

National  
Measurement  
Office

# Annual Report and Accounts 2014-15

From 1 April 2015, the National Measurement Office became the National Measurement and Regulation Office.



National  
Measurement &  
Regulation Office



Department for Business, Innovation & Skills



National  
Measurement  
Office

# National Measurement Office

## Annual Report and Accounts 2014-15

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became the National Measurement and Regulation Office.



National  
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Regulation Office



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## **Contents**

Chapter 1 Chief Executive's Statement

Chapter 2 Strategic Report

Chapter 3 Directors' Report

Chapter 4 Governance Statement

Chapter 5 Remuneration Report

Chapter 6 Accounts

Chapter 7 Contacts and Glossary



# Chapter 1

## Chief Executive's Statement

I am very pleased to introduce the final Annual Report and Accounts for the National Measurement Office (NMO) for the year 2014-15.

The past year has seen the NMO complete a major project resulting in the purchase of NPL Management Ltd by the Department for Business, Innovation and Skills (BIS) and establishing a strategic partnership between BIS and the Universities of Surrey and Strathclyde.

Our national enforcement role has continued to grow with the signing of new Memoranda of Understanding (MoUs) with BIS, Department of Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (Defra) to deliver regulatory enforcement services. We have utilised our strong position in Europe through our membership and chairmanship of EU market surveillance Administrative Cooperative Groups (AdCos) to promote an enforcement regime that places minimal burdens on UK businesses.

Income from our certification and training services has continued to grow due to our international reputation in the field of legal metrology and delivery of excellent services. Indeed, we have continued to lead the international legal metrology community through our membership of the International Organization of Legal Metrology (OIML) and holding the influential position of Presidency. This was complemented by our strong engagement with the European Cooperation in Legal Metrology (WELMEC) where we chaired two Working Groups and had strong representation in the Committee and Chairpersons Group.

Our legislative policy work reduced the number and cost of regulation through the Red Tape Challenge and a deregulation under the Consumer Rights Act will result in a saving for "small bakers".

These activities were delivered during a period of organisational review resulting in Ministers deciding that responsibility for scientific metrology should transfer to BIS from 1st April 2015. At the same time, the Better Regulation Delivery Office (BRDO) were tasked with creating a "Centre of Excellence", working with NMO in order to simplify technical regulation for the benefit of British business. Ministers decided that NMO's existing legal metrology policy, technical and enforcement work would continue under a new name, the *National Measurement and Regulation Office (NMRO)* to better reflect the wider regulatory role carried out by the organisation.

Looking forward to next year, our focus will be to press ahead with the delivery of our technical regulation, enforcement and certification services in line with the Regulators' Code and for the benefit of UK business. We will also look to make further savings for our customers in business and in government.

I would like to thank our BIS sponsors and Steering Board for their guidance and advice and to our staff for their professionalism during the period of review and for retaining our *Investors in People* accreditation. I am proud of what we have achieved and look forward to the challenges ahead.

A handwritten signature in black ink, appearing to read 'R Sanders', written in a cursive style.

Richard Sanders  
Acting Chief Executive and Accounting Officer  
Date: 03 July 2015



# Chapter 2

## Strategic Report

### Business Review

#### History and Statutory background

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

On 1 April 2009, responsibility for the Scientific Metrology including the National Measurement System was transferred from NMO's parent Department and integrated with the Agency. On that date, the National Weights and Measures Laboratory changed its name to the National Measurement Office to reflect this significant expansion. As part of the current BIS review of the future shape of NMO, it was decided that these responsibilities would no longer reside with NMO.

From 1 April 2015, the NMS was transferred to BIS and NMO became the National Measurement and Regulation Office, sponsored by the Better Regulation Delivery Office (BRDO). The aim is to create a "Centre of Excellence", in order to simplify technical regulation for the benefit of British business.

NMO provides support for the legislation on weights and measures, utilities metering and hallmarking which are important elements of the UK's trading and consumer protection framework. NMO also provides laboratory-based certification services so that UK businesses have access to services that enable them to introduce innovative new products and develop new opportunities through the export of their products to international markets. In addition, NMO enforce a wide range of statutory requirements which place minimum quality requirements on products. Consumers in both the domestic and business environment therefore have confidence that the products they buy meet these challenging standards.

The Accounts cover the activities of the National Measurement Office for the year ended 31 March 2015. 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.

# Nature of Organisation

NMO's Mission for 2014-15 was: 'To provide policy support to Ministers on measurement issues and a measurement infrastructure which enables innovation and growth, promotes trade and facilitates fair competition and the protection of consumers, health and the environment'. Its activities ensured the following four objectives were achieved:

- 1. Increase economic growth, innovation and social impact through a world class scientific and industrial measurement infrastructure.**
- 2. Promote competition and fair trading both in the UK and internationally through a modern weights and measures and hallmarking regime.**
- 3. Provide good value for money metrology services.**
- 4. Protect the interests of the public, business and the environment by enforcing relevant legislation.**

## 1. Increase economic growth, innovation and social impact through a world class scientific and industrial measurement infrastructure.

During 2014-15, NMO was responsible for scientific metrology which included managing the National Measurement System (NMS) and upkeep and development of the Teddington Estate land and buildings. These were funded directly from BIS for which NMO were provided with a budget for Capital, Programme and Administration costs. There was close monitoring of this budget throughout the year with forecasts provided on a monthly basis.

The purpose of the NMS was to continue to develop the UK's world leading national measurement infrastructure. This infrastructure was essential to provide reliable measurements to support trade and product development and to provide traceable measurements to underpin standards and regulation necessary for fair trade. New measurement science programmes, commissioned and managed by NMO and funded by BIS were also necessary to provide appropriate measurement technology to promote trade and development in emerging technologies in the fields of environmental sustainability, energy, healthcare, digital communications and security.

The NMS provided the measurement traceability that enables the economy to function and underpins business, international trade and quality of life through consumer protection, barrier-free trade, environmental controls, safe medical treatment and food safety regulation. It also supported innovation in business by stimulating the development of improved measurement techniques and instrumentation and provides business with high-accuracy calibration and testing services. It promoted 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 10 measurement research and dissemination programmes from five national measurement institutes (NMIs) – the National Physical Laboratory (NPL), LGC Ltd, TUV SUD, the National Gear Metrology Laboratory (NGML) 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.

NMO managed the estate in Teddington where the NMO and NPL laboratories are situated to ensure the laboratories and estate met the requirements to operate science and also the needs of other users of the estate. During the year, asset renewal work continued particularly with the aims of increasing energy efficiency and reducing future maintenance costs. Design of new facilities for advance science applications continued.

NMO worked with BIS on the future operation of NPL on establishing a partnership arrangement between BIS and one or more academic partners. In July 2014, the Universities of Surrey and Strathclyde became preferred partners and were working with BIS and NPL Management Ltd to develop a strategic partnership to lead NPL. This resulted in the transfer of ownership of NPL Management Limited to BIS on 1 January 2015.

## 2. Promote competition and fair trading both in the UK and internationally through a modern weights and measures and hallmarking regime.

NMO was responsible for Legal Metrology which provided confidence in measurements. The reason for this was to allow consumers to have accurate information when making purchasing decisions and to enable businesses to trade in a fair marketplace. NMO maintained local weights and measures standards and the necessary calibration and testing facilities to underpin statutory obligations as laid down in the Weights and Measures Act 1985. The maintenance of weights and measures standards completed the traceability chain, which started with the primary standards held at NPL and proceeded through NMO's secondary and tertiary standards. Our tertiary standards were then used to calibrate the local authority standards. This traceability chain provided the UK with legal measurement under the W&M Act.

During 2014-15 NMO carried out visits to Trading Standards Authorities to ensure local and working standards of mass, length and volume and the in situ reverification of standards.

NMO performed an annual calibration of coin standards for all UK and New Zealand current and commemorative coins struck by the Royal Mint and the provision of trial plates of Gold, Silver, Platinum, Nickel, Copper and Aluminium for assay at the Goldsmiths' Hall. This involved participation in the Trial of the Pyx in accordance with the Coinage Act.

NMO supported UK businesses by supporting the development of technical standards and policy, working closely with manufacturer trade associations to ensure that UK industry views were taken into account. Support and advice was also provided on approval requirements in order to place their equipment on the market. In addition, NMO provided a traceable test capability for UK manufacturing, which was required to fulfil NMO's statutory obligations.

Over the last year NMO reviewed and modernised weights and measures legislation in a number of areas to minimise burdens on businesses while maintaining consumer protection. This contributed to the Governmental target to reduce the number and cost of regulation through the Red Tape Challenge. As a result, 12 sets of regulations were scrapped in their entirety and a further 7 were improved.

During 2014-15 NMO sponsored the British Hallmarking Council (BHC). Hallmarks are markings applied to gold, silver, platinum and palladium; they show that the object has been independently tested by an Assay Office.

NMO worked with local Trading Standards departments and businesses as well as with the organisations that supported the wider enforcement role. NMO organised and hosted with the Trading Standards Institute (TSI), a successful Metrology Seminar with close to double the attendance of the previous year and co-ordinated a national project with Trading Standards on medical weighing equipment.

NMO was responsible for the designation and auditing of notified bodies and market surveillance activities under the Non-Automatic Weighing Instruments (NAWI) and the Measuring Instruments Directives, as well as the appointment and monitoring of approved verifiers under national legislation.

NMO influenced EU and international legal metrology forums by participating in a number of international metrology committees which benefitted UK stakeholders, businesses, consumers and manufacturers. NMO participated in OIML (the International Organisation of Legal Metrology) and WELMEC (an organisation of the European Union and European Free Trade association) discussions. OIML worked to achieve international harmonisation for legal metrology by promoting the use of International Recommendations or Documents, which provide the basis for laws regulating measuring equipment, quantity control and quantity labelling of pre-packages.

NMO provided the Secretariats for several OIML technical committees and NMO's International Director, Peter Mason, the UK member of the International Committee of Legal Metrology (CIML), the OIML governing body, is also the current CIML President.

NMO had statutory responsibility for the measurement accuracy of gas and electricity meters and received income for this work via Ofgem. This included an outsourcing contract for the provision of a statutory testing service where meter accuracy was disputed. NMO had a Memorandum of Understanding with Ofgem and received income based on the cost of delivery.

NMO was also responsible for the In-Service Testing (IST) scheme which enabled energy suppliers to avoid the cost of unnecessary meter exchanges while ensuring only meters conforming to the legal requirements were used for billing consumers.

### 3. Provide good value for money metrology services.

NMO provided a range of statutory and commercial certification and training services for which it received income based on full cost recovery. This included providing conformity assessment services to manufacturers of weighing and measuring instruments as a Notified Body under the Non-Automatic Weighing Instruments and Measuring Instruments Directives.

NMO was also the UK Issuing Authority for OIML Certificates of Conformity that enabled manufacturers to gain national approvals for their instruments in countries outside of Europe and was also responsible for granting UK National Type Approval Certificates for weighing and measuring instruments. NMO also provided management system certification under ISO 9001:2008 and section 11A of the W&M Act 1985.

In 2014-15, NMO extended its Notified Body scope to include Gas Meters and Active Electrical Energy Meters for EC Type Examination under Annex B of the Measuring Instruments directive on the basis of a UK Accreditation Services (UKAS) recommendation to the Secretary of State. This extension to scope provided NMO with an improved range of accredited services, meaning the Agency can better support business and industry securing its position as one of the leading notified bodies in Europe.

During 2014-15 there was an increase in the level of demand for these services with a 13% increase in applications from 2013-14. For management system certification, there were 34 applications from new customers or existing customers seeking an increase in their certified scope. It is anticipated that this will continue to grow in subsequent years.

NMO supported industry and trade by providing an accurate calibration service to UK business. This is an important service, especially to the pharmaceutical industry where people's health and life depends on the very accurate measurement methods used. The Calibration team at NMO provided the technical infrastructure for trade covering mass, length and volume measurements, testing and calibration services for mass and testing of taximeters on behalf of London Transport Private Hire (LTPH).

NMO issued approximately 500 calibration certificates during the year. It offered a high accuracy service for heavy mass up to 500kg (the most accurate in the world) and up to one tonne at a slightly lower level.

It performed the calibration and testing of fish net gauges on behalf of Defra to ensure fisherman only catch the correct size fish.

NMO offered mass and length customers with a facility unique in the UK and one of the highest accuracy volume calibration services available. It is the only mass calibration laboratory worldwide to be accredited for the calibration of mass standards down to 0.05mg (micro weights), with uncertainties as low as 0.0002mg. This service is growing with the collaboration of Mettler-Toledo Switzerland. The two organisations will be offering a combined supply and calibration service to customers worldwide.

During 2014-15 NMO retained a contract with Camelot for the testing of national lottery balls and machines. NMO completed a successful application for the extension to scope of UKAS accredited testing services.

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

Training was offered through 2014-15 with a number of courses provided on the Measuring Instruments Directive, packaged goods and verification of fuel dispensers. In addition, NMO received funding through the United Nations Industrial Development Organization (UNIDO) to provide a two-week legal metrology training course for international delegates from Iraq.

## 4. Protect the interests of the public, business and the environment by enforcing relevant legislation.

NMO carried out Enforcement activities that supported business growth, product development and financial investment in new innovative products. These activities directly impacted on the energy consumption levels of many common domestic, professional, commercial and industrial UK products, the environmental impacts of certain hazardous substances in electrical and electronic equipment and the negative social, economic and environmental impacts of illegally harvested timber.

This work was delivered through Memoranda of Understanding with the Department for Business Innovation and Skills, the Department for Energy and Climate Change, the Department for Environment, Food and Rural Affairs and the Department for Transport. NMO received income based on delivery of milestones. These were costed on a full cost recovery basis.

The objective was to work with industry to increase the levels of compliance within the framework of the Regulators' Code. This helped to ensure that the investments in research and development for new products and the continued commitment to compliance of the best companies in the UK was protected against those businesses wishing to access the EU market with substandard products and poorly controlled production processes.

NMO prioritised close collaborative working with other market surveillance authorities throughout the UK, Europe and across the world to ensure appropriate levels of consistency, to share intelligence and good practice. In the UK, this meant participating in the Market Surveillance Coordination Committee and the Market Surveillance Focus Group and in Europe by participating in the European Commission expert market groups and EU funded market surveillance projects. On behalf of the UK, NMO chaired the expert groups relating to the Restriction of Hazardous Substances, the Energy Related Products and Energy Labelling.

In 2014-15 the enforcement work expanded with the new EU legislation on heat metering. NMO also led a project to transfer enforcement functions of the Vehicle Certification Agency (VCA) to the Agency from the 1 April 2015.

## Corporate Services

The above objectives were supported by Corporate Services that ensured that staff and managers had the advice, infrastructure and information to enable their work to be performed effectively. The following services were provided:

- Finance and accounting
- Human resources
- Information and communications technology
- Procurement
- Communications
- Reception services
- Records management and
- Secretariat

During 2014-15, there was continuous improvement of these services to maintain professionalism and value for money in a changing environment. NMO upgraded the Electronic Data Records Management and the ICT infrastructure to support the new Government security classifications and the growing needs of the Agency.

Functional leads worked closely with managers and BIS to ensure accurate forecasting and that Governance requirements for a Government Agency were fulfilled. The close monitoring on costs for 2014-15 enabled the Agency to reduce its overhead costs by 3% and meet its Ministerial Target.

The latter part of the year saw NMO prepare for the transfer of the NMS functions and staff to BIS and enforcement staff from the VCA in addition to changing the organisation name.

From 1 April 2015 the Agency will transfer the NMS finances to BIS and take on the role of key tenant of the Teddington building in addition to a new office base in Bristol.

## Main Risks and Uncertainties

The most significant risk that NMO faced in 2014-15 in achieving its objectives was the potential reduction in income from other Government Departments due to cuts resulting from the Spending Review in 2015. NMO was examining how it may address these potential possible reductions and work with its customers to ensure the Agency continued to effectively deliver its services.

Another main risk was the Agency's dependency on a capable and secure ICT system. The loss of this service would be significant especially as the Agency expands its workforce both in numbers and geographically.

NMO will have a different focus moving into 2015-16 as the responsibility for scientific metrology transferred to BIS on the 1 April 2015. The conclusion of the National Measurement System review meant that the Agency had clarity over its future and was able to plan ahead and adapt to its new roles and responsibilities.

## Ministerial Targets

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

In 2014-15 the following nine targets were set, of which NMO achieved seven.

Target	Achieved/ Not achieved	Comments
Implement arrangements for NPL post March 2014 and agree the partners who will work with Government on NPL and the model under which the partnership will realise the stated policy objective of strengthening both fundamental research and engagement with business.	Target achieved	BIS signed a partnering agreement with the University of Strathclyde and the University of Surrey in March 2015. The Universities will be investing £10 million over the next 5 years which will help create 5 new Joint Research Centres, 3 new Regional Hubs, and a Postgraduate Institute.
Improve performance of the NMS programmes over the Corporate Plan period 2011-12 to 2014-15 as measured by the value scorecard developed to reflect high quality science, leadership and international influence, contribution to growth in the UK economy, capability to meet current and future measurement needs and active knowledge transfer.	Target achieved	
Reduce NPL energy consumption in 2014 calendar year by 5% from 2013 calendar year to increase the efficiency of science spends.	Target achieved	There was a reduction of 13% in NPL's energy consumption for the year, i.e. almost 3 times the target.
Support stakeholders by ensuring at least 95% of metering enquiries are answered within three business days of receipt of all necessary documentation.	Target achieved	98% of enquiries were answered within the timeframe specified.
Achieve a satisfaction rating among Certification Service customers of at least 95% for customers scoring satisfied or above, with at least 60% scoring 'very satisfied'.	Target not achieved	While 71% scored 'very satisfied' the overall satisfaction rating was 89%.
Achieve an increase in income of at least 5% for Certification Services from the 2013-14 financial year.	Target not achieved	Increase in income was 2.49%.
Generate at least a positive 3:1 net contribution to consumers and the environment as well as the low carbon economy through the activities of the Enforcement Authority.	Target achieved	Making a direct impact on the market of over £11m.
Reduce non ring-fenced Administration costs by at least 14% in cash terms over the Corporate Plan period 2011-12 to 2014-15.	Target achieved	
Reduce the per capita overhead rate from 2013-14.	Target achieved	Reduction of 3%.

## Financial Review

During 2014-15 NMO continued to grow with an increase in income from enforcement activities (including heat metering regulations), certification, calibration and training services. This growth in income has resulted in an increase in staff from an average of 74 in 2013-14 to an average of 79 in 2014-15. Enforcement work will increase still further in 2015-16 as NMO takes on additional work transferred from the VCA. All of the services that NMO provided were based on full cost recovery; both costs and income were monitored and managed well during the year, putting the Agency on a stable financial position for the future. The income streams and their associated costs were classed as Programme.

Programme spend funded by BIS was for the National Measurement System where the majority of costs were for measurement science with NPLML, LGC, TUV SUD and NMO, and accommodation costs for occupying the estate. Spend for 2014-15 was in line with 2013-14 as NMO received a 'flat cash' budget in the 2010 Spending Review. Income was received from NPLML for occupying the buildings on the estate. The budget for the Departmental Expenditure Limit was slightly exceeded, but it was kept within 1%. The majority of this spend moved to BIS on the 1 April 2015 as part of the transfer of scientific metrology responsibilities.

Administration spend included the legal metrology policy work that NMO performed and programme and estate management as part of the Agency's scientific metrology responsibilities, all of which were funded by BIS. This spend decreased from 2013-14 due to the costs for the NPL future project which was run by BIS, acting through NMO, to establish a partnership to run the NPL and ended during 2014-15. The costs were managed well during the year and the Administration budget provided by BIS was not exceeded. NMO's legal metrology policy work will continue into 2015-16; however the programme and estate management work was transferred to BIS and NPLML respectively from 1 April 2015 and NMO's Administration budget was reduced accordingly.

There was a £31m favourable movement on provisions as the NPLML pension scheme deficit was removed from NMO's accounts when the Serco contract ended on the 1 January 2015 and NPLML accepted responsibility for the deficit (further explanation is provided in the Accounts).

The value of NMO's non-current assets mainly consisting of the land and buildings on the Teddington estate was increased from £192m on 31 March 2014 to £197m on 31 March 2015. The estate was subject to a quinquennial professional valuation at the end of March 2014, and an indexation revaluation during 2014-15. The value of the land shown in the accounts of £17.6m was less than the market value as it was based on Depreciated Replacement Cost. The estate was transferred to BIS accounts on the 1 April 2015. The removal of the pension scheme deficit was the main cause of the increase in taxpayers equity from £162m at 31 March 2014 to £201m at 31 March 2015.

Capital spend in 2014-15 of £8.5m was mainly used for improving the estate; this will reduce future energy costs and maintenance; this was significantly less than the budget provided by BIS as there were delays in the construction of the Advanced Quantum Metrology Laboratory.

## Forward Look

In a move to simplify technical regulation for the benefit of British business, the former Business Minister, Matthew Hancock MP asked the BIS regulatory delivery directorate, the Better Regulation Delivery Office (BRDO), to create a Centre of Excellence for Technical Regulation with the NMO in March 2015. This Centre of Excellence will use BRDO's expertise in regulatory implementation and draw on the front line enforcement skills and capabilities of NMO. On 1 April 2015, the Agency changed its name to the National Measurement and Regulation Office (NMRO) and was sponsored by BRDO as a subsidiary technical and enforcement arm. Our aim will be to simplify technical regulation for the benefit of British business, reducing unnecessary costs and giving greater confidence to invest and grow.

NMRO will be focused on using the right intervention to solve problems. Where regulation is necessary, we will ensure that it is designed and enforced in a way that supports business compliance and growth. We will achieve our aim by:

- simplifying the legislative framework for weights and measures and hallmarking to support well-functioning competitive markets, and using our strong international influence to shape new and existing EU legislation to ensure that burdens on UK business are minimised or eliminated and UK weights and measures protected,
- providing the assurance businesses need to understand and apply legislative requirements and giving them confidence that their investments in research and development are protected against unfair competition,
- enforcing technical regulations intelligently using the Regulators' Code to achieve better outcomes for British businesses,
- providing a legal metrology infrastructure to underpin trade measurement and confidence in the market, and a range of certification services that enable businesses to export their products globally.

NMRO will be organised into four directorates working together to achieve these aims; Regulation, Enforcement, Certification Services, and Corporate Services.

On 1 April 2015 the following enforcement activities carried out by Vehicle Certification Agency (VCA) on behalf of BIS and Defra were transferred to NMRO:

- Noise emission in the environment by equipment for use outdoors regulations 2001
- Waste electrical and electronic equipment (WEEE) legislation – distributor responsibilities
- Waste batteries and accumulators regulations 2009 – distributor responsibilities and producer obligations (industrial and automotive batteries)
- End-of-life vehicles regulations 2003 – part III and IV (prohibition of heavy metals and information requirements respectively)

Further details on the first NMRO Corporate Plan, is available on our website:

<https://www.gov.uk/government/publications/corporate-plan-from-2015-to-2016>

On 1 April 2015, the responsibility for scientific metrology was transferred to BIS Innovation Directorate. More details about this transfer can be found in note 18 of the Annual Accounts.

## Staffing

NMO employed staff with a range of diverse skills e.g. policy, enforcement, finance, science and engineering etc. In 2014-15 there was an average of 79 whole time equivalent which was 5 more than the average for 2013-14 due to the increase of our enforcement activities. Of these 79 staff, 56 were male (71%) and 23 (29%) were female. There were 11 new recruits which included a Finance Apprentice who joined the Business Administration Apprentice. There were seven Management Board members, of which three were female.

NMO was fully committed to providing equal opportunity for all staff. In 2014-15 training was provided to all staff on diversity issues and two members of staff were appointed to promote diversity within the Agency. The Agency followed 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. NMO's consultative mechanisms provided 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 worked hard to attain high levels of employee engagement and the Agency's engagement index was 65%, 6% higher than the 2014 Civil Service average, 1% higher than high performing units and 16th place out of the 101 civil service organisations taking part. NMO recognised the importance of continued focus on staff development and engagement.

In September 2014, NMO achieved Investors in People re-accreditation. Based on the IIP principles of 'plan-do-review', the Agency will continue to strive to be seen as an employer of choice, attracting a skilled and diverse workforce.

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

## Social and Community Issues

During 2014-15 NMO raised money for the Rainbow Trust instead of sending Christmas cards to Stakeholders. The Rainbow Trust is a registered charity, located in Leatherhead and looks after terminally ill children. NMO also held a charity lunch in March 2015 and raised money for a children's hospice, Shooting Star Chase charity.

## Environmental Factors

Sustainability was embedded in the philosophy and culture of NMO. A Sustainability Working Group managed the Agency's Sustainable Development Action Plan which looked at both short and longer term issues.

The Agency was responsible for the Teddington estate on which it and the National Physical Laboratory were located. It had responsibility for reporting on progress towards meeting sustainability targets for the Government estate. A Ministerial target was set to reduce NPL's energy consumption in 2014 calendar year by 5% from 2013 calendar year which was achieved with a reduction of 13% due to improvements to equipment and control systems.

NMO's technical programme also provided the measurement technology necessary to support improvement in sustainability. For instance, the National Measurement System continued to support the NPL centre for carbon metrology.

Our Enforcement work had a target to generate at least a positive 3:1 net contribution to consumers and the environment as well as the low carbon economy. This was achieved and there was a direct impact on the market of over £11m, measured by consumer detriment, the cost of non-compliant goods to the market place as well as the costs of non-compliant goods removed or brought into compliance.



Richard Sanders  
Acting Chief Executive and Accounting Officer  
Date: 03 July 2015



## Chapter 3

# Directors' Report

The **Management Board** comprised the following personnel during 2014-15: Acting Chief Executive, Richard Sanders, who replaced Peter Mason on the 1 May 2014 and the following Directors: Robert Gunn, Jo Symons, Paul Dixon, Richard Frewin, Lynnette Falk (Acting), and Sarah Glasspool. It met formally every two weeks to make decisions and monitor high-level business planning, financial, risk and management issues. The Management Board was also responsible for setting standards, values and controls within the Agency.

Details of the Management Board's interests can be found in note 17 of the Annual Accounts. The Management Board made no political or charitable donations during the year. Travel and subsistence expenses incurred by the Management Board during 2014-15 totalled £25k.



Richard Sanders

Acting Chief Executive



Lynnette Falk

Director  
Regulation (Acting)



Sarah Glasspool

Director  
Finance



Robert Gunn

Director  
Programmes and  
Estate



Jo Symons

Director  
Change and  
Development



Richard Frewin

Director  
Enforcement



Paul Dixon

Director  
Certification  
Services

## Sickness absence data

NMO encouraged a culture where good attendance is expected and valued. However, it recognised that from time to time absences for medical reasons may be unavoidable. The Agency 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 2014-15, the average number of working days lost was 3.34 per full time equivalent employee. In 2013-14, the figure was 1.65 days. The Agency continues to review the reasons for absence and to maintain a focus on attendance, health and wellbeing.

## Basis of audits

### Auditors

The Comptroller and Auditor General has been appointed under statute to perform the statutory audit and report to Parliament. A notional charge of £33,500 has been made in the 2014-15 accounts in respect of this. In addition, audits were made during 2014-15 by the Government Internal Audit Agency. A charge to cover all internal audit services of £29,447 was made and is included in the Statement of Comprehensive Net Expenditure. During the year, the Agency purchased no non-audit services from its auditor, the National Audit Office.

### Disclosure of relevant audit information

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

## Pension liabilities

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover present and past employees. The costs of contributions for currently employed staff are charged through the Statement of Comprehensive Net Expenditure. There is no liability for future benefits as this is a charge to the PCSPS. More information about the PCSPS can be found in note 3 of the Annual Accounts.

## Responsibility for scientific metrology

On 1 April 2015, the responsibility for scientific metrology was transferred to BIS Innovation Directorate. More details about this transfer can be found in note 18 of the Annual Accounts.

## Personal data related incidents

In 2014-15, there were no personal data related incidents.

## Other disclosures

Other disclosures which should be contained in the Directors' report can be found in the Strategic Report and the Governance Statement.



Richard Sanders

Acting Chief Executive and Accounting Officer

Date: 03 July 2015



## Chapter 4

# Governance Statement

### Introduction

This Governance Statement sets out the internal control procedures that have operated in the Agency during the period 1 April 2014 to 31 March 2015. Its preparation has been supported by the work of Government Internal Audit Agency (GIAA), whom NMO engage to perform the internal audit function for the Agency.

### Scope of responsibility

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

NMO operates as an Executive Agency within the Department for Business, Innovation and Skills (BIS). The purpose of the Agency, together with its governance arrangements, accountability and delegations, is set out in a Framework Document which is available on our website.

In accordance with Managing Public Money I am personally responsible for managing the risks of the Agency and the key risks are set out in the Agency's Corporate Plan which is approved by Ministers each year. During 2014-15 for line management purposes I reported to the Director of Innovation in BIS, who was responsible for most of the funding which the Agency received and who also sat on the Agency's Steering Board. From 1 April 2015 the National Measurement System activities transferred to core BIS and I currently report to the Director of the Better Regulation Delivery Office (BRDO) in BIS.

## The Governance Framework

I am supported in my role of Agency Accounting Officer by three NMO corporate governance bodies: the Steering Board, the Management Board and the Audit Committee. These bodies adhere to the main principles of the UK Corporate Governance Code and a more detailed assessment will be made in 2015-16 alongside the changing focus of the Agency.

The Steering Board consisted of Isobel Pollock, Alan Proctor and Peter Cowley (non-executive members), Amanda Brooks (the Director of Innovation from BIS) and myself. Members of the Management Board and the Head of HR also attend. It generally meets three times a year. Last year it met on 17 June 2014, 16 September 2014 and 25 February 2015.

The role of the Steering Board is to advise Ministers on the strategies to be adopted by NMO as set out in its Corporate Plan, the targets to be set for quality of service and financial performance (and monitoring and advising on performance against these) and the resources needed to meet those targets. The Board also provides advice and guidance from a commercial standpoint to me and my Management Board on NMO's performance, operation and development, including its management of risk.

The Audit Committee consists of two non-executive Steering Board members and meets three times a year along with representatives from NAO, Internal Audit (GIAA) and BIS Finance. Its role is to support me in my role as Accounting Officer by:

- promoting confidence in the Agency's governance, risk management and internal control framework.
- reviewing the comprehensiveness of assurances in meeting the Agency's assurance needs.
- reviewing the reliability and integrity of these assurances.

During 2014-15 the Audit Committee comprised of the following personnel:

Alan Proctor, Non-Executive Member, Chair

Peter Cowley, Non-Executive Member

The Audit Committee met on the following dates: 27 June 2014, 3 November 2014 and 2 February 2015.

Attendance of members at the Steering Board and Audit Committee meetings for 2014-15 were as follows:

<b>Member</b>	<b>Steering Board</b>	<b>Audit Committee</b>
Isobel Pollock	3/3	N/A
Alan Proctor	3/3	3/3
Peter Cowley	2/3	3/3
Amanda Brooks	2/3*	N/A
Richard Sanders	3/3	N/A

\*A substitute from BIS attended in Amanda Brooks's absence.

The Management Board consists of the Chief Executive and the heads of the Directorates. It meets monthly for an operational performance meeting where risk and finance are always addressed, and once a month for management policy meetings. The Head of HR also attends. The attendance record at Board meetings held April 2014 to March 2015 is as follows:

Director	Performance meeting	Policy meeting
Richard Sanders	12/12	10/10
Peter Mason	1/1	1/1
Robert Gunn	7/12	6/10
Sarah Glasspool	9/12	10/10
Richard Frewin	10/12	7/10
Paul Dixon	10/12	8/10
Jo Symons	4/12	5/10
Lynnette Falk	8/11	7/9

## Conflicts of Interests

Each year, each board member is required to declare any conflicts of interest which are recorded in the Register of Interests. Where a board member raises a potential conflict at meetings, it is recorded in the minutes and the board member absents himself or herself from that item of discussion. Throughout this financial year, board members raised no conflicts of interest.

## Review of Board Performance

It was decided not to review the performance of the Steering Board this year due to an ongoing review of the future shape and status of NMO.

In 2014-15, the Management Board sought to increase its effectiveness by:

- including the attendance of the Head of HR at each meeting to support staff-related issues,
- approving revised Agency guidance for Business Cases in line with HMT guidance,
- forming a Capital Investment Group as a sub-committee to the Board to provide challenge to the increasing amount of spend on the Estate,
- continuing to employ the balanced scorecard approach which provided detailed oversight of the diverse activities of the Agency and focussed discussions on key issues.

These changes alongside existing procedures that ensure that the Board regularly discusses and communicates key risks, finances, projects and health and safety has meant that the Board had been effective in its duties in 2014-15.

Information covering all of these areas are presented to the Board to ensure that a sufficient level of detail is provided on which to make judgements and base decisions. Over the year, the Agency has continued to develop and enhance its information and performance reporting to meet the needs of the corporate governance bodies in terms of timeliness, data quality and presentation.

In 2015-16 the Management Board's performance will be reviewed and is included in the plans of Internal Audit (GIAA).

The Audit Committee has continued to conduct an annual self-assessment in accordance with the guidance issued by the NAO entitled the *Audit Committee Self-Assessment Check List*. The checklist allows the Audit Committee to assess their performance against the best practice. The 2014-15 review concluded that the existing arrangements of the Audit Committee remained satisfactory.

## Issues considered by the Steering Board, Management Board and Audit Committee

Management Board discussions included proposals to increase the scope of its enforcement activities (particularly activities moving from the VCA and heat metering). The number of opportunities which have emerged during the year illustrates the strength of the NMO's offering in this field, but as with all diversification it is necessary to carry out a proper evaluation to ensure that the proposal is within our competence and that any risks are manageable. Other issues have included the future shape of NMO, approval of capital projects for the Teddington Estate and revised HR policies in line with the Civil Service Reform agenda.

The Steering Board focussed most of its attention on the future shape of NMO during which time our sponsors in BIS undertook a review. In the latter part of the year Ministers decided that the Better Regulation Delivery Office should create a Centre of Excellence, working with NMO in order to simplify technical regulation for the benefit of British business. Existing metrology policy, technical and enforcement work will continue to be delivered by NMO but with a new name of the National Measurement and Regulation Office to better reflect the breadth of work carried out by the organisation. BIS would assume responsibility for the customer function for the National Measurement System and sponsorship of NPL. The NPL programme concluded with the purchase of NPLML Ltd by BIS in January 2015 and the development of the partnership arrangement with the Universities with Surrey and Strathclyde. BIS rather than NMO took the lead on this programme during the year.

Progress on the Advanced Metrology Laboratory on the Teddington site was considered in detail at the June 2014 Audit Committee meeting and also as part of reviewing the key risks for the Agency. In early 2014 it became apparent that the original funding of £25m was not sufficient to build a laboratory with the low vibration specifications originally hoped for. It was decided that the best way to increase to the advanced metrology capabilities for NPL and address the needs of new Quantum Technologies within the funding available would be to convert existing buildings. The project was re-named the Advanced Quantum Metrology Laboratory (AQML). Stage 1 of this project has been completed which included consultations with user groups, early site surveys, feasibility, costings and an outline business case has been developed. The funding however has not been secured due to the fiscal timetable so the project will not progress further until this has been agreed. This project transferred to BIS on 1 April 2015.

## The Risk and Internal Control Framework

NMO operates a system of internal control which 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 the Agency's 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. Staff are aware of their financial responsibilities and the importance of raising issues with management where projects are not proceeding to plan. The system of internal control has been in place in NMO for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts and accords with HM Treasury's guidance.

The Agency's Finance Director acts as risk management 'champion' on the Management Board and is responsible for the maintenance of risk management policies, operations and profile. Detailed written guidance, which is reviewed annually by the Audit Committee, most recently in February 2015, is provided to all managers and staff.

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

The Agency has risk assessment guidance which both determines the priority to be given to identified risks and the acceptable level of risk. Any risks which are assessed as high or which are significantly above the desired risk level are considered by the Management Board and included in the Agency's high level risk register. In the past year the key risks that have been addressed have been the project for the new arrangements for NPL, the progress on the Advanced Quantum Metrology Laboratory project and the staffing pressures associated with difficulties in recruitment in addition to the impact of the review of NMO. Changes to both Business Team and Agency level risk registers are documented.

As an Executive Agency, NMO have opted for Independent Departmental Security Officer (DSO) status and have a designated Agency Security Officer (ASO), an Information Technology Security Officer (ITSO) and a Board-level Senior Information Risk Owner (SIRO). GIAA concluded in 2008-9 that NMO complied with *Data Handling Procedures in Government* and this is followed up annually as part of their audit programme.

The Data Handling Review (DHR) requires Departments to report annually on information risk in their Resource Accounts and to the Cabinet Office in the Departmental Security Health Check (DSHC). The Agency has completed a DSHC annual return required by all of BIS partner organisations which will form part of the overall BIS DSHC report and also provides a comprehensive view of our main areas of security and information risk. Internal Audit have provided independent assurance of this return and it was submitted to BIS on 16 April 2015.

NMO had no protected personal data related incidents during 2014-15 and none during the previous eight years. All NMO staff have received training on 'Responsible for Information' (which replaced 'Protecting Information'). 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 databases. NMO will continue to assess these information risks in order to identify any weaknesses and ensure continuous improvement of its systems.

The New Government Security Classification system was successfully rolled out and implemented in NMO during 2014. This was achieved through training and updating the records management system to reflect the new classifications.

Since December 2012 NMO had published all of its monthly spend data in accordance with HM Treasury's guidance. Prior to publication this data is reviewed by the Finance Director who additionally has sight of all invoices as part of approving all payments to suppliers. This process provides a control to ensure that the Agency is managing its expenditure in conformity to current measures.

The Agency does not have any business critical models that are subject to the requirements of the Macpherson Review of Quality Assurance.

I can confirm that the tax arrangements that we have for off payroll engagements comply with the Alexander Tax Review. This review looks at the tax arrangements of public sector appointees and the

possibility for artificial arrangements to enable tax avoidance. Tax assurance evidence was sought and scrutinised to ensure it is sufficient from all off-payroll appointees. An assurance of compliance was submitted with our annual governance statements to BIS.

## Review of the System of Internal Control and Risk Assessment

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, by assertion statements from the Directors (Primary Budget Holders) within the Agency who have responsibility for the development and maintenance of the internal control framework, by comments on those statements by the Chairman of the Audit Committee and GIAA, and by comments made by the external auditors in their ISA 260 and other reports. Together these arrangements are designed to ensure that continuous improvement of the system takes place.

The GIAA programme is considered by the Audit Committee annually. In 2014 the audit programme included a review of NMO's Business Continuity and Disaster Recovery plans, Advanced Quantum Metrology Laboratory and NMO's payroll processes. GIAA have confirmed their opinion that the system of internal control that operated within NMO during 2014-15 was moderate.

In addition, a number of the Agency's functions are certified to the international standards e.g. ISO 18000 and NMO hold UKAS accreditation to the international standards ISO 17021 and 17025 for a range of functions. An essential requirement of these standards is that the functions covered are subject to a third party, and therefore independent, audit.

The Agency reflected the risks of financial losses and made use of the toolkit introduced in October 2010 to consider how such risks might be mitigated and managed. Previous reviews covering possible system weaknesses in financial funds flows, human use or abuse of financial systems and possible weaknesses in the control environment within which financial systems operate have concluded that the Agency met or exceeded the required level of control in most processes. Following the introduction of the BIS Shared Services arrangement covering HR and payroll processes, no financial loss was identified for 2014-15.

NMO carries out a range of commercial activities and great importance is placed on the ethical standards the Agency applies when conducting their business responsibilities, as failure to do so could cause reputational as well as financial damage. NMO's Management Board and Audit Committee have reviewed the Agency's fraud and whistleblowing policies during the year and these were found to be fit for purpose.

## Other relevant governance issues that have arisen during the financial year

There have been a number of issues with the operation of the Agency's pay arrangements which are now handled by the UK Shared Business Services (UKSBS). Several members of staff received erroneous claims of underpaid tax resulting from their pay records from HMRC. There were also concerns about the issue and accuracy of pension statements to members of staff from MyCSP (the pension administrator of the PCSPS). Management in the Agency and at UKSBS and MyCSP are working closely to resolve individual problems and to develop more robust systems.

Other than as noted above, there were no significant control issues and no data security lapses during 2014-15 which required intervention from myself or the Management Board.



Richard Sanders  
Acting Chief Executive and Accounting Officer  
Date: 03 July 2015



## Chapter 5

# Remuneration Report

Following is the Remuneration Report for NMO for 2014-15 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/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](http://www.ome.uk.com).

The Senior Civil Service (SCS) pay system consists of relative performance assessments. Further information about the performance and reward arrangement for Senior Civil Servants can be found at [www.civilservice.gov.uk/recruitment/working/pay-and-reward/scs-pay](http://www.civilservice.gov.uk/recruitment/working/pay-and-reward/scs-pay). Peter Mason was a Senior Civil Servant until 31 May 2014. For all other staff members, their remuneration is determined by the staffing and pay system operating within our parent Department, the Department of Business, innovation and Skills (BIS).

## Service contracts

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

All 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.

Further information about the work of the Civil Service Commission can be found at: [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

## Remuneration (including salary) and pension entitlements

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

### Remuneration (salary, benefits in kind and pensions)

	Salary £'000		Bonus payments £'000		Benefits in kind (to nearest £100)		Pension benefits £'000 <sup>1</sup>		Total £'000	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<b>Mr Peter Mason<sup>2</sup></b> <i>Chief Executive</i> <i>(up to 30 April 2014)</i>	5-10 (80-85 whole year equivalent)	80-85	0	5-10	0	0	1	0	5-10	90-95
<b>Mr Richard Sanders</b> <i>Director</i> <i>(up to 30 April 2014)</i> <i>Acting Chief Executive</i> <i>(from 1 May 2014)</i>	65-70	60-65	0-5	0-5	0	0	61	5	125-130	65-70
<b>Mr Robert Gunn<sup>3</sup></b> <i>Director</i>	65-70	65-70	0-5	0-5	200	900	29	6	95-100	75-80
<b>Mrs Jo Symons</b> <i>Director (part-time)</i>	40-45 (60-65 full-time equivalent)	40-45 (60-65 full-time equivalent)	0-5	0-5	0	0	10	3	50-55	45-50
<b>Mr Paul Dixon</b> <i>Director</i>	60-65	60-65	0-5	0-5	0	0	21	21	80-85	80-85
<b>Miss Sarah Glasspool</b> <i>Director</i>	55-60	55-60	0-5	0-5	0	0	10	14	65-70	70-75
<b>Mr Richard Frewin</b> <i>Director</i>	55-60	55-60	0-5	0-5	0	0	12	3	70-75	60-65
<b>Mrs Lynnette Falk<sup>4</sup></b> <i>Acting Director</i> <i>(from 1 May 2014)</i>	50-55 (55-60 whole year equivalent)	N/A	0-5	N/A	0	N/A	45	N/A	95-100	N/A

#### Note

- 1 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- 2 The figures for Mr Peter Mason for the 2014-15 year relate to the period up to 30 April 2014.
- 3 The benefits in kind payments for Mr Robert Gunn were for excess fares when he transferred to Teddington.
- 4 Mrs Lynnette Falk joined the Management Board on 1 May 2014 and the figures relate to the period from 1 May 2014 to 31 March 2015.

## Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

## Benefits in kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2013-14 and the comparative bonuses reported for 2013-14 relate to the performance in 2012-13.

## Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in NMO in the financial year 2014-15 was £65,000-£70,000 (2013-14, £80,000-£85,000). This was 1.8 times (2013-14, 2.5) the median remuneration of the workforce, which was £36,699 (2013-14, £37,299).

In 2014-15, 1 (2013-14, nil) employee received remuneration in excess of the highest-paid director. Remuneration ranged from £16,000 to £73,000 (2013-14, £16,000-£92,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include pension contributions and the cash equivalent transfer value of pensions.

The pay multiple ratio has decreased following a change of the highest-paid director: the 2013-14 highest-paid director vacated his position in April 2014.

## Agency Steering Board

The non-executive members were entitled and paid the following fee in 2014-15:

Name	Fee £'000
Prof Isobel Pollock	5-10
Mr A Proctor	5-10
Dr Peter Cowley	5-10

Ms Amanda Brooks was a member of the Steering Board from September 2013 but as a salaried employee of BIS, drew no remuneration.

Steering Board Composition	Full year's numbers
NMO	1
BIS	1
Private sector	3

## Pension Benefits

	Accrued pension at pension age as at 31/3/15 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/15 £'000	CETV at 31/3/14 (restated) £'000	Real increase in CETV £'000	Employer contribution to partnership pension account £'000
<b>Mr Peter Mason</b> <i>Chief Executive (up to 30 April 2014)</i>	40-45 plus lump sum of 125-130	0-2.5 plus lump sum of 0-2.5	924	920	1	0
<b>Mr Richard Sanders</b> <i>Director (up to 30 April 2014) Acting Chief Executive (from 1 May 2014)</i>	25-30 plus lum sum of 85-90	2.5-5 plus lump sum of 7.5-10	517	447	47	0
<b>Mr Robert Gunn</b> <i>Director</i>	30-35 plus lum sum of 50-55	0-2.5 plus lump sum of 0-2.5	624	570	24	0
<b>Mrs Jo Symons</b> <i>Director (part-time)</i>	15-20 plus lum sum of 45-50	0-2.5 plus lump sum of 0-2.5	224	208	5	0
<b>Mr Paul Dixon</b> <i>Director</i>	15-20 plus lum sum of 10-15	0-2.5 plus lump sum of 0-2.5	218	194	11	0
<b>Miss Sarah Glasspool</b> <i>Director</i>	10-15 plus lum sum of 5-10	0-2.5	201	183	6	0
<b>Mr Richard Frewin</b> <i>Director</i>	20-25 plus lum sum of 60-65	0-2.5 plus lump sum of 0-2.5	300	280	6	0
<b>Mrs Lynnette Falk</b> <i>Acting Director (from 1 May 2014)</i>	15-20 plus lum sum of 50-55	0-2.5 plus lump sum of 5-7.5	283	240	30	0

## Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>.

## 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.

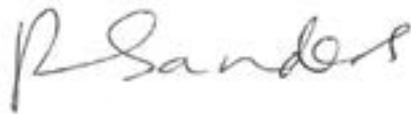
The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

## Compensation for loss of office

No senior managers have received compensation for loss of office.

A handwritten signature in black ink that reads "R Sanders". The signature is written in a cursive style with a large initial 'R'.

Richard Sanders

Acting Chief Executive and Accounting Officer

Date: 03 July 2015



## Chapter 6

# Accounts

## Statement of Accounting Officer's responsibilities

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

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

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

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

# 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 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Board, Accounting Officer and auditor

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

## Scope of the audit of the financial statements

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

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

## Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of National Measurement Office's affairs as at 31 March 2015 and of the net operating cost 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 Strategic Report and Directors 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

Date: 08 July 2015

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

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note	2014-15			2013-14		
		£'000 Income	£'000 Staff Costs	£'000 Other Costs	£'000 Income	£'000 Staff Costs	£'000 Other Costs
<b>Administration Costs:</b>							
Operating income	5	18			20		
Staff costs	3		(1,302)			(1,457)	
Other administrative costs	4			(665)			(1,251)
<b>Programme Costs:</b>							
Operating income	5	17,333			16,707		
Staff costs	3		(2,559)			(2,267)	
Other programme costs	4			(73,006)			(74,848)
Movement on provisions	4,12			30,971			13,388
<b>Totals</b>		<b>17,351</b>	<b>(3,861)</b>	<b>(42,700)</b>	<b>16,727</b>	<b>(3,724)</b>	<b>(62,711)</b>
<b>Net Operating Cost</b>	2			<b>(29,210)</b>			<b>(49,708)</b>

## Other Comprehensive Expenditure

	2014-15 £'000	2013-14 £'000
Net gain on revaluation of Property, Plant and Equipment	4,553	7,606
Net gain/(loss) on revaluation of Intangibles	-	-
<b>Total Comprehensive Expenditure</b>	<b>(24,657)</b>	<b>(42,102)</b>

All operations are continuing.

The notes on pages 37 to 61 form part of these accounts.

# Statement of Financial Position

as at 31 March 2015

	Note	31 March 2015		31 March 2014	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	6	194,998		191,087	
Heritage assets	6	837		838	
Intangible assets	7	481		337	
Deposits and advances	9	200		200	
<b>Total non-current assets</b>			<b>196,516</b>		<b>192,462</b>
<b>Current assets:</b>					
Trade and other receivables	9	4,895		4,939	
Cash and cash equivalents	10	2,232		1,190	
<b>Total current assets</b>			<b>7,127</b>		<b>6,129</b>
<b>Total assets</b>			<b>203,643</b>		<b>198,591</b>
<b>Current liabilities</b>					
Provisions	12	(30)		(2,585)	
Trade and other payables	11	(2,601)		(3,507)	
<b>Total current liabilities</b>			<b>(2,631)</b>		<b>(6,092)</b>
<b>Total assets less current liabilities</b>			<b>201,012</b>		<b>192,499</b>
<b>Non-current liabilities</b>					
Provisions	12	(235)		(30,599)	
<b>Total non-current liabilities</b>			<b>(235)</b>		<b>(30,599)</b>
<b>Assets less liabilities</b>			<b>200,777</b>		<b>161,900</b>
<b>Taxpayers' equity:</b>					
General fund			151,154		114,472
Revaluation reserve			49,623		47,428
<b>Total taxpayers' equity</b>			<b>200,777</b>		<b>161,900</b>



Richard Sanders

Acting Chief Executive and Accounting Officer

Date: 03 July 2015

The notes on pages 37 to 61 form part of these accounts.

# Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(29,210)	(49,708)
Adjustments for non-cash transactions	4	9,033	11,920
Adjustments for non-cash provisions	4	(30,971)	(13,388)
Use of provisions	12	(1,948)	(2,738)
Decrease/(Increase) in trade and other receivables	9	44	(426)
Increase/(Decrease) in trade payables	11	(906)	(371)
<b>Net cash outflow from operating activities</b>		<b>(53,958)</b>	<b>(54,711)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(8,465)	(8,228)
Purchase of intangible assets	7	(35)	(45)
Proceeds of disposal of property, plant and equipment	6	-	7
<b>Net cash outflow from investing activities</b>		<b>(8,500)</b>	<b>(8,266)</b>
<b>Cash flows from financing activities</b>			
Funding from Department		63,500	60,371
<b>Net financing</b>		<b>63,500</b>	<b>60,371</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>1,042</b>	<b>(2,606)</b>
Cash and cash equivalents at the beginning of the period	10	1,190	3,796
Cash and cash equivalents at the end of the period	10	2,232	1,190

The notes on pages 37 to 61 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 1 April 2014</b>		<b>114,472</b>	<b>47,428</b>	<b>161,900</b>
Net Parliamentary Funding – drawn down		63,500	-	63,500
Net operating cost for the year		(29,210)	-	(29,210)
<b>Non-Cash Adjustments:</b>				
Surplus on revaluation	4,6	-	4,553	4,553
Realised element of revalued assets		1,785	(1,785)	-
Impairments		151	(151)	-
Disposals		422	(422)	-
Auditor's remuneration	4	34	-	34
<b>Balance at 31 March 2015</b>		<b>151,154</b>	<b>49,623</b>	<b>200,777</b>

for the year ended 31 March 2014

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 1 April 2013</b>		<b>101,917</b>	<b>41,680</b>	<b>143,597</b>
Net Parliamentary Funding – drawn down		60,371	-	60,371
Net operating cost for the year		(49,708)	-	(49,708)
<b>Non-Cash Adjustments:</b>				
Surplus on revaluation	4,6	-	7,606	7,606
Realised element of revalued assets		1,858	(1,858)	-
Auditor's remuneration	4	34	-	34
<b>Balance at 31 March 2014</b>		<b>114,472</b>	<b>47,428</b>	<b>161,900</b>

The notes on pages 37 to 61 form part of these accounts.

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 in value of non-current assets above their depreciated historic costs.

# Notes to the Accounts

For the year ended 31 March 2015

## 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2014–15 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 context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the National Measurement Office (NMO) for the purpose of giving a true and fair view has been selected. The particular policies adopted by NMO for material transactions or where Management have exercised judgement in selecting the accounting policies are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.1 Accounting convention and presentational currency

These Accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

The Accounts are presented in pounds sterling, the functional currency of NMO and all values are rounded to the nearest thousand pounds (£'000).

### 1.2 Going concern

NMO is an Executive Agency of the Department for Business, Innovation and Skills (BIS) and BIS estimates and forwards plans including provision for its continuation. It has therefore been considered appropriate to prepare these accounts on a going concern basis.

### 1.3 Foreign exchange

NMO applies IAS 21 The Effects of Changes in Foreign Exchange Rates and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are retranslated at the rates of exchange ruling at that date. These translation differences are recognised in the Statement of Comprehensive Net Expenditure.

### 1.4 Reporting by operating segment

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 as set out in Managing Public Money. Income is also analysed on a geographical basis and segment basis in accordance with IFRS 8 Operating Segments.

### 1.5 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). 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 payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, NMO recognises the contributions payable for the year.

## 1.6 Administration and Programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between Administration and Programme income and expenditure. The classification of income and expenditure as Administration or as Programme follows the definition of costs set out in the Consolidated Budgeting Guidance for 2014–15 as issued by HM Treasury.

## 1.7 Revenue recognition

Income comprises services provided net of Value Added Tax (VAT). Income is recognised in the period to which it relates.

European funding grants in respect of revenue and capital expenditure are recognised as income in the Statement of Comprehensive Net Expenditure when there is reasonable assurance that there are no conditions attached or that any such conditions have been complied with and it is certain that the grants will be received.

## 1.8 Operating income

Operating income is income that relates directly to the operating activities of the Agency and is measured at the fair value of consideration received or receivable. It is recorded net of trade discounts; value added tax and other taxes. It comprises, principally, fees and charges for services provided, on a full cost basis to external customers and public sector repayment work.

## 1.9 Tangible non-current assets

### **Property, plant and equipment**

Property, plant and equipment is carried at fair value or depreciated historical cost which is used as a proxy for fair value. 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 at fair value as defined in the RICS Red Book. They have all been valued on a component basis in accordance with IAS 16 Property, Plant and Equipment as interpreted by the FReM. Market indices issued by the Building Cost Information Service (BCIS) and published professional opinion as appropriate, are applied in the intervening years between full professional valuations. All land and buildings were valued as at 31 March 2014 by an independent Chartered Surveyor, Powis Hughes and Associates. This valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Professional Standards January 2014 (the 'Red Book').

### **Revaluation**

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve unless there is a clear consumption of economic benefit. All other decreases are charged to the Statement of Comprehensive Net Expenditure. On derecognition, the cumulative gain or loss previously recognised in the revaluation reserve is recognised in the Statement of Comprehensive Net Expenditure.

### **Depreciation**

Property, plant and equipment is depreciated at rates calculated to write it down to the estimated residual value on a straight line basis over the estimated useful lives.

Assets under construction are recognised and treated as capital expenditure but not depreciated until the asset is brought into use.

For furniture, fixtures and fittings where an asset pool is maintained, replacements on a one-to-one basis are charged directly to the Consolidated Statement of Comprehensive Net Expenditure in the year of replacement. Major enhancements or additions to the pool are capitalised as assets. The stock of furniture and fittings is treated as a permanent asset pool which is largely not depreciated.

Freehold land is not depreciated and other assets across the Agency are normally depreciated over the following periods:

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

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

## **1.10 Intangible non-current assets**

Intangible assets are carried at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment loss. Where no active market exists and the asset is income generating, it is revalued to the lower of depreciated replacement cost and value in use, using a valuation technique. Where there is no value in use, depreciated replacement cost is used. Expenditure on intangible non-current assets of over £1,000 is capitalised. They are amortised on a straight line basis over the shorter of the licence period or their useful economic life.

## **1.11 Financial instruments**

The Agency recognises and measures financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement as interpreted by the FReM. Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss, in which case transaction costs are charged to operating costs.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques including estimated discounted cash flows.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the Agency has moved substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

#### 1.11.1 Financial assets

Loans and receivables are non derivative financial assets with fixed or determinable payments, originated or acquired that are not traded in an active market. They are included in current assets except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets.

Loans and receivables comprise cash and cash equivalents, receivables and loans. After initial recognition, they are carried at amortised cost using the effective interest method, in accordance with IAS 39. Gains and losses are recognised in the Statement of Comprehensive Net Expenditure through the amortisation process. Gains and losses are also recognised upon derecognition or impairment of loans and receivables.

Loans and receivables relating to other central Government bodies are carried at historical cost in accordance with the FReM. All other loans and receivables are carried at amortised cost.

Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that NMO will be unable to collect an amount due in accordance with agreed terms.

#### 1.11.2 Financial liabilities

The Agency's financial liabilities are classified as other financial liabilities on initial recognition. The Agency carries payables with other public bodies at historical cost, in accordance with the FReM. Since these balances are expected to be settled within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. All other financial liabilities are measured at amortised cost, after initial recognition using the effective interest rate method.

#### 1.11.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Amounts due to the Agency are carried at historical cost in accordance with the FReM.

#### 1.11.4 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised in the Accounts at fair value on the date that the guarantee was given in accordance with IAS 39: Financial Instruments: Recognition and Measurement. At each Statement of Financial Position date, they are subsequently re-measured at the higher of the amount determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised, less where appropriate, cumulative amortisation.

NMO had two financial guarantees. More information is provided in Note 8 to these Accounts.

## 1.12 Taxation

NMO is exempt from income and corporation tax by way of its Crown exemption.

NMO is covered under the Value Added tax (VAT) registration of BIS. NMO recovers VAT on certain contracted-out services, as directed by HM Treasury. VAT is accounted for in the Accounts, in that amounts are shown net of VAT except:

- Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure, and included under the relevant expenditure heading
- Irrecoverable VAT on the purchase of an asset is included in additions.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within payables and receivables on the Statement of Financial Position.

## 1.13 Provisions for liabilities and charges

Provisions are recognised and measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

## 1.14 Accounting for the costs of the Carbon Reduction Commitment Energy Efficiency Scheme

The Agency is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. NMO is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances and is measured at the best estimate of the expenditure required to meet the obligation, which is normally at the current market price of the number of allowances required to meet the liability at the reporting date.

## 1.15 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The cost of the lease and any lease incentive are charged to the Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis in accordance with IAS 17 Leases unless another systematic basis is more appropriate. The amounts payable in the future under these operating lease arrangements, which are disclosed in Note 14 are not discounted.

## 1.16 Leases where NMO is the lessor

Where NMO receives rentals for property which is not occupied by the Agency, the rentals are credited to the Statement of Comprehensive Net Expenditure in the period to which they relate.

## 1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Agency discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

## 1.18 Estimation techniques used and key judgements

The preparation of the Accounts requires management to make judgements, estimates and assumptions that affect assets and liabilities, income and expenditure, based on experience and expected events. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying value of the asset or liability. Where applicable these uncertainties are disclosed in the Notes to the Accounts.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. NMO makes estimates in relation to the valuation of its property, plant and equipment, impairment of assets and provisions. These are explained further in notes 1, 1.9, 1.10, 1.11 and 1.13. There have been no material estimation technique changes in 2014-15.

## 1.19 Prior period adjustments

In accordance with the FReM, where a prior period adjustment is identified as a result of an error, the Agency will correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- Restating the comparative amounts for the prior periods presented in which the error occurred;
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

However, if it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Agency will restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

There were no prior period adjustments in 2014-15.

## 1.20 Disclosures of IFRSs in issue but not yet effective

There are a number of IFRSs in issue but not yet effective such as IFRS 13 Fair value Measurement, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. These are not expected to materially affect these accounts.

## 2. Reconciliation between Operating Segments and the Statement of Comprehensive Net Expenditure

### Operating Segments

NMO reports its income and expenditure by operating segment in accordance with IFRS 8 Operating Segments. 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 is calculated in accordance with full cost recovery and represent the resources required to fulfil Legal Metrology responsibilities.

Assets and liabilities are not segmented for management information purposes.

### Operating Segments 2014-15

	Gas and electricity metering £'000	Enforcement £'000	Certification and Calibration £'000	Other Legal Metrology £'000	National Measurement System £'000	Other £'000	Total £'000
Income from parent Department	-	600	-	-	72	-	672
Income from other Govt organisations	-	2,293	32	-	-	-	2,325
Income from public corporations/ trading fund	854	-	13	-	3,088	27	3,982
Income from private sector	13	-	849	-	9,385	66	10,313
Income from local authority	-	-	54	-	-	5	59
<b>*Total income</b>	<b>867</b>	<b>2,893</b>	<b>948</b>	<b>-</b>	<b>12,545</b>	<b>98</b>	<b>17,351</b>
Other operating costs	859	2,615	1,811	648	32,033	98	38,064
Cross functional charging – Legal Metrology Programme	-	-	(964)	-	964	-	-
** Depreciation and amortisation	-	20	91	-	8,137	-	8,248
Impairments and revaluations	-	-	-	-	249	-	249
<b>Total costs</b>	<b>859</b>	<b>2,635</b>	<b>938</b>	<b>648</b>	<b>41,383</b>	<b>98</b>	<b>46,561</b>
<b>Total comprehensive net expenditure</b>	<b>8</b>	<b>258</b>	<b>10</b>	<b>(648)</b>	<b>(28,838)</b>	<b>-</b>	<b>(29,210)</b>

\* The Estate team received £12,473k for rent and facilities management contributions for the Teddington buildings. Of this figure, £12,350k is received from NPL Management Ltd. The £98k includes commercial training income of £83k, which is performed by the Certification Services Team.

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

## Operating Segments 2013-14

	Gas and electricity metering £'000	Enforcement £'000	Certification and Calibration £'000	Other Legal Metrology £'000	National Measurement System £'000	Other £'000	Total £'000
Income from parent Department	-	600	-	-	12	-	612
Income from other Govt organisations	-	1,958	40	-	3	2	2,003
Income from public corporations/ trading fund	962	-	6	-	-	-	968
Income from private sector	-	-	776	-	12,165	133	13,074
Income from local authority	-	-	67	-	-	3	70
<b>*Total income</b>	<b>962</b>	<b>2,558</b>	<b>889</b>	<b>-</b>	<b>12,180</b>	<b>138</b>	<b>16,727</b>
Other operating costs	950	2,312	1,728	710	48,803	114	54,617
Cross functional charging – Legal Metrology Programme	-	-	(913)	-	913	-	-
** Depreciation and amortisation	-	12	81	-	8,552	-	8,645
Impairments and revaluations	-	-	-	-	3,173	-	3,173
<b>Total costs</b>	<b>950</b>	<b>2,324</b>	<b>896</b>	<b>710</b>	<b>61,441</b>	<b>114</b>	<b>66,435</b>
<b>Total comprehensive net expenditure</b>	<b>12</b>	<b>234</b>	<b>(7)</b>	<b>(710)</b>	<b>(49,261)</b>	<b>24</b>	<b>(49,708)</b>

\* The Estate team received £12,180k for rent and facilities management contributions for the Teddington buildings from the private sector. Of this figure, £12,035k is received from NPL Management Ltd. The £138k includes commercial training income of £117k, which is performed by the Certification Services Team.

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

### 3. Staff numbers and related costs

#### Staff costs – Administration comprise:

	2014-15 Permanently employed staff £'000	2014-15 Others £'000	2014-15 Total £'000	2013-14 Permanently employed staff £'000	2013-14 Others £'000	2013-14 Total £'000
Wages and salaries	985	37	1,022	1,077	70	1,147
Social security costs	86	-	86	96	-	96
Other pension costs	194	-	194	214		214
<b>Total</b>	<b>1,265</b>	<b>37</b>	<b>1,302</b>	<b>1,387</b>	<b>70</b>	<b>1,457</b>

#### Staff costs – Programme comprise:

	2014-15 Permanently employed staff £'000	2014-15 Others £'000	2014-15 Total £'000	2013-14 Permanently employed staff £'000	2013-14 Others £'000	2013-14 Total £'000
Wages and salaries	2,017	-	2,017	1,769	14	1,783
Social security costs	165	-	165	148	-	148
Other pension costs	377	-	377	336	-	336
<b>Total</b>	<b>2,559</b>	<b>-</b>	<b>2,559</b>	<b>2,253</b>	<b>14</b>	<b>2,267</b>

#### 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 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation: <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

For 2014-15, employers' contributions of £570,084 were payable to the PCSPS (2013-14 £549,669) at one of four rates in the range 16.7% to 24.3% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 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 £979 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 earnings. Employers also match employee contributions up to 3% of pensionable earnings. 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.

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

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

No persons (2013-14: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities, payable by the PCSPS for individuals who retired on health grounds during the year was £nil (2013-14: £nil).

### Average number of persons employed

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

Number of staff by Directorate	2014-15		2013-14	
	2014-15 Permanently employed staff	2014-15 Others	2013-14 Permanently employed staff	2013-14 Others
Certification Services	17	-	16	-
Change & Development	4	-	3	1
Corporate Services	15	-	15	-
Enforcement	26	-	20	-
Estate Management	2	-	3	-
Programme Management	5	-	5	-
Regulation	7	-	7	-
Utilities	3	-	4	-
<b>Total</b>	<b>79</b>	<b>-</b>	<b>73</b>	<b>1</b>

NMO had the following members of staff:

	31 March 2015 Headcount	31 March 2015 Full Time	31 March 2015 Part Time	31 March 2015 Whole-time Equivalent	31 March 2014 Headcount	31 March 2014 Full Time	31 March 2014 Part Time	31 March 2014 Whole-time Equivalent
Male	56	52	4	54.3	58	56	2	57.3
Female	23	19	4	21.9	23	17	6	20.9
<b>Total</b>	<b>79</b>	<b>71</b>	<b>8</b>	<b>76.2</b>	<b>81</b>	<b>73</b>	<b>8</b>	<b>78.2</b>

## 4. Administration and Programme Costs

	Note	2014-15 £'000 Admin.	2014-15 £'000 Prog.	2014-15 £'000 Total	2013-14 £'000 Admin.	2013-14 £'000 Prog.	2013-14 £'000 Total
Science research costs		-	55,928	55,928	-	55,441	55,441
Accommodation		99	5,454	5,553	114	4,897	5,011
General expenses		433	603	1,036	992	591	1,583
Laboratory testing		-	1,098	1,098	-	1,058	1,058
International subscriptions		11	531	542	3	714	717
IT		31	111	142	37	100	137
Travel and subsistence		25	109	134	26	109	135
Telecommunications		13	35	48	12	24	36
European Union grant expenditure		-	95	95	-	-	-
Rentals under operating leases		2	60	62	2	59	61
		<b>614</b>	<b>64,024</b>	<b>64,638</b>	<b>1,186</b>	<b>62,993</b>	<b>64,179</b>
<b>Non cash items</b>							
– Depreciation	6	10	8,214	8,224	22	8,616	8,638
– Impairments		-	249	249	-	3,173	3,173
– Revaluations		-	(223)	(223)	-	-	-
– Amortisation	7	7	81	88	9	64	73
– Notional audit fee		34	-	34	34	-	34
– Loss on disposal of non current assets		-	661	661	-	2	2
<b>Total other non-cash</b>		<b>51</b>	<b>8,982</b>	<b>9,033</b>	<b>65</b>	<b>11,855</b>	<b>11,920</b>
<b>Total other costs excluding movement in provisions</b>		<b>665</b>	<b>73,006</b>	<b>73,671</b>	<b>1,251</b>	<b>74,848</b>	<b>76,099</b>
Movement in provisions	12	-	(30,971)	(30,971)	-	(13,388)	(13,388)
<b>Total other costs</b>		<b>665</b>	<b>42,035</b>	<b>42,700</b>	<b>1,251</b>	<b>61,460</b>	<b>62,711</b>

## 5. Income

The following information is given to satisfy the disclosure requirements for fees and charges as set out in *Managing Public Money* published by HMT Treasury, not IFRS8. This requires the disclosure of the financial objective, full cost, income, surplus or deficit and performance against each objective. The financial objective is to recover the full cost on each market segment as indicated below. The NMS costs moved to BIS on 1 April 2015 as part of the transfer of scientific metrology responsibilities.

	2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Intradepartmental	672	763	(91)	612	601	11
Intragovernmental	3,146	2,834	312	2,916	2,754	162
Statutory	957	974	(17)	898	943	(45)
Commercial	103	101	2	133	116	17
<b>Total</b>	<b>4,878</b>	<b>4,672</b>	<b>206</b>	<b>4,559</b>	<b>4,414</b>	<b>145</b>
Rental Income	12,473			12,168		
<b>Total Income</b>	<b>17,351</b>			<b>16,727</b>		

Of the £17,351k income for 2014-15 (£16,727k, 2013-14), £18k (£20k) is derived from Administration and £17,333k (£16,707k) from Programme.

### European Union funding

NMO received the following European Union (EU) funding:

	2014-15	2013-14
	£'000	£'000
EU income received	95	-
of which was used to fund NMO's own expenditure	95	-

### Geographical analysis of income

	2014-15	2013-14
	£'000	£'000
UK	16,850	16,304
EU	236	196
Asia*	189	145
North America**	71	66
Australasia	2	12
Africa	3	4
<b>Total</b>	<b>17,351</b>	<b>16,727</b>

\*The Asia figures include income gained from China (£71k, 2014-15 and £61k, 2013-14).

\*\* The North America figures include income gained from the USA (£54k, 2014-15 and £45k, 2013-14).

## 6. Property, plant and equipment

	Land £'000	Leasehold improvements £'000	Buildings £'000	Heritage assets £'000	Plant and machinery £'000	Information technology and office machinery £'000	Furniture and fittings £'000	Transport equipment £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>										
1 April 2014	17,563	528	151,820	854	131,246	594	191	47	2,341	305,184
Additions	-	-	4,552	-	3,897	16	-	-	-	8,465
Reclassifications	-	13	(3,495)	1	1,638	(88)	12	-	1,722	(197)
Revaluations	-	14	3,769	-	2,931	-	-	-	61	6,775
Impairments	-	-	-	-	-	-	-	-	-	-
Reversal of impairments	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1,452)	(13)	-	-	(176)	(1,641)
31 March 2015	17,563	555	156,646	855	138,260	509	203	47	3,948	318,586
<b>Depreciation</b>										
1 April 2014	-	(80)	(56,009)	(16)	(56,775)	(287)	(48)	(44)	-	(113,259)
Charged in year	-	(38)	(2,955)	(2)	(5,166)	(58)	(4)	(1)	-	(8,224)
Reclassifications	-	-	-	-	-	-	-	-	-	-
Revaluations	-	(3)	(1,198)	-	(798)	-	-	-	-	(1,999)
Impairments	-	-	14	-	(263)	-	-	-	-	(249)
Disposals	-	-	-	-	967	13	-	-	-	980
31 March 2015	-	(121)	(60,148)	(18)	(62,035)	(332)	(52)	(45)	-	(122,751)
Carrying value 31 March 2014	17,563	448	95,811	838	74,471	307	143	3	2,341	191,925
Carrying value 31 March 2015	17,563	434	96,498	837	76,225	177	151	2	3,948	195,835
<b>Asset financing:</b>										
Owned	17,563	434	96,498	837	76,225	177	151	2	3,948	195,835

### Impairments

There was an impairment cost of £249k in 2014-15. This was due to the reduction in service potential of a few items of plant on the Teddington site and also the reversal of some impairments. In 2013-14, the impairment cost was £3,173k due to the professional valuation of the estate.

### Reclassifications

The reclassifications are due to the reallocation of in-year additions into their correct classes.

### Revaluations

The revaluation increase is due to the increase in index values from 31 March 2014 to 31 March 2015.

### Transfer to BIS

On 1 April 2015 all the land, leasehold improvements, assets under construction and substantially all of the buildings and plant and machinery moved to BIS as part of the transfer of scientific metrology.

	Land £'000	Leasehold improvements £'000	Buildings £'000	Heritage assets £'000	Plant and machinery £'000	Information technology and office machinery £'000	Furniture and fittings £'000	Transport equipment £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>										
1 April 2013	9,302	232	135,018	924	130,219	1,366	179	47	1,522	278,809
Additions	-	126	1,404	-	5,147	104	12	-	1,435	8,228
Reclassifications	-	169	(244)	(70)	1,641	(876)	-	-	(620)	-
Revaluations	7,226	1	16,724	-	(2,615)	-	-	-	4	21,340
Impairments	-	-	(1,081)	-	(3,141)	-	-	-	-	(4,222)
Reversal of impairments	1,035	-	-	-	14	-	-	-	-	1,049
Disposals	-	-	(1)	-	(19)	-	-	-	-	(20)
31 March 2014	17,563	528	151,820	854	131,246	594	191	47	2,341	305,184
<b>Depreciation</b>										
1 April 2013	-	(15)	(38,585)	(15)	(51,875)	(318)	(47)	(43)	-	(90,898)
Charged in year	-	(35)	(2,746)	(3)	(5,720)	(132)	(1)	(1)	-	(8,638)
Reclassifications	-	(29)	15	2	(151)	163	-	-	-	-
Revaluations	-	(1)	(14,694)	-	961	-	-	-	-	(13,734)
Disposals	-	-	1	-	10	-	-	-	-	11
31 March 2014	-	(80)	(56,009)	(16)	(56,775)	(287)	(48)	(44)	-	(113,259)
Carrying value 31 March 2013	9,302	217	96,433	909	78,344	1,048	132	4	1,522	187,911
Carrying value 31 March 2014	17,563	448	95,811	838	74,471	307	143	3	2,341	191,925
<b>Asset financing</b>										
Owned	17,563	448	95,811	838	74,471	307	143	3	2,341	191,925

## 7. Intangible assets

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

Total  
£'000

<b>Cost or valuation</b>	
At 1 April 2014	760
Additions	35
Reclassifications	197
Revaluations	-
Disposals	(6)
<b>At 31 March 2015</b>	<b>986</b>
<b>Amortisation</b>	
At 1 April 2014	(423)
Charged in year	(88)
Revaluations	-
Disposals	6
<b>At 31 March 2015</b>	<b>(505)</b>
Carrying value at 31 March 2014	337
Carrying value at 31 March 2015	481
<b>Asset financing:</b>	
Owned	481

Total  
£'000

<b>Cost or valuation</b>	
At 1 April 2013	715
Additions	45
Reclassifications	-
Revaluations	-
Disposals	-
<b>At 31 March 2014</b>	<b>760</b>
<b>Amortisation</b>	
At 1 April 2013	(350)
Charged in year	(73)
Revaluations	-
Disposals	-
<b>At 31 March 2014</b>	<b>(423)</b>
Carrying value at 31 March 2013	365
Carrying value at 31 March 2014	337
<b>Asset financing:</b>	
Owned	337

## 8. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. *IFRS 7 Financial Instruments: Disclosure* requires the disclosure of information which will allow users of the financial statements to evaluate the significance of financial instruments on the Agency's financial performance and position and the nature and extent of the Agency's exposure to risks arising from these instruments.

NMO entered into a tripartite loan agreement on 15 March 2012 as guarantor with a commercial bank as lender and NPLML as the borrower. This loan agreement enabled NPLML to purchase technical assets in order to carry out its normal operating activities. This was classified as a financial guarantee and the balance of the loan was £24m as at 31 December 2014 (£20.9m as at 31 March 2014).

NMO entered into an agreement on 7 February 2014 with a commercial bank to guarantee a "bonds, guarantees and indemnities" facility provided to NPLML specifically for performance bonds. This guarantee was up to a limit of £2m and the possibility of default was remote.

On 1 January 2015, BIS took 100% ownership of NPLML which included the responsibility of both these agreements.

As the cash requirements of the Agency are largely met by the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector 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. The Agency is exposed to some forms of credit, market and liquidity risk via specific programmes and activities undertaken in pursuance of the Agency's objectives.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

With respect to the financial guarantees mentioned above, the Agency was exposed to the risk that a recipient of the loan may default and the lending institution will call upon NMO to honour its guarantee. However, the agreement for the financial guarantee was transferred to BIS on 1 January 2015 following its ownership of NPLML on 1 January 2015.

### **Market risk**

Market risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

#### **a. Foreign currency risk**

The Agency was exposed to a small amount of foreign currency risk as approximately 1% of total expenditure is payable in Euros. This expenditure related to subscriptions for membership to international metrology organisations as part of its role in Government. However this expenditure was moved to BIS on 1 April 2015 as part of the transfer of scientific metrology responsibilities. The exposure to risk for foreign currency income was negligible.

All material assets and liabilities are denominated in pounds sterling.

#### **b. Interest rate risk**

The Agency does not invest or access funds from commercial sources and was therefore not subject to interest rate risk apart from the financial guarantees mentioned above which were transferred over to BIS as part of its ownership of NPLML on 1 January 2015.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In common with other Government departments, the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore, on this basis the Agency is not exposed to liquidity risks.

**9. Trade receivables and other current assets****a) Analysis by type**

	31 March 2015 £'000	31 March 2014 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	817	975
VAT	2,796	2,810
Prepayments and accrued income	1,282	1,150
Third-party assets	-	4
<b>Total receivables</b>	<b>4,895</b>	<b>4,939</b>

Third-party assets relate to EU income to be transferred at reporting end date to other member states or mandated bodies in other member states.

	31 March 2015 £'000	31 March 2014 £'000
<b>Amounts falling due after more than one year:</b>	£'000	£'000
Deposits and advances	200	200
<b>Total</b>	<b>200</b>	<b>200</b>

**b) Intra Government balances**

	31 March 2015 £'000	31 March 2014 £'000
<b>Balances with:</b>		
The Department (BIS)	225	211
Other central government bodies	3,405	3,668
Public corporations and trading funds	465	46
Local authorities	128	11
<b>Intra-Government balances</b>	<b>4,223</b>	<b>3,936</b>
Bodies external to government	872	1,203
<b>Total receivables</b>	<b>5,095</b>	<b>5,139</b>

## 10. Cash and cash equivalents

	2014–15 £'000	2013–14 £'000
Balance at 1 April	1,190	3,796
Net change in cash and cash equivalent balances	1,042	(2,606)
<b>Balance at 31 March</b>	<b>2,232</b>	<b>1,190</b>
The following balances were held at:		
	31 March 2015	31 March 2014
Government Banking Services	2,232	1,189
Cash in hand	-	1
<b>Balance</b>	<b>2,232</b>	<b>1,190</b>

## 11. Trade payables and other current liabilities

### a) Analysis by type

	31 March 2015 £'000	31 March 2014 £'000
Amounts falling due within one year:		
Trade payables	760	731
Accruals and deferred income	1,841	2,776
<b>Total payables</b>	<b>2,601</b>	<b>3,507</b>

### b) Intra Government balances

	31 March 2015 £'000	31 March 2014 £'000
Balances with:		
The Department (BIS)	300	427
Other central government bodies	8	89
Public corporations and trading funds	218	2
Local authorities	7	1
<b>Intra-Government balances</b>	<b>533</b>	<b>519</b>
Bodies external to government	2,068	2,988
<b>Total payables</b>	<b>2,601</b>	<b>3,507</b>

## 12. Provisions for liabilities and charges

	NPLML Pension Scheme £'000	Decontamination £'000	Disposal of Radiological Sources £'000	CRC £'000	Total £'000
<b>Balance at 1 April 2014</b>	<b>32,717</b>	-	<b>265</b>	<b>202</b>	<b>33,184</b>
Provided in the year	-	-	-	-	-
Provision not required written back	(30,952)	-	-	(19)	(30,971)
Increase/(Decrease) due to change in discount rate	-	-	-	-	-
Provisions utilised in the year	(1,765)	-	-	(183)	(1,948)
Borrowing costs (unwinding of discount)	-	-	-	-	-
<b>Balance at 31 March 2015</b>	-	-	<b>265</b>	-	<b>265</b>
<b>Undiscounted</b>					-
<b>Analysis of expected timing of discounted flows</b>					
Not later than one year	-	-	30	-	30
Later than one year and not later than five years	-	-	120	-	120
Later than five years	-	-	115	-	115
<b>Total</b>	-	-	<b>265</b>	-	<b>265</b>
<b>Balance at 1 April 2013</b>	<b>48,544</b>	<b>281</b>	<b>265</b>	<b>220</b>	<b>49,310</b>
Provided in the year	-	-	-	182	182
Provision not required written back	(15,082)	-	-	-	(15,082)
Increase/(Decrease) due to change in discount rate	(381)	-	-	-	(381)
Provisions utilised in the year	(2,257)	(281)	-	(200)	(2,738)
Borrowing costs (unwinding of discount)	1,893	-	-	-	1,893
<b>Balance at 31 March 2014</b>	<b>32,717</b>	-	<b>265</b>	<b>202</b>	<b>33,184</b>
<b>Undiscounted</b>	<b>40,141</b>	-	<b>265</b>	<b>202</b>	<b>40,608</b>
<b>Analysis of expected timing of discounted flows</b>					
Not later than one year	2,353	-	30	202	2,585
Later than one year and not later than five years	13,517	-	85	-	13,602
Later than five years	16,847	-	150	-	16,997
<b>Total</b>	<b>32,717</b>	-	<b>265</b>	<b>202</b>	<b>33,184</b>

### NPLML Pension Scheme

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

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

The 10 year contract ended on the 1 January 2015 and no replacement contract was implemented. The shares in NPL Management Ltd were purchased by BIS and NPL Management Ltd have accepted responsibility for the pension scheme, therefore removing the obligation on BIS/NMO.

### 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. On 1 April 2015, the responsibility of maintaining this provision was moved over to BIS as part of the transfer of scientific metrology responsibilities.

### Carbon Reduction Commitment Energy Efficiency Scheme

The Carbon Reduction Commitment Energy Efficiency Scheme is a UK government scheme aimed at improving energy efficiency and cut carbon dioxide (CO<sub>2</sub>) emissions in private and public sector organisations that are high energy users. This scheme is mandatory for all UK central government departments and devolved administrations. The provision covers the expected charges for the previous financial year. The provision was completed in 2014-15 as the accounting basis was changed to reflect the changes in the phases of the scheme.

## 13. Capital commitments

	2014-15 £'000	2013-14 £'000
Contracted capital commitment at 31 March not otherwise included in these financial statements:		
– Information technology and office machinery	-	41

## 14. Commitments under leases

### 14.1 Operating leases

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

	2014-15 £'000	2013-14 £'000
<b>Obligations under operating leases comprise:</b>		
<b>Land</b>		
Not later than one year	18	18
Later than one year and not later than five years	3	3
Later than five years	25	25
	<b>46</b>	<b>46</b>
<b>Buildings</b>		
Not later than one year	38	26
Later than one year and not later than five years	29	5
Later than five years	47	49
	<b>114</b>	<b>80</b>

The above tables cover the following operating leases:

- For land and buildings associated with Bushy House at the Teddington estate which is leased from the Crown Estate. This lease expires in 2056 and on 1 April 2015, this moved to BIS as part of the transfer of scientific metrology responsibilities.
- For land on which NMO has buildings at the Teddington estate, which is held under a rolling 6 month licence to Royal Parks. From 1 April 2015 these moved to BIS as part of the transfer of scientific metrology responsibilities.
- Leasehold property agreement for office space in Bristol from the Department for Communities and Local Government and which expires in March 2018.

	2014-15 £'000	2013-14 £'000
<b>Other</b>		
Not later than one year	15	15
Later than one year and not later than five years	12	15
Later than five years	-	-
	<b>27</b>	<b>30</b>

The above table covers the following operating leases:

- For 2 Sharp multifunctional devices from XMA Limited which expires in March 2018.
- For a franking machine and scale from ING Lease which expires with 3 months' notice.
- For 3 motor vehicles from TCH Leasing which expires in September 2016.

#### 14.2 Receivables under operating leases

	2014-15 £'000	2013-14 £'000
<b>Land and Buildings</b>		
Not later than one year	125	7,922
Later than one year and not later than five years	499	499
Later than five years	1,122	1,122
	<b>1,746</b>	<b>9,543</b>
Less interest element	-	-
<b>Total</b>	<b>1,746</b>	<b>9,543</b>

The land and buildings relate to:

- An accommodation charge receivable from NPLML to occupy premises on the Teddington estate which expired on 31 March 2015. This is planned to continue to be paid from 1 April 2015 reflecting full cost. NPLML also pays a service charge of £4m per year which is not included here which also ended on 31 March 2015.
- BMT Fluid Mechanics Ltd to occupy premises on the Teddington estate which expires in 2028.

From 1 April 2015 these transactions were managed by BIS rather than NMO as part of the transfer of scientific metrology responsibilities.

## 15. Other financial commitments

15.1 NMO has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for various expenditures. The most significant payment to which NMO is committed to during 2015-16, analysed by the period during which the commitment expires, is as follows:

Organisation	Note	Within one year £'000	Later than one year and not later than five years £'000	Due thereafter £'000	Total 2014-15 £'000	Total 2013-14 £'000
SGS Ltd	a	283	-	-	283	300
<b>Total</b>		<b>283</b>	<b>-</b>	<b>-</b>	<b>283</b>	<b>300</b>

Notes:

- a. NMO has a non-cancellable contract which has a six month notice period with SGS Ltd to test disputed gas and electricity meters.

As at 31 March 2015 NMO had commitments with NPL Management Ltd, LGC Ltd and TUV SUD Ltd to supply measurement science of approximately £47m (31 March 2014 £45m), and Amey Community Ltd to supply facilities management of approximately £2.4m (31 March 2014 £2.4m). These commitments were transferred to BIS on 1 April 2015 and have not been included in the table above as they were notional commitments as at 31 March 2015.

The ministerial commitment that NMO had with the European Metrology Programme for Innovation and Research (EMPIR) was subsumed within the measurement science commitments listed above in 2014-15.

15.2 NMO has the following international subscriptions payable in the next financial years to which it is required to subscribe to an ongoing and continuous basis. These international subscriptions are paid in Euros and pounds sterling. The subscriptions paid in Euros and Swiss Francs are subject to fluctuations due to exchange rate differences:

Organisation	Note	Within one year £'000	Later than one year and not later than five years £'000	Due thereafter	Total 2014-15 £'000	Total 2013-14 £'000
International Hallmarking Convention	a	6	23	-	29	29
WELMEC	b	5	19	-	24	26
<b>Total</b>		<b>11</b>	<b>42</b>	<b>-</b>	<b>53</b>	<b>55</b>

The purpose of the subscription payable to these bodies is described below:

- a. NMO subscribes to International Hallmarking Convention which is an international treaty between contracting states, which aims to facilitate the cross-border trade of precious metal articles.
- b. NMO subscribes to WELMEC which is the European co-operation in the field of Legal Metrology and aims to provide a harmonised and consistent approach to Legal Metrology. Its members are representatives of the national authorities responsible for Legal Metrology in the European Union and European Free Trade Association.

As at 31 March 2015 NMO had international measurement subscriptions payable in the next financial year totalling approx £639k (£714k as at 31 March 2014). As these subscriptions were transferred to BIS on 1 April 2015 we have not included them in the table above as these were only notional responsibilities/commitments as at 31 March 2015.

## 16. Contingent liabilities disclosed under IAS 37

NMO has entered into unquantifiable contingent liabilities for the following:

- Disposal of radioactive sources on the Teddington 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. These costs cannot be reliably estimated.
- Decontamination of land and buildings on the Teddington estate. These costs cannot be reliably estimated.

The above contingent liabilities were transferred to BIS on 1 April 2015 as part of the scientific metrology responsibilities.

## 17. Related Party Transactions

NMO was an Executive Agency of the Department for Business, Innovation and Skills (BIS) and BIS was regarded as a related party. During the 2014-15 year, NMO had various material transactions with the Department and with other entities for which the Department is regarded as the parent Department:

- UK Shared Business Services Limited (UKSBS), and
- NPL Management Limited (from 1 January 2015 onwards).

NMO had material transactions with UKSBS for procurement of Teddington Estate capital projects and for the provision of HR and payroll services. On 1 January 2015, BIS took full ownership of NPL Management Limited (NPLML) and NMO had material transactions with NPLML for the provision of science research and their occupation of the Teddington Estate.

NMO had material transactions with:

- The Department for Environment, Food and Rural Affairs (Defra) and the Department for Transport (DfT) for which it performed its enforcement work.
- The Office of Gas and Electricity Markets (Ofgem) for which it performed its gas and electricity responsibilities.
- The Department of Energy and Climate Change (DECC) to meet the obligations of the Carbon Reduction Commitment Energy Efficiency Scheme and to perform its enforcement work.

During the 2014-15 year, none of the Steering Board members, Management Board members or associated bodies of these members, members of the key management staff or other related parties undertook any material transactions with NMO. Details of the Management Board's remuneration can be found in Chapter 5 Remuneration Report of the Annual Report.

Peter Mason is the President of the International Committee of Legal Metrology which is the Steering Committee for the International Organization of Legal Metrology (OIML). He stood down from the position of Chief Executive of NMO and Accounting Officer on 30 April 2014, though he remains within the organisation in another role.

Richard Sanders became Acting Chief Executive and Interim Accounting Officer from 1 May 2014. Richard Sanders and Richard Frewin are affiliate members of the Trading Standards Institute (TSI). There were no material transactions with the TSI.

Robert Gunn is a Director of NPL Laboratories Ltd and National Physical Laboratories Ltd which are non-trading companies and are held as name saving companies.

Professor Isobel Pollock is the Chair of NMO's Steering Board and the Chair of the Electromagnetics and Time working group which advised NMO and BIS on the broad objectives and strategy for the Government's investment in the UK's metrology infrastructure, services and research and development programmes. This is an unpaid position. Professor Pollock is also a Royal Academy of Engineering Visiting Professor at the University of Leeds. No financial transactions took place between NMO and the University of Leeds.

Dr Peter Cowley, a member of NMO's Steering Board and Audit Committee, is a member of the Measurement Board which advised NMO and BIS on the broad objectives and strategy for the Government's investment in the UK's metrology infrastructure, services and research and development programmes. This is an unpaid position. Dr Cowley is also a Director of Quarndon Cognition Ltd where it provided support to BIS for project assessment and monitoring. No financial transactions took place between NMO and Quarndon Cognition Ltd.

Alan Proctor, a member of NMO's Steering board and Audit Committee, is the Chair of Rhead International and PDMS. No financial transactions took place between NMO and these organisations. Mr Proctor is also a non-executive member of Welsh Water. No financial transactions took place between NMO and Welsh Water.

Amanda Brooks, a member of NMO's Steering Board, is a Director of Innovation at the Department of Business, Innovation and Skills. She is also the Chair of the Management Board at NPLML and is a Director at Richmond Health Voices. No financial transactions took place between NMO and Richmond Health Voices.

The table below shows a summary of the material transactions with the above named organisations:

	2014-15 Financing £'000	2014-15 Receivables £'000	2014-15 Payables £'000	2014-15 Balance Receivable /(Payable) £'000
BIS (excluding UKSBS and NPLML)	63,500	673	4,251	(63)
UKSBS	-	-	30	(12)
NPLML	-	4,950	14,844	336
Defra	-	1,402	-	-
DECC	-	1,052	430	450
DfT	-	-	-	135
Ofgem	-	986	-	5
OIML	-	5	65	33

## 18. Events after the reporting period date

NMO changed its organisation name to the National Measurement and Regulation Office (NMRO) on 1 April 2015 to better reflect the breadth of work carried out by the organisation. On 1 April 2015, the responsibility for scientific metrology was transferred to BIS Innovation Directorate following a strategic review of the Executive Agency. The functions that were moved included the management of the science programmes and the ownership of the Teddington estate; this will result in net costs of approx £28m being removed.

In a move to simplify technical regulation for the benefit of British business, the former Business Minister, Matthew Hancock MP asked the BIS regulatory delivery directorate, the Better Regulation Delivery Office (BRDO), to create a Centre of Excellence for Technical Regulation with the NMO in March 2015. This Centre of Excellence will use BRDO's expertise in regulatory implementation and draw on the front line enforcement skills and capabilities of NMO. On 1 April 2015, NMO was sponsored by BRDO as a subsidiary technical and enforcement arm.

Jo Symons (Director of Change and Development) and Robert Gunn (Director of Programmes and Estates) left NMRO in April 2015.

The Accounting Officer authorised these financial statements for issue on 08 July 2015.



# Chapter 7

## Contacts and Glossary

### Contacts

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Website: [www.gov.uk/nmro](http://www.gov.uk/nmro)

**Glossary: Abbreviations**

<b>AdCos</b>	Administrative Cooperative Group	<b>IFRS</b>	International Financial Reporting Standards
<b>ASO</b>	Agency Security Officer	<b>ITSO</b>	Information Technology Security Officer
<b>BCIS</b>	Building Cost Information Service	<b>LBRO</b>	Local Better Regulation Office
<b>BHC</b>	British Hallmarking Council	<b>LGC</b>	Independent UK Chemical Analysis Laboratory
<b>BIS</b>	The Department for Business, Innovation and Skills	<b>MAA</b>	Mutual Acceptance Arrangement
<b>BMS</b>	Building Management System	<b>MID</b>	Measuring Instruments Directive
<b>BMT</b>	Fluid Mechanics Ltd – independent specialists in the fields of wind engineering and computational modelling for the civil construction and oil & gas industries	<b>MOG</b>	Machinery of Government
<b>BSI</b>	British Standards Institute	<b>MoU</b>	Memorandum of Understanding
<b>CETV</b>	Cash Equivalent Transfer Value	<b>NAWI</b>	Non Automatic Weighing Instrument
<b>CIML</b>	International Committee of Legal Metrology	<b>NGML</b>	National Gear Metrology Laboratory
<b>CPI</b>	Consumer Price Index	<b>NMO</b>	National Measurement Office
<b>DCATS</b>	Diploma in Consumer Affairs and Trading Standards	<b>NMS</b>	National Measurement System
<b>DECC</b>	Department of Energy & Climate Change	<b>NMI</b>	National Measurement Institute
<b>DEFRA</b>	Department for Environment, Food and Rural Affairs	<b>NPL</b>	National Physical Laboratory
<b>DHR</b>	Data Handling Review	<b>NPLML</b>	National Physical Laboratory Management Ltd
<b>DRC</b>	Depreciated Replacement Cost	<b>NTSB</b>	National Trading Standards Board
<b>DSO</b>	Departmental Security Officer	<b>OIML</b>	International Organisation of Legal Metrology
<b>EFT</b>	European Free Trade	<b>OJEU</b>	Official Journal of the European Union
<b>EMeTAS</b>	European Metrological Type Approval Service Database	<b>PCSPS</b>	Principal Civil Service Pension Scheme
<b>EU</b>	European Union	<b>RoHS</b>	Restriction of the use of Certain Hazardous Substances
<b>EUP</b>	Energy Using Products	<b>RPI</b>	Retail Prices Index
<b>EUV</b>	Existing Use Value	<b>SIRO</b>	Senior Information Risk Owner
<b>ELF</b>	Energy Labelling Framework	<b>SPO</b>	Security Policy Officer
<b>FReM</b>	Financial Reporting Manual	<b>SRMO</b>	Security Risk Management Overview
<b>GOCO</b>	Government Owned Contracted Operated	<b>TSB</b>	Technology Strategy Board
<b>IAMM</b>	Information Assurance Maturity Model	<b>TSI</b>	Trading Standards Institute
<b>IAS</b>	International Accounting Standards	<b>TSO</b>	Trading Standards Officer
		<b>TUV SUD</b>	National Engineering Laboratory
		<b>UKAS</b>	United Kingdom Accreditation Service
		<b>UNIDO</b>	United Nations Industrial Development Organization
		<b>WELMEC</b>	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.

**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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