

EXPLANATORY MEMORANDUM TO
THE METEOROLOGICAL OFFICE TRADING FUND (MAXIMUM BORROWING)
ORDER 2019

2019 No. 927

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Business, Energy and Industrial Strategy and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument increases the maximum amount that the Meteorological Office may borrow from £200,000,000 to £300,000,000.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the United Kingdom.
4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

- 5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

- 6.1 The Meteorological Office was established as a Government Trading Body by the Meteorological Trading Fund Order 1996 (S.I. 1996/774, amended by S.I. 2011/2436 and S.I. 2016/992), made under powers contained in the Government Trading Funds Act 1973. The 1996 Order provided an original maximum borrowing limit of £200,000,000.

7. Policy background

What is being done and why?

- 7.1 The Meteorological Office is responsible, on behalf of the UK Government, for subscriptions to international satellite programmes. The amounts involved vary during

the lifetime of the programmes with substantial upfront investment required prior to launch and operation of the satellites. The subscriptions are also subject to currency exchange fluctuations, including in the value of the Pound, which will both increase and decrease over the period. The most efficient way for the Meteorological Office to manage the necessary payments is to borrow funds from the Department and these loans are then repaid from income derived from contracts with customers for Meteorological Office services once the satellites become operational. The costs of the subscriptions are increasing due to upfront investment in two satellite programmes (as explained further below) and the existing limit is insufficient to cover the future borrowing requirement. The Meteorological Office therefore needs to increase its capacity for borrowing. This is the first time that the borrowing limit has been raised since the Meteorological Office was established as a trading fund in 1996.

7.2 The two European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) programmes involved are as follows:

Programme	Approval date	Total approved Programme Cost (€ million)	Total UK Contribution (€ million)	Programme Life
Meteosat Third Generation	October 2012	2,369	372	2012 to 2042
Polar Second Generation	December 2014	3,323	435	2015 to 2044

7.3 The commitment to fund these satellite programmes derives from the UK's membership of EUMETSAT.

7.4 The direct costs of satellite programmes are recovered through the Public Weather Service agreement between the Meteorological Office and BEIS, on behalf of the Government as a whole, and recovery of these costs does not start until the development phase is complete and operational data is being received. This phase can be between 10 and 15 years depending on the programme. The contributions to satellite programmes are capitalised and amortised over the programme's operational life, which can be up to 20 years.

7.5 Loans are borrowed and paid back over 10 years. The Meteorological Office drew down £40 million of borrowing in the 2018/19 financial year. In the same financial year, £8.8 million was repaid against this and previous loans. The money required to repay the loans comes from the working capital the Meteorological Office generates through trading with all of its customers. This includes amounts charged to the Public Weather Service for satellite data as noted above at paragraph 7.4. Payments are made to BEIS on a quarterly basis and include interest charged using the appropriate Public Works Loan Board rate applicable at the start of the loan. Accordingly, current loan agreements have interest charged at between 1.41% and 2.81%.

7.6 The Public Weather Service agreement currently runs to the end of 2019/20 and is usually agreed for a four-year period. This funding arrangement is a long standing one and, subject to Parliament's decisions on public funding commitments, is expected to be renewed.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 No consolidation of the Meteorological Office Trading Fund Order is planned at present.

10. Consultation outcome

10.1 No consultation was carried out concerning increasing the Meteorological Office's maximum borrowing limit.

11. Guidance

11.1 None.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 There is no, or no significant, impact on the public sector.

12.3 An Impact Assessment has not been prepared for this instrument because it has no direct impact on business, charities or voluntary bodies.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The approach to monitoring of this legislation is to assess the change in the course of normal departmental business.

15. Contact

15.1 David Rawlins at the Department for Business, Energy and Industrial Strategy Telephone: 020 7215 1184 or email: david.rawlins@beis.gov.uk can be contacted with any queries regarding the instrument.

15.2 Steph Hurst, Deputy Director for Public Sector Research Establishments, at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.

15.3 Chris Skidmore, Minister of State for Universities, Science, Research and Innovation at the Department for Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.