EXPLANATORY MEMORANDUM TO

THE METEOROLOGICAL OFFICE TRADING FUND (MAXIMUM BORROWING) (AMENDMENT) ORDER 2024

2024 No. 1170

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Science, Innovation and Technology and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Lord Vallance of Balham, Minister of State for Science, Research and Innovation at the Department for Science, Innovation and Technology confirms that this Explanatory Memorandum meets the required standard.

2.2 Lindsay Jamieson, Deputy Director for Science and Innovation Sponsorship, at the Department for Science, Innovation and Technology confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Paul Riches at the Department for Science, Innovation and Technology, telephone: 020 7215 4538 or email: sponsorship@dsit.gov.uk, can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Meteorological Office Trading Fund was established by the Meteorological Office Trading Fund Order 1996 on 1st April 1996. The legislation sets the maximum borrowing limit to which the Meteorological Office can borrow. This Instrument increased the maximum amount that the Meteorological Office (Met Office) may borrow from £300,000,000 to £400,000,000.

4.2 The Met Office is responsible, on behalf of the UK Government, for subscriptions to international satellite programmes. The Met Office is the UK representative within the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) (EUMETSAT is independent of the EU). Satellite programme subscription costs vary during their lifetime. Substantial upfront investment is required prior to launch and operation of the satellites. The cost of UK subscriptions are also subject to currency exchange fluctuations. The most efficient mechanism for the Met Office to manage these necessary payments is to borrow funds from the owning Department for Science, Innovation, and Technology (DSIT). These loans are then repaid to DSIT from income derived from contracts with customers for Met Office services once the satellites become operational.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is United Kingdom.

5. Policy Context

What is being done and why?

5.1 Based on current financial forecasts, the Met Office's UK subscription commitments to EUMETSAT will take the Met Office beyond its current borrowing limit in FY2025/2026. Met Office currently services its commitments to EUMETSAT through loans from DSIT, which are then repaid from revenue generated through the contracting out of its services. EUMETSAT satellite programmes have a high initial cost to take the projects through development, build and launch, and are shared between member states. Met Office is only able to generate the revenues that can repay the loans to DSIT at the point that the satellites come into service and are producing data. Two recent satellite projects (Meteosat 3rd Generation and Polar 2nd Generation) have encountered delays ahead of becoming operational. This has delayed the start of repayments and means that the Met Office will need to increase its borrowing limit to accommodate the additional funding needed to support their commitments before they are able to start repaying the loans for the Meteosat and Polar satellites.

5.2 Modelling the costs from the delays to these existing programmes show that Met Office will go beyond the existing borrowing limit of £300m after April 2025. The additional borrowing requirements under a worst-case scenario of a 2-year delay require the ability to borrow approximately £325m in 2025/2026, £360m in 2026/2027, and £380m in 2027/2028 and 2028/2029 before reducing. The £400m limit provides sufficient headroom. The satellite loan drawdowns have a 10-year repayment period.

5.3 The EUMETSAT programmes provide access to real time satellite data which supports the Met Office's provision of weather and climate services to the government, industry and the public, including providing data, which will support the delivery of the UK's commitment to achieve Net Zero. If the Met Office is unable to pay the UK's membership fee and subscription costs it would be in breach of its membership terms and conditions. There would be a significant degradation in the timeliness and range of data available to the UK that comes from being a fully paid member, which would impact the quality of Met Office forecasts. It would be prohibitively expensive for the UK to replace this loss of satellite data if not collaborating internationally. This would have a reputational impact for the UK and may jeopardize the UK's overall membership of EUMETSAT and would have an impact on UK sovereign capability.

What was the previous policy, how is this different?

5.4 In 2019, S.I. 2019/927 increased the borrowing limit from £200,000,000 to £300,000,000. A further increase to the borrowing limit to £400,000,000 is now required to enable the Met Office to take appropriate loans in relation to the EUMETSAT subscription costs and any accompanying satellite maintenance and storage costs.

6. Legislative and Legal Context

How has the law changed?

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, S.I. 2016/992, S.I. 2019/927 and S.I. 2023/424), made under powers contained in the Government Trading Funds Act 1973. S.I. 1996/774 provided an original maximum borrowing limit of £200,000,000.

Why was this approach taken to change the law?

6.2 An Order increasing the maximum borrowing limit is the only possible approach to make the necessary changes due to the status of the Met Office as an Executive Agency with Trading Fund status, and the limit established by S.I. 1996/774 and amending instruments.

7. Consultation

Summary of consultation outcome and methodology

7.1 A consultation was not undertaken as this instrument pertains to increasing the maximum borrowing limit within an already existing order to enable the Met Office to continue their EUMETSAT subscription as the United Kingdom representative.

7.2 Government stakeholders with a vested interest in the Met Office were informed of this proposed change to increase the borrowing limit at the Interdepartmental Met Office Strategy Group (IMOSG).

8. Applicable Guidance

8.1 No additional guidance is necessary as there is no significant policy change.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because there is no effect on policy and no impact on business, charities, or public bodies.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because proposed change does not alter Government policy and relates to the operation of the Trading Fund.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because the change relates to a financing mechanism concerning the mechanics and operation of the Met Office as a Trading Fund and its owning department.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is conducted through existing owning Department responsibilities.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

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

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").