

Annual Report and Accounts 2010-11



National Measurement Office

Annual Report and Accounts 2010-11

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Chapter 1

Introduction by the Chief Executive

Last year was inevitably dominated by questions of finance and financial performance as all parts of the public sector were asked to deliver substantial in-year budget savings and prepare for a Spending Review, covering the financial years 2011-12 to 2014-15, which involved significant reductions in public expenditure. I am pleased to say that the Agency was able to respond in a very positive way to these circumstances, working closely with its contractors, in particular NPL Management Ltd, to ensure that the NMS programmes were delivered within tighter budgetary constraints. Staff within the Agency also rose to the challenge, successfully identifying savings and renegotiating contracts with suppliers which are reflected in the financial results contained in this report.

Another feature of last year has been the increased resources we have had to devote to meeting the requirements for greater scrutiny both through the publication of more information and the machinery which has accompanied the restrictions on expenditure on marketing and communications, consultancy, IT and recruitment. I wish to pay particular tribute to colleagues in the Agency who have made heroic efforts to ensure that we were able to comply with these requirements and continue to function effectively across the range of our various activities.

In spite of these challenging financial constraints the Agency was able to meet the great majority of its targets for the year and record a number of notable achievements such as:

- Agreeing a new outsourcing contract for testing gas and electricity meters when accuracy is disputed. The new contract includes a number of measures intended to reduce the cost to NMO of providing these services, which we anticipate will deliver monetary savings of around £70k per year.
- Converging all five of our NMO websites onto the BIS shared platform as part of the Cabinet Office initiative for converging websites. This now allows our website visitors to have a complete picture of all of NMO's activities in one website.
- Opening the evidence handling facility for NMO's Enforcement Authority, enabling NMO to store evidence and test equipment securely under the Energy Related Products legislation. This is work that NMO performs for Defra with 2010-11 being the first full year of operation of this contract.
- Expanding our certification services to assess taximeters, to increase our scope of services with private businesses. This will help improve consumer confidence in the accuracy of taximeters being manufactured and meters that are in use for trade.

It is particularly gratifying to note that all this was achieved without any reduction in the Agency's commitment to excellent service delivery. In our surveys of satisfaction levels, among our paying customers during the last 5 years the proportion of those who are satisfied or very satisfied has consistently remained above 90%. In our most recent customer survey, 95.2% of our customers said they were satisfied with our overall service, with a significant rise in those who were very satisfied.

The Agency also remains committed to working with others at the international level. With heavy pressure on metrology budgets in most parts of the world it is becoming increasingly apparent that the best way to make those budgets go further is through international co-operation across the field of legal, industrial and scientific metrology. I was honoured to be elected at the 45th Meeting of International Committee of Legal Metrology (CIML) as its next President, and I hope to be able to use my term, which begins in October, to help the International Organisation of Legal Metrology (OIML) become even more effective in its contribution to international metrology and standards making.

None of this would be possible without the hard work and dedication of the Agency's staff. I never fail to be impressed by the readiness of my colleagues to apply themselves to new challenges, continually developing their skills to keep abreast of the ever-changing world in which we operate. I was particularly encouraged when last year's Civil Service staff survey placed NMO in the top quartile of reporting Departments and Agencies for staff engagement. There is always room for further improvement and the survey has provided us with pointers that we will be following up, but we do so on the basis of firm foundations. During the year we said good bye to Mike Fortune, who is now fully retired, and Vicky Buckle, who has been promoted to another post in the Civil Service. Peter Douglas and Simon Edmonds have also stepped down from the Steering Board, with John Dodds taking Simon's place as the BIS representative. I would like to express my appreciation for everything they have done while they have been with us.

Looking forward, I am sure that 2011-12 will be every bit as challenging as the previous year. However, I have no doubt about the ability and determination of colleagues across the Agency to rise to those challenges.

A handwritten signature in black ink, appearing to read 'Peter Mason', with a long horizontal flourish extending to the right.

Peter Mason
Chief Executive
5 July 2011

Highlights

MAY 2010

- **NMO Enforcement Authority opens its evidence handling facility which enables NMO to store evidence and test equipment securely under the Energy Related Products legislation**

SEPTEMBER 2010

- **Peter Mason voted in as the next President of the International Committee of Legal Metrology (CIML)**

SEPTEMBER 2010

- **Major Teddington site re-development programme that started in 1998 was completed that has seen NPL Management Ltd staff move into modernised laboratories**

NOVEMBER 2010

- **NMO and Newham Trading Standards collaborate to enforce possible RoHS and Toy Safety offences with a number of non-compliant toys seized pending further investigation**

NOVEMBER 2010

- **Civil Service-wide staff survey places NMO in the top quartile of reporting Departments and Agencies for engagement**

NOVEMBER 2010

- **New contract awarded for the provision of gas and electricity meter testing when accuracy is disputed, which will save around £70,000 per year**

FEBRUARY 2011

- **NMO extends its services to assess taximeters**

MARCH 2011

- **95.2% of customers satisfied or very satisfied with our service**

Management Board

During 2010-11 the Management Board consisted of the Chief Executive and five senior managers within NMO. The Management Board provides the corporate leadership within NMO. It is responsible for all processes and resources relating to the Agency and for setting standards and controls within the Agency.

Travel and subsistence expenses incurred by the Management Board during 2010-11 totalled £14k.

The Management Board comprised the following personnel during 2010-11:



Peter Mason

Chief Executive



Richard Sanders

Director,
Regulation



Sarah Glasspool

Director,
Finance



Robert Gunn

Director,
Programmes and
Estate



Jo Symons

Director,
Technical Services



Richard Frewin

Director,
Enforcement

The National Measurement Office's mission

“To provide policy support to Ministers on measurement issues and a measurement infrastructure which enables innovation, promotes trade and facilitates fair competition and the protection of consumers, health and the environment.”



Chapter 2

Management Commentary

Our strategy and role

NMO became an Executive Agency of the Department of Trade and Industry in April 1989 and has operated on a net running cost basis since April 1996. NMO is now an Executive Agency of the Department for Business, Innovation and Skills (BIS). The Secretary of State is accountable to Parliament on all matters relating to NMO.

The Agency is responsible for all aspects of the National Measurement System (NMS), which includes investment in the UK's scientific measurement infrastructure in addition to policy on national legal metrology. This has brought the UK in line with the more common international position where scientific metrology (the core of the NMS work) and legal metrology are the responsibility of a single organisation.

In the UK, NMO is responsible not only for setting the strategic direction of the measurement infrastructure, but also for aligning our policy and legislation, managing the NMS, and carrying out international activities on measurement. In addition, the NMO acts as a National Enforcement Authority for a range of EU-based environmental legislation and carries out commercial activities which rely on measurement expertise. The Agency has annual gross expenditure of circa £74m and 69 staff.

In 2010-11 the Agency developed a new Corporate Plan that covered the future of the Agency's activities over the Spending Review period within a revised budgetary framework. The main focus of this was to develop a national measurement infrastructure which is a world leader in measurement science, alongside the maintenance of measurement legislation essential for business and consumer confidence. The Agency also revised its Mission statement and objectives for the period. 2011-12 has a detailed work plan and Ministerial Targets to focus the Agency's activities in the short term which are revised each year. The Agency is finalising its strategy for the NMS which should be published shortly.

The Agency's Corporate Plan is available on our website at: www.bis.gov.uk/nmo

Financial report

NMO kept within its budget in all key areas for 2010-11, in spite of this budget being reduced early in 2010-11. Provisions utilised in the year were larger than originally planned because of the changes in the way payments towards the NPLML pension deficit were treated.

Income

Much of NMO's income is received from NPLML for occupying the NPL laboratories in the form of an accommodation and service charge. This increased from 2009-10 in line with the Retail Prices Index (RPI), in accordance with the contract which expires on the 31 March 2014. BMT Fluid Mechanics Ltd also pays NMO for occupying a building on the Teddington site.

Income from other sources is mainly received from Defra and BIS for carrying out enforcement work under a fixed price Memoranda of Understanding where the receipt of income is dependent on achieving milestones. All milestones were achieved and income claimed and paid. Income from enforcement work increased in 2010-11 against 2009-10 due to the new EUP contract from Defra for which 2010-11 was the first full year of operation.

Income is also received from Ofgem for the measurement and testing (where disputed) of gas and electricity metering. This operates under a full cost recovery model and the income for 2010-11 reduced compared to 2009-10 mainly because of a reduction in disputed meters and also the negotiation of a new contract for the testing of meters at a reduced price.

Other external income from private companies and Local Authorities for NMO's technical services has increased slightly due to the demand for a joint 2-week NMO/NPL scientific and legal metrology training course. Other technical services saw a small decrease due to the economic downturn with the reduction of new products submitted for approval.

Costs

NMO's costs have reduced largely in response to the budgetary pressures which resulted in reducing the spend on science programmes from £56.9m in 2009-10 to £54.3m in 2010-11. Much of this is spent with NPLML, but there is also significant expenditure with LGC Ltd and TUV NEL Ltd.

Staff costs have increased slightly from 2009-10 due to the increase in average staff FTE by 6 from 63 to 69 in order to perform the new Defra EUP contract in 2010-11. There was a pay freeze in 2010 which will continue into 2011, but a non-consolidated amount was provided based on performance.

General expenses have reduced as there have been additional costs for the Defra contract, and reduced gas and electricity meter disputes costs which are paid for by Ofgem. The marketing freeze has also reduced costs compared to 2009-10.

Statement of financial position

The £192m worth of assets consist mainly of the laboratory buildings and land on the Teddington estate on which NMO is located. There was £6m spent in 2010-11 for renewing and upgrading the laboratories. This compared to £8m in 2009-10 as the site development was completed during 2010. There were major projects undertaken in 2010-11 such as the introduction of voltage optimisation, new boilers in at the NMO building and a programme of works to replace the valves to reduce flooding. The value of the land shown in the accounts of £9.3m is higher than the market value as it is assumed that no redevelopment would be permitted.

The current assets and current liabilities include the normal trade payables for the science programmes, and cash with which to settle them. These will be settled early in the new financial year.

The figures for provisions has changed significantly from the 2009-10 published accounts as it now includes the NPL pension scheme deficit provision of £28m. NMO is recognising its obligation to pay for the deficit in the scheme both as part of the payment for the existing science contract with NPLML, and also any deficit remaining at the end of the existing contract. Further details can be found in provisions disclosure in the accounts at note 13.

Objectives, targets and out-turns 2010-11

Objectives

During 2010-11 NMO organised its work around the following six Objectives:

1. Develop the national measurement infrastructure and associated science capability to achieve high economic and social impact
2. Ensure business and consumer confidence in the market place is delivered by proportionate and effective weights and measures and hallmarking legislation
3. Provide world class statutory and commercial metrology services which promote and facilitate innovation
4. Deliver on our obligations as an enforcement authority
5. Ensure that meters used to measure gas and electricity supplied to consumers are accurate
6. Develop and implement the strategic plan for the Teddington estate to support the UK's measurement infrastructure

Our activities to deliver these objectives will be supported by internal services that deliver efficiency savings and meet the needs of the Agency.

Ministerial targets

Each year NMO agrees its key public targets with Ministers following discussion and agreement of its Corporate Plan. The targets cover both finance and delivery and reflect the Agency's overall strategic priorities.

In 2010-11 the following nine targets were set, of which NMO achieved eight:

Financial targets

- To manage the finances effectively by ensuring that the portfolio of Metrology Programmes is provided within 1% of the allocated budget.

Target achieved. The Metrology Programmes were provided within 0.2% of the allocated budget.

- To manage the Teddington estate finances within 1% of the allocated budget.

Target not achieved. The Teddington estate cost exceeded the budget by £306k which represented 7%. This target excluded non-cash costs.

- To preserve the investment of public monies by ensuring that the ratio of spend on science programmes to legal programmes is at least as much as when the NMS Unit transferred on 1 April 2009.

Target achieved. When the NMS unit transferred the ratio was 95:5; the ratio for 2010-11 was 97:3.

Delivery targets

- To supply a customer focused certification service by completing 93% of all applications in accordance with agreed customer requirements.

Target achieved with 97.6% completed within customer requirements (2009-10 95.5% completed within requirements).

- To provide a prompt calibration service that completes at least 95% of jobs (including preparation of certificates) within fifteen working days of acceptance of the work and also an average completion time of less than ten working days.

Target achieved 99% (within fifteen working days) with an average time of six working days (2009-10 99% completed within the same timeframe).

- Ensuring that NMO maintains a quality metrology service by providing a Legal Metrology Programme that completes 95% of the scheduled milestones by their due dates.

Target achieved 100% (completed by their due dates).

- To provide a timely metering service to customers by ensuring 92% of all meter examiner appointments, manufacturer authorisations / consents and modifications to meter approvals are considered and decisions made within five business days of receipt of all necessary documentation.

Target achieved 93%.

- Chief Executive to reply within ten working days to all letters from MPs delegated to him to reply.

Target achieved (2009-10 target achieved).

Efficiency target

- To increase efficiency by reducing by at least 3% activities which are not directly linked to delivery or staff training.

Target achieved with a reduction of 3.58%.

Operations

The National Measurement System: Science programme management

NMO commissions and manages the measurement science programmes which provide the National Measurement System's infrastructure of national standards, facilities, expertise and leading edge research that is a key driver of innovation in the UK economy. The measurement infrastructure also underpins the emerging technology solutions for tackling Government priorities such as environmental sustainability, energy efficiency and supply, healthcare, digital communications and national security. The legislative basis for this is the Science and Technology Act 1965.

The NMS programmes provide the measurement traceability that enables the economy to function and underpins business, international trade and quality of life through such means as consumer protection, barrier-free trade, environmental controls, safe medical treatment and food safety regulation.

Under NMO's direction, the NMS supports innovation in business by stimulating the development of improved measurement techniques and instrumentation. It provides business with high-accuracy calibration and testing services and promotes good measurement practice through published standards and guides, together with access to training and expert advice.

During the year, the NMS Programmes team procured and managed ten measurement research and dissemination programmes from four national measurement institutes (NMIs) - the National Physical Laboratory (NPL), LGC Ltd, NEL and NMO itself. These laboratories are centres of excellence for measurement science and research and have prime responsibility for holding and improving the UK's national measurement standards.

To form a framework for the development of the NMS and future investment in measurement science, the team produced a proposed strategy and conducted a public consultation on the principles and plans therein. NMO's response, on behalf of Government, was published in March 2010. It confirmed a focus on selected national challenges and strong national and international leadership and influencing roles for NMO and the NMS. The response also reaffirmed the ambition for the NMS to be world class and world leading in areas of measurement science where the UK would benefit economically as well as the intention to maintain the core measurement infrastructure of national standards, calibration and testing capabilities that are essential for business productivity.

Over the last year, the team has further developed the network of independent advisers that assist NMO in assessing the measurement needs of users and in commissioning the best measurement research programmes in terms of value and impact.

The National Measurement System: Estate management and strategy

NMO manages the estate in Teddington where the NMO and NPL laboratories are situated. It is the responsibility of NMO to ensure that the laboratories and estate meet the requirements to operate science and also the needs of users of the estate.

Last summer saw the completion of the programme of works to redevelop the Teddington site which commenced in 1998. The programme of works to replace valves around the site as a means of minimising the risk of flooding was completed early in 2011.

Voltage Optimisation technology was introduced to the site during early 2011 with the aim of reducing electricity consumption. Other energy efficiency initiatives, such as fitting of invertors, will be implemented during the coming year. A site strategy is being finalised. It was confirmed there would be no funding for an Advanced Metrology Laboratory (AML) during the period of the current Spending Review.

Direct delivery of NMS programmes

In addition to managing the NMS programmes as a whole, NMO itself delivers the Legal Metrology element of the Programmes, in the areas of regulation, enforcement coordination, international legislation, statutory calibration and statutory type approval.

Regulation

Our objective for regulation is “to ensure business and consumer confidence in the market place is delivered by proportionate and effective weights and measures and hallmarking legislation.” We review and seek to modernise our legislation to minimise burdens on businesses while maintaining adequate consumer protection.

Weights and Measures

The purpose of regulating weights and measures is to ensure that consumers have the information on quantity that they need to make informed purchasing decisions and to ensure that businesses can feel confident that they are trading in a fair marketplace.

Each year in the UK, nearly £212 billion worth of retail goods are sold on the basis of the measurement of their quantity. This equates to £4 billion a week. In addition, goods worth £280 billion are weighed and measured at the industrial/business-to-business level. NMO is responsible for providing the infrastructure that ensures that the system of weights and measures is fair, accurate and legal. This is a fundamental part of a sustainable trading economy and enables consumers and businesses to be confident that they are getting what they pay for.

Achievements:

- We responded to a European Commission consultation document relating to a proposal to align ten New Approach Directives (including the Measuring Instruments Directive and Non-automatic Weighing Instruments Directive) to Decision 768/2008 on a common framework (part of the New Legislative Framework).
- We responded to a European Commission consultation document relating to a review of the Measuring Instruments Directive (2004/22/EC).
- We revised guidelines on the appointment of UK Notified Bodies for NAWI and MID directives to align with EC Regulation 765/2008 setting out the requirements for accreditation and market surveillance and the BIS guiding principles for competent authorities on notified bodies. A single consolidated document replaces five previous documents for NAWI and MID.
- Guidance on the Measuring Equipment (Intoxicating Liquor) Regulations 1983 (as amended) was published incorporating earlier guidance on the 2009 amendment (which introduced statistical sampling for certain fixed chamber measuring instruments) and clarifying the legislative position applicable to the sector as a whole.
- NMO continued to work with the Food Standards Agency which is leading the UK negotiation on the quantity labelling of food in the Food Information Regulation. A revised draft incorporates changes to quantity labelling provisions which go some way towards meeting the concerns of UK business on exemptions for small packages and flexibility over the rules for labelling by weight or by volume.
- NMO produced and issued weights and measures ‘competency’ DVDs to local authority Trading Standards departments which are responsible for enforcing technical and complex weights and measures legislation.

- We announced a further deregulation of specified quantities including the new 2/3 pint measure gaining broadly positive national, regional and trade coverage both in print and online.
- The Measuring Instruments (Amendment) Regulations 2010 (SI 2010/2881) were made implementing an EU directive amending the flow annexes of the MID.

Hallmarking

Hallmarks are markings applied to gold, silver, platinum and palladium to safeguard consumers (including businesses) by guaranteeing the type and fineness of the precious metal. They show that the object has been independently tested by an assay office.

NMO 'sponsors' the British Hallmarking Council (BHC), a regulatory body which advises the Secretary of State and whose formal responsibilities are set out in the Hallmarking Act 1973.

Achievements:

- As part of a review of public bodies, the BHC and the rationale for hallmarking was reviewed and a report written. Ministers agreed with the recommendations of the Report that the BHC should continue as an Executive NDPB but that some of its functions be modified potentially using powers to be available in the forthcoming Public Bodies Bill.

Enforcement co-ordination

Enforcement of W&M legislation (including liaison with Trading Standards)

NMO works in partnership with local Trading Standards departments as well as with the organisations that support the wider enforcement role. These include notified bodies conducting conformity assessment activities and approved verifiers which ensure weighing and measuring equipment is accurate before being put on the market.

NMO is also responsible for the designation and auditing of notified bodies and market surveillance activities under the Non-automatic Weighing and the Measuring Instruments directives, as well as the appointment and monitoring of approved verifiers under national legislation.

The Team works closely with Local Government representatives and throughout the year attended and presented at a wide variety of events and regional forums. This included NMO and Local Government Regulation (formerly the Local Authorities Coordinators of Regulatory Services, LACORS) running a joint weighbridge project. The aim of the weighbridge project was to show the importance of weighbridge accuracy and the impact errors can have on the environment, cost to businesses and local authorities. In particular it was designed to ensure that councils have robust information on which to base landfill charges, landfill tax and recycling targets. Other activities included various co-ordination meetings for national certification bodies and the continuing assessment of the competence of students wishing to become inspectors of weights and measures and work for Local Weights and Measures Authorities.

Achievements:

- A series of "metrology competence" interactive training e-media was commissioned for the Trading Standards Community. The training media has been sent free of charge to all UK local weights and measures authorities. They are also being supplied for sale for businesses and overseas organisations. In future the material will be made available via the TSI e-learning website.
- Local Weights and Measures Authorities (LWMAs) have a statutory requirement to report to the Secretary of State the level of local weights and measures enforcement work conducted over a twelve month period. The information is used as evidence to inform and update the NMO's risk matrix in relation to instruments and transactions. This year 95% of authorities submitted a return to the NMO who collate and report the information on behalf of the Secretary of State. This is an increase of 17% from the previous year.

International

NMO acts within the EU and international forums to promote the UK national interest on metrological standards. The Agency works to provide a level playing field that allows businesses to reduce costs and compete in global markets by reducing technical barriers to trade.

To this end NMO is an actively participating member of OIML (the International Organisation of Legal Metrology) and WELMEC (the organisation for European co-operation in legal metrology). OIML has over 57 country members and a further 55 corresponding country members and works to achieve international harmonisation for legal metrology by promoting the use of international Recommendations which are developed in OIML technical committees, and provide the basis for laws regulating measuring equipment, quantity control and quantity labelling pre-packages.

WELMEC is an organisation of the European Union and European Free Trade association (EFTA) Member States that pursues cooperation in legal metrology. There are currently 30 Members and 7 Associate members, and 10 Observer and 9 Corresponding organisations who participate. To this end it publishes Guides which are not mandatory but provide solutions which will be acceptable to European Regulators.

NMO provides the Secretariats for important OIML technical committees such as OIML TC 9 / SC 2 Automatic weighing instruments, TC 8 / SC 5 Water meters; and for WELMEC Working groups such as WG 2 - Directive Implementation (90/384/EEC), WG 5 - Metrological Supervision, and Convenorship of WG 6 - Prepackages.

Recent NMO international activities include:

- Peter Mason, the UK CIML Member was voted in as the next President of the International Committee of Legal Metrology (CIML) during the 45th annual meeting, held in Orlando, Florida between 21-24 October 2010.
- NMO in its role of Secretariat for OIML TC 8 / SC 5 is actively involved in the OIML TC 8/SC 5 and ISO/TC 30/SC 7 / CEN TC 92 joint working group activity to harmonise the OIML R 49 and ISO 4063 water meter standards, and as part of this activity held a meeting of TC 8/ SC 5 in Paris in April 2010.

On the international liaison front, NMO hosted several groups of international visitors, mainly from China and Japan.

Calibration

Recalibration Programme

NMO carries out a wide range of important activities from maintaining local weights and measures standards, equipment testing, maintaining uncertainty budgets to the automation, testing and commissioning of new equipment. The maintenance of weights and measures standards completes the traceability chain, which starts with the primary standards held at NPL and proceeds through NMO's secondary and tertiary standards. Our tertiary standards are then used to calibrate the local authority standards. This traceability chain provides the UK with legal measurement under the Weights and Measures Act. In support of this, the equipment must be tested at regular intervals to ensure optimum performance is being maintained. Uncertainty budgets are also maintained for all aspects of measurement ensuring an adequate overall accuracy of measurement. Automation has become an essential aspect of our operations in order to maintain optimum efficiency.

Local Authority Audits

Visits to Trading Standard authorities are carried out to ensure local and working standards of mass, length and volume. In situ re-verification of standards and equipment if required.

Maintenance of Coinage Standards

This work requires annual calibration of coin standards for all UK and New Zealand current and commemorative coins struck by the Royal Mint and provision of trial plates of Gold, Silver, Platinum, Nickel, Copper and Aluminium for assay at the Goldsmith Hall. This requires a ceremony known as the Trial of the Pyx which is held in accordance with the Coinage Act.

Type Approval

Engineers at NMO support UK manufacturers by developing technical standards and policy, working closely with manufacturer trade associations to ensure that UK industry views are taken into account. This approval literature is then provided to a Trading Standards online database (TS Interlink) and European Metrological Type Approval Services Database (EMeTAS) to enable enforcement and market surveillance activities to take place. Support and advice is also provided to UK manufacturing on generic approval requirements in order to place their equipment on the market.

Traceable test capability is provided for UK manufacturing and also to fulfill our statutory obligations for type approval work.

Gas and Electricity meter measurement

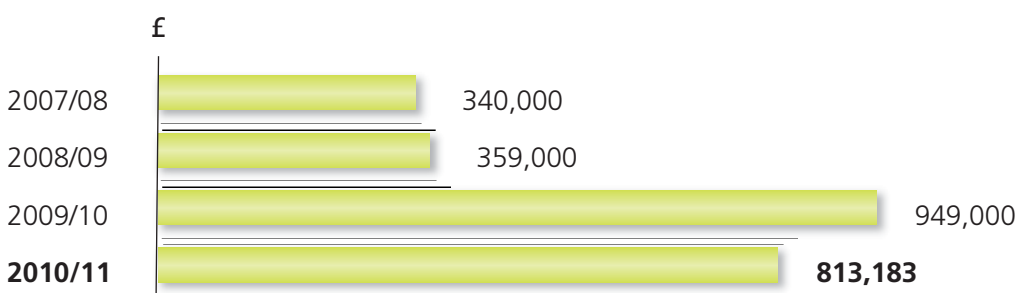
Accuracy of gas and electricity meters

NMO has statutory responsibility for the measurement accuracy of gas and electricity meters. With this responsibility comes the assurance that the UK's metering policies and practices are aligned with the European Union Measuring Instruments Directive, which aims to create a single market for measuring instruments across Europe.

NMO's responsibilities also include the testing of gas and electricity meters where the accuracy is disputed. This work was outsourced to a service provider by Ofgem in 2002 and the contract was novated to NMO when the statutory responsibility was transferred to NMO in April 2009. The original contract expired in November 2010 and a new contract has now been negotiated for an initial period of six years with three optional 12 month extension periods.

NMO's metering activities are funded by the gas and electricity licensees via Ofgem. Income for this area increased in 2009-10 to include the testing of gas and electricity meters, but savings in the new outsourcing contract mean that income should remain at this level over the next few years despite an anticipated increase in the number of meters submitted for dispute testing. NMO will also be undertaking additional work including the implementation of an In-Service Testing regime for gas and electricity meters and the development of a policy for unmetered supplies of electricity.

Gas and electricity meter income for last four years



Technical Services

Certification Services

In addition to the statutory function of calibration and type approval mentioned above, NMO provides a range of commercial certification services split into three main areas:

1. Product Certification (Type Approval, Unit Verification and Design Examination)
2. Quality Management System (QMS) Certification
3. Calibration

Product Certification

NMO is responsible for the approval of weighing and measuring instruments that are used for trade and other legally controlled applications. The product certification team is designated as a Notified Body under the Non-Automatic Weighing Instruments and Measuring Instruments Directives (2009/23/EC and 2004/22/EC respectively). It performs conformity assessment activities under these Directives and issues EC Type Examination, Unit Verification and Design Examination Certificates to manufacturers, which are valid throughout the EC.

The team is also the UK Issuing Authority for OIML Certificates of Conformity which enables manufacturers to gain approval for their instruments outside of Europe. In support of this, NMO is an Issuing Participant under the OIML Mutual Acceptance Arrangement for Water Meters (OIML R49), Load Cells (R60) and Non-automatic Weighing Instruments (R76).

This year has seen a reduction in the level of demand for some of NMO's Product Certification Services. This reduction in demand is, in some part, a consequence of the economic downturn which has seen a reduction in the number of new products being submitted for approval. We intend to take a more proactive approach to business development to expand our market share for existing certification services within existing markets and expand our range of certification services into new markets. The income for Product Certification in 2010-11 was £329,189.

NMO provide a very efficient and flexible approval service and look to provide a sustainable future for service provision to help build a strong, innovative economy, to promote exports and boost enterprise.

Quality Management Systems Certification

This service provides companies with a route to place their instruments on the UK and European markets.

NMO provides audit services for:

- ISO 9001 certification
- Section 11A of the Weights and Measures Act 1985
- 'self-verification' under European Directives
- other technical auditing

In 2010-11 there were 27 new applications, an increase of 21%, together with increases in scope for a number of clients.

It is anticipated that the number of companies will continue to grow. This growth is reflected in the forecast income. The number of audits planned for the next twelve months exceeds 100.

Efficiencies continue to be sought with the provision of a travel service helping auditors to find cost effective solutions and reduced times for booking travel arrangements.

Calibration

NMO supports industry and trade by providing an accurate calibration service to UK business (in addition to its legal commitment to local authority trading standards departments). This is an important service to business, especially to the pharmaceutical industry where people's health and life depends on the very accurate measurement methods used.

Other customers include tape measure manufacturers and customers from the petrochemical industry, where NMO is responsible for calibrating dip tapes and volume measures used to measure oil levels in large refinery tanks.

The Calibration team at NMO provide the following commercial services:

- Technical support infrastructure for trade, covering mass, length and volume measurements.
- Testing and calibration services to other government bodies and commercial organisations for mass, length and volume.
- Independently accredited calibration and test facilities, traceable to national standards. NMO issues approximately 500 certificates each year and has performed work for large pharmaceutical and manufacturing organisations. NMO offer a high accuracy service for heavy mass up to 500kg which is now the most accurate in the world and up to one tonne at a slightly lower level. NMO also perform the calibration and testing of fish net gauges on behalf of Defra to ensure fisherman only catch the correct size fish.

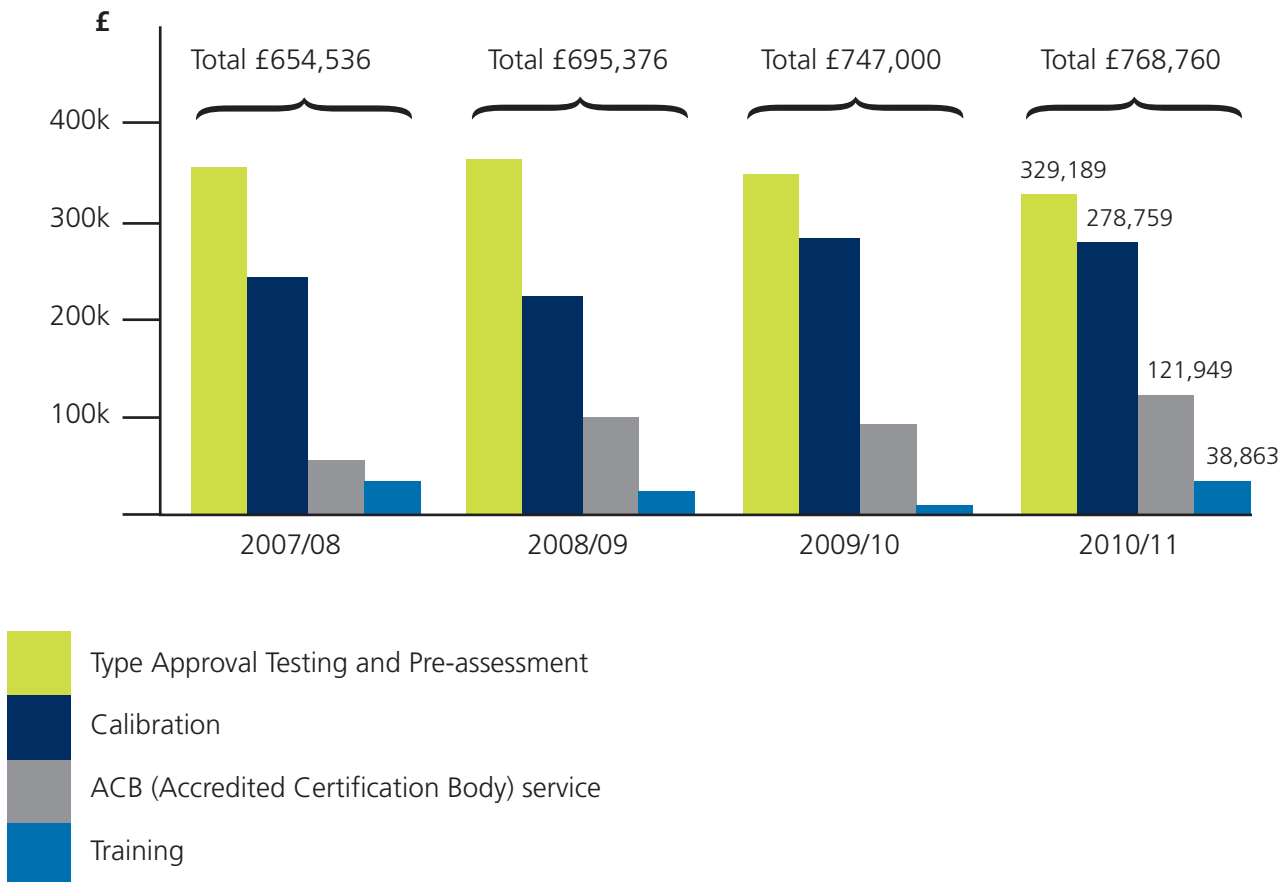
Recent additions and upgrades to our equipment and facilities have allowed the level of service to our commercial customers to be extended. NMO can offer mass clients measurements of significantly better than OIML Class E1 uncertainty and provide length customers with a facility unique in the UK and one of the highest accuracy volume calibration services available.

NMO has retained a contract with Camelot for the testing of national lottery balls and machines.

Other Commercial Activities

Commercial training was re-launched in April 2010. In June 2010 a two week joint NMO/NPL Legal and Scientific metrology course was run for delegates from various international NMIs, funded by PTB of Germany. Other national training courses on various legal metrology subjects were run over the year for Trading Standards Officers and manufacturers.

Technical Services income for last four years



Enforcement functions

The Enforcement Directorate continues to act as an effective industry facing Enforcement Authority covering Hazardous substances in electrical products and batteries, energy use and energy labelling. This work is delivered through contracts with BIS for RoHS and Batteries and Defra for Eco-design and Energy Labelling.

The Enforcement team has completed a number of energy based projects during the period. These have generated significant environmental and consumer benefit by working with industry to influence behaviour and restrict the availability of less efficient products on the market.

Work on the enforcement of RoHS and Batteries continues to yield results as we successfully reach more and more people each year and have raised compliance levels and increased awareness of the legislation.

The enforcement websites have been developed to provide a consistent delivery and have successfully converged with the BIS site as part of a larger project.

The team has improved the awareness of the legislation as well as provided opportunities for people to address enforcement staff, and ask questions, get expertise and technical information to manufacturers and suppliers about the legislation.

Corporate Services

The Corporate Services Directorate brings together the resources of Finance, Procurement, Governance, Communications, Records Management, Human Resources, Reception and IT services.

Throughout the year the Agency has developed its support services in a way which is timely, cost efficient and tailored to the needs of the Agency through the following initiatives:

- Installing a new wireless networking system across the Agency.
- Implementing a number of cost reduction initiatives to reduce our stationery, printing and other support costs.
- Providing local procurement expertise for contract negotiation and award. This resulted in the procurement of services for the testing of disputed gas and electricity meters.
- Completion of a Cabinet Office initiative to converge government websites onto shared platforms in order to help reduce costs. All five NMO websites are now on a BIS shared platform under one url: www.bis.gov.uk/nmo.
- Providing ongoing and timely communication with industry and partners regarding changes/ proposed changes to weighing and measuring legislation and guidance.
- Working closely with HR colleagues in BIS to secure cost effective access to Civil Service Learning, which will deliver a core curriculum to all civil servants, and to the various strands of CSHR Expert Services, which includes CS Resourcing, CS Learning, and CS Employee Policies.
- Participating in the Next Generation HR Senior Managers Board to ensure NMO's requirements are met and any concerns are raised.
- Successfully delivering the second Civil Service wide People Survey in NMO, to measure employee engagement. This resulted in a 97% response rate from NMO.
- Ensuring we comply with the Government wide transparency initiatives.
- Managing an online survey to measure customer satisfaction which resulted in a 21% response rate. The survey includes management of a feedback loop to respond to comments made by customers.

Forward look

2010-11 is the first year of the new Spending Review period covering the financial years 2011-12 to 2014-15, and the major challenge for the Agency is to make the most effective use of the new budgets agreed with its parent Department, BIS, to cover the NMS work. A significant change introduced in the 2010 Spending Review was the extension to Executive Agencies of the division of revenue expenditure into Programme and Administration. Over the Spending Review period the NMS Programme expenditure will be kept at a 'flat cash' budget, but Administration will be subject to a 33% cut in real terms against the original 2010-11 budget.

The Spending Review will also have an impact on a number of the Agency's other activities such as those covered by MoUs' with other government departments (eg Defra) or paid for by Local Authorities.

The revisions to the NMS Programme expenditure budget have meant that the NMS strategy, previously in draft form, has had to be revised. This is to be published shortly. The strategy follows a consultation initiated in 2009 and will set out the priorities for the NMS programmes in maintaining and developing the national measurement infrastructure to stimulate business growth and support innovation. It will focus on

performing this in a cost effective way, commissioning research to tackle measurement problems in areas such as energy, sustainability and healthcare. There will be an emphasis on building up new scientific measurement capability, in particular within NPL, related to technologies where the UK has the potential to exploit competitive advantage.

Capital spend has been secured to maintain the Teddington estate laboratories, but unfortunately there were insufficient funds to be able to build an Advanced Metrology Laboratory which had been proposed in the original NMS strategy.

Towards the end of the Spending Review period, the current 10-year science contract with NPLM Ltd to operate the NPL, and also the contract with Amey Community Ltd to operate the facilities management on the Teddington estate will come to an end, unless agreements are made to adopt extension provisions. In the years until the end of the contracts NMO will be ensuring that the measurement infrastructure beyond that date will be secure and delivers the maximum economic impact, innovation and social impact within budget.

The creation of a reduced Administration budget will make achieving the programme deliverables within a tighter budget challenging, but detailed plans have been made and NMO are hopeful of achieving this. In particular, the Government's Red Tape Challenge will place additional demands on the legislative policy team who will need to do "more with less" if they are to meet the objectives of the Corporate Plan.

The work with other government departments for gas and electricity metering is covered by an MoU with Ofgem which exists until the statutory responsibilities change to make it ineffective. This is not foreseen in the near future. Efficiency savings and reduced costs have meant that NMO is expecting to be able to provide the service and also expand its range of service within a constant cash budget in the forthcoming years.

The MoUs for the enforcement work that NMO performs for Defra and BIS are more uncertain as their budgets have been subject to public sector pressures. We are assuming that the work will continue, and NMO will be best placed to perform it, but we have been prudent in planning that there may be some reduction in budget which we will need to manage.

The value of external services that NMO provides to private businesses and Local Authorities have seen a slight downturn in income during the latter part of 2010-11 due to economic conditions. We are keen to ensure that this work continues, so that businesses have access to a UK base to enable them to grow by selling their innovative new products and obtaining access to world-wide markets. Our customer survey results were very positive in this area, and we are planning to expand our available services. It is acknowledged that our assumptions and plans will need to be closely monitored in the current economic situation.

NMO is fortunate to have a committed and dedicated workforce with a low turnover of staff. This means we are able to build up specialised expertise across all areas. Staff development, training and engagement are important to NMO to ensure we can deliver a consistently high quality service into the future. IIP accreditation and being in the top quartile in the Civil Service staff survey are evidence of this.

Risks and uncertainties

The most significant short-term risk to the achievement of the Agency's objectives lies in the reduced Administration budget and the corresponding pressures on the Agency's corporate services. While the planned budgets should be sufficient for the work programme as it stands they would be vulnerable to any significant initiatives either in the legislative programme of Regulation directorate or any new reporting requirements that might be imposed.

In the longer term, the Agency would face increased difficulties if there were significant reductions in the amount of income it received for its current enforcement work and no corresponding increase in such work relating to other enforcement areas.

Other information

Staff

NMO involves all members of staff in the delivery of the objectives set out in the Corporate Plan. The main channels of internal communication include feedback from the Management Board meetings, office circulars and all staff meetings. Staff are helped to realise their potential through training. NMO has been awarded Investors in People as recognition of its commitment to staff.

NMO is fully committed to providing equal opportunity for all staff. NMO follows the Civil Service guidelines ensuring that all eligible people must have equality of opportunity for employment and advancement on the basis of their suitability for the work. There is no discrimination on the basis of age, disability, gender, part-time workers, marital status, sexual orientation, race, colour, nationality, ethnic or national origin or religious belief. NMO's consultative mechanisms provide an opportunity for staff to have an input into issues that concern them, to offer a staff view on new initiatives, and to make suggestions for improvements where appropriate.

NMO ensures that recruitment is carried out on the basis of fair and open competition and that selection is on merit in accordance with the Office of the Civil Service Commission (OCSC) Principles. Recruitment systems are subject to regular audits by the Commission.

There was no external recruitment during 2010-2011.

Days lost due to absence

NMO encourages a culture where good attendance is expected and valued. However, it recognises that from time to time absences for medical reasons may be unavoidable. NMO aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly.

In 2010-11, the average number of working days lost was 3.5 days per annum per employee.

Data and physical security

NMO had no protected personal data related incidents during 2010-11 and none during the previous five years. All NMO staff have received training on data security and 100% have passed the training test. Follow-up training will take place in the coming year in accordance with Cabinet Office guidelines. Information Asset Owners have been assigned to each dataset owned by NMO and have been trained to a higher level on data security. They provide a quarterly report on risk and security incidents on their database. NMO will continue to assess these information risks in order to identify any weaknesses and ensure continuous improvement of its systems.

Sustainability commitment

Sustainability is embedded in the philosophy and culture of NMO. A Sustainability Working Group manages the Agency's Sustainable Development Action Plan, which looks at both short and longer term issues.

A Travel Plan has been produced and accepted by the Management Board. The Travel Plan provides an overview of the current situation regarding transport arrangements at NMO. It also sets out measures which the Agency will introduce in order to meet the Travel Plan objectives and will be reviewed on an annual basis. The Agency is a member of the Teddington Travel to Work Network which is facilitated by the Local Authority.

As the Agency is now responsible for the Teddington estate on which it and the National Physical Laboratory are located, it has responsibility for reporting on progress towards meeting sustainability targets for the Government estate.

Social and community issues

Throughout 2010-11 NMO has contributed to the local community through a number of initiatives. During 2010-11 NMO revised a staff travel plan, whilst working in partnership with the South & West London Transport Conference (SWELTRAC). NMO has chosen to support this initiative to help the local community through reducing road traffic and improving the environment, whilst also encouraging staff to maintain a healthy lifestyle. NMO's travel plan included promoting public transport for getting around Teddington, car share scheme, a walk to work week in April 2010 and a cycle to work week in June 2010. In February 2011, NMO also promoted a Dr Bike event, which encouraged staff to bring in their bikes for maintenance. This particular event was funded by Richmond Council.

In September 2010 NMO staff organised a charity ploughman's lunch in order to raise money for Great Ormond Street.

During 2010-11 NMO also raised money for the Rainbow Trust instead of sending Christmas cards to stakeholders and asking staff to donate old mobile phones. The Rainbow Trust is a registered charity, located in Leatherhead and looks after terminally ill children.

Major contractors

NPL Management Ltd

NMO's major contractor is NPL Management Ltd (NPLML) a wholly owned subsidiary of Serco. NPLML is based on the same Teddington site as NMO. NMO has a 10-year contract with NPLML (the "Science Contract") which expires in 2014 to perform measurement science. Within the 10-year contract there are annual amounts that NMO is committed to spend in order to support the scientists and infrastructure that they operate. NPLML are the operator of NPL which is Government Owned Contractor Operated (GOCO).

NMO is responsible for maintaining the buildings in which NPLML perform their science and for which they pay an accommodation and facilities charge.

Amey Community Ltd

NMO has a contract with Amey Community to operate the facilities management contract at the Teddington site. This expires in 2014 in line with the Science Contract with NPLML.

Other National Measurement Institutes

NMO also has contracts with LGC Ltd and TUVNEL (NEL) to perform measurement science for areas in which they specialise. These are covered by shorter term contracts which are usually of 3-year length.

SGS (UK) Ltd

NMO has a contract with SGS (UK) Ltd to test gas and electricity meters where accuracy is disputed. This work was outsourced by Ofgem in 2002 and the contract was novated to NMO when the statutory responsibility for the metrological accuracy of gas and electricity meters was transferred to NMO in April 2009. The original contract expired in November 2010 and a new contract has now been signed for an initial period of six years with three, optional 12 month extension periods.

Basis of accounts and audit

Arrangements

The accounts cover the activities of the National Measurement Office for the year ended 31 March 2011. They have been prepared in accordance with the direction given by the Treasury in pursuance of Section 7 of the Government Resources and Accounts Act 2000. They have been audited by the Comptroller and Auditor General.

Auditors

The Comptroller and Auditor General has been appointed under statute to perform the statutory audit and report to Parliament. A notional charge of £30,000 has been made in the 2010-11 accounts in respect of this. In addition, audits were made during 2010-11 by BIS Internal Audit. A charge to cover all internal audit services of £12,750 was made and is included in the Statement of Comprehensive Net Expenditure.

Disclosure of relevant audit information

There is no relevant audit information of which NMO's auditors are unaware and we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that NMO's auditors are aware of that information.

Pension liabilities

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover present and past employees. The costs of contributions for currently employed staff are charged through the Statement of Comprehensive Net Expenditure. There is no liability for future benefits as this is a charge to the PCSPS.

Creditors payment, policy and performance

NMO settles its own accounts with payments made twice a week: 97% of invoices were paid within thirty days of receipt of invoice. In 2009-10, 99% of invoices were paid within thirty days of receipt of invoice. Invoices were settled within an average of 8 days. In 2009-10, invoices were settled within an average of 9 days.

In November 1998, the Late Payment of Commercial Debts (Interest) Act came into force, providing small businesses with a statutory right to claim interest from large businesses (and all public sector bodies) on payments that are more than thirty days overdue. Amended legislation (the Late Payment of Commercial Debts Regulations 2002) came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No interest has been paid to trade creditors under this Act during 2010-11.

Steering Board

The Board's key responsibilities are to consider the Agency's strategic forward look, its strategic priorities, its high level objectives and its targets as well as new ways of working. During 2010-11 the Steering Board comprised the following personnel:

Steering Board Chair

Noel Hunter Independent Member

Steering Board Members

Peter Mason Chief Executive, NMO

Peter Douglas Independent Member (to 31 December 2010)

Simon Edmonds Director Innovation, BIS (until 6 March 2011)

John Dodds Director Innovation, BIS (from 7 March 2011)

Peter Cowley Independent Member

Alan Proctor Independent Member

Audit Committee

The Audit Committee is an advisory body to the NMO Steering Board with no executive powers. Its main functions are to ensure propriety and accountability of public funds through improving and promoting financial reporting and discipline.

Meetings are generally held three times a year.

During 2010-11 the Audit Committee comprised the following personnel:

Peter Douglas Chair (until 31 December 2010)

Alan Proctor Independent Member, Chair from 1 January 2011

Peter Cowley Independent Member

Organisation Structure



Note:

* Members of the Management Board

Business Team Managers



Chapter 3

Remuneration Report

Following is the Remuneration Report for NMO for 2010-11 and the tables on remuneration and pension entitlements are subject to audit.

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities,
- regional and local variations in labour markets and their effects on the recruitment and retention of staff,
- government policies for improving the public services including the requirement on Departments to meet the output targets for the delivery of departmental services,
- the funds available to Departments as set out in the Government's Departmental Expenditure Limits,
- the Government's inflation target,

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

The only senior civil servant is Peter Mason, the Chief Executive. For all other staff members their remuneration is determined by the staffing and pay system operating within our parent Department.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances maybe made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Peter Mason was appointed on a five year term commencing 1 September 2007.

Further information about the work of the Civil Service Commission can be found at:
www.civilservicecommission.org.uk

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the Agency and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2010-11 and the comparative bonuses reported for 2009-10 relate to the performance in 2009-10.

Remuneration (including salary) and pension entitlements

The following sections provides details of the remuneration and pension interests of the most senior management (i.e. Management Board members) of the Agency.

Remuneration (salary and payments in kind)

| | 2010-11 | 2010-11 | 2010-11 | 2009-10 | 2009-10 | 2009-10 |
|--|---------|----------------|------------------------------------|---------|----------------|------------------------------------|
| | Salary | Bonus payments | Benefits in kind (to nearest £100) | Salary | Bonus payments | Benefits in kind (to nearest £100) |
| | £'000 | £'000 | | £'000 | £'000 | |
| Mr Peter Mason <i>Chief Executive</i> | 80-85 | 0-5 | 0 | 80-85 | 5-10 | 0 |
| Mr Richard Sanders <i>Director</i> | 55-60 | 0-5 | 0 | 55-60 | 0-5 | 0 |
| Miss Sarah Glasspool <i>Director</i> | 55-60 | 0-5 | 0 | 50-55 | 0-5 | 0 |
| Mr Robert Gunn <i>Director</i> | 65-70 | 0-5 | 0 | 60-65 | 0-5 | 0 |
| Mrs Jo Symons* <i>Director</i> | 35-40 | 0-5 | 0 | 35-40 | 0-5 | 0 |
| Mr Richard Frewin <i>Director</i> | 55-60 | 0-5 | 0 | 50-55 | 0-5 | 0 |

* Part time staff member.

Agency Steering Board

The non- executive members were entitled to the following fee:

| Name | Fee |
|--|-------|
| Mr N Hunter | 5-10 |
| Mr P Douglas (until 31 December 2010) | 5-10 |
| Dr P Cowley | 5-10 |
| Mr A Proctor | 10-15 |

Mr Simon Edmonds and Mr John Dodds were members of the Steering Board during 2010-11 but as salaried employees of BIS they drew no remuneration.

| | Full year numbers |
|----------------|-------------------|
| NMO | 1 |
| BIS | 1 |
| Private sector | 4 |

Pension benefits

| | Accrued pension at pension age as at 31/3/11 and related lump sum (bands of £5,000) £'000 | Real increase in pension and related lump sum at pension age (bands of £2,500) £'000 | CETV at 31/3/11 £'000 | CETV at 31/3/10 £'000 | Real increase in CETV as funded by employer £'000 | Employer contribution to partnership pension account Nearest £100 |
|---|--|---|--------------------------|--------------------------|--|--|
| Mr Peter Mason <i>Chief Executive</i> | 35-40 plus lump sum 115-120 | 0-2.5 plus lump sum 0-2.5 | 883 | 821 | 0 | 0 |
| Mr Robert Gunn <i>Director</i> | 25-30 plus lump sum 45-50 | 0-2.5 plus lump sum 0-2.5 | 417 | 379 | 4 | 0 |
| Mr Richard Sanders <i>Director</i> | 20-25 plus lump sum 65-70 | 0-2.5 plus lump sum 0-2.5 | 334 | 304 | 3 | 0 |
| Miss Sarah Glasspool <i>Director</i> | 5-10 plus lump sum 5-10 | 0-2.5 plus lump sum 0-2.5 | 107 | 84 | 14 | 0 |
| Mrs Jo Symons <i>Director</i> | 10-15 plus lump sum 35-40 | 0-2.5 plus lump sum 0-2.5 | 140 | 127 | 1 | 0 |
| Mr Richard Frewin <i>Director</i> | 15-20 plus lump sum 45-50 | 0-2.5 plus lump sum 5-7.5 | 180 | 143 | 24 | 0 |

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website:
www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A handwritten signature in black ink that reads "Peter Mason". The signature is written in a cursive style with a long horizontal stroke at the end.

Peter Mason

5 July 2011

Chief Executive and Accounting Officer



Chapter 4

Accounts

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, the Secretary of State with the consent of the HM Treasury has directed NMO to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NMO, the income and expenditure, statement of changes in the taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis,
- make judgements and estimates on a reasonable basis,
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts, and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department of Business, Innovation and Skills has designated the Chief Executive as Accounting Officer of NMO. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding NMO's assets, are set out in Managing Public Money, as published by HM Treasury.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the National Measurement Office's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

NMO operates as an Executive Agency within the Department for Business, Innovation and Skills. In accordance with *Managing Public Money* I am personally responsible for managing the risks of the Agency and the key risks are set out in the Agency's Corporate Plan which is approved by Ministers each year. For line management purposes I report to the Director of Innovation in the Department for Business, Innovation and Skills, who is responsible for most of the funding which the Agency receives and who also sits on the Agency's Steering Board.

The purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in National Measurement Office for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Agency's Finance Director acts as risk management 'champion' on the Management Board and is responsible for the maintenance of risk management policies, operations and profile. Detailed written guidance, which was extensively revised in 2008 and is reviewed annually by the Audit Committee, is provided to managers and all staff. Training on the operation of the risk management processes has been provided to all staff in the Agency. Risk Management was reviewed by Internal Audit in 2008-09 and its operation during 2010-11 and it was concluded that the Agency's management demonstrated an ongoing commitment to embedding risk management with a framework that was tailored to fit and applied good practice. The guidance was found to be effectively communicated, with a consistent and dynamic approach, and management were encouraged to continue to consider further initiatives that would further promote a risk culture throughout the Agency.

Although the transfer to the Agency in 2009 of responsibility for the National Measurement System Budget and the management of the Teddington estate initially involved a substantial increase in the scale of risks to be managed and a much wider range of key risks that had to be monitored, there has been a significant reduction in those risks as the new responsibilities have bedded in.

However, the difficult economic and fiscal climate continues to present formidable challenges. Reductions in budgets, the introduction of new controls on "Admin" expenditure, and the new rules on transparency requirements and controls on certain categories of expenditure have in all cases increased the scope for reputational damage in cases of non-compliance and in some cases (notably restrictions on marketing expenditure and the freeze on recruitment) have made the achievement of the Agency's targets more difficult.

The Risk and Control Framework

The Agency's risk management strategy continues to be based on risk registers which are drawn up at Directorate or Business Team level, and are reviewed monthly by the Directors or Business Team Managers. Most controls are assigned to Primary Budget Holders who are Members of the Management Board and then in the case of some Directorates to Business Team Managers. Operational and financial issues are addressed at monthly meetings attended by both Business Team Managers and the Management Board, informed by a scorecard process. Any issues which are seen to be significant are then addressed by the Management Board and where necessary escalated to our parent Department. The scorecard is derived from the Corporate Plan, and assesses both risk registers and targets at Business Team/Directorate level and Agency level.

The Agency has risk appetite and risk assessment guidance which both determines the priority to be given to identified risks and the acceptable level of risk (based on a concept of "desired risk" rather than risk appetite). Any risks which are assessed as high or which are significantly above the desired risk are considered by the Management Board and included in the Agency's high level risk register. Changes to the Business Team or NMO risk registers are documented. During the year particular attention has been paid to financial risks arising from reductions in budgets and the new control regimes introduced after the Election.

The Agency's business planning process has been refined this year to take account of changed procedures within our parent Department. All staff are still involved in formulating the objectives and activities of the Agency and the planning process includes explicit consideration of the Agency's current risk profile.

On 28 October 2010, as part of the Government-wide review of the risk of financial loss aimed at assessing the level of risk across government and proposing how these risks might be mitigated and managed, a DAO letter was issued which advised using a toolkit developed by HM Treasury to help diagnose risk of financial loss and then design proportionate response. Financial loss is defined as transactional errors arising from systematic weaknesses in financial funds flows, human use or abuse of financial systems, or weaknesses in the control environment within which financial systems operate. The Agency has started using the toolkit and has identified relevant Processes and Process Owners. One assessment has been completed and the Finance Director attended training in early June to be able to take the toolkit forward. The toolkit is planned to be completed by the end of December 2011 and the Internal Audit plan for 2011-12 includes auditing of the toolkit to provide external assurance. No financial loss has been identified for 2010-11.

As an Executive Agency we have opted for Independent DSO Status and have a designated Agency Security Officer (ASO), an Information Technology Security Officer (ITSO) and a Board level Senior Information Risk Owner (SIRO). NMO's Internal Audit carried out an audit in 2008-09 on data security arrangements which concluded that they were satisfied that NMO complied with *Data Handling Procedures in Government* and that all recommendations had been implemented. This was followed up in 2009-10 and 2010-11 as part of their audit programme.

The Data Handling Review (DHR) requires Departments to report annually on information risk in their Resource Accounts and to the Cabinet Office in the Security Risk Management Overview (SRMO). NMO has completed a SRMO annual return required by all of BIS partner organisations which will form part of the overall BIS SRMO report and also provides NMO with a comprehensive view of its main areas of security and information risk. NMO's Internal Audit have provided independent assurance of this return, and it was submitted to BIS on the 10 May 2011.

The HMG Information Assurance Maturity Model (IAMM) incorporates the DHR measures, information assurance requirements of the Security Policy Framework (SPF) and is aligned with ISO 27001 and its related Assessment Framework. It was developed to assist Departments in assessing their information risk and to provide an evidence-based assessment of performance. Due to the limited information risk BIS have asked NMO to only complete the Annex A which is the criteria within the IAMM tool that is the minimum applicable directly to delivery partners. NMO completed the Annex A, which was submitted to BIS on 19 April 2011.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Directors within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Steering Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Agency uses internal audit services provided by BIS Internal Audit, whose programme is considered by the Audit Committee annually. BIS Internal Audit also have the opportunity to provide comments on the assertion statements of the Primary Budget Holders. They have confirmed their opinion that the system of internal control that operated within NMO during 2010-11 was satisfactory. The Audit Committee meets three times a year and considers reports from Internal Audit and the National Audit Office, the Agency's external auditors. The Steering Board is advised by reports from the Audit Committee.

In addition to this, a number of the Agency's functions are certified to the international standards ISO 9001 and ISO 1800 and we hold UKAS accreditation for a range of functions. The requirements of these standards is that the functions covered are subject to a third party, and therefore independent, audit. A focus in the coming year will be a review, overseen by the Audit Committee, to consider the scope of making efficiencies across all our auditing requirements, whilst at the same time ensuring certified assurance and compliance is achieved.

There were no significant control issues in 2010-11 which required intervention from myself or the Management Board.

A handwritten signature in black ink, appearing to read 'Peter Mason', with a long horizontal line extending from the end of the signature.

Peter Mason

5 July 2011

Chief Executive and Accounting Officer

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

I certify that I have audited the financial statements of the National Measurement Office for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, 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.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the comprehensive expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the *Introduction by the Chief Executive* and the *Management Commentary* for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

8 July 2011

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

| | Note | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|------|------------------|------------------------------|
| Income | 4 | 13,882 | 12,901 |
| Staff costs | 2 | (3,352) | (3,295) |
| Other operating costs | 3 | (70,899) | (72,685) |
| Comprehensive expenditure for the year | | (60,369) | (63,079) |

Other Comprehensive Expenditure

for the year ended 31 March 2011

| | Note | 2010-11 £'000 | Restated 2009-10 £'000 |
|--|------|------------------|------------------------------|
| Net gain/(loss) on revaluation of property, plant and equipment | | (17) | 471 |
| Net gain/(loss) on revaluation of Intangibles | | - | - |
| Net gain/(loss) on revaluation of available for sales financial assets | | - | - |
| Total Comprehensive Net Expenditure | | (60,386) | (62,608) |

All operations are continuing.

The notes on pages 44 to 59 form part of these financial statements.

Statement of Financial Position

as at 31 March 2011

| | Note | 31 March 2011 | | Restated 31 March 2010 | | Restated 1 April 2009 | |
|--|------|-----------------|-------|---------------------------|-------|--------------------------|-------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Non-current assets: | | | | | | | |
| Property, plant and equipment | 5 | 177,327 | | 176,045 | | 173,777 | |
| Heritage Assets | 5 | 847 | | 145 | | 145 | |
| Intangible assets | 6 | 152 | | 194 | | 183 | |
| Deposits and advances | 10 | 200 | | 200 | | 200 | |
| Total non-current assets | | 178,526 | | 176,584 | | 174,305 | |
| Current assets: | | | | | | | |
| Inventories | 9 | - | | - | | 44 | |
| Trade and other receivables | 10 | 4,354 | | 4,744 | | 3,235 | |
| Cash and cash equivalents | 11 | 9,051 | | 4,349 | | 1,327 | |
| Total current assets | | 13,405 | | 9,093 | | 4,606 | |
| Total assets | | 191,931 | | 185,677 | | 178,911 | |
| Current liabilities: | | | | | | | |
| Provisions | 13 | (2,127) | | (2,042) | | (5,352) | |
| Trade and other payables | 12 | (10,095) | | (9,577) | | (9,055) | |
| Total current liabilities | | (12,222) | | (11,619) | | (14,407) | |
| Total assets less current liabilities | | 179,709 | | 174,058 | | 164,504 | |
| Non-current liabilities: | | | | | | | |
| Provisions | 13 | (26,125) | | (27,955) | | (27,677) | |
| Total non-current liabilities | | (26,125) | | (27,955) | | (27,677) | |
| Assets less liabilities | | 153,584 | | 146,103 | | 136,827 | |
| Taxpayers' equity: | | | | | | | |
| General fund | | 116,950 | | 111,756 | | 101,687 | |
| Revaluation reserve | | 36,634 | | 34,347 | | 35,140 | |
| Total taxpayers' equity | | 153,584 | | 146,103 | | 136,827 | |

The notes on pages 44 to 59 form part of these financial statements.



Peter Mason

5 July 2011

Chief Executive and Accounting Officer

Statement of Cash Flows

for the year ended 31 March 2011

| | Note | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|------|------------------|------------------------------|
| Cash flows from operating activities | | | |
| Net operating cost | | (60,369) | (63,079) |
| Adjustments for non cash transactions | 3 | 8,990 | 7,780 |
| Use of provisions | 13 | (2,369) | (3,975) |
| (Increase)/Decrease in trade and other receivables | 10 | 390 | (1,509) |
| (Increase)/Decrease in inventories | | - | 44 |
| Increase/(Decrease) in trade payables | 12 | 518 | 522 |
| Movement in payables outside the Statement of Comprehensive Net Expenditure | | (352) | (1,348) |
| Net cash outflow from operating activities | | (53,192) | (61,565) |
| Cash Flows from investing activities | | | |
| Purchase of property, plant and equipment | 5 | (5,861) | (6,709) |
| Purchase of intangible assets | 6 | (23) | (35) |
| Proceeds of disposal of property, plant and equipment | 5 | 131 | - |
| Net cash outflow from investing activities | | (5,753) | (6,744) |
| Cash flows from financing activities | | | |
| Financing to settle debtors & creditors transferred from Department | | - | 6,212 |
| National Measurement System financed from Department | | 63,647 | 65,119 |
| Net financing | | 63,647 | 71,331 |
| Net increase/(decrease) in cash and cash equivalents in the period | | 4,702 | 3,022 |
| Cash and cash equivalents at the beginning of the period | 11 | 4,349 | 1,327 |
| Cash and cash equivalents at the end of the period | 11 | 9,051 | 4,349 |

The notes on pages 44 to 59 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

| | Note | General Fund £'000 | Revaluation Reserve £'000 | Total Reserves £'000 |
|--|------|-----------------------|------------------------------|-------------------------|
| Balance at 1 April 2010 | | 111,756 | 34,347 | 146,103 |
| Surplus on revaluation | | - | 4,140 | 4,140 |
| Realised element of revalued assets | | 1,464 | (1,464) | - |
| Other notional and non-cash charges | 3 | 30 | - | 30 |
| Asset review | | 50 | - | 50 |
| Impairment of assets | | 389 | (389) | - |
| Financing received for the year | | 63,647 | - | 63,647 |
| Net operating cost for the year | | (60,386) | - | (60,386) |
| Total recognised income and expense | | 5,194 | 2,287 | 7,481 |
| Balance at 31 March 2011 | | 116,950 | 36,634 | 153,584 |

for the year ended 31 March 2010 - Restated

| | Note | General Fund £'000 | Revaluation Reserve £'000 | Total Reserves £'000 |
|---|------|-----------------------|------------------------------|-------------------------|
| Balance at 1 April 2009 | | 101,687 | 35,140 | 136,827 |
| (Deficit)/Surplus on revaluation | | - | 510 | 510 |
| Realised element of revalued assets | | 1,303 | (1,303) | - |
| Other notional and non-cash charges | | 43 | - | 43 |
| Disposal of assets | | - | - | - |
| Financing from BIS to settle debtors & creditors transferred from NMS | | 6,212 | - | 6,212 |
| Financing received for the year from BIS | | 65,119 | - | 65,119 |
| Total comprehensive net expenditure | | (62,608) | - | (62,608) |
| Total recognised income and expense | | 10,069 | (793) | 9,276 |
| Balance at 31 March 2010 | | 111,756 | 34,347 | 146,103 |

The notes on pages 44 to 59 form part of these financial statements.

The General Fund is used to support the on-going operations of the Agency and represents the investment made by the Agency or parent Department. The revaluation reserve represents the increase of value of non-current assets above their depreciated historic costs.

Notes to the Accounts

For the year ended 31 March 2011

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010–11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the NMO for the purpose of giving a true and fair view has been selected. The particular policies adopted by NMO are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets. The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000). The functional currency of the Agency is pounds sterling.

1.2 Property, plant and equipment (PPE)

Expenditure on plant and equipments, of over £1,000 are capitalised with the exception of IT equipments where everything over £500 is capitalised. For property assets the capitalisation threshold is £2,500. All land and buildings have been valued on an existing use basis. PPE is held at fair value, but where there is no market-based evidence of fair value because of the specialist nature of the item of PPE and the item is rarely sold, except as part of a continuing business, fair value is estimated using an income or depreciated replacement cost approach. They have all been valued on a component basis in accordance with IAS 16 as interpreted by the FReM. Market indices issued by the Valuation Office, The Office of National Statistics or Building Cost Information Service (BCIS) are applied in the intervening year between full professional valuations. Impairment losses not resulting from a loss of economic value or service potential is taken to the revaluation reserve to the extent that there is a credit in that reserve for that asset or portfolio of assets. Impairment losses that arise from a clear consumption of economic benefit is charged to the Statement of Comprehensive Net Expenditure. Any increase in value is transferred to the revaluation reserve. Property, plant and equipment are depreciated on a straight line basis to the residual value over the asset's expected useful life. Assets under construction are recognised and treated as capital expenditure, but not depreciated.

The Teddington estate assets have been valued on a component basis in accordance with IAS 16.

All Land and buildings were valued as at 31 March 2009 by an independent Chartered Surveyor, Powis, Hughes and Associates. This valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards (6th Edition) as amended March 2009.

The stock of furniture and fittings is treated as a permanent asset pool which is re-valued each year, but not depreciated; replacement expenditure is charged to the Statement of Comprehensive Net Expenditure in the year of purchase.

Asset lives are normally in the following ranges:

Freehold buildings 50 years or estimated useful life if shorter

Historic leasehold - residual term of land and buildings lease

Leasehold improvements - residual term of lease

Plant and machinery from 5 to 30 years

Scientific equipment from 5 to 110 years

Computer equipment and office machinery from 3 to 10 years

Motor vehicles from 5 to 10 years

1.3 Heritage assets

The Agency has a number of non-operational heritage assets held for historical and cultural reasons only and are valued at fair value in accordance with the FReM. They are located at the National Physical Laboratory and National Measurement Office Laboratories in Teddington, with access limited to selected NPL and NMO staff. All heritage assets are contained within a secure building and where significant assets are held in further locked facilities. The assets are listed separately on the NMO asset register and are checked for their existence annually. Due to their nature, very little maintenance is required. They consist of the National Physical Laboratory museum and archives, and some UK primary standard weights and measures. Some of these group of assets is held for statutory purposes. Most are not depreciated as they have very long estimated lives. There is little market based evidence of fair value because of their nature, so fair value is estimated using a depreciated replacement cost approach using market evidence of the value of the metal when appropriate, and some are held at nil book value.

1.4 Intangible assets

Expenditure on intangible non current assets of over £1,000 is capitalised and is carried at fair value and published indices appropriate to the category of asset are normally used to estimate value. They are amortised on a straight line basis over the shorter of the licence period or their useful economic life.

1.5 Revenue recognition

Income comprises services provided net of VAT. Income is recognised in the period to which it relates. The amount of financing for NMS is agreed in advance with BIS and is recognised in line with the reported expenditure in these accounts.

1.6 Segmentation

The income is analysed in segments to meet the relevant sections of the statutes under which NMO operates, which is a fees and charges requirement. Income is also analysed on a geographical basis and segment basis in accordance with IFRS 8 operating segments.

1.7 Value added tax

NMO is covered under the VAT registration of the Department for Business, Innovation and Skills. It recovers VAT on certain contracted-out services, as directed by HM Treasury. Irrecoverable VAT is included as expenditure or included in the costs of property, plant and equipment purchased.

1.8 Insurance

No insurance for the NMO building and staff is effected against fire, explosion, common law, third party and similar risks, except for cars leased or hired by NMO. The NPL laboratories were insured against loss or damage by fire, lightning, earthquake, explosion, aircraft (other than hostile aircraft) and other aerial devices or articles dropped therefrom, riot and civil commotion, malicious damage, storm or apparatus or pipes, flood and impact by road vehicles.

1.9 Leases

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

1.10 Leases where NMO is the lessor

Where NMO receives rentals for property which is not occupied by NMO the rentals are credited to the Statement of Comprehensive Net Expenditure in the period to which it relates.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of each transaction. These translation differences are dealt with in the Statement of Comprehensive Net Expenditure. Monetary assets and liabilities denominated in foreign currency at the Statement of Financial Position date are translated at the rates ruling as at that date.

1.12 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes. The defined benefit schemes are unfunded and are non contributory except in respect of dependents' benefits. NMO recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, NMO recognises the contributions payable for the year.

1.13 Financial instruments

NMO does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables. Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that NMO will be unable to collect an amount due in accordance with agreed terms.

1.14 Provisions for liabilities and charges

The Agency makes provision for liabilities and charges where a legal or constructive liability (i.e. a present liability arising from a past event) exists and the transfer of economic benefits is probable. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date and are discounted to a present value where the effect is material.

1.15 Prior period errors

1.15.a. Provision for NPLML pension scheme deficit

Prior to 2010-11 the NPLML pension scheme deficit had not been recognised as a provision, as it was considered that the liability resided with NPLML. After consultation with lawyers it was concluded that the deficit is the responsibility of NMO, although payments are made through the science contract to NPLML. This has been recorded in these accounts as a IAS37 provision rather than a IAS19 provision as the pension scheme is not for employees of NMO.

1.15.b Realised element of revalued assets

During 2009-10 the realised element of revalued assets was based on depreciation calculated on historic gross book values, rather than net book values. As a result the revaluation reserve for 2009-10 was overstated and the general fund understated by an equal and opposite amount with no impact on the Taxpayers Equity.

1.16 Changes in accounting policy

1.16.a. Cost of Capital charges

The FReM no longer permits the inclusion of notional cost of capital charges when calculating the Department's expenditure. In accordance with Treasury guidance, a prior period adjustment has been made,

and comparative amounts have been restated. As a result the 2009-10 the comprehensive net expenditure reduced by £5,852k. There is no impact on Taxpayers' Equity as an equal and opposite entry was recorded in the General Fund.

The impact of these adjustments which have been shown in these accounts are shown below:

| Changes in accounting policy reference | General Fund £'000 | Revaluation Reserve £'000 | Total £'000 |
|--|---|---------------------------------------|-------------------|
| Taxpayers' equity at 31 March 2009 | 130,482 | 35,140 | 165,622 |
| NPLML Pension provision 1.15.a | (28,795) | - | (28,795) |
| Restated taxpayers equity 1 April 2009 | 101,687 | 35,140 | 136,827 |
| Published Taxpayers equity 31 March 2010 | 141,004 | 33,449 | 174,453 |
| Realised revaluation of assets adjustment 1.15.b | (898) | 898 | - |
| NPLML Pension provision 1.15.a | (28,350) | - | (28,350) |
| Restated taxpayers' equity 1 April 2010 | 111,756 | 34,347 | 146,103 |
| Changes in accounting policy reference | NMO per published accounts 2009/10 £'000 | Changes in accounting policy £'000 | Restated £'000 |
| Operating Income | 12,559 | - | 12,559 |
| Staff Costs | (3,295) | - | (3,295) |
| Other operating costs | - | - | - |
| - Science research costs 1.15.a | (58,841) | 1,911 | (56,930) |
| - Accommodation | (4,582) | - | (4,582) |
| - International subscriptions | (971) | - | (971) |
| - Laboratory testing | (597) | - | (597) |
| - General expenses | (1,102) | - | (1,102) |
| - IT | (207) | - | (207) |
| - Travel and subsistence | (106) | - | (106) |
| - Telecommunications | (27) | - | (27) |
| - Rentals under operating leases | (41) | - | (41) |
| | (66,474) | 1,911 | (64,563) |
| Non cash items | | | |
| - Depreciation | (6,743) | - | (6,743) |
| - Cost of capital charge 1.16.a | (5,852) | 5,852 | - |
| - Revaluation of non-current assets | 471 | - | 471 |
| - Write back of provisions 1.15.a | 523 | 95 | 618 |
| - Unwinding of discount on provisions 1.15.a | - | (1,561) | (1,561) |
| - Amortisation | (49) | - | (49) |
| - Notional audit fee | (43) | - | (43) |
| - Loss on disposal of non current assets | (2) | - | (2) |
| | (11,695) | 4,386 | (7,309) |
| Net operating cost | (68,905) | 6,297 | (62,608) |

1.16 Estimates techniques and changes in accounting estimates

NMO makes estimates in relation to the valuation of its PPE and provisions. These are explained further in notes 1, 5 and 13.

1.17 Admin and programme expenditure

Currently all of NMO's comprehensive net expenditure is deemed to be part of BIS programme spend for budgets and supply estimates purposes.

1.18 Contingent liabilities

NMO discloses contingent liabilities in accordance with IAS 37.

2. Staff numbers and related costs

Staff costs comprise:

| | 2010-11 Permanently employed staff £'000 | 2010-11 Others £'000 | 2010-11 Total £'000 | 2009-10 Permanently employed staff £'000 | 2009-10 Others £'000 | 2009-10 Total £'000 |
|-----------------------|--|----------------------------|---------------------------|--|----------------------------|---------------------------|
| Wages and salaries | 2,610 | 29 | 2,639 | 2,585 | 11 | 2,596 |
| Social security costs | 212 | - | 212 | 213 | - | 213 |
| Other pension costs | 501 | - | 501 | 486 | - | 486 |
| Total | 3,323 | 29 | 3,352 | 3,284 | 11 | 3,295 |

The Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but NMO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2010-11, employers' contributions of £500,588 were payable to the PCSPS (2009-10 £486,628) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. Contributions due to the partnership pension providers as the Statement of Financial Position date were £NIL. Contributions prepaid at that date were £NIL. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of NIL were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of NIL, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

| | 2010-11 Permanently employed staff Number | 2010-11 Others Number | 2010-11 Total Number | 2009-10 Permanently employed staff Number | 2009-10 Others Number | 2009-10 Total Number |
|----------------------|---|-----------------------------|----------------------------|---|-----------------------------|----------------------------|
| Technical services | 16 | - | 16 | 16 | - | 16 |
| Regulation | 13 | 1 | 14 | 13 | - | 13 |
| Enforcement | 12 | - | 12 | 8 | - | 8 |
| Administration | 16 | - | 16 | 17 | - | 17 |
| Programme management | 7 | - | 7 | 6 | - | 6 |
| Estate management | 4 | - | 4 | 4 | - | 4 |
| Total | 68 | 1 | 69 | 64 | - | 64 |

3. Other operating costs

| | Note | 2010-11 £'000 | Restated 2009-10 £'000 |
|--|------|------------------|---------------------------|
| Science research costs | | 54,303 | 56,930 |
| Accommodation | | 4,865 | 4,925* |
| International subscriptions | | 898 | 971 |
| Laboratory testing | | 801 | 597 |
| General expenses | | 703 | 1,101 |
| IT | | 190 | 207 |
| Travel and subsistence | | 98 | 106 |
| Telecommunications | | 32 | 27 |
| Rentals under operating leases | | 19 | 41 |
| | | 61,909 | 64,905 |
| Non cash items | | | |
| - Depreciation | 5 | 7,196 | 6,743 |
| - Write back of provisions | 13 | (923) | (618) |
| - Unwinding of discount on provisions | 13 | 1,547 | 1,561 |
| - Amortisation | 6 | 68 | 49 |
| - Impairments | 5 | 1,054 | - |
| - Notional audit fee | | 30 | 43 |
| - Loss on disposal of non current assets | | 18 | 2 |
| | | 8,990 | 7,780 |
| Total | | 70,899 | 72,685 |

During the year the Agency purchased no non-audit services from the National Audit Office.

*Note. 2009-10 includes £343k for insurance of the NPL laboratory buildings that was netted off against income in the published accounts.

4. Income

The following information is given to satisfy the disclosure requirements for fees and charges, not IFRS8. This requires the disclosure of the financial objective, full cost, income, surplus, or deficit and performance against each objective. The financial objective is to recover the full cost on each market segment as indicated below.

| | 2010-11 Income £'000 | 2010-11 Full cost £'000 | 2010-11 Surplus/ (Deficit) £'000 | Restated 2009-10 Income £'000 | Restated 2009-10 Full cost £'000 | Restated 2009-10 Surplus/ (Deficit) £'000 |
|------------------------------|----------------------------|-------------------------------|---|--|---|---|
| Intradepartmental | 600 | 459 | 141 | 600 | 551 | 49 |
| Intragovernmental | 1,813 | 1,681 | 132 | 1,349 | 1,134 | 215 |
| Statutory | 752 | 821 | (69) | 757 | 982 | (225) |
| Commercial | 47 | 50 | (3) | 12 | 57 | (45) |
| Total | 3,212 | 3,011 | 201 | 2,718 | 2,724 | (6) |
| Rental income | 10,670 | | | 10,133 | | |
| External income for NMS work | - | | | 50 | | |
| Total income | 13,882 | | | 12,901 | | |

Operating segments

The following information on operating segments and geographical analysis are required under IFRS 8. The different operating segments have been chosen to reflect the different types of services that the Agency operates. These have different customers, pricing regimes and internal managers. They are accounted for separately and budgeting and decision making are based on this division.

Work performed internally for Legal Metrology is performed by more than one segment, and this is reflected in the internal reduction in costs.

The costs for the Legal Metrology which is performed internally is calculated in accordance with full cost recovery and represents the resources required to fulfill the Legal Metrology contract.

Operating segments 2010-11

| | Gas & electricity metering £'000 | Enforcement £'000 | Certification & calibration £'000 | Other legal metrology £'000 | National Measurement System £'000 | Other £'000 | Total £'000 |
|---|-------------------------------------|----------------------|--------------------------------------|--------------------------------|--------------------------------------|----------------|----------------|
| Income from other Govt organisations | - | 1,000 | 50 | - | - | 3 | 1,053 |
| Income from parent Department | - | 600 | - | - | - | - | 600 |
| Income from public corporations/trading fund | 813 | - | - | - | - | - | 813 |
| Income from private sector | - | - | 582 | - | 10,670* | 51 | 11,303 |
| Income from local authority | - | - | 100 | - | - | 13 | 113 |
| Total income | 813 | 1,600 | 732 | - | 10,670 | 67 | 13,882 |
| Other operating costs | 805 | 1,307 | 1,569 | 1,142 | 61,134 | 52 | 66,009 |
| Cross functional charging - Legal Metrology Programme | - | - | (856) | (1,142) | 1,998 | - | - |
| **Depreciation & amortisation | - | 28 | 105 | - | 7,054 | 1 | 7,188 |
| Impairments & revaluations | - | - | - | - | 1,071 | - | 1,071 |
| Total costs | 805 | 1,335 | 818 | - | 71,257 | 53 | 74,268 |
| Total comprehensive net expenditure | 8 | 265 | (86) | - | (60,587) | 14 | (60,386) |

* The Estate team received £10,670k for rent and facilities management contributions for the Teddington buildings from the private sector. Of this £10,545k is received from NPL Management Ltd.

** The depreciation and amortisation shown are those which are direct costs to the segments, the remaining costs are apportioned within an overhead charge.

Operating segments 2009-10

| | Gas & electricity metering £'000 | Enforcement £'000 | Certification & calibration £'000 | Other legal metrology £'000 | National Measurement System £'000 | Other £'000 | Total £'000 |
|---|-------------------------------------|----------------------|--------------------------------------|--------------------------------|--------------------------------------|----------------|----------------|
| Income from other Govt organisations | 949 | 400 | - | - | - | - | 1,349 |
| Income from parent Department | - | 600 | - | - | - | - | 600 |
| Income from private sector | - | 12 | 739 | - | 10,133 | 30 | 10,914 |
| Income from local authority | - | - | 38 | - | - | - | 38 |
| Total income | 949 | 1,012 | 777 | - | 10,133 | 30 | 12,901 |
| Other operating costs | 953 | 976 | 1,819 | 1,164 | 64,218 | 47 | 69,177 |
| Cross functional charging - Legal Metrology Programme | (10) | (272) | (987) | (1,164) | 2,433 | - | - |
| *Depreciation & amortisation | - | 23 | 96 | - | 6,213 | - | 6,332 |
| | | | | | | | - |
| Total costs | 943 | 727 | 928 | - | 72,864 | 47 | 75,509 |
| Total comprehensive net expenditure | 6 | 285 | (151) | | (62,731) | (17) | (62,608) |

*The depreciation and amortisation shown are those which are direct costs to the segments, the remaining costs are apportioned within an overhead charge.

The figures have been adjusted from those published to remove cost of capital, and reallocate the NPL pension deficit payments and insurance of the NPL laboratories.

Geographical analysis of income

| | 2010-11 £'000 | Restated 2009-10 £'000 |
|-------------------|------------------|------------------------------|
| UK | 13,679 | 12,626 |
| EU | 76 | 101 |
| North America | 57 | 36 |
| - Including USA | 54 | 34 |
| Asia | 68 | 118 |
| - Including China | 44 | 41 |
| Australasia | 2 | 20 |
| Total | 13,882 | 12,901 |

5. Property, plant and equipment

| | Land £'000 | Buildings £'000 | Heritage assets £'000 | Plant and machinery £'000 | Information technology and office machinery £'000 | Furniture and fittings £'000 | Transport equipment £'000 | Assets under construction £'000 | Total £'000 |
|--|---------------|--------------------|-----------------------------|---------------------------------|---|------------------------------------|---------------------------------|--|-----------------|
| Cost or valuation | | | | | | | | | |
| At 1 April 2010 | 9,302 | 130,040 | 176 | 114,320 | 523 | 185 | 43 | 1,003 | 255,592 |
| Asset review | - | (181) | 231 | - | - | - | - | - | 50 |
| Additions | - | 1,085 | 434 | 4,224 | 135 | - | - | 335 | 6,213 |
| Reclassifications | - | 184 | - | 361 | 10 | - | - | (555) | - |
| Revaluations | - | 2,679 | 19 | 3,466 | (11) | (1) | - | 9 | 6,161 |
| Impairments | - | (357) | - | (810) | - | - | - | (233) | (1,400) |
| Disposals | - | (133) | - | (101) | (72) | - | - | (15) | (321) |
| At 31 March 2011 | 9,302 | 133,317 | 860 | 121,460 | 585 | 184 | 43 | 544 | 266,295 |
| Depreciation | | | | | | | | | |
| At 1 April 2010 | - | (37,321) | (31) | (41,732) | (228) | (50) | (40) | - | (79,402) |
| Charged in year | - | (2,480) | - | (4,671) | (42) | (2) | (1) | - | (7,196) |
| Reclassifications | - | - | - | - | - | - | - | - | - |
| Revaluations | - | (718) | 18 | (1,353) | 11 | 1 | - | - | (2,041) |
| Impairments | - | 2 | - | 343 | - | - | - | - | 345 |
| Disposals | - | - | - | 102 | 71 | - | - | - | 173 |
| At 31 March 2011 | - | (40,517) | (13) | (47,311) | (188) | (51) | (41) | - | (88,121) |
| Net book value at 1 April 2010 | 9,302 | 92,719 | 145 | 72,588 | 295 | 135 | 3 | 1,003 | 176,190 |
| Net book value at 31 March 2011 | 9,302 | 92,800 | 847 | 74,149 | 397 | 133 | 2 | 544 | 178,174 |
| Asset financing | | | | | | | | | |
| Owned | 9,302 | 92,800 | 847 | 74,149 | 397 | 133 | 2 | 544 | 178,174 |
| Finance leased | - | - | - | - | - | - | - | - | - |
| Net book value at 31 March 2011 | 9,302 | 92,800 | 847 | 74,149 | 397 | 133 | 2 | 544 | 178,174 |

| | Land £'000 | Buildings £'000 | Heritage assets £'000 | Plant and machinery £'000 | Information technology and office machinery £'000 | Furniture and fittings £'000 | Transport equipment £'000 | Assets under construction £'000 | Total £'000 |
|--|---------------|--------------------|-----------------------------|---------------------------------|---|------------------------------------|---------------------------------|--|-----------------|
| Cost or valuation | | | | | | | | | |
| At 1 April 2009 | 8,859 | 122,693 | 176 | 108,194 | 294 | 197 | 42 | 5,854 | 246,309 |
| Additions | - | 4,531 | - | 2,141 | 201 | - | - | 1,184 | 8,057 |
| Reclassifications | - | 1,448 | - | 4,587 | 14 | (14) | - | (6,035) | - |
| Revaluations | 443 | 1,368 | - | (600) | 38 | 2 | 1 | - | 1,252 |
| Impairments | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | (2) | (24) | - | - | - | (26) |
| At 31 March 2010 | 9,302 | 130,040 | 176 | 114,320 | 523 | 185 | 43 | 1,003 | 255,592 |
| Depreciation | | | | | | | | | |
| At 1 April 2009 | - | (36,559) | (31) | (35,521) | (188) | (50) | (38) | - | (72,387) |
| Charged in year | - | (2,394) | - | (4,312) | (36) | - | (1) | - | (6,743) |
| Reclassifications | - | 2,092 | - | (2,091) | (1) | - | - | - | - |
| Revaluations | - | (460) | - | 192 | (27) | - | (1) | - | (296) |
| Impairments | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | 24 | - | - | - | 24 |
| At 31 March 2010 | - | (37,321) | (31) | (41,732) | (228) | (50) | (40) | - | (79,402) |
| Net book value at 1 April 2009 | 8,859 | 86,134 | 145 | 72,673 | 106 | 147 | 4 | 5,854 | 173,922 |
| Net book value at 31 March 2010 | 9,302 | 92,719 | 145 | 72,588 | 295 | 135 | 3 | 1,003 | 176,190 |
| Asset financing | | | | | | | | | |
| Owned | 9,302 | 92,719 | 145 | 72,588 | 295 | 135 | 3 | 1,003 | 176,190 |
| Finance leased | - | - | - | - | - | - | - | - | - |
| Net book value at 31 March 2010 | 9,302 | 92,719 | 145 | 72,588 | 295 | 135 | 3 | 1,003 | 176,190 |

All land and buildings were valued as at 31 March 2009 by an independent Chartered Surveyor, Powis, Hughes and Associates. This valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards (6th Edition) as amended March 2009. All land and buildings were valued on the basis of existing use.

The remaining tangible assets were revalued as at 31 March 2011 based on appropriate indices published by National Statistics and BCIS. In the case of land, the increase in value was estimated based on published professional opinion for similar types of land.

Heritage assets

The Agency has a number of non-operational heritage assets held for historical and cultural reasons only and are valued fair value in accordance with the FReM. They are located at the National Physical Laboratory and National Measurement Office Laboratories in Teddington. These consist of the National Physical Laboratory museum and archives, and some UK primary standard weights and measures.

6. Intangible assets

Intangible assets are software and software licences and associated implementation costs.

Total
£'000

| | |
|--|--------------|
| Cost or valuation | |
| At 1 April 2010 | 447 |
| Additions | 23 |
| Revaluations | (6) |
| Disposals | (73) |
| At 31 March 2011 | 391 |
| Amortisation | |
| At 1 April 2010 | (253) |
| Charged in year | (68) |
| Revaluations | 9 |
| Disposals | 73 |
| At 31 March 2011 | (239) |
| Net book value | |
| Net book value at 31 March 2011 | 152 |
| Net book value at 1 April 2010 | 194 |

Total
£'000

| | |
|--|--------------|
| Cost or valuation | |
| At 1 April 2009 | 383 |
| Additions | 35 |
| Revaluations | 56 |
| Disposals | (27) |
| At 31 March 2010 | 447 |
| Amortisation | |
| At 1 April 2009 | (200) |
| Charged in year | (49) |
| Revaluations | (31) |
| Disposals | 27 |
| At 31 March 2010 | (253) |
| Net book value | |
| Net book value at 31 March 2010 | 194 |
| Net book value at 1 April 2009 | 183 |

7. Financial instruments

As the cash requirements of the Agency are able to be met by BIS, financial instruments play a more limited role in creating risk than would apply to a non public body of a similar size.

The majority of financial instruments relate to contracts to buy non financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit liquidity or market risk.

The Agency is exposed to foreign currency risk as approximately 1% of expenditure is payable in Euros. This expenditure relates to subscriptions for membership to international metrology organisations as part of its role in Government.

8. Impairments

There were impairments of £1.1m in 2010-11. These were mainly replacement of items prior to their normal expiry date (£NIL 2009-10).

9. Inventories

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 1 April 2009 £'000 |
|------------------|------------------------|------------------------|-----------------------|
| Work in progress | - | - | 44 |
| Total | - | - | 44 |

10. Trade receivables and other current assets

a) Analysis by type

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 1 April 2009 £'000 |
|---|------------------------|------------------------|-----------------------|
| Amounts falling due within one year: | | | |
| Trade receivables | 996 | 572 | 1,741 |
| Interdepartmental receivables | - | 251 | 369 |
| VAT receivable | 2,654 | 3,094 | - |
| Other receivables | 2 | 3 | 5 |
| Prepayments and accrued income | 702 | 824 | 1,120 |
| Total receivables as at 31 March | 4,354 | 4,744 | 3,235 |

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 1 April 2009 £'000 |
|--|------------------------|------------------------|-----------------------|
| Amounts falling due after more than one year: | | | |
| Deposits and advances | 200 | 200 | 200 |
| Total | 200 | 200 | 200 |

b) Intra Government balances

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 1 April 2009 £'000 |
|---|------------------------|------------------------|-----------------------|
| Balances with department | 142 | 387 | 369 |
| Balances with other central government bodies | 3,057 | 3,494 | 91 |
| Balances with local authorities | 115 | 6 | 97 |
| Balances with bodies external to government | 1,240 | 1,057 | 2,878 |
| Total receivables as at 31 March | 4,554 | 4,944 | 3,435 |

11. Cash and cash equivalents

| | £'000 |
|---|--------------|
| Balance at 1 April 2010 | 4,349 |
| Net change in cash and cash equivalent balances | 4,702 |
| Balance at 31 March 2011 | 9,051 |
| The following balances were held at: | |
| Citibank/RBS | 9,050 |
| Cash in hand | 1 |
| Balance at 31 March 2011 | 9,051 |
| Balance at 1 April 2009 | 1,327 |
| Net change in cash and cash equivalent balances | 3,022 |
| Balance at 31 March 2010 | 4,349 |

12. Trade payables and other current liabilities

a) Analysis by type

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 1 April 2009 £'000 |
|---|------------------------|------------------------|-----------------------|
| Amounts falling due within one year: | | | |
| Trade payables | 8,087 | 8,536 | 1,355 |
| VAT | - | - | 1 |
| Other payables | 1 | 82 | 75 |
| Accruals and deferred income | 2,007 | 959 | 7,614 |
| Current part of finance lease | - | - | 10 |
| Total payables as at 31 March | 10,095 | 9,577 | 9,055 |

b) Intra Government balances

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 1 April 2009 £'000 |
|---|------------------------|------------------------|-----------------------|
| Balances with department | 333 | 533 | - |
| Balances with other central government bodies | 37 | 15 | 297 |
| Balances with public corporations/trading funds | 282 | - | - |
| Balances with local authorities | 1 | 33 | 1 |
| Balances with bodies external to government | 9,442 | 8,996 | 8,757 |
| Total payables at 31 March | 10,095 | 9,577 | 9,055 |

13. Provisions for liabilities and charges

| | NPLML Pension Scheme £'000 | Demolition and decontamination £'000 | Disposal of radiological sources £'000 | Other £'000 | Total £'000 |
|--|-------------------------------|---|---|----------------|----------------|
| Balance at 1 April 2010 | 28,350 | 1,150 | 497 | - | 29,997 |
| Provided in the year | - | - | - | - | - |
| Provisions not required written back | (99) | (627) | (197) | - | (923) |
| Provisions utilised in the year | (1,992) | (377) | - | - | (2,369) |
| Unwinding of discount | 1,547 | - | - | - | 1,547 |
| Balance at 31 March 2011 | 27,806 | 146 | 300 | - | 28,252 |
| Due within one year | 2,077 | - | 50 | - | 2,127 |
| Due after one year | 25,729 | 146 | 250 | - | 26,125 |
| Total | 27,806 | 146 | 300 | - | 28,252 |
| Balance at 1 April 2009 - Restated | 28,795 | 3,033 | 1,171 | 30 | 33,029 |
| Provided in the year | - | 149 | - | - | 149 |
| Provisions not required written back | (95) | - | (672) | - | (767) |
| Provisions utilised in the year | (1,911) | (2,032) | (2) | (30) | (3,975) |
| Unwinding of discount | 1,561 | - | - | - | 1,561 |
| Balance at 31 March 2010 - Restated | 28,350 | 1,150 | 497 | - | 29,997 |
| Due within one year | 1,992 | - | 50 | - | 2,042 |
| Due after one year | 26,358 | 1,150 | 447 | - | 27,955 |
| Total | 28,350 | 1,150 | 497 | - | 29,997 |

Demolition and decontamination

This provision covers the cost of demolition on NMO's site in Teddington, to meet the expectations of stakeholders. There was some work carried out in 2010-11, however due to changes in planning and expectations no demolition provision is required. There is some decontamination required on the site which a provision of £146k has been made.

Disposal of radiological sources

NMO has the responsibility to dispose of all radioactive waste arising from scientific projects undertaken at the National Physical Laboratory in accordance with the current legislation. This provision covers the cost of meeting radioactive waste disposal regulations where radioactive waste is disposed of and replaced with a new source for continuing work.

NPLML Pension Scheme

The NPLML Pension Scheme was set up by the Department of Trade and Industry (DTI) for those civil servants who moved from employment by the DTI to employment by NPML when NPL moved to GOCO status in 1995. It is a defined benefit plan, and is the responsibility of NPLML, as the Principal Employer, to manage the pension fund in accordance with pension law for the duration of the contract. This involves paying into the fund and also obtaining actuarial valuations when required. It is not open to new members. The Government Actuary retains a supervisory role in the operation of the Scheme.

The pension scheme was recognised as being in deficit in 2004, but a recovery scheme using assumptions approved by the Government Actuary was in place that was expected to eliminate the deficit by 2014. Thus it was envisaged that NPML would be managing the Scheme from 2004 to 2014 and the money it received from NMO under the science contract through the tendered 'day rate' would ensure that there was no deficit at the end of the contract.

When the contract ends in 2014, morally and politically the expectation is that NMO would be obliged to honour its commitment. Therefore the pension liability on both legal and political grounds could revert to the NMO at the end of the 10 year contract.

There was a formal triennial revaluation of the Scheme as at 5 April 2007 which showed that the deficit had increased to £18.5m. It was agreed at that point that there would be an extension of the recovery period beyond the length of the existing period. This is in line with normal practice for private sector pension schemes operated by going concerns, subject to supervision by the pension regulators. Subsequent informal valuations showed that the deficit had increased and at the formal valuation as at 5 April 2010 it stood at £30.4 m but falling as remediation measures such as an increase in both employer and employee contributions took effect.

The deficit forming part of the current contract ending in 2014 is discounted using the 2.2% Treasury rate for provisions. However, post 2014 a 2.9% discount rate has been used, as this is the Treasury rate for pension provisions. In addition, the RPI rate of 2.75% has been used to discount both elements of the provision.

14. Capital commitments

There were no capital commitments as at 31 March 2011 (2009-10 £NIL).

15. Commitments under leases

15.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|------------------------|------------------------|
| Land and buildings | | |
| Not later than one year | 39 | 33 |
| Later than one year and not later than five years | 8 | 7 |
| Later than five years | 80 | 82 |
| | 127 | 122 |

This covers two operating leases for land and buildings at the Teddington estate. One is for land and buildings associated with Bushy House which is leased from the Crown Estate at £2k per year and which expires in 2056. The second is for land on which NMO has buildings which is held under a 6 month licence at £37k per year to Royal Parks.

Office equipment

| | | |
|---|----------|-----------|
| Not later than one year | 1 | 6 |
| Later than one year and not later than five years | 3 | 4 |
| Later than five years | - | - |
| | 4 | 10 |

Motor vehicles:

| | | |
|---|-----------|----------|
| Not later than one year | 13 | - |
| Later than one year and not later than five years | 16 | - |
| Later than five years | - | - |
| | 29 | - |

15.2 Receivables under leases

Land and buildings

| | | |
|-------------------------|--------------|--------------|
| Not later than one year | 7,150 | 6,510 |
| | 7,150 | 6,510 |
| Less interest element | - | - |
| Total | 7,150 | 6,510 |

The land and building includes an accommodation charge for NPL Management Ltd to occupy premises on the Teddington estate which expires in 2014. NPL Management Ltd also pay a service charge of approximately £3.8M per year which is not included. The remainder is for BMT Fluid Mechanics Ltd to occupy premises on the Teddington Estate which expires in 2028.

16. Other financial commitments

NMO has entered into non-cancellable contracts (which are not leases or PFI contracts), in connection with maintaining the estate, science delivery and meter testing. The payments to which NMO is committed, analysed by the period during which the commitment expires are as follows:

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|-------------------------|------------------------|------------------------|
| Not later than one year | 49,885 | 54,630 |

17. Contingent liabilities disclosed under IAS 37

There is a contingent liability estimated at £600k for disposal of radioactive sources on the site should the radiological work at NPL cease, where the normal practice of replacing sources through the Environment Agency, for which there is a provision, no longer occurs.

There is a contingent liability estimated at between £100k to £400k for the decontamination of land and buildings on the Teddington estate where costs may be higher than those provided for in the accounts.

18. Related Party Transactions

During 2010-11, NMO was an Executive Agency of the Department for Business, Innovation and Skills (BIS), and BIS was regarded as a related party with which the Agency had various material transactions during the year. NMO also has material transactions with Defra for which it performs its enforcement work and also Ofgem to whom it invoices for its gas and electricity activities under an MoU.

During the 2010-11 year, none of the Steering Board members, Management Board members or associated bodies of these members, members of the key management staff or other related parties have undertaken any material transactions with NMO.

Richard Frewin and Richard Sanders were members of the Trading Standards Institute (TSI) and Noel Hunter, Chair of NMO's Steering Board is also chairman of the Board of the Trading Standards Institute. There have been no material transactions with TSI.

Dr Peter Cowley, an independent member of NMO's Steering Board and Audit Committee, is a carried interest partner in the Shackleton Secondaries II Limited partnership Fund of whom NanoSight is part, and a partner in a Measurement for Innovators project, but no financial transactions have taken place between NMO and NanoSight.

19. Disclosures of IFRSs in issue but not yet effective

There are a number of IFRSs in issue but not yet effective. These are expected to have very little impact on the Agency's Accounts.

20. Events after the reporting period

The Financial Statements have been authorised for issue by the Accounting Officer on 8 July 2011.



Chapter 5

Contacts and Glossary

Contacts

Address:
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Email: info@nmo.gov.uk

Website: www.bis.gov.uk/nmo

Glossary: Abbreviations

| | | | |
|--------|---|---------|--|
| ACB | Accredited Certification Body | IFRS | International Financial Reporting Standards |
| AQSIQ | General Administration of Quality Supervision, Inspection and Quarantine (in China) | LACORS | Local Authority Co-ordinating Body for Regulatory Services |
| BCIS | Building Cost Information Service | LBRO | Local Better Regulation Office |
| BERR | The Department for Business, Enterprise and Regulatory Reform | LGC | Independent UK Chemical Analysis Laboratory |
| BHC | British Hallmarking Council | MID | Measuring Instruments Directive |
| BIS | The Department for Business, Innovation and Skills | MOG | Machinery of Government |
| BMT | Fluid Mechanics Ltd - independent specialists in the fields of wind engineering and computational modelling for the civil construction and oil & gas industries | MoU | Memorandum of Understanding |
| BSI | British Standards Institute | NAWI | Non Automatic Weighing Instrument |
| CETV | Cash Equivalent Transfer Value | NEL | National Engineering Laboratory |
| CIML | International Committee of Legal Metrology | NMO | National Measurement Office |
| DEFRA | Department for Environment, Food and Rural Affairs | NMS | National Measurement System |
| DHR | Data Handling Review | NMI | National Measurement Institute |
| DIUS | Department for Innovation, Universities and Skills | NPL | National Physical Laboratory |
| DSO | Departmental Security Officer | NPLML | National Physical Laboratory Management Ltd |
| EEA | European Economic Area | NWML | National Weights and Measures Laboratory |
| EFTA | European Free Trade Association | OFT | Office of Fair Trading |
| EMeTAS | European Metrological Type Approval Service Database | OIML | International Organisation of Legal Metrology |
| EC | European Community | OJEU | Official Journal of the European Union |
| EU | European Union | PBB | Polybrominated biphenyl |
| EUP | Energy Using Products | PBDE | Polybrominated diphenyl ether |
| ELF | Energy Labelling Framework | PCSPS | Principal Civil Service Pension Scheme |
| FReM | Financial Reporting Manual | RoHS | Restriction of the use of Certain Hazardous Substances |
| GOCO | Government Owned Contracted Operated | RPI | Retail Prices Index |
| IAMM | Information Assurance Maturity Model | SIRO | Senior Information Risk Owner |
| IAS | International Accounting Standards | SPF | Security Policy Officer |
| | | SRMO | Security Risk Management Overview |
| | | TSI | Trading Standards Institute |
| | | TSO | Trading Standards Officer |
| | | TUV NEL | National Engineering Laboratory |
| | | UKAS | United Kingdom Accreditation Service |
| | | WELMEC | European Cooperation in Legal Metrology |

Glossary: Technical Terms

Calibration

The process of determining the error associated with a standard or measuring instrument.

Metrology

The science of measurement.

Polybrominated biphenyl and Polybrominated diphenyl ether

These are flame retardants that may be found in electrical equipment components including thermoplastics, foams, circuit boards capacitors, and wire insulation systems. 0.1% of PBB or PBDE is the maximum concentration level permitted in electrical and electronic equipment.

Self Verification

Verification conducted by a manufacturer, installer or repairer, who has been granted an approval by the Secretary of State to undertake such activities (subject to the requirements and conditions of the approval).

Testing

Process and procedure for determining whether or not the equipment under assessment complies with specific criteria.

Type Approval

Affirmation that a weighing or measuring instrument is suitable for use for trade or complies with requirements in a Directive or Act.

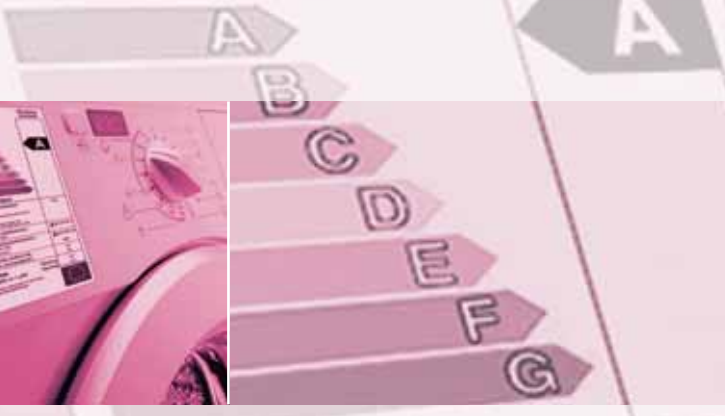
Verification

The testing, passing as fit for use for trade, and stamping (with the prescribed stamp) of equipment.

Energy

Manufacturer
Model

More efficient



Washing machine

Less efficient

Energy consumption
kWh/cycle
(based on standard test results for 60°C cotton cycle)

Actual energy consumption will depend on how the appliance is used

Washing performance
A: higher G: lower

Spin drying performance
A: higher G: lower
Spin speed (rpm)

Capacity (cotton) kg
Water consumption l

Noise
(dB(A) re 1 pW)

Further information is contained in product literature

0.95

A B C D E F G

A B C D E F G

1400

5.0

55

6.2

7.0

Washing
Spinning









**National
Measurement
Office**



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