

**National
Measurement
Office**

Annual Report and Accounts 2011-12

BIS | Department for Business
Innovation & Skills



National Measurement Office

Annual Report and Accounts 2011-12

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Chapter 1

Introduction by the Chief Executive

2011-12 was another successful year for the Agency, with all our published Ministerial Targets achieved. All costs were kept within budget in what was the first year of the new Spending Review period. Although the Statement of Comprehensive Net Expenditure shows just over £18m costs for movements on provisions relating to an increase in the estimated liabilities of the NPLML pension scheme deficit, this cost is classed as Annually Managed Expenditure (AME) and is therefore outside the targets set for NMO.

As is to be expected in an Agency which is engaged in many different activities, the highlights take many different forms. For the scientific metrology supported by our National Measurement System programmes, the key event was undoubtedly the publication of the NMS strategy in July 2011. The product of extensive consultation, the strategy sets out an approach covering the financial years up to 2015 which we believe will underpin economic growth, business enterprise, commercial transactions, consumer confidence and academic endeavour. Since the publication of the Strategy much work has already been done in implementing the change in direction of some programmes and introducing new Working Group structures. In addition the year saw the start of preparations for examining options for the future operation of the National Physical Laboratory, the contract for which is due to run out in 2014.

In terms of our work on the legislation we are responsible for – not only weights and measures, but also gas and electricity metering and hallmarking – the major highlight was the work involved in the Red Tape Challenge, which has identified a number of opportunities for simplification and rationalisation. These will follow on from the deregulation introduced in October affecting specified quantities of unwrapped bread and intoxicating liquor – changes which are already creating more freedom to innovate and greater consumer choice. This has also been an active year in supporting the enforcement of our Weights & Measures legislation as we have sought to respond to the changes which are taking place in the resourcing of local authority Trading Standards operations.

For our commercial metrology services the year was tougher than expected as the continued harsh economic climate made things difficult for both our business and local authority customers. However, a strong performance in overseas markets mitigated the worst effects of these difficulties and overall the year should be judged a success. And it is pleasing to note that we are still rated very highly for our service delivery. In our surveys of satisfaction levels, among our paying customers during the last 5 years the proportion of those who are satisfied or very satisfied has consistently remained above 90%. In our most recent customer survey, 95% of our customers said they were satisfied with our overall service, with a significant rise in those who were very satisfied.

In our Enforcement Directorate, our distinctive approach to enforcing the various pieces of EU environmental legislation we are responsible for has become well established and bodes well for winning similar contracts in the future. The level of recognition for our work within Europe is particularly encouraging.

Building on the experience we have of working within WELMEC for many years, we have a leading position in the Administrative Co-operation bodies (ADCOs) for a number of these Directives. This gives us an excellent opportunity to promote Single Market objectives as well as the obvious environmental objectives.

The international dimension is in fact of crucial importance for work carried out across the Agency as we strive to cope with pressure on all our budgets. This is true in a great many countries and it remains my view that the best way to make budgets go further is through international co-operation across the field of legal, industrial and scientific metrology. In October meetings of the International Committee of Legal Metrology (my first as President) and then of the General Conference on Weights and Measures (the ultimate decision-making body in the BIPM) saw important moves to modernise the working methods of both organisations, so that they can both become more effective in their contributions to international metrology. An international move which attracted rather more attention was the proposal to abolish the use of leap seconds, thus breaking the link between atomic and solar time, and it was encouraging that as a result of UK lobbying the implications of the change were much more widely appreciated and a decision deferred until at least 2015.

Our own corporate services have worked more closely with BIS to ensure that NMO supports BIS's Corporate Services Portfolio programme involving increased collaboration across Government. Financial information has also been provided to BIS to a tighter timetable as part of NMO's contribution to the Clear Line of Sight project.

None of this would be possible without the hard work and dedication of the Agency's staff. I never fail to be impressed by the readiness of my colleagues to apply themselves to new challenges, continually developing their skills to keep abreast of the ever-changing world in which we operate. I was particularly encouraged when last year's Civil Service staff survey, for a second year running, placed NMO in the top quartile of reporting Departments and Agencies for staff engagement. There is always room for further improvement and the survey has provided us with pointers that we will be following up, but we do so on the basis of firm foundations.

In terms of staffing, I am sorry to report the death in March of Sue Billing who had worked for many years on Weights & Measures legislation, both here in Teddington and before that in the Department of Trade & Industry. She will be greatly missed. We also said good bye during the year to Maggie Statham, John Lee and Peter Jones, all of whom have retired, to Catherine Hill and Charlotte Miller, who have taken up posts elsewhere in the Civil Service, and to Jonathon Hodgkiss who left to pursue a new career. I would like to express my appreciation for everything they have done while they have been with us. Because of the need to live within tighter budgets, not all of these departures will be replaced and in consequence there has been extensive movement of staff around the Agency. On a happier note, during the year we also welcomed two new recruits to work in our Enforcement Directorate - Sophie Pickup and Scott Dowdeswell.

Looking forward, I am sure that 2012-13 will be every bit as challenging as the previous year. However, I have no doubt about the ability and determination of colleagues across the Agency to rise to those challenges.



Peter Mason
Chief Executive

Date: 29 June 2012

The National Measurement Office's mission

"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."



Chapter 2

Management Commentary

Our Strategy and Role

NMO's focus continues to be the development of a national measurement infrastructure which is a world leader in measurement science. Advances in metrology are increasingly the result of international collaboration and only by ensuring that we are among the top flight can we ensure that UK businesses have the chance to react quickly to the opportunities which those advances open up. Making the full use of our potential requires not just that the NMS programmes are organised and delivered in an exemplary manner but also that we maximise the contribution which the development of the Teddington estate and its laboratory facilities can make to enabling innovation and business growth. A good measurement infrastructure is essential as the bedrock of business development and innovation because new products and processes need reliable measurements to support their development and commercial exploitation. As world leaders in measurement science, NMO and the other organisations that are part of the NMS will seek to provide the necessary skills and support and disseminate those through the training and development of tomorrow's scientists and engineers today. The Agency has finalised its strategy for the NMS which has been published on our website: <http://www.bis.gov.uk/nmo/national-measurement-system/our-strategy> .

At the same time, the maintenance of measurement legislation is essential for business and consumer confidence, to support an open trading infrastructure, and to provide protection for consumers, industry and retailers. We maintain legislation covering measuring instruments, pre-packages and transactions of goods, and hallmarking. We also provide statutory and commercial product and process assessment services which assist UK manufacturers, particularly SMEs, to compete in an international market for the sale of their products.

In delivering both of these pillars of the UK's national measurement infrastructure the NMO will seek to make use of a number of other assets, not least of which is its skilled and committed workforce, which have the potential to be deployed more widely. Making ever better use of those assets, which includes the excellent facilities available in Teddington, has proved a tried and tested means of reducing the cost base of our core activities and simultaneously meeting other public policy objectives. Both the further expansion of the activities of our Enforcement Authority and the continued success of our commercial services demonstrates that this remains a viable strategy.

The Steering Board and the Management team therefore continue to be committed to expansion through steady growth detailed in our Corporate Plan by:

- Seeking new areas where our approach and our cost base offers the most competitive advantage to colleagues within Government.
- Expanding our market share for existing commercial services within existing markets.
- Expanding our range of commercial services into new markets.
- Reducing our costs to Government.
- Continuing the pressure on costs and continuing to drive up efficiency, the benefits of which will be passed on to customers.
- Obtaining more value from our engagement with international and European organisations.

The Agency's Corporate Plan is available on our website at: <http://www.bis.gov.uk/nmo/about/key-documents> .

Financial Report

Overview

2011-12 was the first year that NMO had separate Administration and Programme budgets, which were provided by BIS. Administration costs relate to policy advice and business support; Programme costs relate to front line delivery. It was agreed that NMO's Programme budget would be kept as 'flat cash' over the 2010 Spending Review period, but reductions in Administration costs would be expected. I am pleased to say that NMO kept within these budgets, and was able to show a reduction in Administration costs from 2010-11. NMO also kept within its capital budget, which was re-profiled to be able to bring forward spend on the new building management system.

The main issue this year has been the treatment of the NPLML pension liability deficit in light of an informal valuation received shortly after year end which saw a significant rise in the estimated liabilities. A provision has been made to take into account this valuation which increased costs by just over £18m. As movements on provisions are regarded as Annually Managed Expenditure (AME), it did not affect the targets set by BIS, all of which were achieved with a good degree of accuracy.

Income

Much of NMO's income is received from NPLML for occupying the NPL laboratories which are owned by NMO. This income increases each year in line with inflation in accordance with the contract. This contract expires in March 2014.

NMO receives income for services it provides to Defra and BIS for carrying out enforcement work under a fixed price Memoranda of Understanding. Income is also received from Ofgem for the measurement and testing (where disputed) of gas and electricity metering. These income streams have remained fairly constant compared to 2010-11.

NMO provides certification services to private companies and Local Authorities, for which it receives income. Both the product certification and quality management system certification activities showed an increase on 2010-11, but there was a decrease in calibration work. During 2011-12 NMO increased its non-UK income by approximately 45%, which shows the increased international profile of NMO.

Costs

The net operating cost is financed by BIS, the principal cost being for the measurement science programmes. The main increase in costs was due to just over £18m for the increase in the NPLML pension scheme deficit. This increase is due to the abnormally low gilts yield rate used to discount the liabilities of the scheme and was based on an informal professional valuation at the year end.

Other operating costs comprising mainly of the measurement science programmes have remained fairly consistent with 2010-11, with increases in accommodation costs in line with the contract. There were also increases in depreciation, as the estate assets increase in value, and impairment costs, due to the replacement of assets before their expected useful life.

Statement of Financial Position

Taxpayers' equity of £142m is mainly for the investment in the Teddington estate. It has decreased by £12m due to the increase in pension liabilities.

The £183m value of non-current assets consist mainly of the Teddington estate laboratory buildings and land on which NMO is located. £7.4m was spent in 2011-12 on renewing and upgrading the laboratories; a significant amount was for the earlier than planned replacement of the building management system. Energy efficient and more reliable chillers were also replaced. The value of the land shown in the accounts of £9.3m is lower than market value as it is assumed that no redevelopment would be permitted.

Objectives, Targets and Out-turns 2011-12

Objectives

During 2011-12 NMO organised its work around the following four Objectives:

1. Increase economic growth, innovation and social impact through a world class scientific measurement infrastructure.
2. Promote competition and fair trading by providing a modern legal measurement regime.
3. Provide good value for money metrology services.
4. Protect the interests of the public, business and the environment by enforcing relevant legislation.

The Agency also committed to deliver these objectives with support from professional, value for money Corporate Services to inform good decision making in a robust control environment.

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 2011-12 the following five targets were set, all of which NMO achieved.

- Improve performance of the NMS programmes over this Corporate Plan period.

Target achieved. In 2011-12 a baseline was established to measure the improvement over the Corporate Plan period.

- Ensure 93% of meter examiner appointments, manufacturer authorisations / consents and modifications to meter approval and decisions are made with five business days.

Target achieved. 98% within five business days.

- Achieve 90% of the planned income growth for Certification, Calibration and Quality Management Certification.

Target achieved.

- Generate a positive net contribution to consumers, the environment and the low carbon economy through the activities of the Enforcement Authority.

Target achieved.

- Reduce Admin costs by 14% in cash terms over this Corporate Plan period.

On Target. Administration costs for 2011-12 were 15.4% less than those originally forecasted for 2010-11.

Operations

The National Measurement System: Science Programme Management

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

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

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

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

A framework for the development of the NMS and investment in measurement science over the Government's Spending Review period was published in July 2011. The National Measurement System Strategy Document 2011-2015 sets out a focus on selected national challenges and strong national and international leadership and influencing roles for NMO and the NMS. It sets out the ambition for the NMS to be world class and world leading in areas of measurement science where the UK would benefit economically as well as the intention to maintain the core measurement infrastructure of national standards, calibration and testing capabilities that are essential for business productivity.

Since publishing the Strategy the team has worked on means to implement its provisions to satisfy the measurement needs of users deliver the best measurement research programmes in terms of value and impact.

The National Measurement System: Estate Management and Strategy

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

A site strategy for 2011-15 has been agreed with the other main site occupiers and is being implemented. However a power outage and consequent power spike resulted in the failure of significant components within the NPL Building Management System (BMS). In consequence, essential environmental controls within individual laboratories could no longer be guaranteed. With BIS approval the capital budget was re-profiled to enable work on a replacement BMS to commence immediately. All the primary plant supplying environmental controls to the NPL laboratories is now linked to the new BMS and a laboratory level programme of works is being finalised. A programme of asset renewal of essential plant using more energy efficient equipment intended to deliver further energy savings around the site is being developed.

The National Measurement System: Legal Metrology

In addition to managing the NMS programmes as a whole, NMO itself delivers the Legal Metrology element. For Government accounting purposes some functions are classed as "Administration" and some as "Programme".

Administration

The administration budget covers legislation policy, various enforcement functions and engagement with international organisations. Our objective for regulation is "to ensure business and consumer confidence in the market place is delivered by proportionate and effective weights and measures and hallmarking legislation." We review and seek to modernise our legislation to minimise burdens on businesses while maintaining adequate consumer protection.

Weights and Measures Policy

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

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

Notable achievements during the year were:

- NMO contributed to a consultation document covering a draft Impact Assessment for the revised draft texts for draft new directives amending the New Approach Directives, incorporating the provisions of the New Legal Framework which are about to be considered in Council. BIS has since issued a consultation document about the Commission's alignment package making nine existing New Approach directives consistent with the New Legislative Framework Decision 768/2008/EC. The MID and NAWI directives are included in the package and the consultation includes revised draft directives for MID and NAWI. The consultations runs until 6 April 2012.
- NMO hosted a successful meeting of OIML TC 9/SC 2, on 18 and 19 April 2011 to discuss the third committee draft Recommendation draft of R 50 (Beltweighers), which is being developed by NMO. Participation included representatives from the USA, China, France, Australia (via telephone conference), the UKWF, CECIP, Netherlands, UK and the BIML. In addition there were 2 manufacturers from China, 1 from Australia and 1 from the USA.
- Richard Sanders' paper on 'Why do we regulate measuring instruments used for trade' was published in the April 2011 OIML Bulletin.
- Following successful debates in both Houses of Parliament, the Weights and Measures (Specified Quantities)(Unwrapped Bread and Intoxicating Liquor) Order 2011 (SI 2011/2331) was agreed and came into force on 1 October 2011. The Order deregulates specified quantities for unwrapped bread and amends the specified quantities for alcoholic drinks by permitting 2/3 pint for the sale of draught beer and cider, deregulating small glasses of wine below 75 ml and bringing the sizes permitted for fortified wines into line with trade practice. There is already uptake of the 2/3 pint measure with both Heineken and Molson Coors announcing plans to adopt 2/3 pint for some lager brands.
- Revised guidance notes on the Measuring Instruments (Capacity Serving Measures) Regulations 2006 and the Measuring Instruments (Intoxicating Liquor) Regulations 1983 were published to reflect recent changes to specified quantities for non pre-packaged alcoholic drinks.

Hallmarking Policy

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

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

A significant achievement during the year was the Hallmarking (International Convention) Amendment Order 2011 (SI 2011 No 3039) was made on 19 December 2011 and will come into force on 15 January 2012. The Order amends the Hallmarking (International Convention) Order 2002 which in turn implements the International Hallmarking Convention. Primarily the Order sets out the standards of fineness to be struck on those articles made of palladium which are being hallmarked in the UK under the International Hallmarking Convention.

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

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

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

The Team works closely with Local Government representatives and throughout the year attended and presented at a wide variety of events and regional forums. This included NMO co-ordinating the second stage of the weighbridge project on behalf of the Local Government Metrology Group. The aim of the weighbridge project was to show the importance of weighbridge accuracy and the impact errors can have on the environment, cost to businesses and local authorities. In particular it was designed to ensure that councils have robust information on which to base landfill charges, landfill tax and recycling targets. Other activities included various co-ordination meetings with Trading Standards, Approved Verifiers, Notified Bodies and industry. Also the continuing assessment of the competence of students wishing to become inspectors of weights and measures and work for Local Weights and Measures Authorities (DCATS exams).

Notable achievements during the year were:

- NMO hosted the Diploma in Consumer Affairs and Trading Standards (DCATS) metrology practical and oral exams twice this year, in June and November. In November there were 31 students which is positive as metrology has been on the decline and this is a threefold increase.
- Local Weights and Measures Authorities (LWMAs) have a statutory requirement to report to the Secretary of State the level of local weights and measures enforcement work conducted over a twelve month period. The information is used as evidence to inform and update the NMO's risk matrix in relation to instruments and transactions. This year 97% of authorities submitted a return to the NMO.
- NMO, together with the Trading Standards Institute, hosted a very successful Metrology Seminar in Birmingham in February 2012. The feedback received from the Seminar was very positive and the general consensus is that participants would like the Seminar to be held annually.
- Our market surveillance programme included some enforcement activity as a result of intelligence supplied by the UK trade body for the weighing industry. As a result, we took proportionate enforcement measures to successfully prevent two non-European manufacturers from placing non-compliant weighing instruments onto the UK market.
- The metrology (weights and measures) competency framework was one of a suite of new competency frameworks that was launched nationally by LBRO on 1 November 2011. We worked with LBRO and TSI

on the production of this module. It is based on OIML D14 'Training and qualification of legal metrology personnel'.

- WM 1001 on mix and match of fuel dispenser sites and STA guidance documents have been revised and reissued. WM 1005 on beer flow monitoring equipment has been drafted and is currently being agreed with both lawyers and the Trading Standards community.

International

NMO aims to positively influence EU and international legal metrology forums in order to benefit UK stakeholders, businesses, consumers and manufacturers. We do this by active participation in a number of international metrology committees covering areas of interest to UK businesses and stakeholders. We are working towards ensuring a level playing field and reducing technical barriers to international trade.

NMO is an actively participating Member State of OIML (the International Organisation of Legal Metrology) and WELMEC (European Cooperation in Legal Metrology). OIML has over 57 Member States and a further 62 Corresponding Members and works to achieve international harmonisation for legal metrology by promoting the use of International Recommendations or Documents, which are developed in OIML technical committees, and provide the basis for laws regulating measuring equipment, quantity control and quantity labelling pre-packages. NMO provides the Secretariats for important OIML technical committees such as TC 9 / SC 2 Automatic weighing instruments and TC 8 / SC 5 Water meters.

WELMEC is an organisation of the European Union and European Free Trade association (EFTA) Member States that pursues cooperation in legal metrology. There are currently 30 Members and 7 Associate members, and 10 Observer and 9 Corresponding organisations who participate. WELMEC publishes Guides which are not mandatory but provide solutions which will be acceptable to European Regulators. NMO provides WELMEC Working groups such as WG 2 - Directive Implementation (90/384/EEC), WG 5 - Metrological Supervision, and Convenorship of WG 6 - Prepackages.

Notable achievements during the year were:

- Peter Mason, the UK Representative of the International Committee of Legal Metrology (CIML) took up the role of President functions for six years in October 2011.
- NMO in its role of Secretariat for OIML TC 8 / SC 5 Water meters is actively involved in the OIML TC 8/SC 5 and ISO/TC 30/SC 7 / CEN TC 92 joint working group activity to harmonise the International Recommendation R 49 and the EN ISO 4064 Water meter standards, and as part of this activity held a meeting of OIML TC 8/ SC 5 at the National Institute of Standards and Technology, Gaithersburg, Washington, USA in November 2011.
- The International Recommendation R106 Automatic rail-weighbridges, developed by NMO as Secretariat of OIML TC9/SC 2, was published on the OIML website in February 2012.
- NMO hosted visitors from the Trinidad and Tobago Bureau of Standards (TTBS) in March 2012, and dealt with metrology enquiries from several countries and organisations including Australia, China, South Africa, European weighing industry, and UNIDO.

Programme

The Programme budget covers statutory calibration and statutory type approval which includes the following activities:

Recalibration Programme

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

Local Authority Audits

Visits to Trading Standard authorities are carried out to ensure local and working standards of mass, length and volume and the in situ reverification of standards and equipment if required.

Maintenance of Coinage Standards

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

Type Approval

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

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

Gas and Electricity Meters

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

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

NMO's metering activities are funded by the gas and electricity licensees via Ofgem. Savings in the new outsourcing contract mean that income should remain level over the next few years despite an anticipated increase in the number of meters submitted for dispute testing. NMO will also be undertaking additional

work including the implementation of an In-Service Testing regime for gas and electricity meters and the development of a policy for unmetered supplies of electricity.

Certification Services

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

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

Product Certification

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

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

This year has seen an increase in the level of demand for NMO's Product Certification Services. This increase in demand is as a result of an increase in the number of new products being submitted for certification due to a more proactive approach to business development. We have expanded our market share for existing certification services within existing markets and have also expanded the range of certification services into new markets. We will continue to explore further opportunities and to develop the range of services that we offer. The income for Product Certification in 2011-12 was £389,000.

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

Quality Management Systems Certification

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

NMO provides certification services for;

- ISO 9001.
- Section 11A of the Weights and Measures Act 1985.
- Self-verification' under MID & NAWI Directives.
- other technical auditing.

In 2011-12 there were 28 new applications, an increase of 23%, together with increases in scope for a number of clients.

It is anticipated that the number of companies will continue to grow. This growth is reflected in the forecast income increasing by 25 to 30% in subsequent years.

The number of audits planned for the next twelve months exceeds 130.

Applications to increase the Scope of the MID Directive are in progress with UKAS.

Efficiencies continue to be sought with updates to the software management tools to automate certification functions.

Calibration

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

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

The Calibration team at NMO provide the following commercial services:

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

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

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

Other Commercial Activities Including Training

Commercial training was offered through 2011-12 with a number of courses provided on Packaged Goods and Average Quantity Controls, fuel dispenser and road tanker verification and NAWI verification.

Unfortunately, the two week joint NMO/NPL Legal and Scientific metrology course planned for July 2011 did not take place due to insufficient numbers, but plans are in place to seek funding for a two week legal metrology course in 2012-13.

Enforcement Functions

The Enforcement Directorate seeks to act as an effective, industry-facing Enforcement Authority. Current activities cover hazardous substances in electrical products and batteries, energy use and energy labelling. This work is delivered through contracts with BIS for RoHS and Batteries and Defra for Ecodesign and Energy Labelling.

Under its responsibilities for the Ecodesign and Energy labelling regulations, the Enforcement team has completed a number of energy based projects during the period. These have generated significant

environmental and consumer benefit by working with industry to influence behaviour and restrict the availability of less efficient products on the market. During the period, the Authority has carried out a number of directed actions including one successful prosecution.

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

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

We have continued to develop our education and support programme to improve awareness of the legislation, create opportunities for people to address enforcement staff and provide legislative expertise and technical information to manufacturers, suppliers and other stakeholders.

Corporate Services

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

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

- Providing local procurement expertise for contract negotiation and award. A highlight was the successful tendering exercise across a framework for a new IT network at NPL, which came in significantly under budget.
- Providing support for the government digital agenda and ensuring the NMO converged websites receive timely updates.
- Providing ongoing and timely communication with industry and partners regarding changes/ proposed changes to weighing and measuring legislation and guidance.
- Continuing to work closely with HR colleagues in BIS to secure cost effective access to Civil Service Learning, and continue to participate in the Next Generation HR Senior Managers Board.
- Ensuring we comply with the Government wide transparency initiatives.
- Managing an online survey to measure customer satisfaction. This resulted in a 17% response rate and 95.6% of customers being satisfied or above. The survey includes management of a feedback loop to respond to comments made by customers.
- Working closely with BIS under the cross government project, "Clear Line of Sight", to ensure that the Agency is planning, allocating, monitoring and reporting their financial information in the same way in terms of its budgets, estimates and accounts.
- Ensuring the Agency completed Her Majesty's Treasury (HMT) 'Managing Risks of Financial Loss' toolkit, with a clear bill of health.
- Implementing a government-mandated procurement system for the purchasing of common goods and services.
- Continuing to upgrade the IT system to ensure it complies with the necessary security requirements and staff are fully trained.

Forward look

As NMO enters the second year of the current Spending Review period, the NMO Mission - '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' - remains as relevant as ever to the BIS concentration on the Growth Agenda. Through the National Measurement System (NMS), for which we are responsible, we are able to provide a national measurement infrastructure which underpins economic growth, business enterprise, commercial transactions, consumer confidence and academic endeavour. The Innovation and Research Strategy published in December 2011 demonstrated clearly the contribution which NMO and the other national measurement laboratories can make to delivering leadership in measurement, both nationally and internationally, and so create a framework through which innovative goods in particular can find a way to market acceptance.

Our twin priorities are to ensure that the metrology laboratories are focused on the main national challenges we are facing - growth, energy, sustainability, health, the digital economy and security – and that we continue to develop the capability in measurement science necessary to stay among the world leaders in the field. In doing that we have a particular responsibility to maximise the contribution made by the National Physical Laboratory which is the largest of our metrology laboratories.

As a result of the contractual arrangements introduced in the 1990s, and renewed in 2004, NMO has a special relationship with NPL. Unless steps are taken to extend it, the current contract to operate NPL will end in 2014. At Minister's request we are undertaking a review of the arrangements for operating NPL in the future, considering whether the current GOCO model is the most appropriate or whether an alternative would offer advantages. This review is being carried out through a process of consultation with a wide range of stakeholders, particularly from the business community, which rely on NPL's services, and the academic community, with which closer working might offer synergistic benefits. The decisions resulting from this work will play a major part in determining the future of the national measurement infrastructure.

As an Executive Agency, operating within BIS, we must do our utmost to demonstrate that high standards of accountability, transparency and efficiency can be combined with the flexibilities of the "Next Steps" model and the agility and commercial commitment which that makes possible. The approach of bringing together several different types of operation – policy making, contract management, commercial services and enforcement responsibilities – remains an unusual one, but it has proved very successful in meeting a wide range of needs and gives us an opportunity to show that we can make a contribution to a large number of the objectives which our parent Department, BIS, has set itself.

Finally, it has become clear that international matters now play a vital part in our activities. The past year has demonstrated that the UK's prominent position in both the International Organisation of Legal Metrology (OIML), where the UK now holds the Presidency of the International Committee of Legal Metrology (CIML), and at the General Conference on Weights & Measures, the central decision-making body of the Metre Convention, can be a force for getting better value from each of those organisations. Even within reduced resources overall, it makes hard-headed economic sense to put sustained effort into developing a world measurement system which addresses the needs of an increasingly globalised economy.

Risks and Uncertainties

The most significant risk that NMO is facing in achieving its objectives is the future package of the National Physical Laboratory after the end of the existing contract with NPLML in March 2014. The package will need to provide the UK with a world class scientific measurement infrastructure taking into account possible budget reductions from the next Spending Review. The handling of the options process is crucial to achieving this objective.

NMO is also facing the reduction in the Administration budget which puts pressure on the quality of the Agency's corporate services and financial management and also the legislation programme of Regulation Directorate.

Other Information

Staff

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

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

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

There was one external recruitment exercise during 2011-2012.

Days lost due to absence

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

In 2011-12, the average number of working days lost was 4.9 days per annum per employee.

Sustainability Commitment

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

A Travel Plan has been produced and accepted by the Management Board. The Travel Plan provides an overview of the current situation regarding transport arrangements at NMO. It also sets out measures which the Agency will introduce in order to meet the Travel Plan objectives.

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

Social and Community Issues

During 2011-12 NMO raised money for the Rainbow Trust instead of sending Christmas cards to stakeholders and asking staff to donate old mobile phones. The Rainbow Trust is a registered charity, located in Leatherhead and looks after terminally ill children.

During May 2011 and March 2012, NMO also promoted a Dr Bike event, which encouraged staff to bring in their bikes for maintenance. This particular event was funded by Richmond Council to encourage staff to commute to work using their bike to help reduce local traffic.

In March 2012, NMO raised £522.20 for "Sport Relief" by holding an NMO bake-off challenge where NMO staff baked cakes and sold them to each other.

Major Contractors

NPL Management Ltd

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

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

Amey Community Ltd

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

Other National Measurement Institutes

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

SGS (UK) Ltd

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

Basis of accounts and audit

Arrangements

The accounts cover the activities of the National Measurement Office for the year ended 31 March 2012. They have been prepared in accordance with the direction given by the Treasury in pursuance of Section 7 of the Government Resources and Accounts Act 2000. They have been audited by the Comptroller and Auditor General.

Auditors

The Comptroller and Auditor General has been appointed under statute to perform the statutory audit and report to Parliament. A notional charge of £35,000 has been made in the 2011-12 accounts in respect of this. In addition, audits were made during 2011-12 by BIS Internal Audit. A charge to cover all internal audit services of £14,025 was made and is included in the Statement of Comprehensive Net Expenditure.

Disclosure of relevant audit information

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

Pension liabilities

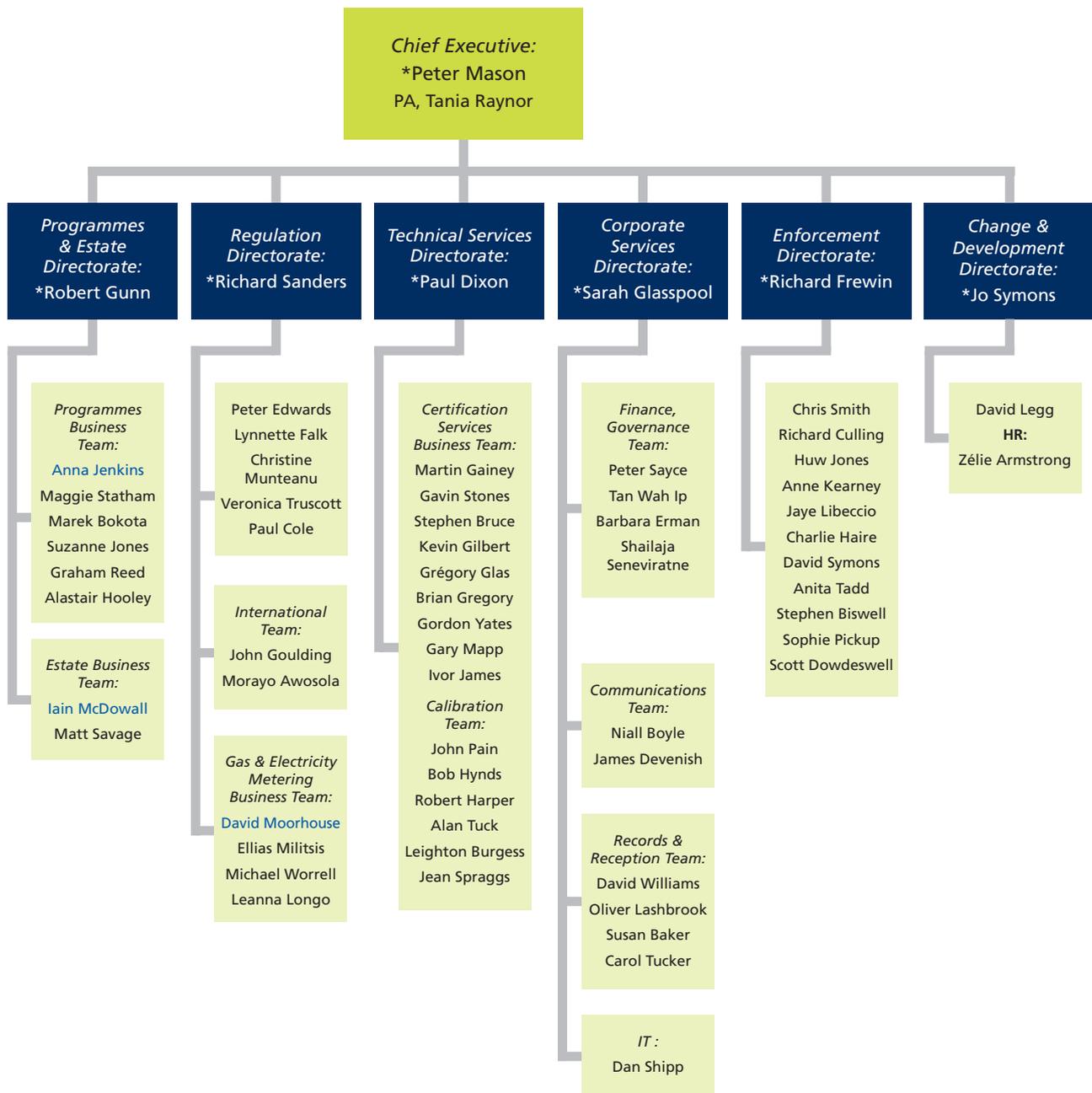
The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover present and past employees. The costs of contributions for currently employed staff are charged through the Statement of Comprehensive Net Expenditure. There is no liability for future benefits as this is a charge to the PCSPS.

Creditors payment, policy and performance

NMO settles its own accounts with payments made twice a week. In 2011-12, 98.9% of invoices were paid within thirty days of receipt of invoice. In 2010-11, 97% of invoices were paid within thirty days of receipt of invoice. In 2011-12, invoices were settled within an average of 7 days. In 2010-11, invoices were settled within an average of 8 days.

In November 1998, the Late Payment of Commercial Debts (Interest) Act came into force, providing small businesses with a statutory right to claim interest from large businesses (and all public sector bodies) on payments that are more than thirty days overdue. Amended legislation (the Late Payment of Commercial Debts Regulations 2002) came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No interest has been paid to trade creditors under this Act during 2011-12.

Organisation Structure as of March 2012



Note:

* Members of the Management Board

Business Team Managers



Chapter 3

Remuneration Report

Following is the Remuneration Report for NMO for 2011-12 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.

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

Service contracts

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

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 2011-12 relate to performance in 2011-12 and the comparative bonuses reported for 2010-11 relate to the performance in 2010-11.

Remuneration (including salary) and pension entitlements

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

Remuneration (salary and payments in kind)

	2011-12	2011-12	2011-12	2010-11	2010-11	2010-11
	Salary	Bonus payments	Benefits in kind (to nearest £100)	Salary	Bonus payments	Benefits in kind (to nearest £100)
	£'000	£'000		£'000	£'000	
Mr Peter Mason <i>Chief Executive</i>	80-85	0	0	80-85	0	0
Mr Richard Sanders <i>Director</i>	55-60	0-5	0	55-60	0-5	100
Miss Sarah Glasspool <i>Director</i>	55-60	0-5	0	55-60	0-5	0
Mr Robert Gunn <i>Director</i>	65-70	0-5	900 **	65-70	0-5	1100 **
Mrs Jo Symons* <i>Director</i>	35-40	0-5	0	35-40	0-5	0
Mr Richard Frewin <i>Director</i>	55-60	0-5	0	55-60	0-5	0
Mr Paul Dixon <i>Director (from 4 July 2011)</i>	35-40	0-5	0	N/A	N/A	N/A

* Part time staff member.

** These payments were for excess fares when Mr Robert Gunn transferred to Teddington.

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 2011-12 was £82,500 (2010-11, £82,500). This was 2.2 times (2010-11, 2.2) the median remuneration of the workforce, which was £37,220 (2010-11, £36,969).

In 2011-12, no (2010-11, nil) employees received remuneration in excess of the highest paid director.

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

Agency Steering Board

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

Name	Fee
Mr N Hunter	5-10
Dr P Cowley	5-10
Mr A Proctor	5-10

Mr John Dodds was a member of the Steering Board during 2011-12 but as a salaried employee of BIS, drew no remuneration.

	Full year numbers
NMO	1
BIS	1
Private sector	3

Pension benefits

	Accrued pension at pension age as at 31/3/12 and related lump sum (bands of £5,000) £'000	Real increase in pension and related lump sum at pension age (bands of £2,500) £'000	CETV at 31/3/12 £'000	CETV at 31/3/11 £'000	Real increase in CETV as funded by employer £'000	Employer contribution to partnership pension account Nearest £100
Mr Peter Mason <i>Chief Executive</i>	35-40 plus lump sum 115-120	0-2.5 plus lump sum 0-2.5	917	866	0	0
Mr Robert Gunn <i>Director</i>	25-30 plus lump sum 50-55	0-2.5 plus lump sum 0-2.5	476	435	3	0
Mr Richard Sanders <i>Director</i>	20-25 plus lump sum 65-70	0-2.5 plus lump sum 0-2.5	381	358	0	0
Miss Sarah Glasspool <i>Director</i>	5-10 plus lump sum 5-10	0-2.5 plus lump sum 0-2.5	136	120	4	0
Mrs Jo Symons <i>Director</i>	10-15 plus lump sum 35-40	0-2.5 plus lump sum 0-2.5	176	165	0	0
Mr Richard Frewin <i>Director</i>	15-20 plus lump sum 45-50	0-2.5 plus lump sum 0-2.5	226	210	0	0
Mr Paul Dixon <i>Director</i>	10-15 plus lump sum 10-15	0-2.5 plus lump sum 0-2.5	161	148	0	0

The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Civil Service pensions

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

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

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

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

Further details about the Civil Service pension arrangements can be found at the website:
<http://www.civilservice.gov.uk/pensions> .

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.

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

Peter Mason

Date: 29 June 2012

Chief Executive and Accounting Officer



Chapter 4

Governance Statement

Introduction

This Governance Statement sets out the internal control procedures that have operated in the Agency during the year period 1 April 2011 to 31 March 2012. Its preparation has been supported by the work of BIS Internal Audit 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 National Measurement Office's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

NMO operates as an Executive Agency within the Department for Business, Innovation and Skills. The purpose of the Agency, and 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. For line management purposes I report to the Director of Innovation in the Department for Business, Innovation and Skills, who is responsible for most of the funding which the Agency receives and who also sits on the Agency's Steering Board.

The Governance Framework/Structure

I am supported in my role of Agency Accounting Officer by three corporate governance bodies: the Steering Board, the Management Board and the Audit Committee.

The **Steering Board** consists of three non-executive members from outside Government and one member from BIS. It meets formally at least three times a year with an additional informal discussion day on key issues affecting the Agency. Its role is to provide strategic oversight, which involves:

- Advising on the Agency's strategy and its allocation of resources.
- Agreeing business plans, and monitoring the Agency's performance.
- Assessing risks/issues which could undermine the Agency's strategy/business plans.
- Assessing Agency capability and plans for the future.

During 2011-12 the Steering Board comprised the following personnel:

Noel Hunter Non-Executive Member, Chair

Steering Board Members

Peter Mason Chief Executive, NMO

John Dodds Director Innovation, BIS

Peter Cowley Non-Executive Member

Alan Proctor Non-Executive Member

The Steering Board met on the following dates: 9 June 2011, 20 September 2011 and 11 January 2012. All Board members attended these meetings, apart from one member who missed the 9 June meeting.

The **Management Board** consists of myself, the heads of the four operational Directorates, the Director of Finance and the Director of Change and Development. It now meets formally every two weeks to make decisions and monitor high-level business planning, financial, risk and management issues. The Management Board is also responsible for setting standards, values and controls within the Agency.

Travel and subsistence expenses incurred by the Management Board during 2011-12 totalled £22k.

The Management Board comprised the following personnel during 2011-12:



Peter Mason
Chief Executive



Richard Sanders
Director
Regulation



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

In two of the operational Directorates there are Business Team Managers who have full delegated financial responsibility for income and expenditure in their areas. NMO operates a flat organisational structure with typically only one layer of management below Board level.

The **Audit Committee** consists of two non-executive Steering Board members and meets three times a year along with representatives from NAO, BIS Internal Audit 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 2011-12 the Audit Committee comprised the following personnel:

Alan Proctor Non-Executive Member, Chair

Peter Cowley Non-Executive Member

The Audit Committee met on the following dates: 9 May 2011, 20 September 2011 and 11 January 2012. These meetings were attended by all Committee members.

Review of Board Performance

During the year the Steering Board considered its compliance, and that of the Framework Document, with the *Corporate Governance Code*, making due allowance for the different position of an Executive Agency Steering Board. It concluded that the principles of the *Code* were essentially being met, other than a formal and regular review of the Board's own performance, which has now been initiated. The Audit Committee already conducts a self-assessment in accordance with the guidance issued by the NAO entitled the *Audit Committee Self-Assessment Check List*. The 2011 review concluded that existing arrangements were satisfactory, with the exception of suggested improvements for the induction of new Audit Committee appointees.

Issues Considered by the Board

During the year particular attention was paid to financial risks arising from reductions in budgets and the new control regimes introduced in 2010. The difficult economic and fiscal climate continued to present formidable challenges, particularly with respect to our commercial operations and the prospects for new business for the Enforcement Directorate. In addition to the reductions in budgets and the introduction of controls on "Admin" expenditure, the rules on transparency requirements and controls on certain categories of expenditure have increased the scope for reputational damage in cases of non-compliance and in some cases (notably restrictions on marketing expenditure and the freeze on recruitment) have made the achievement of the Agency's targets more difficult.

Negotiations on the possible transfer of some of our operations to the National Physical Laboratory also led to increased levels of uncertainty in various parts of the business before it was announced in February 2012 that both parties had concluded that in the light of significant one-off costs, uncertainties over future revenue and Treasury rules on overhead absorption there was not a sufficiently strong case for taking the proposal forward.

Looking forward, preparations for renewal or replacement of the NPL Science Contract which ends in 2014 has led to a re-organisation of responsibilities within the Agency. This will be a major focus of activity in the coming year.

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 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury 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 and was revised in January 2012, is provided to all managers and staff. Training on the operation of the risk management processes has been provided to all staff in the Agency.

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 appetite and risk assessment guidance which both determines the priority to be given to identified risks and the acceptable level of risk (based on a concept of "desired risk" rather than risk appetite). Any risks which are assessed as high or which are significantly above the desired risk are considered by the Management Board and included in the Agency's high level risk register. Changes to the Business Team or NMO risk registers are documented.

The Risk Management system was reviewed by Internal Audit in 2008-09 and its operation during 2011-12 and it was concluded that the Agency's management demonstrated an ongoing commitment to embedding risk management with a framework that was tailored to fit and applied good practice. The guidance was found to be effectively communicated, with a consistent and dynamic approach, and management were encouraged to continue to consider further initiatives that would further promote a risk culture throughout the Agency.

As an Executive Agency we 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). NMO's Internal Audit carried out an audit in 2008-09 on data security arrangements which concluded that they were satisfied that NMO complied with *Data Handling Procedures in Government* and that all recommendations had been implemented. This was followed up in 2009-10 and 2010-11 as part of their audit programme.

The Data Handling Review (DHR) requires Departments to report annually on information risk in their Resource Accounts and to the Cabinet Office in the Security Risk Management Overview (SRMO). NMO has completed a SRMO annual return required by all of BIS partner organisations which will form part of the overall BIS SRMO report and also provides NMO with a comprehensive view of its main areas of security and information risk. NMO's Internal Audit have provided independent assurance of this return, and it was submitted to BIS on the 9 May 2012.

NMO had no protected personal data related incidents during 2011-2012 and none during the previous five

years. All NMO staff have received training on data security and 100% have passed the training test (managers must complete more than one). Follow-up training will take place over the coming year in accordance with Cabinet Office and the National Archives guidelines. Information Asset Owners have been assigned to each dataset owned by NMO and have been trained to a higher level on data security. They provide a quarterly report on risk and security incidents on their database. NMO will continue to assess these information risks in order to identify any weaknesses and ensure continuous improvement of its systems.

Review of the System of Internal Control

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 a specially arranged challenge session conducted by the Chairman of the Agency's Audit Committee and BIS Internal Audit 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 BIS Internal Audit programme is considered by the Audit Committee annually. BIS Internal Audit have confirmed their opinion that the system of internal control that operated within NMO during 2011-12 was satisfactory.

In addition to this, a number of the Agency's functions are certified to the international standards ISO 9001 and ISO 1800 and we hold UKAS accreditation for a range of functions. An essential requirement of these standards is that the functions covered are subject to a third party, and therefore independent, audit.

In October 2010, as part of a Government-wide review of the risk of financial loss aimed at assessing the level of risk across government and proposing how these risks might be mitigated and managed, a DAO letter was issued which advised using a toolkit developed by HM Treasury to help diagnose risk of financial loss and then design proportionate responses. Financial loss is defined as transactional errors arising from systematic weaknesses in financial funds flows, human use or abuse of financial systems, or weaknesses in the control environment within which financial systems operate. The Agency employed the toolkit, identifying relevant Processes and Process Owners and then reviewing the levels of control available in each process. This exercise was completed by the end of March 2012 and the Internal Audit plan for 2011-12 included reviewing the toolkit to provide external assurance. The use of the toolkit concluded that NMO met or exceeded the required level of control in most processes. However, the payroll process was identified as one that would benefit from further attention leading into the new BIS shared service arrangement planned for October 2012. No financial loss had been identified for 2011-12.

Other relevant governance issues that have arisen during the financial year

There were no significant control issues and no data security lapses in 2011-12 which required intervention from myself or the Management Board.



Peter Mason
Chief Executive and Accounting Officer
Date: 29 June 2012



Chapter 5

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 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayer's 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 directors and the auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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 the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 the National Measurement Office's affairs as at 31 March 2012 and of its 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 Introduction by the Chief Executive and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or 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.

Amyas C E Morse
Comptroller and Auditor General
Date: 4 July 2012

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

		2011-12	2011-12	2011-12	2010-11	2010-11	Restated 2010-11
		£'000	£'000	£'000	£'000	£'000	£'000
	Note	Income	Staff Costs	Other Costs	Income	Staff Costs	Other Costs
Administration Costs:							
Operating income	4	30			31		
Staff costs	2		(1,501)			(1,550)	
Other administrative costs	3			(646)			(715)
Programme Costs:							
Operating income	4	14,442			13,851		
Staff costs	2		(1,818)			(1,802)	
Other programme costs	3			(70,362)			(69,577)
Movement on provisions	3			(18,228)			(624)
Totals		14,472	(3,319)	(89,236)	13,882	(3,352)	(70,916)
Net Operating Cost				(78,083)			(60,386)

Other Comprehensive Expenditure

	2011-12	Restated 2010-11
	£'000	£'000
Net gain on revaluation of Property, Plant and Equipment	5,626	4,140
Net gain/(loss) on revaluation of Intangibles	-	-
Net gain/(loss) on revaluation of available for sale financial assets	-	-
Total Comprehensive Expenditure	(72,457)	(56,246)

All operations are continuing.

The notes on pages 42 to 58 form part of these accounts.

Statement of Financial Position

as at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	5	181,311		177,327	
Heritage Assets	5	844		847	
Intangible assets	6	407		152	
Deposits and advances	9	200		200	
Total non-current assets		182,762		178,526	
Current assets:					
Trade and other receivables	9	4,715		4,354	
Cash and cash equivalents	10	1,561		9,051	
Total current assets		6,276		13,405	
Total assets		189,038		191,931	
Current liabilities					
Provisions	12	(210)		(2,127)	
Trade and other payables	11	(2,924)		(10,095)	
Total current liabilities		(3,134)		(12,222)	
Total assets less current liabilities		185,904		179,709	
Non-current liabilities					
Provisions	12	(44,163)		(26,125)	
Total non-current liabilities		(44,163)		(26,125)	
Assets less liabilities		141,741		153,584	
Taxpayers' equity:					
General fund		102,593		116,950	
Revaluation reserve		39,148		36,634	
Total taxpayers' equity		141,741		153,584	



Peter Mason

Date: 29 June 2012

2012 Chief Executive and Accounting Officer

The notes on pages 42 to 58 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2012

	Note	2011-12 £'000	Restated 2010-11 £'000
Cash flows from operating activities			
Net operating cost		(78,083)	(60,386)
Adjustments for other non-cash transactions	3	8,848	8,383
Adjustments for non-cash provisions	3	18,228	624
Use of provisions	12	(2,107)	(2,369)
(Increase)/Decrease in trade and other receivables	9	(361)	390
(Decrease)/Increase in trade payables	11	(7,171)	518
Movement in payables outside the Operating Cost Statement		(419)	(352)
Net cash outflow from operating activities		(61,065)	(53,192)
Cash Flows from investing activities			
Purchase of property, plant and equipment	5	(6,698)	(5,861)
Purchase of intangible assets	6	(306)	(23)
Proceeds of disposal of property, plant and equipment	5	-	131
Net cash outflow from investing activities		(7,004)	(5,753)
Cash flows from financing activities			
National Measurement System financed from Department		60,579	63,647
Net financing		60,579	63,647
Net increase/(decrease) in cash and cash equivalents in the period		(7,490)	4,702
Cash and cash equivalents at the beginning of the period	10	9,051	4,349
Cash and cash equivalents at the end of the period	10	1,561	9,051

The notes on pages 42 to 58 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2011		116,950	36,634	153,584
Surplus on revaluation		-	5,626	5,626
Realised element of revalued assets		1,785	(1,785)	-
Other notional and non-cash charges	3	35	-	35
Impairment of assets		1,327	(1,327)	-
Financing received for the year		60,579	-	60,579
Net operating cost for the year		(78,083)	-	(78,083)
Total recognised income and expense		(14,357)	2,514	(11,843)
Balance at 31 March 2012		102,593	39,148	141,741

for the year ended 31 March 2011

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

The notes on pages 42 to 58 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 2012

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2011–12 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 has been judged to be most appropriate to the particular circumstances of the NMO for the purpose of giving a true and fair view has been selected. The particular policies adopted by NMO are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

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

1.2 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 2011–12 as issued by HM Treasury.

1.3 Property, plant and equipment

Expenditure on plant and equipment of over £1,000 are capitalised with the exception of IT equipment where everything over £500 is capitalised. For property assets, the capitalisation threshold is £2,500. All land and buildings have been valued at Existing Use Value (EUV). This has been used as a proxy for fair value. For specialised buildings EUV has been calculated on the basis of Depreciated Replacement Cost (DRC). Non-specialist buildings have been calculated on the basis of EUV using comparable evidence and for surplus buildings market value has been used. They have all been valued on a component basis in accordance with IAS 16 as interpreted by the FReM. Market indices issued by the Valuation Office or Building Cost Information Service (BCIS) and published professional opinion as appropriate are applied in the intervening years between full professional valuations. Impairment losses not resulting from a loss of economic value or service potential is taken to the revaluation reserve to the extent that there is a credit in that reserve for that asset or portfolio of assets. Impairment losses that arise from a clear consumption of economic benefit is charged to the Statement of Comprehensive Net Expenditure. Any increase in value is transferred to the revaluation reserve. Property, plant and equipment are depreciated on a straight line basis to the residual value over the asset's expected useful life. Assets under construction are recognised and treated as capital expenditure, but not depreciated.

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

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

Asset lives are normally in the following ranges:

Freehold buildings - 50 years or estimated useful life if shorter

Historic leasehold - residual term of land and buildings lease

Leasehold improvements - residual term of lease

Plant and machinery from 5 to 30 years

Computer equipment and office machinery from 3 to 10 years

Motor vehicles from 5 to 10 years

1.4 Heritage Assets

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

1.5 Intangible Assets

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

They are amortised on a straight line basis over the shorter of the licence period or their useful economic life.

1.6 Revenue recognition

Income comprises services provided net of VAT. Income is recognised in the period to which it relates.

The amount of financing for NMS is agreed in advance with BIS and is recognised on a cash basis as per the FReM.

1.7 Segmentation

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

1.8 Value Added Tax

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

1.9 Insurance

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

1.10 Leases

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

1.11 Leases where NMO is the lessor

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

1.12 Foreign Exchange

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

1.13 Pensions

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

1.14 Financial Instruments

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

1.15 Provisions for liabilities and charges

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

1.16 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, 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 and Government Accounting Northern Ireland.

1.17 Estimates, techniques and changes in accounting estimates

NMO makes estimates in relation to the valuation of its Property, plant and equipment and provisions. These are explained further in notes 1.3, 5 and 12.

1.18 Prior period errors

In 2010-11 there was a cost of £17k for revaluation of non-current assets which was included in error in Other Comprehensive Expenditure. This has now been corrected and included within Comprehensive Expenditure. There was also an amount of £4.1m for unrealised surplus on revaluation of non-current assets, which was not included in Other Comprehensive Expenditure in 2010-11. This has now been corrected and included in Other Comprehensive Expenditure.

2. Staff numbers and related costs

Staff costs - Administration comprise:

	2011-12 Permanently employed staff £'000	2011-12 Others £'000	2011-12 Total £'000	2010-11 Permanently employed staff £'000	2010-11 Others £'000	2010-11 Total £'000
Wages and salaries	1,172	-	1,172	1,213	2	1,215
Social security costs	102	-	102	102	-	102
Other pension costs	227	-	227	233	-	233
Total	1,501	-	1,501	1,548	2	1,550

Staff costs - Programme comprise:

	2011-12 Permanently employed staff £'000	2011-12 Others £'000	2011-12 Total £'000	2010-11 Permanently employed staff £'000	2010-11 Others £'000	2010-11 Total £'000
Wages and salaries	1,418	18	1,436	1,397	27	1,424
Social security costs	117	-	117	110	-	110
Other pension costs	265	-	265	268	-	268
Total	1,800	18	1,818	1,775	27	1,802

The Principal Civil Service Pension Scheme

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

For 2011-12, employer's contributions of £492,393 were payable to the PCSPS (2010-11 £500,570) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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. Employer's contribution of NIL were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of NIL, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

No persons (2010-11: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £NIL (2010-2011: £NIL).

Average number of persons employed

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

	2011-12 Permanently employed staff Number	2011-12 Others Number	2011-12 Total Number	2010-11 Permanently employed staff Number	2010-11 Others Number	2010-11 Total Number
Certification Services	14	-	14	16	-	16
Regulation	13	1	14	13	1	14
Enforcement	11	-	11	12	-	12
Corporate Services/Change & Development	17	-	17	16	-	16
Programme Management	7	-	7	7	-	7
Estate Management	4	-	4	4	-	4
Total	66	1	67	68	1	69

3. Administration and Programme Costs

	Note	2011-12			Restated 2010-11		
		£'000 Admin.	£'000 Prog.	£'000 Total	£'000 Admin.	£'000 Prog.	£'000 Total
Science research costs		-	54,614	54,614	-	54,303	54,303
Accommodation		127	4,925	5,052	153	4,712	4,865
International subscriptions		-	820	820	-	898	898
Laboratory testing		-	727	727	-	801	801
General expenses		282	369	651	303	400	703
IT		39	72	111	70	120	190
Travel and subsistence		24	71	95	18	80	98
Telecommunications		14	20	34	13	19	32
Rentals under operating leases		-	56	56	-	19	19
		486	61,674	62,160	557	61,352	61,909
Non cash items excluding movement in provisions							
- Depreciation	5	114	7,326	7,440	115	7,081	7,196
- Impairments		-	1,327	1,327	-	1,054	1,054
- Revaluations		-	(6)	(6)	-	17	17
- Amortisation	6	11	40	51	13	55	68
- Notional audit fee		35	-	35	30	-	30
- Loss on disposal of non current assets		-	1	1	-	18	18
Total other non-cash		160	8,688	8,848	158	8,225	8,383
Total other programme costs excluding movement in provisions		646	70,362	71,008	715	69,577	70,292
- Write back of provisions	12	-	-	-	-	(923)	(923)
- Provisions provided in the year	12	-	16,700	16,700	-	-	-
- Unwinding of discount on provisions	12	-	1,528	1,528	-	1,547	1,547
Total provisions		-	18,228	18,228	-	624	624

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

4. Income

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

	2011-12 Income £'000	2011-12 Full Cost £'000	2011-12 Surplus/ (Deficit) £'000	2010-11 Income £'000	2010-11 Full Cost £'000	2010-11 Surplus/ (Deficit) £'000
Intradepartmental	600	487	113	600	459	141
Intragovernmental	1,742	1,680	62	1,813	1,681	132
Statutory	778	808	(30)	752	821	(69)
Commercial	63	48	15	47	50	(3)
Total	3,183	3,023	160	3,212	3,011	201
Rental Income	11,289			10,670		
Total Income	14,472*			13,882*		

* Of the £14,472k income for 2011-12 (£13,882k, 2010-11), £30k (£31k, 2010-11) is derived from Administration and £14,442k (£13,851k, 2010-11) from Programme.

Operating Segments

The following information on operating segments and geographical analysis are required under IFRS8. The different operating segments have been chosen to reflect the different types of services that the Agency operates. These have different customers, pricing regimes and internal managers. They are accounted for separately and budgeting and decision making are based on this division.

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

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

Operating segments 2011-12

	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 other Govt organisations	-	900	28	-	-	5	933
Income from parent Department	-	600	-	-	-	-	600
Income from public corporations/trading fund	842	-	1	-	-	9	852
Income from private sector	-	45	665	-	11,289*	19	12,018
Income from local authority	-	-	57	-	-	12	69
Total income	842	1,545	751	-	11,289	45	14,472
Other operating costs	827	1,264	1,555	938	79,108	114	83,806
Cross functional charging - Legal Metrology Programme	-	-	(909)	-	909	-	-
** Depreciation and amortisation	-	21	90	1	7,316	-	7,428
Impairments and revaluations	-	-	-	-	1,321	-	1,321
Total costs	827	1,285	736	939	88,654	114	92,555
Total comprehensive net expenditure	15	260	15	(939)	(77,365)	(69)	(78,083)

* The Estate team received £11,289K for rent and facilities management contributions for the Teddington buildings from the private sector. Of this £11,164K was received from NPL Management Ltd.

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

Operating segments 2010-11

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

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

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

Geographical Analysis of Income

	2011-12 £'000	2010-11 £'000
UK	14,178	13,679
EU	141	76
Asia*	108	68
North America**	28	57
Australasia	16	2
Africa	1	-
Total	14,472	13,882

*The Asia figures include income gained from China (£53K, 2011/12 and £44K, 2010/11).

** The North America figures include income gained from the USA (£25K, 2011/12 and £54K, 2010/11).

5. Property, plant and equipment

	Land £'000	Leasehold improvements £'000	Buildings £'000	Heritage assets £'000	Plant and machinery £'000	Information technology and office £'000	Furniture and fittings £'000	Transport equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation										
1 April 2011	9,302	-	133,317	860	121,460	585	184	43	544	266,295
Additions	-	-	635	-	2,507	26	-	-	3,949	7,117
Reclassifications	-	232	85	-	(51)	(2)	-	-	(264)	-
Revaluations	-	-	(2,958)	(3)	3,427	-	-	-	13	479
Impairments	-	-	(116)	-	(2,830)	-	-	-	-	(2,946)
Disposals	-	-	(7,272)	-	(12)	-	(6)	-	-	(7,290)
31 March 2012	9,302	232	123,691	857	124,501	609	178	43	4,242	263,655
Depreciation										
1 April 2011	-	-	(40,517)	(13)	(47,311)	(188)	(51)	(41)	-	(88,121)
Charged in year	-	-	(2,569)	-	(4,824)	(45)	(1)	(1)	-	(7,440)
Reclassifications	-	(15)	2	-	13	-	-	-	-	-
Revaluations	-	-	6,059	-	(907)	-	-	-	-	5,152
Impairments	-	-	23	-	1,596	-	-	-	-	1,619
Disposals	-	-	7,272	-	11	1	6	-	-	7,290
31 March 2012	-	(15)	(29,730)	(13)	(51,422)	(232)	(46)	(42)	-	(81,500)
Net Book Value										
1 April 2011	9,302	-	92,800	847	74,149	397	133	2	544	178,174
31 March 2012	9,302	217	93,961	844	73,079	377	132	1	4,242	182,155
Asset financing										
Owned	9,302	217	93,961	844	73,079	377	132	1	4,242	182,155
Finance leased	-	-	-	-	-	-	-	-	-	-
Net book value										
at 31 March 2012	9,302	217	93,961	844	73,079	377	132	1	4,242	182,155

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

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

Heritage assets

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

6. Intangible assets

Intangible assets are software and software licences and associated implementation costs

	Total £'000
<hr/>	
Cost or valuation	
At 1 April 2011	391
Additions	306
Reclassifications	-
Revaluations	-
Disposals	(12)
At 31 March 2012	<u>685</u>
 Amortisation	
At 1 April 2011	(239)
Additions	(51)
Revaluations	-
Disposals	12
At 31 March 2012	<u>(278)</u>
 Net book value at 31 March 2012	407
Net book value at 1 April 2011	152
	Total £'000
<hr/>	
Cost or valuation	
At 1 April 2010	447
Additions	23
Revaluations	(6)
Disposals	(73)
At 31 March 2011	<u>391</u>
 Amortisation	
At 1 April 2010	(253)
Charged in year	(68)
Revaluations	9
Disposals	73
At 31 March 2011	<u>(239)</u>
 Net book value at 31 March 2011	152
Net book value at 1 April 2010	194

7. Financial instruments

As the cash requirements of the Agency are able to be met by BIS, financial instruments play a more limited role in creating risk than would apply to a non public body of a similar size. The majority of financial instruments relate to contracts to buy non financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit liquidity or market risk.

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

8. Impairments

There were impairments of £1.3m in 2011-12. These were mainly replacement of items prior to their normal expiry date (£1.1m 2010-11).

9. Trade receivables and other current assets

a) Analysis by type

	2011-2012 £'000	2010-2011 £'000
Amounts falling due within one year:		
Trade receivables	167	996
Interdepartmental receivables	-	-
VAT receivable	3,115	2,654
Other receivables	2	2
Prepayments and accrued income	1,431	702
Total receivables as at 31 March	<u>4,715</u>	<u>4,354</u>

	2011-2012 £'000	2010-2011 £'000
Amounts falling due after more than one year:		
Deposits and advances	200	200
Total	<u>200</u>	<u>200</u>

b) Intra-Government balances

	2011-2012 £'000	2010-2011 £'000
Balances with BIS	200	142
Balances with other central government bodies	3,148	3,057
Balances with local authorities	124	115
Balances with bodies external to government	1,443	1,240
Total receivables as at 31 March	<u>4,915</u>	<u>4,554</u>

10. Cash and cash equivalents

	2011-2012 £'000	2010-2011 £'000
Balance at 1 April	9,051	4,349
Net change in cash and cash equivalent balances	(7,490)	4,702
Balance at 31 March	<u>1,561</u>	<u>9,051</u>
The following balances at 31 March were held at:		
Government Banking Services	1,560	9,050
Cash in hand	1	1
Balance at 31 March	<u>1,561</u>	<u>9,051</u>

11. Trade payables and other current liabilities

a) Analysis by type

	2011-2012 £'000	2010-2011 £'000
Amounts falling due within one year:		
Trade payables	1,714	8,087
VAT	-	-
Other payables	-	1
Accruals and deferred income	1,210	2,007
Current part of finance leases	-	-
Total payables as at 31 March	<u>2,924</u>	<u>10,095</u>

b) Intra-Government balances

	2011-2012 £'000	2010-2011 £'000
Balances with department	27	333
Balances with other central government bodies	-	37
Balances with public corporations/trading fund	225	282
Balances with local authorities	5	1
Balances with bodies external to government	2,667	9,442
Total debtors at 31 March	<u>2,924</u>	<u>10,095</u>

12. Provisions for liabilities and charges

	NPLML Pension Scheme £'000	Decontamination £'000	Disposal of Radiological Sources £'000	Other £'000	Total £'000
Balance at 1 April 2011	27,806	146	300	-	28,252
Provided in the year	16,630	40	30	-	16,700
Provisions not required written back	-	-	-	-	-
Provisions utilised in the year	(2,077)	-	(30)	-	(2,107)
Borrowing costs (unwinding of discount)	1,528	-	-	-	1,528
Balance at 31 March 2012	43,887	186	300	-	44,373
Analysis of expected timing of discounted flows					
Not later than one year	138	-	72	-	210
Later than one year and not later than five years	9,155	186	120	-	9,461
Later than five years	34,594	-	108	-	34,702
Total	43,887	186	300	-	44,373
Balance at 1 April 2010	28,350	1,150	497	-	29,997
Provided in the year	-	-	-	-	-
Provisions not required written back	(99)	(627)	(197)	-	(923)
Provisions utilised in the year	(1,992)	(377)	-	-	(2,369)
Borrowing costs (unwinding of discount)	1,547	-	-	-	1,547
Balance at 31 March 2011	27,806	146	300	-	28,252
Analysis of expected timing of discounted flows					
Not later than one year	2,077	-	50	-	2,127
Later than one year and not later than five years	4,903	-	120	-	5,023
Later than five years	20,826	146	130	-	21,102
Total	27,806	146	300	-	28,252

NPLML Pension Scheme

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

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

When the contract ends in 2014, the board has accepted responsibility for the pension scheme at the end of the 10 year contract. There was a formal triennial revaluation of the Scheme as at 5 April 2007 which showed that the deficit had increased to £18.5m. It was agreed at that point that there would be an extension of the recovery period beyond the length of the existing period. This is in line with normal practice for private sector pension schemes operated by going concerns, subject to supervision by the pension regulators. The formal valuation as at 5 April 2010 stood at £30.4m however subsequent informal valuations have shown the deficit to have increased due to the decrease in the gilts yield rate which is used to discount the liabilities. The informal valuation at 5 April 2012 estimated the deficit to be £43.3m, this valuation was used as a basis to calculate the provision in these accounts.

The deficit forming part of the current contract ending in 2014 is discounted using the 2.2% Treasury rate for provisions. However, post 2014 a 2.8% discount rate has been used, as this is the Treasury rate for pension provisions. In addition, the RPI rate of 2.75% has been used to discount the deficit forming part of the current contract, and post 2014 a CPI inflation rate of 2.00% has been used.

Decontamination

This provision covers the cost of decontamination on NMO's site in Teddington as part of demolishing a building to meet the expectations of stakeholders.

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.

13. Capital Commitments

There were capital commitments of £170,716 as at 31 March 2012 (2010-11 £NIL).

14. Commitments under leases

14.1 Payments under operating leases

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

	2011-2012 £'000	2010-2011 £'000
Obligations under operating leases for the following periods comprise:		
Land and Buildings		
Not later than one year	44	39
Later than one year and not later than five years	8	8
Later than five years	<u>78</u>	<u>80</u>
	130	127

This covers two operating leases for land and buildings at the Teddington estate. One is for land and buildings associated with Bushy House which is leased from the Crown Estate at £2k per year and which expires in 2056. The second is for land on which NMO has buildings which is held under a 6 month licence at £42k per year to Royal Parks.

Office equipment

Not later than one year	1	1
Later than one year and not later than five years	1	3
Later than five years	<u>-</u>	<u>-</u>
	2	4

Motor vehicles:

Not later than one year	11	13
Later than one year and not later than five years	3	16
Later than five years	<u>-</u>	<u>-</u>
	14	29

14.2 Receivables under operating leases

Land and Buildings

Not later than one year	7,429	7,150
Later than one year and not later than five years	7,987	15,292
Later than five years	<u>1,372</u>	<u>1,497</u>
	16,788	23,939
Less interest element	-	-
Total	<u>16,788</u>	<u>23,939</u>

The land and building includes an accommodation charge for NPL Management Ltd to occupy premises on the Teddington estate which expires in 2014. NPL Management Ltd also pay a service charge of £4M per year which is not included. The remainder is for BMT Fluid Mechanics Ltd to occupy premises on the Teddington Estate which expires in 2028.

15. Other financial commitments

15.1 NMO has entered into non- cancellable contracts (which are not leases or PFI contracts), with the following bodies:

Organisation	Note	Expiry within one year £'000	Expiry within two to five years £'000	Total 2011-12 £'000	Total 2010-11 £'000
NPL Management Ltd (NPL Ltd)	a	-	46,084	46,084	44,900
Laboratory of the Government Chemist (LGC Ltd)	b	1,395	-	1,395	1,214
Technischer Überwachungsverein (TUV Ltd)	c	1,398	-	1,398	1,672
Amey Community Ltd	d	2,268	-	2,268	1,000
SGS Ltd	e	206	-	206	200
Total		5,267	46,084	51,351	48,986

Notes:

- a. NPL Management Ltd (NPL Ltd). NMO has a 12 month notice period which is a non- cancellable contract with NPLM Ltd to operate the NPL and perform scientific metrology on the Teddington site.
- b. Laboratory of the Government Chemist (LGC Ltd). NMO has a three month notice period which is non- cancellable with LGC Ltd to perform scientific metrology.
- c. Technischer Überwachungsverein (TUV Ltd) - German safety and standards institution. NMO has a six month notice period which is non- cancellable with TUV Ltd to perform scientific metrology.
- d. Amey Community Ltd. NMO has a six month notice period which is non- cancellable with Amey Community Ltd to manage the facilities on the Teddington estate.
- e. SGS Ltd. NMO has a six month notice period with SGS Ltd to test disputed gas and electricity meters.

15.2 NMO have the following subscriptions payable in the next financial year which NMO is required to subscribe to on an ongoing and continuous basis. These subscriptions are paid in Euros, hence there are fluctuations due to exchange rate differences.

Organisation	Note	Expiry within one year £'000	Expiry within two to five years £'000	Expiry over five years £'000	Total 2011-12 £'000	Total 2010-11 £'000
Bureau International des Poids et Mesures (BIPM)	a	-	-	792	792	837
The International Organisation for Legal Metrology (OIML))	b	-	-	48	48	49
EURAMET	c	-	-	10	10	12
WELMEC	d	-	-	5	5	-
Total		-	-	855	855	898

- a. NMO subscribes to the Bureau International des Poids et Mesures (BIPM). Its mandate is to provide the basis for a single, coherent system of measurements throughout the world, traceable to the international System of Units (SI). The annual subscription has been payable since the Government signed up to the Metre Convention circa 1888.
- b. NMO subscribes to the International Organisation of Legal Metrology (OIML), which promotes the global harmonisation of legal metrology procedures. It provides its members with metrological guidelines for the elaboration of national and regional requirements concerning the manufacture and use of measuring instruments for legal metrology application. The payments that NMO make are a requirement of their international legal metrology role.
- c. The NMO makes an annual payment to EURAMET, on behalf of the National Physical Laboratory, which is a requirement of their international metrology role. EURAMET, formerly known as EUROMET, is a co-operative voluntary organisation between the National Metrology Institutes (NMIs) in the EU including the European Commission, EFTA and EU Accession States. The objective of EURAMET is to promote the co-ordination of metrological activities with the purpose of achieving higher efficiency. EUROMET was formerly established by the signing of a Memorandum of Understanding (MOU) by participating States in Madrid, Spain on 23 September 1987 to become operative from 1 January 1988.

d. 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.

16. Contingent liabilities disclosed under IAS 37

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

There is an unquantifiable contingent liability for the decontamination of land and buildings on the Teddington estate where costs may be higher than those provided for in the Accounts.

17. Related Party Transactions

During 2011-12, NMO was an Executive Agency of the Department for Business, Innovation and Skills (BIS), and BIS was regarded as a related party with which the Agency had various material transactions during the year. NMO also has material transactions with Defra for which it performs its enforcement work and also Ofgem to whom it invoices for its gas and electricity activities under a Memorandum of Understanding.

During the 2011-12 year, none of the Steering Board members, Management Board members or associated bodies of these members, members of the key management staff or other related parties have undertaken any material transactions with NMO.

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

Dr Peter Cowley, a member of NMO's Steering Board and Audit Committee, is a member of the Measurement Board which advises 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 Peter Cowley is on the Management Board of the UK node of the International Neuroinformatics Collaboration Facility (INCF) which involves recommendations for medical and biological modelling and measurement, and is also a Director of Quarndon Cognition Ltd which has BIS and TSB contracts for assessing and monitoring of large grants especially in aerospace and energy. No financial transactions have taken place between NMO and INCF or Quarndon Cognition Ltd.

Peter Mason is President of the International Committee of Legal Metrology which is the Steering Committee for the International Organization of Legal Metrology (OIML). In 2011-12 NMO paid £98,532.36 in cash for subscriptions and also paid £10,568.49 for OIML certificates. 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.

18. Disclosures of IFRSs in issue but not yet effective

There are a number of IFRSs in issue but not yet effective. IFRS 13, "Fair value measurement" may impact the accounts and will increase the disclosure requirements.

Consideration will need to be given to IFRS 10, "Consolidated financial statements"; IFRS 11, "Joint arrangements"; and IFRS 12, "Disclosure of interests in other entities", in NMO's current and future relationships with its contractors, in particular NPLM Ltd.

19. Events after the reporting period

The Financial Statements have been authorised for issue by the Accounting Officer on 4 July 2012.



Chapter 5

Contacts and Glossary

Contacts

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Glossary: Abbreviations

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

Glossary: Technical Terms**Calibration**

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

Metrology

The science of measurement.

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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