribed in Schedule 4 to the Companies Act to the extent that such requirements are appropriate to the Meteorological Office. Regard should be had to the examples in Annex C of the Trading Accounts booklet, in particular the need to strike the balance sheet totals at "Total Assets less Current Liabilities".
5. The foreword and balance sheet shall be signed and dated by the Chief Executive.
6. The Meteorological Office prepares its accounts under the modified historical cost convention, but is exempted from providing the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act.

## Schedule 2

### Additional Disclosure Requirements

1. The foreword shall state that the accounts have been prepared in accordance with a direction given by the Treasury in pursuance of section 5(1) of the Exchequer and Audit Departments Act 1921.
2. The foreword shall include a brief history of The Meteorological Office and its statutory background. Regard should be had to Annexes B and C of the Trading Accounts booklet.
3. The notes to the accounts shall include details of key corporate financial targets set by the Secretary of State for Defence for the year being reported on and performance achieved against those targets (when targets based on full cost accrual accounts have been set).
4. The Accounts Direction (but not the annex) shall be reproduced as an appendix to the accounts.

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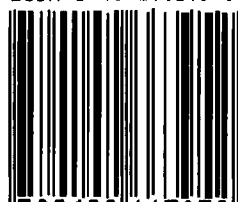
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