

Annual Report and Accounts 2009-10





Annual Report and Accounts 2009-10

National Measurement Office

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Chapter 1

Introduction by the Chief Executive

Last year saw probably the most significant changes this Agency has experienced since the move to Teddington over twenty years ago, not least of which is our new name, the National Measurement Office.

First, on 1 April 2009 the transfer of responsibility for the National Measurement System (NMS) from our parent department transformed the scale of our operations and introduced new types of work into the organisation, notably the task of managing £58,841k of programmes delivered through our contractors, in particular the National Physical Laboratory (NPL). As a result we are now responsible for the whole of the national measurement infrastructure from scientific research to legal metrology and the estate where NMO is based, bringing together, on one site, most areas of that national infrastructure.

Second, also on 1 April 2009 we formally took over from Ofgem the statutory responsibilities for legal metrology relating to gas and electricity meters. We have been carrying out much of the relevant work on a non-statutory basis since 1 April 2006, but these changes put our operations on a firmer basis and have clarified our relationships with both the manufacturers and owners of these meters.

Thirdly in November 2009 the Department for Environment, Food and Rural Affairs (Defra) awarded NMO the contract for the enforcement of the regulations implementing the Ecodesign of Energy Related Products (EuP) Directive. This involves a significant extension of our enforcement role, previously seen through enforcement of the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations (RoHS) and Batteries Regulations.

The way in which these changes were implemented has demonstrated the inherent strength of the operating model we have developed in recent years. In particular, the transfer of the NMS work was effectively completed in less than three months. The staff who transferred were very quickly integrated into our management systems, and were able to operate from Day One with no perceptible loss of effectiveness. At the same time, we realised significant savings which we were able to make available to our parent Department to help them deal with financial pressures during the year.

It was particularly satisfying that in the wake of all these enormous changes we were able to gain recognition in the *Best Places to Work in the Public Sector* initiative, organised by "Best Companies" and their publishing partner *The Sunday Times*. The survey results placed NMO 44th out of the hundreds of participating organisations, and we were one of only a handful of central government bodies to be so recognised. This is a tremendous tribute both to managers across the Agency and to our colleagues in Corporate Services, whose vital contribution is too often obscured by the habit of referring to them as "Back Office" functions.

Not all aspects of the NMS transfer were equally positive. Following discussion with our new colleagues in the BIS Finance Directorate it became clear that in view of the current wording in the Financial Reporting Manual (FReM) it would not be possible to continue accounting for the NMS monies we receive as if they were income. As a result the financial results presented look very different both from last year's and from the picture set out in the corporate plan which we published last year. It remains our view that the original treatment was both more transparent and was more effective in promoting financial discipline throughout the Agency, so at an appropriate point we will seek to argue for a revision of the FReM that would make possible the treatment envisaged at the time the NMS transfer was agreed.

In our traditional areas of activities under the Weights and Measures Act, we have continued to strengthen our influencing role, addressing issues of consistency in Weights and Measures enforcement. Most notably, members of our Regulation team went across the UK to offer training as part of a strategic initiative to support competency in legal metrology within the UK.

And finally – and by no means least – the staff in our certification and calibration laboratories have continued to produce impressive results. Those operations were exceptionally exposed to the recession, in particular its effect on the manufacturing sector, and it is a credit to the professionalism of our technical staff there that business has not only held up well but in some areas increased. Their commitment to excellent service delivery is reflected in the customer satisfaction ratings: 92.8% of our customers during 2009-10 confirmed they were satisfied or above with our overall service, which for the last 5 years has seen the level of satisfied or above customers remain above 90%.

I would like to acknowledge the valuable contribution made by our Steering Board Members Noel Hunter (Chair), Peter Douglas, Philip Rycroft, Simon Edmonds, Peter Cowley, Alan Proctor and Roy Burrows who stepped down from the Steering Board on the 30 September 2009. The Board has been very useful in helping the Agency to evaluate its key responsibilities and its strategic forward look and in advising on new ways of working. One of the measures of a strong and established organisation is its ability to actively involve itself in productive change while continuously delivering effective policy and services to its stakeholders. We have made significant improvements to how we organise and manage ourselves and the Steering Board has helped strengthen the relationships and understanding with and between the Agency's directors.

I would also want to thank once again all the Agency's staff for the continued hard work, dedication and professionalism they have shown and which is reflected in these results. During 2009-10 we said good-bye to Cynthia Bernard and Adrian Rudd and were pleased to welcome Vicky Buckle, Leighton Burgess, Richard Culling, Charlie Haire, Jonathan Hodgkiss, Huw Jones, Leanna Longo, Iain McDowall, Elias Militsis, Charlotte Miller and Michael Worrell. The expansion of the Agency has involved a considerable influx of new staff and I am heartened by the enthusiasm they show for the work we do.

In common with the rest of the public sector, we will no doubt face even greater challenges in the year ahead. 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
9 July 2010

Highlights

APRIL 2009

- **Responsibility for the National Measurement System transferred to NMO**

APRIL 2009

- **Statutory responsibility for approval of new gas and electricity meters was transferred to NMO**

MAY 2009

- **NMO launch a public consultation on a strategy for the National Measurement System**

JULY 2009

- **New in-house capability for EMC testing of automotive equipment**

NOVEMBER 2009

- **NMO wins additional market surveillance enforcement work**

MARCH 2010

- **92.8% of NMO customers satisfied or above with our service**

MARCH 2010

- **NMO recognised as one of the best places to work in the public sector**

MARCH 2010

- **All 9 Ministerial targets achieved for 2009-10**

Management Board

During 2009-10 the Management Board consisted of the Chief Executive and four (subsequently 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 2009-10 totalled £15k.

The Management Board comprised the following personnel during 2009-10:



Peter Mason	Richard Sanders	Adrian Rudd	Sarah Glasspool	Robert Gunn	Jo Symons	Richard Frewin
Chief Executive	Director, Regulation	Director, Services (left in January 2010)	Director, Finance	Director, Programmes and Estate	Director, Technical Services (since February 2010)	Director, Enforcement (since March 2010)

The National Measurement Office's mission

"To provide a measurement infrastructure which supports innovation, facilitates fair competition, promotes international trade and protects 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. The majority of NMO's work arises from the Agency's statutory responsibilities and the Secretary of State is accountable to Parliament on all matters relating to NMO.

In January 2009 it was announced that the National Measurement System Unit, part of the Innovation Directorate in Universities, should be transferred and integrated with the Agency with effect from 1 April 2009. On that date the National Weights and Measures Laboratory changed its name to the National Measurement Office reflecting this significant expansion of responsibilities.

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

NMO is now an Executive Agency of the Department for Business, Innovation and Skills (BIS) which was formed on 5 June 2009 from the previous Department for Innovation, Universities and Skills (DIUS) and the Department of Business, Enterprise and Regulatory Reform (BERR).

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 of 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 costs of circa £80m and 70 staff.

For the past few years the Steering Board and the Management Board has endorsed a strategic vision for the organisation, which focused on growth, both in terms of size of operation and breadth of portfolio, to ensure the stability and viability of the organisation in Teddington and also to reduce the overhead costs per employee.

This reflects the fact that being a small organisation has advantages in terms of speed of change and response, for example making changes to process and policy and responding to external events and opportunities. However, this advantage needs to be balanced against the downsides of being small which include the risk of loss of income from one or more income streams.

The approach agreed upon was to ensure that NMO was positioned to be ready to take advantage of opportunities to grow as and when they arose. We recognised that often opportunities would arise because another organisation would prefer to outsource particular activities that NMO would be well placed to deliver.

Financial report

The additional responsibilities of the National Measurement System transferring to the Agency in April 2009 altered significantly the cost and income profile of NMO. Primarily it resulted in increasing the costs from £4.4m reported in our accounts for 2008-09 to £81.5m for 2009-10. Much of this is for the spend on science programmes performed under contract by the other three National Measurement Institutes (NMI's) of NPLM Ltd, LGC Ltd and TUV NEL Ltd which amounted to £58.8m for 2009-10. These contracts are for a range of periods from 3 years to 10 years.

NMO also became responsible for managing the estate on which NMO, BMT and NPL are located. The costs of the facilities management currently operated by Amey under a 10 year contract fell to NMO and our accommodation charges for 2009-10 were £4.6m increasing from £0.5m in 2008-09. NMO also received an accommodation charge from NPLM Ltd and also BMT which totalled £9.8m.

The estate buildings and infrastructure also moved to the Statement of Financial Position of NMO from 1 April 2009. This had a book value of nearly £200m which increased NMO's property plant and equipment from a published £1.5m at 31 March 2009. NMO also took on the additional costs of depreciation and interest on capital. This estate was revalued as at 31 March 2009 in order that the assets could be treated on a component basis. The next professional valuation will be in 5 years time. The estate also had 2 provisions totalling £4.2m relating to demolition and decontamination which were also transferred. The value of land shown in the accounts of £8.9m is higher than the market value as it is assumed that no redevelopment would be permitted. The level of taxpayers equity was £174.5m at 31 March 2010. This mainly consists of the investment in the Teddington estate.

The NMS transfer was dealt with under Machinery of Government (MOG) rules which meant that during the year the accounts for 2008-09 were restated to provide comparative figures. These have been included in these accounts. This restatement coincided with the adoption of International Financial Reporting Standards (IFRS) where shadow accounts were required for 2008-09 to provide comparatives for 2009-10.

The costs of the NMS were originally thought to be able to be recovered by our parent department (BIS) as income in order to preserve our Nil breakeven target and to further our financial disciplines used in the rest of the Agency. During the year, however, the view was taken that this treatment did not comply with the Financial Reporting Manual (FRoM) as published by the Treasury. The monies in order to operate the NMS provided by BIS have as a result been treated as 'financing' and put through the general reserve. This has had the effect of showing much larger than planned net operating costs.

During the year NMO also obtained the contract for enforcement of Energy Using Products (EuP) and Energy Labelling Framework (ELF) from Defra which increased income and also the responsibility for gas and electricity meters which is paid for by Ofgem.

In order for the financial governance to extend to these areas, accounting systems used were updated in a number of areas, and this has proved to be effective in order to manage the larger sums of money and the increasing amounts of transactions.

Capital investment

NMO invested just under £8m in 2009-10 on the Teddington estate. Much of this was for asset renewal and energy efficiency programmes. This investment in infrastructure supports the measurement science work that is performed on site by NPLML and NMO. Measurement science requires very strict environmental conditions. The design concept for the proposed Advanced Metrology Laboratory was also completed in order to inform the business case for further investment in future years. This would provide better, more stable environmental conditions for high tech measurement science to be performed to enable UK businesses to develop their products and for the UK to retain its leading edge in measurement science and utilise the intellectual capabilities that exist in the UK.

Work was also completed to develop a testing facility at the NMO building following the award of the Defra EuP contract. This facility came into use in June 2010.

Objectives, Targets and Out-turns 2009-10

Objectives

During 2009-10 NMO organised its work around the following seven Objectives:

1. Develop the national measurement infrastructure and science capability to achieve high economic and social impact
2. Develop and implement the strategic plan for the Teddington estate to support the UK's measurement infrastructure
3. Maintain and improve Weights & Measures and related legislation, in line with Ministers' obligations and requirements
4. Promote better regulation in legal metrology, both in the UK and internationally
5. Provide world class statutory and commercial metrology services which promote and facilitate innovation
6. Deliver on our obligations as an enforcement authority
7. Ensure that meters used to measure gas and electricity supplied to consumers conform to requirements

Our activities to deliver these objectives were supported by internal services that deliver efficiency savings and meet the other 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.

NMO has a collective bonus scheme for performance-related payments to staff. The achievement of the primary financial target triggers this bonus and the other Ministerial targets form the basis for evaluating the level of the performance bonus awarded.

In 2009-10 the following targets were set:

Financial targets

- To manage the finances of the Agency so that the Income and Expenditure Account breaks even

Due to the reallocation of National Measurement System (NMS) income to financing and also additional estate non-cash costs the Income and Expenditure account did not break even. However, NMO achieved this target after these were taken into account. (2008-09 surplus of £56k)

- To manage the finances effectively by ensuring that all Metrology Programmes are provided within 1% of the allocated budget

Target achieved - New target for 2009-10

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

Target achieved - New target for 2009-10

Delivery targets

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

Target achieved with 95.5% completed within customer requirements (2008-09 98.5% 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 (2008-09 99% completed within fifteen working days with an average time of four days)

- Ensuring that NMO maintains a quality metrology service by providing a Legal Metrology Programme that completes 90% of the scheduled milestones by their due dates

Target achieved 96.66% (2008-09 99.6% milestones completed by their due dates)

- To provide a timely metering service to customers by ensuring 90% 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 required reports and supporting information

Target achieved 95.78% - New target for 2009-10

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

Target achieved (2008-09 target achieved)

Efficiency target

- To ensure that the efficiency savings passed on to NMO are realised, and preserve the investment of public monies by ensuring that spend on science programme is at least as much as forecast agreed on transfer to the Agency

Target achieved - New target for 2009-10

Operations in 2009-10

The National Measurement System: 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, TUV-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. This included the provision of an advisers' extranet to facilitate communication and the sharing of information. Other activities included the assembly of evidence to demonstrate and measure the economic impact of the NMS programmes. A series of reports and case studies was published which described and quantified the economic benefits of better measurement and served as promotional material for the NMS, under the banner of a new NMS brand.

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 legislation, international liaison, enforcement coordination, statutory calibration and statutory type approval.

Legislation

The Regulation Team's mission is to deliver the following national outcome: "to ensure business and consumer confidence in the market place is delivered by proportionate and effective weights and measures and hallmarking legislation." We continuously review and seek to modernise our legislation in order to minimise burdens on businesses while maintaining adequate consumer protection.

Weights and Measures Legislation

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. NMO is responsible for weights and measures legislation on behalf of BIS ministers.

Achievements:

- Directive 2009/3/EEC, amending the Units of Measurement Directive (80/181/EEC), was signed and published in the OJ on 7 May 2009. New weights and measures legislation implementing the Directive came into force on 1 January 2010, removing a deadline that would have prevented the use of imperial units in dual labelling. In addition BIS ministers endorsed new LACORS guidelines to ensure enforcement by local authorities is proportionate and in the public interest.
- A "Hampton Implementation Review" by the Better Regulation Executive reported that the regulatory functions of NMO in the main followed the Hampton principles of better regulation and the characteristics of effective sanctions defined by the Macrory Review. The review team were "very impressed" with the regulatory functions under direct control of NMO (i.e. the enforcement of RoHS legislation) but made some recommendations that NMO "could take a stronger influencing role in particular around the consistency of [weights & measures] enforcement e.g. inspections" [by local authorities].
- In May we published an economic analysis report (by Deloitte); "The analysis and economics of weights and measures legislation". The conclusions of the report confirms in economic terms the rationale for equipment prescription and will provide a useful part of our evidence base for any future legislative changes.
- The Weights and Measures (Specified Quantities) (Pre-packed Products) Regulations 2009 came into force on 11 April 2009. The Regulations removed fixed package sizes for over 30 categories of pre-packed foods such as cereals, bread and sugar, giving greater freedom to business to pack in any size and delivering greater choice for consumers.
- The Measuring Equipment (Intoxicating Liquor) (Amendment) Regulations (S.I. 2009 No. 2463) came into force on 1 October 2009. The new Regulations provide the option of the use of statistical sampling in addition to the previous requirement to test each individual instrument, thus opening up potential savings for businesses which choose to adopt the new procedures.

- New Guidance for the Measuring Equipment (Intoxicating Liquor) (Amendment) Regulations were preliminarily issued in July and subsequently revised for Anderson compliance.
- The Weights and Measures (Specified Quantities) (Unwrapped Bread and Intoxicating Liquor) Order was laid on 25 January 2010. However, due to other Government priorities and limited parliamentary time, Ministers subsequently decided to withdraw the Order and delay its implementation.
- Updated Guidance on the Measuring Instruments (Capacity Serving Measures) Regulations 2006 has been published (in line with new Code of Practice on Guidance).
- A draft "Retailer Code of Practice" that aimed to recognise retailers' own weights and measures checks so that local authorities could reduce or eliminate inspections was circulated to retailers, LACORS, TSI, UKWF, and the British Retail Consortium. Although useful in principle, the retailers decided that such a Code would not deliver any savings in practice so the project is now closed.
- Revised guidance notes have been issued for the Liquid Fuel and Lubricants Regulations 1995 and Approved Verification.
- A consultation document has been published on proposals to amend the UK's implementing legislation for the Measuring Instruments Directive to take account of Directive 2009/137/EC (implementing the 'same signs rule' to the flow annexes).
- A complete register of approved marks in use by manufacturers in the UK for Measuring Container Bottles has been developed by NMO and published on the NMO and WELMEC websites.

Hallmarking legislation

Hallmarks are markings applied to gold, silver, platinum and palladium articles as a method of safeguarding consumers 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) which is a regulatory body which advises the Secretary of State and whose formal responsibilities are set out in the Hallmarking Act 1973.

The year proved to be exceptionally busy. NMO delivered the policy responsibility in relation to the normal issues of Government representation at the BHC and International Hallmarking Convention meetings. In addition, we have dealt with issues of legislative change as a consequence of EU legislation, in particular in relation to the marks of other EEA countries based on equivalence and independence within the context of the EC Regulation on Mutual Recognition. On the international front the UK has produced implementing legislation to extend the Convention marks to cover palladium articles. This change has also been made to national legislation such that articles offered for sale as palladium with effect from 1 January 2010 must be hallmarked.

Achievements:

- Palladium Order SI 2009/2040 made on 21 July and formal adoption agreed to add palladium to list of precious metals in the International Hallmarking Convention.

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 58 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, and 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 7 Observer and 4 Corresponding organisations who participate. To this end they publish 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 international activities include:

- On 11 and 12 February 2010, NMO hosted a WELMEC "Working Group 8" meeting at the BIS Conference Centre in London.
- On March 2010, NMO issued the OIML R 50 third committee draft for national and international consultation.
- NMO is actively involved in the OIML TC 8/SC 5 and ISO/TC 30/SC 7 / CEN TC 92 Joint Working Group work to harmonise the OIML R 49 and ISO 4063 water meter standards, and as part of this activity has held meetings of TC 8/ SC 5 Water meters in Canada in May 2009 and in Paris in April 2010.
- Peter Mason gave a presentation on "Relationship between scientific metrology and legal metrology" at the seminar on "Stakes and priorities of legal metrology for trade" during the 44th CIML Meeting in Kenya on the 27 October 2009.

On the international liaison front, NMO hosted several groups of international visitors, mainly from China and Japan, and in June 2009 signed an extended Memorandum of Understanding (MoU) with China's AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine) for the purpose of promoting cooperation in the field of the legal metrology between China and the UK that will help open up the trading conditions for UK firms to export to China.

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 participation in the initial stages of the LACORS medical weighing project which addresses at a national level the issue of accurate weighing of patients for medical assessment and treatment. Other activities included a national legal metrology seminar, 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:

- Commissioned a series of "metrology competence" interactive training e-media for the Trading Standards Community. The training media will be distributed free of charge to Chief Inspectors of Weights and Measures following the planned launch in the summer of 2010.
- The annual Metrology Conference for trading standards professionals was held in Birmingham in November 2009. The guest speaker was from the French weights and measures ministry and gave an overview of how the French legal metrology system works.

- Metrology “training road show”- NMO officials carried out a UK-wide ‘tour’ of the regions providing free training to the enforcement community on how to test weighing scales (non-automatic weighing instruments).

Calibration

Recalibration Programme

This incorporates a wide range of 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 complete the traceability chain, which starts with the primary standards held at NPL to NMO's tertiary and secondary 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 are in accordance with Section 4 of the Weights and Measures Act. The activity includes the in-situ reverification 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 providing trial plates of Gold, Silver, Platinum, Nickel, Copper and Aluminium for assay at the Goldsmith Hall. This is a ceremony known as the Trial of the Pyx and 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 TS Interlink and 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.

Technical Services

Utilities

Accuracy of gas and electricity meters

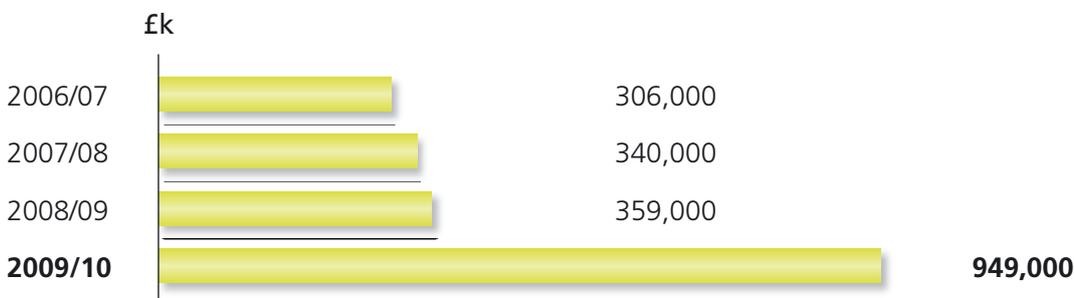
NMO has responsibility for the measurement accuracy of gas and electricity meters. With this responsibility comes the assurance that the UK's metering policies and practices are aligned with the European Union Measuring Instruments Directive, which aims to create a single market for measuring instruments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

A Memorandum of Understanding (MoU) set out the arrangements for NMO to undertake the administrative duties, covering the period 1 April 2006 to 31 March 2009. The Energy Act 2008 provided the vehicle to change primary legislation to effect a formal transfer of the statutory responsibilities to NMO. This resulted in a successful transfer taking place on 1 April 2009.

A service provider supplies the testing facilities for gas and electricity meters under an outsourcing agreement let under competitive terms in 2002. This contract expires on 28 November 2010 and NMO has launched a re-tendering exercise.

Income for this area increased during 2009-10 and will do so in subsequent years. This reflects the continuing increase in costs for the numbers of disputed gas and electricity meters and the implementation of an In-Service Testing regime for gas and electricity meters approved under the MID. Up to March 2009 those costs were borne directly by Ofgem but following formal transfer these costs will be borne by NMO and paid for by Ofgem.

Gas and electricity meter income for last four years



Certification Services

In addition to the statutory function of calibration and type approval mentioned in the previous section, 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).

In spite of the global downturn and the recession there has been a very high level of demand for NMO's Product Certification Services during the year. This demand has been driven by existing customers but also by gaining new customers from overseas markets where efforts to develop business are now showing signs of significant success. The income for Product Certification in 2009-10 was £367,000.

NMO provide a very efficient and flexible approval service and look to provide a sustainable future for service provision to help business fight the recession and respond to the opportunities of a future upturn.

Type Approval Testing and Pre-assessment income for last four years

	£k
2006/07	338,171
2007/08	368,408
2008/09	374,490
2009/10	367,000

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 2009-10 there were 19 new applications, an increase of 32%, together with increases in scope for a number of clients.

The introduction of the new Certification and Audit Management System (CAMS) and the combining of foreign visits has reduced the costs to our clients and produced efficiencies in the business.

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 per annum for the first time.

ACB (Accredited Certification Body) service income for last four years



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 oil refinery tanks.

The Calibration team at NMO provide the following commercial services:

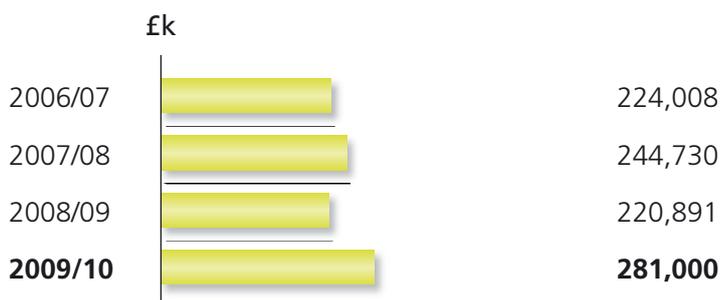
- technical support infrastructure for trade, covering mass, length and volume measurements
- testing and calibration services to other government bodies and commercial organisations for mass, length and volume
- independently accredited calibration and test certificates traceable to national standards

NMO issue approximately 420 certificates each year and have performed work for large pharmaceutical and manufacturing organisations and more recently offered a high accuracy service for heavy mass up to 500kg which is now the most accurate in the world.

Recent additions and upgrades to our equipment and facilities have allowed the level of service to our commercial customers to be extended. We can offer our mass clients measurements significantly better than OIML Class E1 uncertainty and provide our 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.

Calibration income for last four years



Other commercial activities

During 2009-10 NMO conducted a review of our commercial training provision. This focused on assessing the need for this aspect of our work. The online booking system for training was re-launched in November and since then has started to provide legal metrology training courses for the 2010-11 financial year.

Enforcement functions

The highlight of the year for the Enforcement team has been the successful acquisition of a new government contract in November 2009, awarded by Defra, for the UK enforcement of EuP and ELF. The three-year contract has meant that the enforcement team has expanded dramatically, and staff increased by 100%. The new enforcement work sits well within the existing body of effective enforcement activities already being carried out for BIS (namely the RoHS and Batteries contracts).

Existing work on the BIS contracts for 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 team have provided useful sources of information and legislation summaries to help people who need to be aware of the regulations.

Two websites were launched at the Sustainability 2010 event in London on 1 March 2010 to make people aware of the energy labelling and eco-design enforcement. Website traffic to our enforcement sites has continued to increase again this year.

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

Estate management and strategy

This year saw the near completion of the programme of works to redevelop the Teddington site which commenced in 1998. Investigations after a flood in the NPL building in August identified problems with connections and valves, and as a result a programme of works was initiated to minimise the likelihood of a re-occurrence and improve the energy efficiency of the NPL building. This work will continue through 2010.

Other energy efficiency initiatives with the aim of reducing electricity consumption across the site have been developed during 2009-10 and will be implemented during the coming year. A strategy for site rationalisations and cost savings was developed pending a decision on the location of an Advanced Metrology Laboratory (AML). Two on site options were identified for an AML. Investigations for scientific suitability were undertaken and concept designs developed.

Corporate Services

During 2009-10 Corporate Services Directorate was formed to bring together the skills of Finance, Procurement, Governance, Communications, Records Management, Human Resources, Reception and IT services.

Throughout the year the Agency has benefited through the Directorate being able to deliver support services that have proved to be timely and cost efficient through the following initiatives:

- Low budget rebranding exercise for the Agency's change of name.
- Low budget project to develop a single brand for the National Measurement System.
- Effective transfer of NMS and its associated systems including files, IT and financial management of a significant area of business.
- Communicating a draft National Measurement System strategy.
- Supporting the Government wide initiative for website convergence on to Business Link.
- Communicating through stakeholders proposed changes to legislation.
- Procurement of a new telephone system, which proved more economical than extending the old time expired system to allow for the expansion in user numbers. Billing and maintenance costs have been negotiated to lower values.
- Procurement expertise available locally for contract negotiation and award.
- HR is working closely with colleagues in BIS enabling cost effective delivery of learning and development in line with L&D 2012.
- Ensuring there is representation for NMO on the Next Generation HR initiative at the HR Consortium for small departments and agencies.
- Successfully delivered the first Civil Service wide Staff Survey in NMO, helping to improve employee engagement. This included appearing in the Sunday Times Supplement for the Top 75 Best Places to work in the Public Sector.

Forward look

With the great majority of NMO's funding derived from other Government Departments, it is inevitable that the Agency's operations will be affected by the pressure on the public finances both in the current 2010-11 year and beyond.

In respect of 2010-11, budgets have already been reduced, primarily in the areas funded by NMS monies and in Corporate Services, to reflect the measures announced by the Government on 24 May 2010. The impact of these will fall primarily on the discretionary work we were intending to carry out in modernising the Weights & Measures Act and deferring some activity which is not time critical.

Beyond 2010-11, much will depend on the nature of the Spending Review settlement and what it implies for the NMS Budget. The consultation last year on the future strategy of the NMS identified a case for some expansion of the NMS, in particular in the field of Advanced Metrology relevant to nanotechnology and in the measurement capability necessary to support the move to a low carbon economy. It will not be clear whether there is any prospect of expansion into these areas, however, until the outcome of the Spending Review is known, which will not be until Autumn 2010.

It is also likely that continued pressure on the public finances will lead to a need to find efficiencies in the way we deliver our enforcement activities and the work we carried out on utility metering financed through Ofgem. At the same time we expect there will continue to be new forms of technical regulation emerging which we should be well placed to compete for.

The estates team have worked closely with Royal Parks Agency to enable Clapperstile to be opened up to the public as part of the improvements to Bushy Park. 2010 will see the implementation of an Asset Revenue Programme that was developed in conjunction with Amey, the onsite facilities management provider.

In addition we will continue to seek opportunities to generate more income from other sources. Our commercial activities still have the capacity to expand further, such as providing certification of taximeters and heat meters. We will also seek opportunities to expand our presence in markets such as China, India and the United States. Even more significantly, there remain opportunities to make better use of the buildings and facilities on the Teddington site and we will be looking for ways in which to pursue these.

Risks and uncertainties

The risks facing the Agency in pursuit of its objectives will largely be determined by NMO's ability to secure sufficient financing required to develop the national measurement infrastructure. Although there is much evidence that shows that money invested in measurement achieves high economic and social impact, we are now operating in a period of Government funding restrictions, where the communication of the importance of investment to secure growth in the economy will be key. If financing is severely restricted this may result in the failure of NPLM Ltd being able to continue to operate the National Physical Laboratory under the current arrangement.

The impact of any financing decisions will come into effect mainly in the next spending review period which commences in April 2011, although during 2010-11 NMO will be subject to temporary financing restrictions.

In order to reduce the risks NMO will continue to forecast accurately its in-year financial position and also put forward a robust and evidence based submission for the next spending review in Autumn 2010 using contributions from the draft NMS strategy issued in May 2009. NMO will continue to promote its professional approach and positive relations with its parent Department and manage well the resources that it has.

2010-11 will be the first year of operating the enforcement contract with Defra. This is a large contract which involves testing products across the country. Due to lack of market knowledge of failure rates the impact is largely unknown, and may involve higher than anticipated costs. This contract will be carefully managed throughout the year to ensure that our obligations can be fulfilled within budget.

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 Commissioners (OCSC) Recruitment Principles. Recruitment systems are subject to regular audits.

There were 11 successful external recruitment exercises during 2009-10:

- Grade 7 (Estates and Facilities Manager) Male
- HEO Engineer (Utilities and Metering) Male
- HEO Test Programme Manager (Enforcement) Male
- HEO Enforcement Policy Manager (Enforcement) Male
- EO Enforcement Officer (Enforcement) Male
- EO Enforcement Support Officer (Enforcement) Female
- EO Evidence and Continuity Officer (Enforcement) Male
- EO Policy Officers (Enforcement) Male
- EO Policy Officers (Enforcement) Female
- EA Enforcement Administrator (Enforcement) Female
- EA Trainee Metrologist (Calibration) Male

There were no exceptions to the Civil Service Commissioners' rules.

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 2009-10, the average number of working days lost was 4 days per annum per employee. This compares favourably to the public sector's average of 9 days per annum per employee.

Personal data related incidents

NMO had no protected personal data related incidents during 2009-10 and none during the previous five years. All NMO staff have received training on data security and 100% have passed the end of 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 2009-10 NMO has contributed to the local community through a number of initiatives.

During 2009-10 NMO staff worked with SWELTRAC (the South & West London Transport Conference) in order to provide a staff travel plan. NMO have 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 a walk to work week in April 2009 and a cycle to work week in June 2009. In March 2010, 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 2009 NMO staff supported a volunteering project that restored the gardens and pathways for a community of disabled people who live in Branksome Close, Teddington.

During 2009-10 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 have 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 are 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 are 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 have a 10-year 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 have contracts with LGC Ltd and TUV Nel Ltd to perform measurement science for which they specialise in. These are covered by shorter term contracts which are usually of 3-year length.

SGS Ltd

Following the transfer of responsibility of utilities metering to NMO in April 2009, NMO have a contract with SGS to test gas and electricity meters. This expires in November 2010 and is currently being re-tendered.

Basis of accounts and audit

Arrangements

The accounts cover the activities of the National Measurement Office for the year ended 31 March 2010. 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 £43,000 has been made in the 2009-10 accounts in respect of this. This includes £8,000 for auditing the transition to International Financial Reporting Standards (IFRS). In addition audits were made during 2009-10 by BIS Internal Audit. A charge to cover all internal audit services of £9,350 was made and is included in the Income & Expenditure Statement.

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 Income and Expenditure Account. 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 every two weeks: 99% of invoices were paid within thirty days of receipt of invoice. In 2008-09, 99% of invoices were paid within thirty days of receipt of invoice. Invoices were settled within an average of 9 days. In 2008-09, 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 2009-10.

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 2009-10 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

Philip Rycroft Director General, Innovation and Enterprise, BIS
(from May 2009 to October 2009)

Simon Edmonds Director Innovation, BIS (from October 2009)

Peter Cowley Independent Member (from September 2009)

Alan Proctor Independent Member (from September 2009)

Roy Burrows Independent Member (to September 2009)

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 2009-10 the Audit Committee comprised the following personnel:

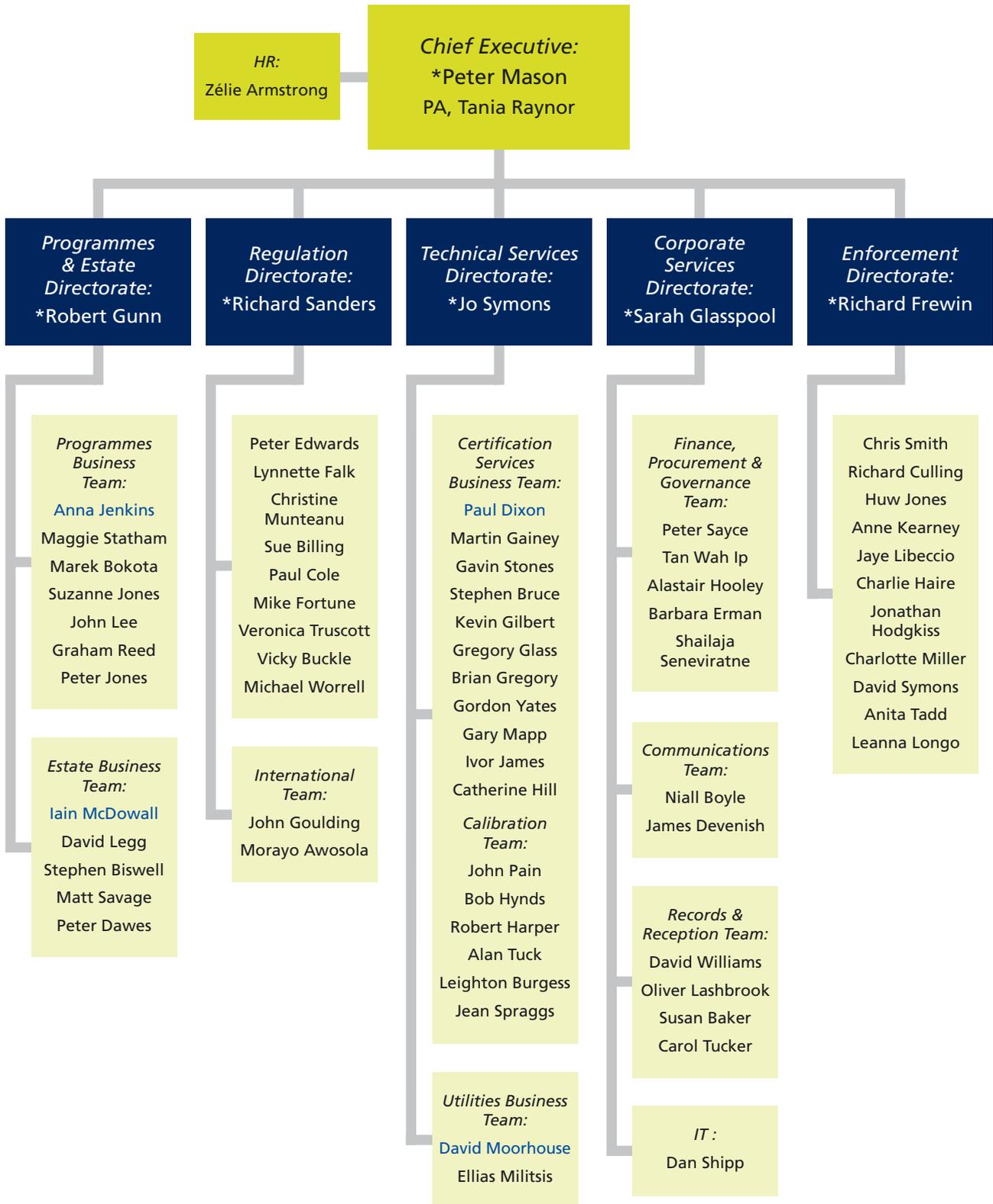
Peter Douglas Chair

Peter Cowley Independent Member (from September 2009)

Alan Proctor Independent Member (from September 2009)

Roy Burrows Independent Member (to September 2009)

Organisation Structure



Note:

* Members of the Management Board

Business Team Managers



Chapter 3

Remuneration Report

Following is the Remuneration Report for NMO for 2009-10 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

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointment to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may be 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.

Salary

'Salary' includes gross salary; performance pay or bonuses; 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 payments made by the Agency and thus recorded in these accounts.

Included in the salary figure is an amount paid under NMO's collective bonus scheme of £700 per full time equivalent staff. An amount of between £250 and £500 was also paid to some staff as part of the discretionary bonus scheme.

The senior Civil Service (SCS) pay system consists of relative performance assessments. Individuals are assessed as being in Group 1, 2, 3 or 4 of their pay band. All individuals in Groups 1 and 2 and a small proportion of the individuals in Group 3 receive a non-consolidated performance related award for in-year performance against objectives. These awards vary in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government.

Further information about the performance and reward arrangement for Senior Civil Servants can be found at: www.civilservice.gov.uk/about/working/pay_and_reward/scs_pay.aspx

Benefits in kind

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

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

Remuneration (including salary) and pension entitlements

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

	2009-10 Salary £'000	2009-10 Benefits in kind (to nearest £100)	2008-09 Salary £'000	2008-09 Benefits in kind (to nearest £100)
Mr Peter Mason <i>Chief Executive</i>	85-90	0	85-90	0
Mr Robert Gunn <i>Director (from 1 April 2009)</i>	65-70	0	N/A	N/A
Mr Richard Sanders <i>Director</i>	60-65	0	55-60	0
Miss Sarah Glasspool <i>Director</i>	55-60	0	40-45*	0
Mr Adrian Rudd <i>Director (until 31 Jan 2010)</i>	65-70*** (70-75 full year equivalent)	52,400**	70-75	0
Mrs Jo Symons* <i>Director (from 1 Feb 2010)</i>	5-10 (35-40 full year equivalent)	0	N/A	N/A
Mr Richard Frewin <i>Director (from 15 March 2010)</i>	0-5 (50-55 full year equivalent)	0	N/A	N/A

* Part time staff member.

** This relates to relocation costs incurred as part of his terms and conditions.

*** This includes a pre-existing relocation allowance.

Agency Steering Board

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

Name	Fee
Mr N Hunter	5-10
Mr P Douglas	5-10
Mr R Burrows (until 30 September 2009)	0-5 (full year equivalent 5-10)
Mr P Cowley (from 1 September 2009)	0-5 (full year equivalent 5-10)
Mr A Proctor (from 1 September 2009)	0-5 (full year equivalent 5-10)

Mr Philip Rycroft and Mr Simon Edmonds were members of the Steering Board during 2009-10 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 31/3/10 and related lump sum (bands of £5,000)	Real increase in pension and related lump sum at pension age (bands of £2,500)	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV as funded by employer	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr Peter Mason <i>Chief Executive</i>	35-40 plus lump sum 110-115	0-2.5 plus lump sum 5-7.5	868	788	38	0
Mr Robert Gunn <i>Director (from 1 April 2009)</i>	20-25 plus lump sum 45-50	0-2.5 plus lump sum 0-2.5	424	375	23	0
Mr Richard Sanders <i>Director</i>	20-25 plus lump sum 60-65	0-2.5 plus lump sum 2.5-5	347	309	20	0
Miss Sarah Glasspool <i>Director</i>	5-10 plus lump sum 5-10	0-2.5 plus lump sum 0-2.5	98	77	15	0
Mr Adrian Rudd <i>Director (until 31 Jan 2010)</i>	20-25 plus lump sum 60-65	0-2.5 plus lump sum 2.5-3	335	295	15	0
Mrs Jo Symons <i>Director (from 1 Feb 2010)</i>	10-15 plus lump sum 35-40	0-2.5 plus lump sum 0-2.5	153	154*	2	0
Mr Richard Frewin <i>Director (from 15 March 2010)</i>	10-15 plus lump sum 35-40	0-2.5 plus lump sum 0-2.5	173	172*	2	0

* These CETV values are at the time these members joined the Management Board.

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 changes in the Retail Prices Index (RPI). 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 RPI. 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-pensions.gov.uk

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 flourish extending to the right.

Peter Mason

9 July 2010

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, 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 is a net running cost 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 its 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 the National Measurement Office for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

I have appointed a member of the Management Board to act as risk management 'champion' and to be responsible for the maintenance of risk management policies, operations and profile. Detailed written guidance, which was extensively revised in 2008 and further updated last year, 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 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.

The transfer to the Agency at the beginning of the year of responsibility for the National Measurement System Budget and the management of the Teddington estate has meant a substantial increase in the scale of risks which need to be managed and a much wider range of key risks that have to be monitored. The Agency's systems have, however, proved robust in coping with these changes, aided by the transfer of most of the staff who previously dealt with these matters in our parent Department and the addition of suitably qualified members to the Steering Board and Audit Committee. At the beginning of the year several new key risks were identified, mostly connected with the need to get to grips with the new activities, to recruit to vacancies arising from some staff not transferring and the challenges of reflecting the changes in the Agency's accounting arrangements. Unlike the case with many Machinery of Government transfers, an explicit decision was made that the Agency's existing control framework should be maintained, and that has assisted both the transferring staff and the Agency's senior management to come to a common view on how the new risks should be managed. During the year all of the new key risks which were identified were assessed as reducing. Alongside the risks associated with the new activities, the difficult economic and

fiscal climate has meant that a lot of attention has been paid to financial risks. The Finance Team was strengthened as part of the transfer arrangements and this has been a significant factor in the improvements in the assessments of financial risks which has been seen during the year.

The Risk and Control Framework

The Agency's risk management strategy is built around 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 (usually 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 and those associated with the new activities which the Agency is undertaking.

The Agency's business planning process involves all staff in formulating the objectives and activities of the Agency and includes explicit consideration of the Agency's current risk profile.

NMO has a designated Departmental Security Officer (DSO), an Information Technology Security Officer (ITSO) and a Board level Senior Information Risk Owner (SIRO). During 2009-10 NMO's Internal Audit reviewed data security arrangements, which included handling information risk. This concluded that they were satisfied that NMO complied with *Data Handling Procedures in Government* and that all recommendations had been implemented.

Data Handling Procedures in Government recommends that each Department (and its Agencies) submit an Information Risk Report to the Cabinet Office, which for NMO should focus on the requirements identified in an Appendix A issued by Cabinet Office. The NMO report was completed and submitted on 16 May 2010. Information risk is included as a key risk on the Agency's risk register which is reviewed each month by the Management Board.

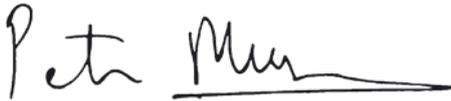
Review of effectiveness

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 executive managers 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 provide support to the process by which the assertion statements of the Primary Budget Holders are scrutinised by members of the Audit Committee. They have confirmed their opinion that the system of internal control that operated within NMO during 2009-10 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 many of the technical elements of the Agency's functions are subject to external auditing standards, in particular through UKAS accreditation.

During the year it became apparent that there had been a control issue in 2008-09 which had led to some £20,000 of work on management system audits not being invoiced in a timely fashion. New controls were immediately introduced which Internal Audit have since confirmed are satisfactory. There were no significant control issues in 2009-10 which required intervention from myself or the Management Board.

A handwritten signature in black ink, appearing to read 'Peter Mason', with a horizontal line underneath the name.

Peter Mason

9 July 2010

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's responsibilities, the Accounting Officer 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 the financial statements in accordance with applicable law and 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 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 2010, and of the net operating cost, changes in taxpayers' equity and cash flows 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 Management Commentary included in the Annual Report 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 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.
- 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

14 July 2010

Operating Cost Statement

for the year ended 31 March 2010

	Note	2009-10 £'000	2008-09 £'000
Operating income	5	12,559	11,539
Staff costs	3	(3,295)	(3,271)
Other operating costs	4	(78,169)	(83,214)
Net operating cost		(68,905)	(74,946)

All operations are continuing.

The notes on pages 45 to 63 form part of these financial statements.

Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010		31 March 2009		1 April 2008	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets:							
Property, plant and equipment	6	176,190		173,922		178,921	
Intangible assets	7	194		183		144	
Deposits and advances	11	200		200		-	
Total non-current assets		176,584		174,305		179,065	
Current assets:							
Inventories	10	-		44		1,504	
Trade and other receivables	11	4,744		3,235		1,989	
Cash and cash equivalents	12	4,349		1,327		1,695	
Total current assets		9,093		4,606		5,188	
Total assets		185,677		178,911		184,253	
Current liabilities:							
Provisions	14	(1,200)		(3,114)		(1,649)	
Trade and other payables	13	(9,577)		(9,055)		(10,166)	
Total current liabilities		(10,777)		(12,169)		(11,815)	
Total assets less current liabilities		174,900		166,742		172,438	
Non-current liabilities:							
Finance lease	13	-		-		(10)	
Provisions	14	(447)		(1,120)		(4,234)	
Total non-current liabilities		(447)		(1,120)		(4,244)	
Assets less liabilities		174,453		165,622		168,194	
Taxpayers' equity:							
General fund		141,004		130,482		123,111	
Revaluation reserve		33,449		35,140		45,083	
Total taxpayers' equity		174,453		165,622		168,194	

The notes on pages 45 to 63 form part of these financial statements.



Peter Mason

9 July 2010

Chief Executive and Accounting Officer

Statement of Cash Flows

for the year ended 31 March 2010

	Note	2009-10 £'000	2008-09 £'000
Cash flows from operating activities			
Net operating cost		(68,905)	(74,946)
Adjustments for non cash transactions	4	11,695	14,957
Use of provisions	14	(2,064)	(1,649)
(Increase)/Decrease in trade and other receivables	11	(1,509)	(1,246)
(Increase)/Decrease in inventories	10	44	1,460
Increase/(Decrease) in trade payables	13	522	(1,121)
Movement in payables outside the Operating Cost Statement		(1,348)	-
Net cash outflow from operating activities		(61,565)	(62,545)
Cash Flows from investing activities			
Purchase of property, plant and equipment	6	(6,709)	(12,846)
Purchase of intangible assets	7	(35)	(95)
Proceeds of disposal of property, plant and equipment		-	-
Net cash outflow from investing activities		(6,744)	(12,941)
Cash flows from financing activities			
Financing to settle debtors & creditors transferred from Department		6,212	116
National Measurement System financed from Department		65,119	75,002
Net financing		71,331	75,118
Net increase/(decrease) in cash and cash equivalents in the period		3,022	(368)
Cash and cash equivalents at the beginning of the period	12	1,327	1,695
Cash and cash equivalents at the end of the period	12	4,349	1,327

The notes on pages 45 to 63 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2009		130,482	35,140	165,622
Surplus on revaluation		-	510	510
Realised element of revalued assets		2,201	(2,201)	-
Other notional and non-cash charges	4	5,895	-	5,895
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
Net operating cost for the year		(68,905)	-	(68,905)
Total recognised income and expense		10,522	(1,691)	8,831
Balance at 31 March 2010		141,004	33,449	174,453

for the year ended 31 March 2009

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2008		123,148	45,046	168,194
Changes in accounting policy		(37)	37	-
Restated balance at 1 April 2008		123,111	45,083	168,194
MOG adjustment		1,484	(7)	1,477
(Deficit)/Surplus on revaluation		-	(9,921)	(9,921)
Realised element of revalued assets		20	(20)	-
Other notional and non-cash charges	4	5,816	-	5,816
Disposal of assets		(5)	5	-
Financing from Department		75,002	-	75,002
Net operating cost for the year		(74,946)	-	(74,946)
Total recognised income and expense		7,371	(9,943)	(2,572)
Balance at 31 March 2009		130,482	35,140	165,622

The notes on pages 45 to 63 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 2010

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009-10 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 applied consistently in dealing with items considered material in relation to the accounts.

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.

Property, plant and equipment

Expenditure on plant and equipment, of over £1,000 are capitalised with the exception of IT equipment 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. For specialised buildings the existing use value has been calculated on the basis of Depreciated Replacement Cost (DRC). Non-specialised buildings have been calculated on comparable evidence and for surplus buildings market value has been used. 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, National Statistics or Building Cost Information Service (BCIS) and published professional opinion as appropriate are applied in the intervening year between full professional valuations. The increase or decrease in value is transferred to the revaluation reserve to the extent that there is a credit in that reserve for that asset or portfolio of assets otherwise it gets charged to the Operating Cost Statement in accordance with IAS 36. Property, plant and equipment are depreciated on a straight line basis to the residual value over the asset's expected useful life. There is a group of assets which are held for statutory purposes; these are not revalued or depreciated as they have very long estimated lives. 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.

If any asset suffers an impairment then the impairment is taken to the revaluation reserve only to the extent the loss exceeds the revaluation reserve balance for the asset in accordance with IAS 36.

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 Operating Cost Statement 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

Heritage assets

The Agency has a number of non-operational heritage assets held for historical and cultural reasons only. They are recorded in the Register of Assets at nil book value, in accordance with guidance from HM Treasury. 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.

Intangible assets

Expenditure on intangible non current assets of over £1,000 is capitalised and are 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.

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 operating costs in these accounts.

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.

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 the Treasury. Irrecoverable VAT is included as expenditure or included in the costs of property, plant and equipment purchased.

Insurance

No insurance is effected against fire, explosion, common law, third party and similar risks.

Capital charge

A charge reflecting the cost of capital utilised by NMO is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets and liabilities, except for cash balances with the Office of the Paymaster General, where the charge is nil.

Leases

Operating lease rentals are charged to the Operating Cost Statement on a straight line basis over the term of the lease. Finance leases are capitalised and depreciation charged to the Operating Cost Statement on a straight line basis in accordance with IAS 17.

Leases where NMO is the lessor

Where NMO receives rentals for property which is not occupied by NMO the rentals are credited to the Operating Cost Statement in the period to which they relate.

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 Operating Cost Statement. 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.

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.

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.

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.

First time adoption

These accounts reflect any changes required under IFRS. Any changes to the Taxpayers Equity or net operating cost are shown in Note 2 First Time Adoption of IFRS.

In addition the adoption of IFRS has resulted in a number of presentational changes to the accounts. Many of these are changes in nomenclature – eg Receivables and Payables instead of Debtors and Creditors and the Statement of Financial Position instead of Balance Sheet. There is a new prime statement – “Tax Payers Equity” – which is an amalgam of the previous notes showing the movements in the General Fund and Revaluation Reserve. The Statement of Cash Flows is an extended version of the “Cash Flow Statement,” incorporating the previous Notes to the Cash Flow Statement. There is no longer a Statement of Recognised Gains and Losses. Note 18 to the Accounts provides updated information on the contingent liabilities which the Department is required to report under IAS 37.

Any adjustments arising from differing accounting policies resulting from the application of IFRS for the first time are to be taken through the General Fund (IFRS 1.11.)

Transfer of the National Measurement System functions

On the 1 April 2009 responsibility for delivery of the National Measurement System transferred to the Agency from the former DIUS HQ.

Machinery of government changes which involve the merger or the transfer of functions of responsibility from two parts of the public service sector have been accounted for using merger accounting which is permitted for public sector bodies under International Financial Reporting Standard (IFRS) 3. This requires the restatement of the opening Statement of Financial Position and prior year's Operating Cost Statement, Statement of Cash Flows, and associated notes to the accounts.

The IFRS changes resulted in an increase in the revaluation reserve and a decrease in the general fund. This is because under International Accounting Standard 16 (Property, Plant and Equipment) the revaluation model requires any decrease to be recognised in profit or loss; whereas UK Generally Accepted Accounting Practice required only permanent decreases to be recognised in profit or loss.

2. First-time adoption of IFRS

	General fund £'000	Revaluation reserve £'000	Total £'000
Taxpayers' equity at 31 March 2008 under UK GAAP	123,148	45,046	168,194
Adjustments for:			
Revaluation reserve	(37)	37	-
Taxpayers' equity at 1 April 2008 under IFRS	123,111	45,083	168,194
Taxpayers' equity at 31 March 2009 under UK GAAP	130,519	35,103	165,622
Adjustments for:			
Revaluation reserve	(37)	37	-
Taxpayers' equity at 1 April 2009 under IFRS	130,482	35,140	165,622
Net operating cost for 2008-09 under UK GAAP	(74,946)		
No adjustments for IFRS	-		
Net operating cost for 2008-09 under IFRS	(74,946)		

Cash balances of £1,327k were held, as reported under UK GAAP, at 31 March 2009. The NMO did not hold any cash equivalents.

3. Staff numbers and related costs

Staff costs comprise:

	2009-10 Permanently employed staff £'000	2009-10 Others £'000	2009-10 Total £'000	2008-09 Permanently employed staff £'000	2008-09 Others £'000	2008-09 Total £'000
Wages and salaries	2,585	11	2,596	2,516	32	2,548
Social security costs	213	-	213	208	-	2 08
Other pension costs	486	-	486	515	-	515
Total	3,284	11	3,295	3,239	32	3,271

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-pensions.gov.uk).

For 2009-10, employers' contributions of £486,628 were payable to the PCSPS (2008-09 £515,000) 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. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 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.

Contributions due to the partnership pension providers at the Statement of Financial Position date were NIL. Contributions prepaid at that date were NIL.

Average number of persons employed

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

	2009-10 Permanently employed staff Number	2009-10 Others Number	2009-10 Total Number	2008-09 Permanently employed staff Number	2008-09 Others Number	2008-09 Total Number
Services	18	-	18	17	-	17
Regulation	19	-	19	20	-	20
Administration	17	-	17	16	1	17
Programme management	6	-	6	7	-	7
Estate management	4	-	4	5	-	5
Total	64	0	64	65	1	66

4. Other operating costs

	Note	2009-10 £'000	2008-09 £'000
Science research costs		58,841	61,389
Accommodation		4,582	4,527
General expenses		2,670	1,918
IT		207	215
Travel and subsistence		106	137
Telecommunications		27	26
Rentals under operating leases		41	45
		66,474	68,257
Non cash items			
- Depreciation	6	6,743	6,478
- Cost of capital charges		5,852	5,789
- Revaluation of non - current assets	6	(471)	1,446
- Write back of provisions	14	(523)	-
- Loss on sale of stock		-	1,161
- Amortisation	7	49	47
- Notional audit fee		43	27
- Loss on disposal of non current assets		2	9
		11,695	14,957
Total		78,169	83,214

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

5. Income

The following information is given to satisfy the disclosure requirements for fees and charges. 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.

	2009-10 Income £'000	2009-10 Full cost £'000	2009-10 Surplus/ (Deficit) £'000	2008-09 Income £'000	2008-09 Full cost £'000	2008-09 Surplus/ (Deficit) £'000
Intradepartmental	600	551	49	490	509	(19)
Intragovernmental	1,349	1,134	215	359	337	22
Statutory	757	982	(225)	705	676	29
Commercial	12	57	(45)	108	70	38
Total	2,718	2,724	(6)	1,662	1,592	70
Rental income	9,791			9,877		
External income for NMS work	50			-		
Total income	12,559			11,539		

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 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	-	9,791*	30	10,572
Income from local authority	-	-	38	-	-	-	38
Total income	949	1,012	777	-	9,791	30	12,559
Other operating costs	958	997	1,969	1,184	64,343	47	69,498
Cross functional charging - Legal Metrology Programme	(10)	(277)	(1,089)	(1,184)	2,560	-	-
**Depreciation & amortisation	-	23	96	-	6,213	-	6,332
**Cost of capital	-	-	-	-	5,634	-	5,634
Total costs	948	743	976	-	78,750	47	81,464
Net operating cost	1	269	(199)	-	(68,959)	(17)	(68,905)

* The Estate team received £9,791k for rent and facilities management contributions for the Teddington buildings from the private sector. Of this £9,694k was received from NPL Management Ltd.

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

Operating segments 2008-09

	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	359	-	-	-	-	-	359
Income from parent Department	-	490	-	-	-	-	490
Income from private sector	-	9	732	-	9,877	34	10,652
Income from local authority	-	-	38	-	-	-	38
Total income	359	499	770	-	9,877	34	11,539
Other operating costs	382	706	1,825	1,227	70,266	47	74,453
Cross functional charging - Legal Metrology Programme	-	(232)	(1,191)	(1,227)	2,650	-	-
**Depreciation & amortisation	-	23	96	-	6,186	-	6,305
**Cost of capital	-	-	-	-	5,727	-	5,727
Total costs	382	497	730	-	84,829	47	86,485
Net operating cost	(23)	2	40		(74,952)	(13)	(74,946)

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

Geographical analysis of income

	2009-10 £'000	2008-09 £'000
UK	12,284	11,296
EU	101	68
North America	36	120
- Including USA of	34	96
South America	-	2
Asia	118	49
- Including China of	41	25
Australasia	20	4
Total	12,559	11,539

6. Property, plant and equipment

	Land £'000	Buildings £'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	108,370	294	197	42	5,854	246,309
Additions	-	4,531	2,141	201	-	-	1,184	8,057
Reclassifications	-	1,448	4,587	14	(14)	0	(6,035)	-
Revaluations	443	1,368	(600)	38	2	1	-	1,252
Disposals	-	-	(2)	(24)	-	-	-	(26)
At 31 March 2010	9,302	130,040	114,496	523	185	43	1,003	255,592
Depreciation								
At 1 April 2009	-	(36,559)	(35,552)	(188)	(50)	(38)	-	(72,387)
Charged in year	-	(2,394)	(4,312)	(36)	-	(1)	-	(6,743)
Reclassifications	-	2,092	(2,091)	(1)	-	-	-	0
Revaluations	-	(460)	192	(27)	-	(1)	-	(296)
Disposals	-	-	-	24	-	-	-	24
At 31 March 2010	-	(37,321)	(41,763)	(228)	(50)	(40)	-	(79,402)
Net book value at 1 April 2009	8,859	86,134	72,818	106	147	4	5,854	173,922
Net book value at 31 March 2010	9,302	92,719	72,733	295	135	3	1,003	176,190
Asset financing								
Owned	9,302	92,719	72,733	295	135	3	1,003	176,190
Finance leased	-	-	-	-	-	-	-	-
Net book value at 31 March 2010	9,302	92,719	72,733	295	135	3	1,003	176,190

	Land £'000	Buildings £'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 2008	12,476	117,582	113,696	240	179	39	3,928	248,140
Additions	-	-	93	58	14	-	12,681	12,846
Reclassifications	-	10,755	-	-	-	-	(10,755)	-
Revaluations	(3,617)	(5,644)	(5,370)	(4)	4	3	-	(14,628)
Disposals	-	-	(49)	-	-	-	-	(49)
At 31 March 2009	8,859	122,693	108,370	294	197	42	5,854	246,309
Depreciation								
At 1 April 2008	-	(35,980)	(32,998)	(158)	(47)	(36)	-	(69,219)
Charged in year	-	(2,306)	(4,137)	(33)	(2)	-	-	(6,478)
Disposals	-	-	48	-	-	-	-	48
Revaluations	-	1,727	1,535	3	(1)	(2)	-	3,262
At 31 March 2009	-	(36,559)	(35,552)	(188)	(50)	(38)	-	(72,387)
Net book value								
Net book value at 31 March 2009	8,859	86,134	72,818	106	147	4	5,854	173,922
Net book value at 1 April 2008	12,476	81,602	80,698	82	132	3	3,928	178,921
Asset financing								
Owned	8,859	86,134	72,780	106	147	4	5,854	173,884
Finance leased	-	-	38	-	-	-	-	38
Net book value at 31 March 2009	8,859	86,134	72,818	106	147	4	5,854	173,922

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 2010 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.

Non-operational heritage assets

The National Physical Laboratory museum and archives, including some former UK primary standard weights and measures, are non-operational heritage assets held for historical and cultural association only. These are recorded in the Register of Assets at nil book value.

7. Intangible assets

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

	Total £'000
<hr/>	
Cost or valuation	
At 1 April 2009	383
Additions	35
Revaluations	56
Disposals	(27)
<hr/>	
At 31 March 2010	447
<hr/>	
Amortisation	
At 1 April 2009	(200)
Charged in year	(49)
Revaluations	(31)
Disposals	27
<hr/>	
At 31 March 2010	(253)
<hr/>	
Net book value	
Net book value at 31 March 2010	194
Net book value at 1 April 2009	183

	Total £'000
<hr/>	
Cost or valuation	
At 1 April 2008	321
Additions	95
Revaluations	(6)
Disposals	(27)
<hr/>	
At 31 March 2009	383
<hr/>	
Amortisation	
At 1 April 2008	(177)
Charged in year	(47)
Revaluations	5
Disposals	19
<hr/>	
At 31 March 2009	(200)
<hr/>	
Net book value	
Net book value at 31 March 2009	183
Net book value at 1 April 2008	144

8. 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.

9. Impairments

There were no impairments during 2009-10 (£1,446k 2008-09).

10. Inventories

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Stock for resale	-	-	1,445
Work in progress	-	44	59
	-	44	1,504

11. Trade receivables and other current assets

a) Analysis by type

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Amounts falling due within one year:			
Trade receivables	572	1,741	1,063
Interdepartmental receivables	251	369	-
VAT receivable	3,094	-	14
Other receivables	3	5	4
Prepayments and accrued income	824	1,120	908
Total receivables as at 31 March 2010	4,744	3,235	1,989
	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Amounts falling due after more than one year:			
Deposits and advances	200	200	-
Total	200	200	-

b) Intra Government balances

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Balances with department	387	369	-
Balances with other central government bodies	3,494	91	197
Balances with local authorities	6	97	96
Balances with bodies external to government	1,057	2,878	1,696
Total receivables as at 31 March	4,944	3,435	1,989

12. Cash and cash equivalents

	£'000
Balance at 1 April 2009	1,327
Net change in cash and cash equivalent balances	3,022
Balance at 31 March 2010	4,349
The following balances were held at:	
Office of HM Paymaster General	(2,556)
Citibank/RBS	6,905
Cash in hand	0
Balance at 31 March 2010	4,349
Balance at 1 April 2008	1,695
Net change in cash and cash equivalent balances	(368)
Balance at 31 March 2009	1,327

13. Trade payables and other current liabilities**a) Analysis by type**

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Amounts falling due within one year:			
Trade payables	8,536	1,355	6,556
Intra dept creditor	-	-	215
VAT	-	1	-
Other payables	82	75	99
Accruals and deferred income	959	7,614	3,277
Current part of finance leases	-	10	19
Total payables as at 31 March 2010	9,577	9,055	10,166
Amounts falling due after more than one year finance leases		-	10

b) Intra Government balances

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Balances with department	533	-	215
Balances with other central government bodies	15	297	87
Balances with local authorities	33	1	-
Balances with bodies external to government	8,996	8,757	9,874
Total payables at 31 March 2010	9,577	9,055	10,176

14. Provisions for liabilities and charges

	Demolition and decontamination £'000	Disposal of radiological sources £'000	Other £'000	Total £'000
Balance at 1 April 2009	3,033	1,171	30	4,234
Provided in the year	149	-	-	149
Provisions not required written back	-	(672)	-	(672)
Provisions utilised in the year	(2,032)	(2)	(30)	(2,064)
Balance at 31 March 2010	1,150	497	-	1,647
Due within one year	1,150	50		1,200
Due after one year	-	447		447
Total	1,150	497		1,647
	£'000	£'000	£'000	£'000
Balance at 1 April 2008	4,631	1,222	30	5,883
Provided in the year	-	-	-	-
Provisions not required written back	-	-	-	-
Provisions utilised in the year	(1,598)	(51)	-	(1,649)
Balance at 31 March 2009	3,033	1,171	30	4,234

Demolition and decontamination

This provision covers the cost of demolition and decontamination NMO's site in Teddington, to meet the expectations of stakeholders. This is expected to be completed in the next financial year and as such has not been discounted.

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. Based on past experience the cost is on average £50k per year and a 10 year provision has been made. This has not been discounted as the effect would be immaterial.

Other

This relates to a claim made by an employee of NMO for injuries sustained on NMO's premises.

15. Capital commitments

There were no capital commitments as at 31 March 2010 (2008-09 NIL).

16. Commitments under leases

16.1 Operating leases

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

	31 March 2010 £'000	31 March 2009 £'000
Land and buildings		
Not later than one year	33	33
Later than one year and not later than five years	7	8
Later than five years	82	84
	122	125

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 £21k per year to Royal Parks.

Office equipment

Not later than one year	6	8
Later than one year and not later than five years	4	10
Later than five years	-	-
	10	18

Motor vehicles:

Not later than one year	-	4
Later than one year and not later than five years	-	-
Later than five years	-	-
	0	4

16.2 Finance leases

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

Obligations under finance leases comprise:

	31 March 2010 £'000	31 March 2009 £'000
Scientific equipment:		
Not later than one year	-	10
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	10
Less interest element	-	-
Total	-	10

16.3 Receivables under leases

Land and buildings

Not later than one year	6,572	6,572
Later than one year and not later than five years	21,332	27,940
Later than five years	1,497	1,746
	29,401	36,258
Less interest element	-	-
Total	29,401	36,258

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 £3.5m 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.

17. 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 2010 £'000	31 March 2009 £'000
Not later than one year	54,630	47,521

18. Contingent liabilities disclosed under IAS 37

There is a contingent liability of between £8.2m and £22.8m for covering the pension liability for NPL employees if the science contract with NPL came back to NMO/Dept in 2014. This liability is to be revalued in April 2010 with figures available in August/September 2010.

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.

19. Machinery of Government change

On 1 April 2009 the responsibility for policy and maintenance of the National Measurement System transferred from the parent Department BIS. The Agency therefore became responsible for the whole of the UK scientific and legal National Measurement System. This transfer has been treated under Machinery of Government Accounting and the full effect of the transfer on 2008-09 accounts can be seen below.

Operating cost statement

For the year ended 31 March 2009	NMO per published accounts UK GAAP £'000	* Transfer of NMS activities £'000	IFRS adjustment £'000	Revised NMO under IFRS £'000
Operating income	4,477	7,062	-	11,539
Less costs of:				
Staff costs	2,389	882	-	3,271
Science research costs	-	61,389	-	61,389
Accommodation	537	3,990	-	4,527
General expenses	857	1,061	-	1,918
IT	215	-	-	215
Travel and subsistence	111	26	-	137
Telecommunications	25	1	-	26
Rentals under operating leases	12	33	-	45
Non cash items				
- Depreciation	153	6,352	(27)	6,478
- Cost of capital charges	62	5,727	-	5,789
- Revaluation of non - current assets	5	1,441	-	1,446
- loss on sale of stock	-	1,162	-	1,162
- Amortisation	20	-	27	47
- Notional audit fee	27	-	-	27
- loss on disposal of assets	8	-	-	8
Net operating income/(cost)	56	(75,002)	-	(74,946)

* Inter-entity eliminations have been netted off these figures.

Statement of financial position

as at 31 March 2009	NMO per published accounts UK GAAP £'000	* Transfer of NMS activities £'000	IFRS adjustment £'000	Revised NMO under IFRS £'000
Non-current assets:				
Property, plant and equipment	1,389	172,618	(85)	173,922
Intangible assets	98	-	85	183
Debtors falling after one year	200	-	-	200
Total non-current assets	1,687	172,618	-	174,305
Current assets:				
Inventories	44	-	-	44
Trade and other receivables	965	2,270	-	3,235
Cash and cash equivalents	1,327	0	-	1,327
Total current assets	2,336	2,270	-	4,606
Total assets	4,023	174,888	-	178,911
Current liabilities:				
Provisions	(30)	(3,084)	-	(3,114)
Trade and other payables	(654)	(8,401)	-	(9,055)
Total current liabilities	(684)	(11,485)	-	(12,169)
Total assets less current liabilities	3,339	163,403	-	166,742
Non-current liabilities:				
Provisions	-	(1,120)	-	(1,120)
Total non-current liabilities	-	(1,120)	-	(1,120)
Assets less liabilities	3,339	162,283	-	165,622
Taxpayers' equity:				
General fund	3,209	127,310	(37)	130,482
Revaluation reserve	130	34,973	37	35,140
Total taxpayers' equity	3,339	162,283	-	165,622

* Inter-entity eliminations have been netted off these figures.

20. Related party transactions

During 2009-10, 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.

During the 2009-10 year, with one exception 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. The exception was Mr Adrian Rudd, a member of the Management Board, who received a bridging loan of £332,500 while he relocated to live closer to NMO. The costs of the relocation have been included in the remuneration report.

Richard Frewin was a member 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. NMO has had transactions with the TSI during the year.

Mr 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.

21. Losses and special payments

There were special payments totalling £393k; of this an extra-contractual payment was made of £334k to NPLM Ltd as a contribution to its gas bill which was the continuation of an agreement entered into with DIUS prior to NMS transferring to NMO. This arrangement has now ended for 2010-11.

22. Early application of IFRSs

The Agency has applied IFRS 8 (operating segments) as revised in April 2009. The effective date of this revision is 1 January 2010 and therefore this constitutes early adoption. This early adoption complies with the 2009-10 FReM.

23. 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. The 2010-11 FReM changes include the removal cost of capital charging which will reduce the costs of the Agency by £5.9m.

24. Events after the reporting period

The Financial Statements have been authorised for issue by the Accounting Officer on 14 July 2010.



Chapter 5

Contacts and Glossary

Contacts

Address:
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Stanton Avenue
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Middlesex
TW11 0JZ

General Enquiry Line: +44 (0)20 8943 7272

Website: www.nmo.bis.gov.uk

Glossary: Abbreviations

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



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