



National Measurement & Regulation Office

Annual Report and Accounts 2015-16

From 1 April 2016, the National Measurement and Regulation Office became part of the Regulatory Delivery directorate (Department for Business, Innovation and Skills).



Department for Business, Innovation & Skills



National
Measurement &
Regulation Office

National Measurement and Regulation Office Annual Report and Accounts 2015-16

Presented to the House of Commons pursuant to section 7
of the Government Resources and Accounts Act 2000
Ordered by the House of Commons to be printed on 19 July 2016

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This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at info@nmro.gov.uk

Print ISBN 9781474133579

Web ISBN 9781474133586

ID SGD0011300 07/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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Chapter 1

Performance Report

Overview

Statement from the Acting Chief Executive

I am pleased to introduce the final Annual Report and Accounts for the National Measurement and Regulation Office (NMRO) for the year 2015-16.

In January 2016, our parent Department, the Department for Business, Innovation and Skills (BIS) announced that NMRO and the Better Regulation Delivery Office (BRDO) would combine to create a new "Regulatory Delivery" directorate within BIS on 1 April 2016 and the Executive Agency would therefore close on 31 March 2016.

Over the past year, the Agency worked through a major change programme following the creation of NMRO "to simplify technical regulation for the benefit of British business". Under the departmental sponsorship of BRDO, the aim was to create a Centre of Excellence for Technical Regulation using BRDO's expertise in regulatory implementation and drawing on the front line enforcement skills and capabilities of NMRO. The change of the organisation name from the National Measurement Office to NMRO gave a better reflection of the breadth of work carried out by the Agency.

Highlights of the year included further growth of our enforcement activities which saw the successful transfer of the functions and staff from the Vehicle Certification Agency (VCA) and a new contract to enforce heat metering elements of the Energy Efficiency Directive for the Department of Energy and Climate Change (DECC). In addition, the National Measurement System (NMS) responsibilities were transferred to BIS on 1 April 2015.

Importantly, NMRO contributed to the Government's Business Impact Target to reduce the burdens of regulation on business by:

- Scrapping outdated legislation on the weight labelling and control of knitting yarn,
- Revoking 8 regulations relating to the measurement of cereals, alcohol meters and alcohol hydrometers, types of weights and tyre pressure gauges, and
- Scrapping the requirements for record keeping of weight checks on unwrapped bread.

By making these changes, NMRO expects that it will save businesses between £1.08m to £1.19m per annum, or £9.3m to £10.2m over ten years¹.

¹ Department for Business, Innovation & Skills – Enhancing Consumer Confidence: Generic Set Of Consumer Law Powers – Impact Assessment: Final; January 2014 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/274913/bis-13-1359-enhancing-consumer-confidence-generic-set-of-powers-impact-final.pdf (page 21)

The final quarter of the year focussed on delivering the objectives of the NMRO Corporate Plan and preparing for the successful transition into BIS. I am pleased to say that as well as all of these changes the Agency met all of its BIS financial targets and met or partly met 7 out of 9 of its performance targets.

My final task is to thank our Agency's Steering Board (led by Professor Isobel Pollock-Hulf OBE) and our sponsors (led by Graham Russell MBE) for their valuable advice and guidance, but most of all our staff for their dedication, professionalism and commitment over this, the final year of the Agency.

Purpose and activities

NMRO became an Executive Agency of the Department of Trade and Industry in April 1989, and was an Executive Agency of BIS when it was created in June 2009 following the merger of the Department for Innovation, Universities and Skills (DIUS) and the Department for Business, Enterprise and Regulatory Reform (BERR). The Secretary of State was accountable to Parliament on all matters relating to NMRO.

On 1 April 2009, responsibility for the Scientific Metrology including the NMS was transferred from NMRO's parent Department and integrated within the Agency. On that date, the National Weights and Measures Laboratory changed its name to the National Measurement Office (NMO) to reflect this significant expansion.

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

In 2015-16, NMRO provided policy support for the legislation on weights and measures, utilities metering and hallmarking which were important elements of the UK's trading and consumer protection framework. It also provided laboratory-based certification services so that UK businesses had access to services that enabled them to introduce innovative new products and develop new opportunities through the export of their products to international markets.

In addition, NMRO provided enforcement services to four government departments and were responsible on behalf of the Secretary of State for a wide range of statutory requirements which placed minimum quality requirements on products ranging from domestic appliances to timber and heat networks. This provided consumers with trust when making purchasing decisions and industry with confidence when trading on the UK and European markets.

Key issues and risks

The most significant risk that NMRO faced in 2015-16 in achieving its objectives was the potential reduction in income from other Government Departments due to cuts resulting from the Autumn 2015 Spending Review. NMRO examined how it would address these potential reductions and worked with its customers to ensure the Agency continued to effectively deliver its services.

NMRO's Information and Communication Technologies (ICT) system was designed for staff based solely on the Teddington site with a few home-workers. As more staff worked from other sites, this created issues and risks for the ICT provision. These were resolved and addressed throughout the year.

The transfer to BIS was announced in January 2016, so in the final quarter of the year NMRO addressed the risks around this transition. This included maintaining good staff engagement, whilst continuing the operations and delivery capability of the Agency.

Going concern

The Agency ceased on the 31 March 2016; however its activities and services will continue within a new Regulatory Delivery directorate in BIS. The accounts have therefore been prepared under a going concern basis.

NMRO's BIS budget and existing financial arrangements with other government departments were moved to the new directorate on 1 April 2016. There is no indication that its activities will not be funded in the future.

Performance summary

It was a significant year of transition for NMRO, with the move of the NMS to BIS, the change of focus of the Agency, the move of enforcement activities from VCA to NMRO and in the final quarter, the closure of the Agency and moving its activities and staff to core BIS on 1 April 2016.

NMRO managed all of these activities well alongside maintaining strong governance, delivering its Agency functions and achieving its financial targets. NMRO achieved or partly achieved 7 of its 9 Ministerial Targets and the areas where the Agency failed to meet the targets were largely outside of its control.

Performance Analysis

Key performance measures

In 2015-16 the following nine targets were agreed with Ministers following agreement of its Corporate Plan. The targets covered both finance and delivery and reflected the Agency's overall strategic priorities. These were monitored throughout the year alongside other key projects and deliverables using the balanced scorecard approach. NMRO achieved 5, partly achieved 2 and did not achieve 2 targets. Explanation is provided in the table below:

Target	Achieved/ Not achieved	Comments
1 Identify an appropriate methodology to measure the benefit to UK business from simplifying technical regulation including guidance and enforcement and achieve an upwards trend in benefit over the next three years.	Achieved	NMRO adopted the agreed methodology developed by the Better Regulation Executive for measuring Business Impact. NMRO produced savings for business as a result of deregulating the requirements for small bakers to keep records.
2 Generate a positive 3:1 net contribution to consumers and the environment as well as the low carbon economy through enforcement team activities.	Achieved	This was measured based on the impact of enforcement activity for goods that were withdrawn due to non-compliance. This was then compared to the cost of delivering the enforcement activity.
3 Deliver enforcement services to meet the expectations of Government clients.	Achieved	The expectations were included in the Memoranda of Understanding (MoU) with customers. An annual report was produced showing the work performed. All customers paid against these reports.

Target	Achieved/ Not achieved	Comments
4 Implement the New Legal Framework for EU measuring instruments legislation by the target date of April 2016.	Not achieved	Government is finalising the most effective and proportionate way to implement all the directives in the New Legal Framework. It is expected the transposition process will be completed later this year.
5 Support stakeholders by ensuring that at least 95% of gas and electricity metering enquiries are answered within three business days of receipt of all necessary documentation.	Achieved	A success rate of 99% was achieved.
6 Achieve a satisfaction rating among Certification Service customers of at least 95% for customers scoring satisfied or above, with at least 60% scoring 'very satisfied'.	Partly achieved	Overall satisfaction rating of 95.6%. Very satisfied rating of 47.8%.
7 Achieve a 5% increase in income from the 2014-15 financial year.	Achieved	11% increase in income achieved (excluding the impact of moving NMS to BIS).
8 Reduce the per capita overhead rate from 2014-15.	Not achieved	The Teddington building housed less staff as new staff were based elsewhere across the UK. This resulted in an increase in the accommodation costs per person which affected the per capita overhead rate.
9 Ensure the smooth transition of finances and records of NMS activities from NMRO to BIS by end December 2015.	Partly achieved	The finances were transferred before the end of Dec 2015 and physical records were moved before the end of March 2016. Digital files will transfer during 2016.

Detailed analysis

During 2015-16 NMRO centred its activities on the following four key aims:

Aim 1

To simplify the legislative framework for weights and measures and hallmarking to support well-functioning competitive markets, and using our strong international influence to shape new and existing EU legislation to ensure that burdens on business are minimised or eliminated and UK weights and measures protected.



During 2015-16 NMRO modernised and simplified weights and measures legislation, and contributed to the Government's Business Impact Target to reduce the burdens of regulation on business.

Highlights included:

- ✓ 26 May 2015 where outdated legislation on the weight labelling and control of knitting yarn was scrapped.
- ✓ 1 October 2015 where the requirements for record keeping of weight checks on unwrapped bread were scrapped.
- ✓ 1 December 2015 where 8 regulations relating to the measurement of cereals, alcohol meters and alcohol hydrometers, types of weights and tyre pressure gauges were revoked.

By making these changes, NMRO expects that it will **save businesses between £1.08m-£1.19m per annum or between £9.3m-£10.2m over ten years**². These changes will maintain consumer protection and confidence in the market.

In addition NMRO:

- ✓ Consulted on draft regulations to transpose the Measuring Instruments Directive (Directive 2014/32/EU) (MID) and the Non Automatic Weighing Instruments Directive (NAWI) (Directive 2014/31/EU) into UK law. This clarified the responsibilities for manufacturers, importers and distributors and the obligations of the bodies which carry out conformity assessments.
- ✓ Re-designated notified bodies under the new MID and NAWI Directives, conducted auditing of notified bodies, carried out market surveillance activities under NAWI and MID and undertook the appointment and monitoring of approved verifiers under national weights and measures legislation.
- ✓ Sponsored the British Hallmarking Council (BHC), the body responsible for supervising the hallmarking activities of the four British assay offices to ensure there is adequate provision of hallmarking within the UK.
- ✓ Participated in the International Hallmarking Convention on the Control and Marking of Articles of Precious Metals and provided support for the appointment of two new member countries (Croatia and Serbia were invited to join the Convention in September 2015).
- ✓ Worked with local Trading Standards departments and organisations supporting the wider enforcement role to encourage proportionate and consistent enforcement in line with the Regulators' Code including co-ordinating a national project on approved verification and supporting the Local Government Metrology Experts Group.
- ✓ Organised and hosted with the Chartered Trading Standards Institute (CTSI), a Metrology Seminar, bringing together central government, business and Trading Standards.
- ✓ Participated in European and international legal metrology forums to influence the international standards and recommendations which form the basis for laws regulating measuring equipment, quantity control and quantity labelling of pre-packages to the advantage of British business.
- ✓ Took a leading role in OIML (the International Organisation of Legal Metrology) and WELMEC (a cooperation between the legal metrology organisations of the European Union and European Free Trade association) to achieve international harmonisation for legal metrology to benefit UK stakeholders, including manufacturers, business users and consumers.
- ✓ Provided the Secretariats for several OIML technical committees and the UK member of the International Committee of Legal Metrology (CIML), the OIML governing body, and acted as the CIML President.

² Department for Business, Innovation & Skills – Enhancing Consumer Confidence: Generic Set Of Consumer Law Powers – Impact Assessment: Final; January 2014 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/274913/bis-13-1359-enhancing-consumer-confidence-generic-set-of-powers-impact-final.pdf (page 21).

BIS funded these activities at a total cost of £590k, which was a saving of £58k on the previous year.

NMRO also carried out its statutory responsibilities for the measurement accuracy of gas and electricity meters including management of the contract for a statutory testing service where meter accuracy was disputed. Income of £861k was received for this activity under a Memorandum of Understanding with Ofgem. The Ministerial target was achieved with 99% of gas and electricity metering enquiries answered within 3 business days of receipt of all necessary documentation.

NMRO delivered savings for business through the In-Service Testing (IST) scheme which enabled energy suppliers to avoid the cost of unnecessary meter exchanges while ensuring only meters conforming to the legal requirements were used for billing consumers.

Aim 2

Provide the assurance businesses need to understand and apply legislative requirements and giving them confidence that their investments in research and development are protected against unfair competition.



NMRO supported UK businesses by supporting the development of technical standards and policy, working closely with manufacturer trade associations to ensure that UK industry views were taken into account. Support and advice were provided on approval requirements in order to place their equipment on the market.

In order to maximise the support to UK businesses, NMRO laboratories provided testing and calibration facilities in accordance with manufacturers, regulation and standards requirements. One of the requirements is for all measurements to be traceable which necessitates the maintenance of an unbroken chain of comparisons to a reference standard.

Aim 3

Enforce technical regulations intelligently using the Regulators' Code to achieve better outcomes for British businesses.



NMRO provided enforcement services, on behalf of four government departments; the Department for Business Innovation and Skills (BIS), the Department for Energy and Climate Change (DECC), the Department for Environment, Food and Rural Affairs (Defra) and the Department for Transport (DfT).

Total income received to provide these enforcement services were:

BIS – £1,190k (an increase of £590k from 2014-5)
 DECC – £1,500k (an increase of £200k from 2014-5)
 Defra – £660k (an increase of £6k from 2014-5)
 DfT – £80k (a decrease of £55k from 2014-5)

On 1 April 2015 certain enforcement services previously provided by the Vehicle Certification Agency were transferred to NMRO. These included:

- Noise Emission in the Environment by Equipment for Use Outdoors Regulations 2001
- Waste Electrical and Electronic Equipment (WEEE) legislation – distributor responsibilities
- Waste Batteries and Accumulators Regulations 2009 – distributor responsibilities and producer obligations (industrial and automotive batteries)
- End-of-Life Vehicles Regulations 2003 – part III and IV (prohibition of heavy metals and information requirements respectively).

NMRO received income of £690k and £145k from BIS and Defra respectively in 2015-16 to perform these services.

NMRO were also appointed the competent authority for The Nagoya Protocol (Compliance) Regulations 2015 which validated the Agency's competence as a leading edge regulator.

To support and strengthen these activities, a review of NMRO's enforcement services was conducted by the BRDO. The framework used to facilitate the review was the Regulators' Code which provides a clear, flexible and principles-based structure for how regulators should engage with those they regulate. The review identified a number of examples of good practice and also areas for improvement. The review will serve as a good reference point when these services integrate into the Regulatory Delivery directorate within core BIS.

Market surveillance are the activities and measures taken by public authorities to ensure that products comply with the applicable requirements and do not endanger health, safety or any other aspect of public interest protection. NMRO's approach to market surveillance and subsequent enforcement activities was based on four core activities:

Investigation

- ✓ Initiated a total of 1,411 investigations.

Inspection

- ✓ Carried out a total of 4,158 inspections.

Product Testing

- ✓ Purchased and tested a total of 513 products.

Business Support

- ✓ Engaged with 30 industry associations and spoke at 50 public facing events in order to raise awareness of legislative obligations among the business community.
- ✓ 2,551 enquiries were received and answered.

Consistent approaches to market surveillance are critical for UK businesses to have confidence in developing products for the UK and European markets. To promote this NMRO prioritised close collaborative working with other market surveillance authorities throughout the UK and Europe.

In the UK this involved working with the Market Surveillance Coordination Committee on addressing the issue of Fulfilment Houses.

NMRO worked with the European Commission to develop good practice for market surveillance authorities, led on high profile initiatives including creating a set of principles on the market surveillance of large/complex products and establishing a working group to assess the concerns surrounding what is commonly known as “defeat devices”. NMRO chaired and managed the market surveillance administrative cooperation groups for the Restriction of Hazardous Substances, Energy Related Products and Energy Labelling and was a key project partner in the EU funded market surveillance project (Eepliant³).

Aim 4

Provide a legal metrology infrastructure to underpin trade measurement and confidence in the market, and a range of certification services that enable businesses to export their products globally.



NMRO was responsible for Legal Metrology which provides confidence in measurements. Confidence in measurement allows consumers to have accurate information when making purchasing decisions and enables businesses to trade in a fair marketplace. In 2015-16 BIS paid NMRO just over £1m to carry out this service.

The maintenance of weights and measures standards completes the traceability chain, which starts with the primary standards held at the National Physical Laboratory (NPL) and disseminates through NMRO’s secondary and tertiary standards. These 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 1985 (W&M Act).

NMRO performed the annual calibration of coin standards for all UK and New Zealand current and commemorative coins struck by the Royal Mint and the provision of trial plates of Gold, Silver, Platinum, Nickel, Copper and Aluminium for assay at Goldsmiths’ Hall. This involved participation in the Trial of the Pyx in accordance with sections 6, 7, and 8 of the Coinage Act.

NMRO also provided the following certification and calibration services to local authorities and private businesses; income from these amounted to £0.9m. The Ministerial target was partly achieved with 95.6% of customers saying they were satisfied and 47.8% very satisfied. The Agency provided:

- ✓ Conformity assessment services to manufacturers of weighing and measuring instruments as a Notified Body and the UK Issuing Authority for OIML Certificates of Conformity to enable manufacturers to gain national approvals for their instruments in countries outside of Europe. NMRO was also responsible for granting UK National Type Approval Certificates for weighing and measuring instruments. There was a reduction in applications of 18% as the market had a quiet year.

3 <http://eepliant.eu/>

- ✓ Management system certification for which there was an increased demand in 2015-16 due to improved customer service and business development activities alongside a well managed audit programme. This enabled a 15% increase in income from 2014-15.
- ✓ NMRO staff to visit local authority trading standards to ensure local and working standards of mass, length and volume and the in-situ re-verification of standards met the requirements.
- ✓ Calibration and testing services for the pharmaceutical industry and testing of taximeters on behalf of London Transport Private Hire (LTPH). NMRO also offered mass calibration including a high accuracy service for heavy mass up to 500kg and one tonne, in addition to mass standards down to 0.05mg.
- ✓ Calibration services and testing of fish net gauges on behalf of Defra to assist with the monitoring of the equipment used by fisherman to ensure only the appropriate sized fish are caught. This is vital to reduce overfishing and sustainability of marine wildlife around UK borders.
- ✓ The issuing of 500 calibration certificates in 2015-16, with the level of income similar to 2014-15, despite a climate where businesses are extending their calibration intervals.

NMRO provided the following training during 2015-16 which there was income of £0.1m:

- ✓ 27 National courses for trading standards officers sponsored by the BIS Legal Metrology, to improve competency and provide refreshers in three subjects (petrol, bulk fuel and weighbridges).
- ✓ Commercial training for PTB Germany supporting their developing countries programme in African countries,
- ✓ An ongoing Twinning project in Cairo, and training for EU and UK delegates on the new NAWI and MID revised legislation and also some bespoke training.
- ✓ Improved Weights and Measures DCATS examinations.



Sir Martin Donnelly
Accounting Officer
Date: 11 July 2016



Chapter 2

Accountability report

Corporate governance report

Directors' report

The Management Board comprised the following personnel during 2015-16: Acting Chief Executive, Richard Sanders, and the following Directors: Paul Dixon, Richard Frewin, Lynnette Falk (Acting), and Sarah Glasspool. It met formally every two weeks to make decisions and monitor high-level business planning, financial, risk and management issues. The Management Board was also responsible for setting standards, values and controls within the Agency.

The Management Board made no political or charitable donations during the year. Travel and subsistence expenses incurred by the Management Board during 2015-16 totalled £15k.



Richard Sanders
Acting Chief Executive



Lynnette Falk
Director
Regulation (Acting)



Sarah Glasspool
Director
Finance and
Corporate Services



Richard Frewin
Director
Enforcement



Paul Dixon
Director
Technical Services

Conflict of interest and personal data incidents

Each year, each board member was required to declare any conflicts of interest which were recorded in the Register of Interests. Where a board member raises a potential conflict at meetings, it was recorded in the minutes and the board member absented himself or herself from that item of discussion. During 2015-16, no conflicts of interest were raised by the board members.

NMRO had no protected personal data related incidents during 2015-16 and none during the previous ten years. All NMRO staff received training on 'Responsible for Information'. Information Asset Owners were assigned to each dataset owned by NMRO and were trained to a higher level on data security. They provided quarterly report on risk and security incidents on their databases. Since December 2012 NMRO published all of its monthly spend data in accordance with HM Treasury's guidance. Prior to publication this data was reviewed by the Head of Finance who had sight of all invoices. The Finance and Corporate Services Director also saw the invoices as part of approving all payments to suppliers. This process provided a control to ensure that the Agency was managing its expenditure to conform to current measures.

Statement of Accounting Officer responsibilities

Under the Government Resources and Accounts Act 2000, the Secretary of State with the consent of the HM Treasury has directed NMRO 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 NMRO, 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 for Business, Innovation and Skills (BIS) designated the Acting Chief Executive as Accounting Officer for NMRO. 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 NMRO's assets, are set out in Managing Public Money, as published by HM Treasury. NMRO ceased being an Agency on the 31 March 2016, and its activities moved to core BIS on 1 April 2016. For the purposes of signing these Annual Report and Accounts, the Accounting Officer is the Accounting Officer of BIS.

These Annual Report and Accounts are fair, balanced and understandable and the Accounting Officer takes personal responsibility for them and the judgments required to make them fair, balanced and understandable.

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

Governance Statement

This Governance Statement sets out the internal control procedures that have operated in the Agency during the period 1 April 2015 to 31 March 2016. Its preparation has been supported by the work of Government Internal Audit Agency (GIAA), whom NMRO engaged to perform the internal audit function for the Agency. The Agency ceased on the 31 March 2016 and its activities joined with the Better Regulation and Delivery Office (BRDO) to create a new directorate in BIS called 'Regulatory Delivery'. The Agency Accounting Officer role therefore ended on the 31 March 2016 and I, as BIS Accounting Officer have obtained assurance from Richard Sanders to enable me to sign this Statement.

Scope of responsibility

The Accounting Officer had responsibility for maintaining a sound system of internal control that supported the achievement of the NMRO's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned in Managing Public Money.

NMRO operated as an Executive Agency within the Department for Business, Innovation and Skills (BIS). The purpose of the Agency, together with its governance arrangements, accountability and delegations, was set out in a Framework Document.

In accordance with Managing Public Money the Accounting Officer was personally responsible for managing the risks of the Agency and the key risks for 2015-16 were set out in the Agency's Corporate Plan which is approved by Ministers each year. During 2015-16 for line management purposes, the Accounting Officer reported to the Director of BRDO, who also sat on the Agency's Steering Board.

The governance framework

The Agency Accounting Officer was supported by three NMRO corporate governance bodies: the Steering Board, the Management Board and the Audit Committee. These bodies adhered to the main principles of the UK Corporate Governance Code. NMRO complied with the five main principles of the UK Corporate Governance Code of leadership, effectiveness, accountability, remuneration and relations with shareholders. This was discharged by the Steering Board, Audit Committee and Management Board, whose operation and terms of reference together complied with these principles.

The Steering Board consisted of Isobel Pollock-Hulf, Alan Proctor and Peter Cowley (non-executive members), Graham Russell (the Director of BRDO) and Richards Sanders (the Accounting Officer until 31 March 2016). Other members of the Management Board also attended. In 2015-16 it met four times on 20 May 2015, 16 July 2015, 23 November 2015 and 1 March 2016.

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

The Audit Committee consisted of two non-executive Steering Board members and met three times (30 June 2015, 23 November 2015 and 1 March 2016) along with representatives from the National Audit Office (NAO), GIAA and BIS Finance. Its role was to support the 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 2015-16 the Audit Committee comprised of the following personnel:

- Alan Proctor, Non-Executive Member, Chair
- Peter Cowley, Non-Executive Member

Attendance of members at the Steering Board and Audit Committee meetings for 2015-16 were as follows:

Member	Steering Board	Audit Committee
Professor Isobel Pollock-Hulf	4/4	1/3
Mr Alan Proctor	2/4	3/3
Mr Peter Cowley	4/4	3/3
Mr Graham Russell	4/4	N/A
Mr Richard Sanders	4/4	3/3

The Management Board consisted of the Chief Executive and the heads of the Directorates. It met monthly for an operational performance meeting where risk and finance were always addressed, and monthly for management policy meetings. The attendance record at Board meetings held April 2015 to March 2016 is as follows:

Director	Performance meeting	Policy meeting
Richard Sanders	8/10	10/10
Sarah Glasspool	9/10	8/10
Richard Frewin	9/10	8/10
Paul Dixon	8/10	9/10
Lynnette Falk	9/10	10/10

The HR advisor from BRDO also attended the majority of meetings.

Review of Board performance

During 2015-16 it was decided not to review the performance of the Steering Board and the Audit Committee while the future strategy of NMRO was being deliberated, and subsequently it was chosen that NMRO would cease to be an Agency on 1 April 2016.

In 2015-16, GIAA was engaged to review the effectiveness of the Management Board. This report concluded with a number of medium recommendations which included:

- Developing the strategic nature of the Management Board alongside training,
- re-evaluating the benefits of the legacy division between operational and policy meetings and business teams and directorates,
- considering the use of more exception reporting, alongside the use of 'deep dives',

- consideration of risk mitigation and appetite,
- assessment of secretariat support,
- increasing informal discussions.

This review was overtaken by the decision to cease the Agency from the 1 April 2016, so these recommendations were not progressed.

The Management Board continued to employ the balanced scorecard approach which provided detailed oversight of the diverse activities of the Agency and focussed discussions on key issues. The Board regularly discussed and communicated key risks, finances, projects and health and safety. Information covering all of these areas was presented to the Board to ensure that a sufficient level of detail was provided on which to make judgements and base decisions. This approach meant that the Board was effective in its duties in 2015-16.

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

Initially the Steering Board focussed most of its attention on the creation of a future strategy for the new shape of NMRO following the move of the National Measurement System responsibilities to BIS on 1 April 2015 and BRDO as new sponsors.

BRDO carried out a regulatory review focussing on NMRO's enforcement activities; the final report was discussed by the Board who acknowledged the value of the recommendations that would be taken forward into an action plan.

The final Steering Board meeting in March 2016 gave an opportunity to discuss the implications of the ending of NMRO as an Executive Agency and also to acknowledge the successes of the Agency and the dedication and professionalism of its staff.

The Management Board considered risk, finance, health and safety and other routine items in addition to the following:

- NMRO's future strategy,
- business Continuity plans and framework following an audit,
- more efficient use of the Teddington building,
- internal communications plan,
- BRDO's Regulatory Review focussing on enforcement activities,
- transition to BIS.

The Audit Committee had a thorough work plan of items to discuss which covered risks (outlined below), policies, accounting issues, the Annual Report and Accounts and also reports from the NAO and GIAA.

Risk and internal control framework

NMRO operated a system of internal control which was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it was therefore only able to provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to evaluate the likelihood of those risks and their impact, and to manage them efficiently, effectively and economically. Staff were aware of their financial responsibilities and the importance of raising issues with management where projects were not proceeding to plan.

The Agency's Finance and Corporate Services Director acted as risk management 'champion' on the Management Board and was responsible for the maintenance of risk management policies, operations and profile.

The Agency's risk management strategy was based on risk registers drawn up at Directorate or Business Team level which were reviewed monthly. Operational and financial issues were addressed at monthly meetings via a scorecard process which were attended by both Business Team Managers and the Management Board. Any significant issues were addressed by the Management Board and where necessary escalated to our parent Department. The scorecard was derived from the Corporate Plan and assessed both risk registers and targets at Business Team/Directorate level and Agency level.

The Agency had risk assessment guidance which determined the priority and the acceptable level of risk. Any risks which were assessed as high or were significantly above the desired risk were considered by the Management Board and included in the Agency's high level risk register.

As an Executive Agency, NMRO opted for independent Departmental Security Officer status and had a designated Agency Security Officer, an Information Technology Security Officer and a Board-level Senior Information Risk Owner. The Data Handling Review requires Departments to report annually on information risk in their Resource Accounts and to the Cabinet Office in the Departmental Security Health Check (DSHC). The Agency completed a DSHC annual return which will form part of the overall BIS DSHC report and provided information of the main areas of security and information risk. NMRO also completed an Annual Statement of Assurance to BIS which showed that there were no major unmitigated risks, and no information losses during 2015/16. These were submitted to BIS on 6 May 2016.

A number of the Agency's functions were certified to the international standards e.g. ISO 18000 and NMRO held UKAS accreditation to the international standards ISO 17021 and 17025 for a range of functions. An essential requirement of these standards was that the functions covered were subject to a third party, and therefore independent audit.

Review of the system of internal control

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of GIAA, assertion statements from the Directors within the Agency, and by comments made by the external auditors in their ISA 260 and other reports.

The GIAA programme is considered by the Audit Committee annually. In 2015-16 the audit programme varied to reflect the changing needs of the Agency, and included:

- Transfer of NMS to BIS – there were no recommendations, and resulted in a 'substantial' audit opinion,
- Business Continuity – this was a short audit with a 'substantial' audit opinion with no recommendations,
- Management Board – this was an advisory piece, which showed areas of good practice as well as areas of improvement. Unfortunately due to the closure of the Agency, the improvements were not implemented,
- Transfer of NMRO to BIS – this audit resulted in a 'moderate' opinion with two findings regarding close liaison with BIS finance and also providing lessons learnt for similar BIS projects.

GIAA have confirmed their opinion that the system of internal control that operated within NMRO during 2015-16 was 'substantial'.

NMRO carried out a range of commercial activities and great importance was placed on the ethical standards the Agency applied when conducting their business responsibilities, as failure to do so could have caused reputational as well as financial damage.

BRDO performed a regulatory review of the Agency's enforcement activities and a report was produced that identified both the level of compliance and the areas for improvement. The report was issued at the end of 2015 with an action plan produced which will be implemented during 2016-17.

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

I can confirm that the tax arrangements that NMRO had for off payroll engagements comply with the Alexander Tax Review. This review looked at the tax arrangements of public sector appointees and the possibility for artificial arrangements to enable tax avoidance. Tax assurance evidence was sought and scrutinised to ensure it was sufficient from all off-payroll appointees.

Risks

The start of the year saw a significant change in the risks for the Agency as risks related to the NMS transferred to BIS and risks related to enforcement activities transferred from the VCA to NMRO. The transfer of the enforcement activities caused a significant influx of new staff that were based at offices around the country or at home. This proved to be a significant challenge to provide ICT support, however through close risks related to communication and system updates, the ICT needs of staff were gradually accommodated.

The Spending Review 2015 and its impact on the funding streams for the Agency were addressed and scenario plans produced. This however was overtaken by the planned move of NMRO activities to BIS from 1 April 2016.

The Volkswagen emissions scandal in September 2015 was discussed, and there was concern that this would result in a loss of confidence in self-certification, thus adversely affecting the reputation of NMRO. There was no adverse impact on the reputation of NMRO.

The adequacy of business continuity arrangements was addressed during the year, with processes and procedures being updated alongside increased awareness of staff.

The end of the year transition of NMRO activities to BIS and the ending of the Agency became a risk to effective delivery of operations during this period of change, and the impact of reduced staff engagement. A project team was established to steer the Agency through this with audit support provided by GIAA and close liaison with UKSBS.

Some of the Agency's risks will be carried forward into the new directorate of BIS, and this will be managed by a project team in 'phase 2' of the transfer.

Whistleblowing arrangements

NMRO had a whistleblowing policy and procedures that were available to staff, both on the intranet and the records management system. This policy was reviewed annually by the Audit Committee. The Agency used the same whistleblowing service as BIS and had an authorised receiver of information. No whistleblowings were received during 2015-16.

Other relevant governance issues that have arisen during the financial year

There were no significant control issues and no data security lapses during 2015-16 which required intervention from the Accounting Officer or the Management Board.

Remuneration and staff report

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.

Remuneration policy

The Review Body on Senior Salaries (SSRB) provides independent advice to the Prime Minister on the pay of Senior Civil Servants. In reaching its recommendations, the SSRB considers:

- The need to recruit, retain and motivate and where relevant, promote 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;
- 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.gov.uk/government/organisation/review-body-on-senior-salaries.

NMRO had no Senior Civil Servants in 2015-16.

Remuneration (including salary) and pension entitlements

This section is subject to audit opinion.

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

	Salary £'000		Bonus payments £'000		Benefits in kind (to nearest £100)		Pension benefits £'000 ¹		Total £'000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Mr Richard Sanders <i>Acting Chief Executive</i> <i>(from 1 May 2014)</i> <i>Director</i> <i>(up to 30 April 2014)</i>	65-70	65-70	0-5	0-5	0	0	20	61	90-95	125-130
Mr Paul Dixon <i>Director</i>	60-65	60-65	0-5	0-5	0	0	23	21	80-85	80-85
Miss Sarah Glasspool <i>Director</i>	55-60	55-60	0-5	0-5	0	0	27	10	85-90	65-70
Mr Richard Frewin <i>Director</i>	55-60	55-60	0-5	0-5	0	0	17	12	75-80	70-75
Mrs Lynnette Falk <i>Acting Director</i> <i>(from 1 May 2014)</i>	55-60	50-55 (55-60 whole year equivalent)	0-5	0-5	0	0	29	45	85-90	95-100

Note

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

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 2015-16 relate to performance in 2014-15 and the comparative bonuses reported for 2014-15 relate to the performance in 2013-14.

Pension benefits

This section is subject to audit opinion.

	Accrued pension at pension age as at 31/3/16 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/16 ² £'000	CETV at 31/3/15 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account £'000
Mr Richard Sanders <i>Acting Chief Executive (from 1 May 2014) Director (up to 30 April 2014)</i>	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5	580	517	16	0
Mr Paul Dixon <i>Director</i>	15-20 plus lump sum of 10-15	0-2.5 plus lump sum of 0-2.5	253	219	9	0
Miss Sarah Glasspool <i>Director</i>	10-15 plus lump sum of 5-10	0-2.5 plus lump sum of 0-2.5	236	201	14	0
Mr Richard Frewin <i>Director</i>	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	339	300	5	0
Mrs Lynnette Falk <i>Acting Director (from 1 May 2014)</i>	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	326	283	15	0

Note

- 2 The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016.

Cash Equivalent Transfer Value (CETV)

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.

Remuneration reports show the CETVs of senior staff at the start and end of the reporting year, together with the real increase during that period. The real increase is the increase due to additional benefit accrual (i.e. as a result of salary changes and service) that is funded by the employer. It will be smaller than the difference between the start and end CETVs because it does not include any increase in the value of the pension due to inflation or due to the contributions paid by the employee or the value of any benefits transferred from another pension scheme. Nor does it include any increases (or decreases) because of any changes during the year in the actuarial factors used to calculate CETVs.

There will be an even greater disparity than usual in the 2015-16 accounts between the start/end CETV differences and the corresponding real increases. This is because the actuarial factors used to calculate CETVs changed during the year and, consequently, CETV figures increased even without any further pension accrual. The real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that it is funded by the employer.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Other Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 based on his pensionable earnings during their period of

scheme membership. At the end of the scheme year (31 March) the members 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk.

Agency Steering Board

The non-executive members were entitled and paid the following fee in 2015-16:

Name	Fee £'000
Professor Isobel Pollock-Hulf	5-10
Mr Alan Proctor	5-10
Dr Peter Cowley	5-10

Mr Graham Russell was a member of the Steering Board from 1 April 2015 but as a salaried employee of BIS, drew no remuneration.

Steering Board composition	Full year's numbers
NMRO	1
BIS	1
Private sector	3

Fair pay

This section is subject to audit opinion.

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 NMRO in the financial year 2015-16 was £70,000-£75,000 (2014-15, £65,000-£70,000). This was 2.3 times (2014-15, 1.8) the median remuneration of the workforce, which was £32,000 (2014-15, £36,699).

In 2015-16, nil (2014-15, 1) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £14,000 to £70,000 (2014-15, £16,000-£73,000).

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

The pay multiple ratio has increased following the departure of staff within the Change and Development, Estate Management and Programme Management teams as part of the transfer out of the NMS responsibilities and the recruitment of more junior staff particularly within Enforcement.

Staff report

Staff numbers and costs

This section is subject to audit opinion.

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

Number of staff by Directorate	2015-16	2015-16	2015-16	2014-15
	Permanently employed staff	Others	Total	Total
*Technical Services	15	–	15	17
**Change & Development	–	–	–	4
Corporate Services	14	–	14	15
Enforcement	39	2	41	26
**Estate Management	–	–	–	2
**Programme Management	–	–	–	5
Regulation	6	–	6	7
Utilities	4	–	4	3
Total	78	2	80	79

*Certification Services was renamed Technical Services in November 2015.

**These activities were moved to BIS on 1 April 2015.

Staff costs comprised:

	2015-16 Permanently employed staff £'000	2015-16 Others £'000	2015-16 Total £'000	2014-15 Total £'000
Wages and salaries	2,924	62	2,986	3,039
Social security costs	233	–	233	251
Other pension costs	583	–	583	571
Total	3,740	62	3,802	3,861

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” were unfunded multi-employer defined benefit scheme but NMRO was unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation: <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

For 2015-16, employers’ contributions of £578,303 were payable to the PCSPS/alpha (2014-15 £570,084) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £4,616 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £nil, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

No persons (2014-15: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities, payable by the PCSPS/alpha for individuals who retired on health grounds during the year was £nil (2014-15: £nil).

Staff composition

As at 31 March 2016, NMRO had the following members of staff:

	31 March 2016				31 March 2015	
	Headcount	Full Time	Part Time	Whole-time Equivalent	Headcount	Whole-time Equivalent
Male	63	58	5	60.8	56	54.3
Female	29	23	6	27.1	23	21.9
	92	81	11	87.9	79	76.2

NMRO employed staff with a range of diverse skills e.g. policy, enforcement, finance, science and engineering. In 2015-16 there was an average of 80 whole time equivalent which was 1 more than the average for 2014-15 due to the increase of our enforcement activities. There were 28 new recruits during the 2015-16 year. There were five Management Board members, of which two were female.

Sickness absence data

NMRO encouraged a culture where good attendance is expected and valued. However, it recognised that from time to time absences for medical reasons may be unavoidable. The Agency aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly. In 2015-16, the average number of working days lost was 1.24 per full time equivalent employee. In 2014-15, the figure was 3.34 days. The Agency continues to review the reasons for absence and to maintain a focus on attendance, health and wellbeing.

Staff policies

NMRO was fully committed to providing equal opportunity for all staff. In 2015-16 training was provided to all staff on diversity issues and two members of staff were appointed to promote diversity within the Agency. The Agency followed the Civil Service guidelines ensuring that all eligible people must have equality of opportunity for employment and advancement on the basis of their suitability for the work. NMRO's consultative mechanisms provided an opportunity for staff to have an input into issues that concern them, to offer a staff view on new initiatives, and to make suggestions for improvements where appropriate.

NMRO worked hard to maintain high levels of employee engagement during a period of significant change resulting in an engagement index of 57% which was lower than last year but still 1% better than our parent department BIS.

NMRO continued with its membership of Investors in People, operate a staff focus group, and strive to be seen as an employer of choice, to attract and maintain a skilled and diverse workforce.

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

Compensation for loss of office

No staff received compensation for loss of office in 2015-16.

Spend on consultancy

NMRO spent £21k on consultancy in 2015-16 for meter dispute reports and action plan to follow on from the review of NMRO's enforcement functions.

Off payroll engagements

There were 6 off payroll engagements in 2015-16 that lasted more than 6 months and cost more than £220 per day. NMRO implemented the requirements of the Procurement Policy Note – Tax Arrangements of Public Appointees Action Note 8/15 27 March 2015.

Parliamentary Accountability and Audit Report

This section is subject to audit opinion.

Regularity of expenditure

NMRO had no losses and made no special payments in 2015-16.

Fees and charges

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

	2015-16 Income £'000	2015-16 Full Cost £'000	2015-16 Surplus/ (Deficit) £'000	2014-15 Income £'000	2014-15 Full Cost £'000	2014-15 Surplus/ (Deficit) £'000
Intradepartmental	2,262	2,192	70	1,636	1,727	(91)
Intragovernmental	3,131	3,232	(101)	3,146	2,834	312
Statutory	889	966	(77)	957	974	(17)
Commercial	175	83	92	103	101	2
Total	6,457	6,473	(16)	5,842	5,636	206
Rental income	-			12,473		
Total income	6,457			18,315		

The 2014-15 figures for intradepartmental have been restated to include the income and expenditure of the Legal Metrology Programme for comparative purposes. On 1 April 2015, the sponsorship of the Legal Metrology Programme was transferred to BIS as part of the move out of NMS responsibilities.

Remote contingent liabilities

There were no remote contingent liabilities in 2015-16.

Long term expenditure trends

The most significant change to NMRO's expenditure over the past 5 years was when the NMS transferred back to BIS on the 1 April 2015, reversing a decision which took effect from April 2009. NMS had annual expenditure over the past 5 years of between around £40m and £90m with the variation largely due to the NPL pension provision valuation. After this transfer the expenditure that remained in NMRO was £7m for 2015-16. The majority of this expenditure (£3.5m) related to enforcement services that NMRO provided for and was paid for by OGDs. These enforcement services have increased gradually from £1.3m in 2011-12 as a result of increasing EU environmental legislation requiring to be enforced in the UK, and in 2015-16 the transferring of enforcement services from the VCA. Other expenditure includes the policy for gas and electricity metering including the testing of disputed meters which is paid for by Ofgem and also calibration and certification services to private businesses and local authorities. These areas have remained fairly consistent over the past 5 years at approx. £1m each.



Sir Martin Donnelly
Accounting Officer
Date: 11 July 2016

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, (herein referred to as the National Measurement and Regulation Office) for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report (the Remuneration and Staff Report and the Parliamentary Accountability Disclosures) that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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 and Regulation Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by National Measurement and Regulation Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of National Measurement and Regulation Office's affairs as at 31 March 2016 and of the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

I have no observations to make on these financial statements.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 14 July 2016

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



Chapter 3

Accounts

The Accounts cover the activities of the National Measurement and Regulation Office for the year ended 31 March 2016. 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.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Operating income	2	6,457	17,351
Staff costs	3	(3,802)	(3,861)
Science research costs		–	(55,928)
Accommodation		(1,168)	(5,553)
Laboratory testing		(852)	(1,098)
Other operating expenditure		(961)	(2,059)
		(326)	(51,148)
Non-cash items			
Depreciation	4	(119)	(8,224)
Amortisation	5	(41)	(88)
Impairment charges	4,5	(16)	(249)
Revaluation charges		–	223
Loss on disposal of non-current assets	4,5	(26)	(661)
Notional audit fee		(34)	(34)
Movement in provisions	10	–	30,971
		(236)	21,938
Net Operating Expenditure		(562)	(29,210)

Other Comprehensive Net Expenditure

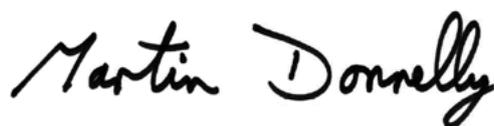
	Note	2015-16 £'000	2014-15 £'000
Net gain on revaluation of Property, Plant and Equipment		46	4,553
Net gain on revaluation of Intangibles		2	–
Loss on transfer of assets	14	(194,297)	–
Total Comprehensive Net Expenditure		(194,811)	(24,657)

The notes on pages 36 to 52 form part of these accounts.

Statement of Financial Position

for the year ended 31 March 2016

	Note	31 March 2016		31 March 2015	
		£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	4	896		194,998	
Heritage assets	4	127		837	
Intangible assets	5	123		481	
Deposits and advances	7	200		200	
Total non-current assets			1,346		196,516
Current assets:					
Trade and other receivables	7	1,298		4,895	
Cash and cash equivalents	8	785		2,232	
Total current assets			2,083		7,127
Total assets			3,429		203,643
Current liabilities					
Trade and other payables	9	(1,029)		(2,601)	
Provisions	10	–		(30)	
Total current liabilities			(1,029)		(2,631)
Total assets less current liabilities			2,400		201,012
Non-current liabilities					
Provisions	10	–		(235)	
Total non-current liabilities			–		(235)
Assets less liabilities			2,400		200,777
Taxpayers' equity:					
General fund			2,197		151,154
Revaluation reserve			203		49,623
Total taxpayers' equity			2,400		200,777



Sir Martin Donnelly
Accounting Officer
Date: 11 July 2016

The notes on pages 36 to 52 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Cash flows from operating activities			
Net operating cost		(562)	(29,210)
Adjustments for non-cash transactions		236	9,033
Adjustments for non-cash provisions		–	(30,971)
Use of provisions	10	–	(1,948)
Decrease in trade and other receivables	7	3,597	44
(Decrease) in trade payables	9	(1,572)	(906)
Transfer to BIS – National Measurement System (receivables and payables)	14	526	–
Net cash outflow from operating activities		2,225	(53,958)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(61)	(8,465)
Purchase of intangible assets	5	(11)	(35)
Net cash outflow from investing activities		(72)	(8,500)
Cash flows from financing activities			
Funding from the Department		(3,600)	63,500
Net financing		(3,600)	63,500
Net (decrease)/increase in cash and cash equivalents in the period		(1,447)	1,042
Cash and cash equivalents at the beginning of the period	8	2,232	1,190
Cash and cash equivalents at the end of the period	8	785	2,232

The notes on pages 36 to 52 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2015		151,154	49,623	200,777
Net Parliamentary Funding – repayment		(3,600)	–	(3,600)
Net operating expenditure for the year		(562)	–	(562)
Non-Cash Adjustments:				
Surplus on revaluation	4,5	–	48	48
Realised element of revalued assets		14	(14)	–
Impairments		13	(13)	–
Transfer to BIS	14	(144,857)	(49,440)	(194,297)
Disposals		1	(1)	–
Auditor's remuneration		34	–	34
Balance at 31 March 2016		2,197	203	2,400

for the year ended 31 March 2015

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

The notes on pages 36 to 52 form part of these accounts.

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

Notes to the Accounts

For the year ended 31 March 2016

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2015–16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

1.1 Accounting convention and presentational currency

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

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

1.2 Going concern

NMRO was an Executive Agency of the Department for Business, Innovation and Skills (BIS), and closed on the 31 March 2016. Its activities are planned to continue within a new Regulatory Delivery directorate in core BIS. It is therefore appropriate to prepare these accounts on a going concern basis.

1.3 Reporting by operating segment

The income was analysed in segments to meet the relevant sections of the statutes under which NMRO operates, which is a fees and charges requirement as set out in Managing Public Money. Income was also analysed on a geographical basis and segment basis in accordance with IFRS 8 Operating Segments.

1.4 Pensions

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

1.5 Operating income

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

1.6 Tangible non-current assets

Property, plant and equipment

Property, plant and equipment was carried at fair value or depreciated historical cost which is used as a proxy for fair value. Expenditure on plant and equipment of over £1,000 are capitalised with the exception of IT equipment, where everything over £500 is capitalised.

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

Revaluation

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

Depreciation

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

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

The assets across the Agency are normally depreciated over the following periods:

- Plant and machinery from 5 to 30 years
- Computer equipment and office machinery from 3 to 10 years
- Motor vehicles from 5 to 10 years

Heritage assets

The Agency had 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 and Regulation Office laboratories in Teddington, with access limited to selected NPL and NMRO 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 NMRO asset register and are checked for their existence annually. Due to their nature, very little maintenance is required. They consisted of some UK primary standard weights and measures. Some of these groups of assets were held for statutory purposes. Most were not depreciated as they had very long estimated lives. There is little market based evidence of fair value because of their nature, so fair value was 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.

1.7 Intangible non-current assets

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

1.8 Financial instruments

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

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

Financial assets were derecognised when the rights to receive future cash flows were expired or were transferred and the Agency transferred substantially all the risks and rewards of ownership. Financial liabilities were derecognised when the obligation was discharged, cancelled or expires.

1.8.1 Financial assets

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

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

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

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

1.8.2 Financial liabilities

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

1.8.3 Cash and cash equivalents

Cash comprised of current balances with banks, which were readily convertible to known amounts of cash and which were subject to insignificant risk of changes in value and had an original maturity of three months or less.

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

1.9 Taxation

NMRO was exempt from income and corporation tax by way of its Crown exemption. NMRO was covered under the VAT registration of the Department for Business, Innovation and Skills. NMRO recovered VAT on certain contracted-out services, as directed by HM Treasury. Value Added Tax (VAT) was accounted for in the Accounts, in that amounts are shown net of VAT except:

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

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

1.10 Accounting for the costs of the CRC Energy Efficiency Scheme

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

1.11 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The cost of the lease and any lease incentive were charged to the Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis in accordance with IAS 17 Leases unless another systematic basis was more appropriate. The amounts payable in the future under these operating lease arrangements, which are disclosed in Note 11 are not discounted.

1.12 Estimation techniques used and key judgements

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

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, revisions to accounting estimates were recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. NMRO made estimates in relation to the valuation of its property, plant and equipment, impairment of assets and provisions. These are explained further in notes 1.6, 4 and 10.

1.13 Prior period adjustments

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

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

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

There were no prior period adjustments in 2015-16.

1.14 Disclosures of IFRSs in issue but not yet effective

There are a number of IFRSs in issue but not yet effective such as IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. These are not expected to materially affect these accounts.

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

Operating Segments

NMRO reported its income and expenditure by operating segment in accordance with IFRS 8 Operating Segments. A segment is a distinguishable component of the business engaged in providing particular services or products. The different operating segments were chosen to reflect the different types of services that the Agency operated. These had different customers pricing regimes and internal managers. They were accounted for separately and budgeting and decision making were based on this division.

Assets and liabilities were not segmented for management information purposes.

Operating Segments 2015-16

	Gas and electricity metering £'000	Enforcement £'000	Certification and Calibration £'000	Other Legal Metrology £'000	National Measurement System*** £'000	Other £'000	Total £'000
Income from parent Department	–	1,190	–	–	1,046	26	2,262
Income from other Govt organisations	–	2,270	24	–	–	–	2,294
Income from public corporations/trading fund	861	–	12	–	–	62	935
Income from private sector	13	47	768	–	1	58	887
Income from local authority	–	–	76	–	–	3	79
*Total income	874	3,507	880	–	1,047	149	6,457
Other operating costs	874	3,521	912	590	914	81	6,892
**Depreciation and amortisation	–	12	36	–	62	1	111
**Impairments and revaluations	–	–	13	–	–	3	16
Total costs	874	3,533	961	590	976	85	7,019
Total comprehensive net expenditure	–	(26)	(81)	(590)	71	64	(562)

* NMRO received more than 10% of all its revenues from the following customers:

- The Department for Business, Innovation and Skills (BIS) – £2,262k,
- The Department of Energy & Climate Change (DECC) – £1,479k,
- The Office of Gas and Electricity Markets (Ofgem) – £861k, and
- The Department for Environment, Food and Rural Affairs (Defra) £660k.

Other: The £149k included commercial training income of £107k which was performed by the Technical Services Team.

** The depreciation and amortisation shown related to direct costs to the segments, the remaining costs were apportioned within an overhead charge.

***The scientific metrology responsibilities of the National Measurement System (NMS) were transferred to BIS on 1 April 2015. The figures shown relate to the Legal Metrology Programme.

Operating Segments 2014-15

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

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

**The depreciation and amortisation shown related to direct costs to the segments, the remaining costs were apportioned within an overhead charge.

Geographical Analysis of Income

	2015-16 £'000	2014-15 £'000
UK	5,959	16,850
EU	248	236
Asia*	182	189
North America*	53	71
Australasia	14	2
Africa	1	3
Total	6,457	17,351

Notes:

*The Asia figures include income gained from China (£66k, 2015-16 and £71k, 2014-15).

** The North America figures include income gained from the USA (£43k, 2015-16 and £54k, 2014-15).

European Union Funding

NMRO received the following direct European Union (EU) funding:

	2015-16 £'000	2014-15 £'000
EU income received	–	95
of which was used to fund NMRO's own expenditure	–	95

3. Staff costs

	2015-16 £'000	2014-15 £'000
Wages and salaries	2,986	3,039
Social security costs	233	251
Other pension costs	583	571
Total	3,802	3,861

4. Property, plant and equipment

	Land £'000	Leasehold improvements £'000	Buildings £'000	Heritage assets £'000	Plant and machinery £'000	Information technology and office machinery £'000	Furniture and fittings £'000	Transport equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation										
1 April 2015	17,563	555	156,646	855	138,260	509	203	47	3,948	318,586
Additions	-	-	-	-	47	13	-	1	-	61
Transfer from VCA	-	-	-	-	-	2	-	-	-	2
Transfer to BIS	(17,563)	(555)	(156,646)	(661)	(135,997)	(22)	(14)	-	(3,948)	(315,406)
Revaluations	-	-	-	(41)	(38)	4	3	-	-	(72)
Impairments	-	-	-	(8)	(5)	-	-	-	-	(13)
Disposals	-	-	-	-	(57)	-	-	-	-	(57)
31 March 2016	-	-	-	145	2,210	506	192	48	-	3,101
Depreciation										
1 April 2015	-	(121)	(60,148)	(18)	(62,035)	(332)	(52)	(45)	-	(122,751)
Charged in year	-	-	-	-	(77)	(40)	(2)	-	-	(119)
Transfer from VCA	-	-	-	-	-	(2)	-	-	-	(2)
Transfer to BIS	-	121	60,148	-	60,360	10	3	-	-	120,642
Revaluations	-	-	-	-	120	(1)	-	(1)	-	118
Impairments	-	-	-	-	1	-	-	-	-	1
Disposals	-	-	-	-	33	-	-	-	-	33
31 March 2016	-	-	-	(18)	(1,598)	(365)	(51)	(46)	-	(2,078)
Carrying value										
31 March 2015	17,563	434	96,498	837	76,225	177	151	2	3,948	195,835
31 March 2016	-	-	-	127	612	141	141	2	-	1,023
Asset financing:										
Owned	-	-	-	127	612	141	141	2	-	1,023

Transfer from VCA

On 1 April 2015 the information technology and office machinery assets relating to the enforcement activities that were carried out by the Vehicle Certification Agency (VCA) on behalf of BIS and Defra, were transferred to NMRO.

Transfer to BIS

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

Impairments

There was an impairment cost of £12k in 2015-16. This was due to the reduction in service potential of several items of plant, heritage assets and intangible assets. In 2014-15, the impairment cost was £249k due to reduction in service potential of a few items of plant on the Teddington site and the reversal of some impairments; these were subsequently moved to BIS on 1 April 2015 as part of the transfer of NMS responsibilities.

Revaluations

The revaluation increase is due to the change in index values and market prices from 31 March 2015 to 31 March 2016. Estimated remaining useful lives were reviewed at 31 March 2016 and updated where required.

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

5. Intangible assets

Intangible assets related to software and software licences and associated implementation costs.

	Total £'000
Cost or valuation	
At 1 April 2015	986
Additions	11
Transfer to BIS*	(455)
Reclassifications	–
Revaluations	4
Disposals	(3)
At 31 March 2016	543
Amortisation	
At 1 April 2015	(505)
Charged in year	(41)
Transfer to BIS*	130
Revaluations	(2)
Impairments	(4)
Disposals	2
At 31 March 2016	(420)
Carrying value at 31 March 2015	481
Carrying value at 31 March 2016	123
Asset financing:	
Owned	123
	Total £'000
Cost or valuation	
At 1 April 2014	760
Additions	35
Reclassifications	197
Revaluations	–
Disposals	(6)
At 31 March 2015	986
Amortisation	
At 1 April 2014	(423)
Charged in year	(88)
Revaluations	–
Disposals	6
At 31 March 2015	(505)
Carrying value at 31 March 2014	337
Carrying value at 31 March 2015	481
Asset financing:	
Owned	481

*Denotes assets which were transferred to BIS on 1 April 2015 as part of the transfer of the NMS responsibilities.

6. Financial instruments

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

As the cash requirements of the Agency were met through the Estimate process, financial instruments played a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments related to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements. The Agency was therefore exposed to some forms of credit, market and liquidity risk via specific programmes and activities undertaken in pursuance of the Agency's objectives.

Credit risk

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

Market risk

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

a. Foreign currency risk

The Agency was exposed to a small amount of foreign currency risk as approximately 1% of total expenditure is payable in Euros and Swiss Francs. The exposure to risk for foreign currency income was negligible.

All material assets and liabilities are denominated in pounds sterling.

b. Interest rate risk

The Agency does not invest or access funds from commercial sources and was therefore not subject to interest rate risk.

Liquidity risk

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

7. Trade receivables and other current assets

Analysis by type

	2015-16 £'000	2014-15 £'000
Amounts falling due within one year:		
Trade receivables	997	817
VAT	30	2,796
Prepayments and accrued income	255	1,282
CRC Energy Efficiency Scheme asset	16	–
Total Receivables as at 31 March	1,298	4,895

The CRC Energy Efficiency Scheme asset represents the value of surplus allowances purchased. These can be sold, refunded or used against energy usage in future years. The CRC Scheme aims to incentivise energy efficiency and cut emissions in large energy users in the UK's public and private sectors.

Of the £4,895k balance as at 31 March 2015, £488k was moved to BIS as part of the transfer of the National Measurement System responsibilities on 1 April 2015 (see note 14).

	2015-16 £'000	2014-15 £'000
Amounts falling due after more than one year:		
Deposits and advances	200	200
Total	200	200

The deposit is held with BIS for one month's payroll.

8. Cash and cash equivalents

	2015-16 £'000	2014-15 £'000
Balance at 1 April held in Government Banking Services	2,232	1,190
Net change in cash and cash equivalent balances	(1,447)	1,042
Balance at 31 March held in Government Banking Services	785	2,232

9. Trade payables and other current liabilities

Analysis by type

	2015-16 £'000	2014-15 £'000
Amounts falling due within one year:		
Trade payables	154	760
Accruals and deferred income	875	1,841
Total payables as at 31 March	1,029	2,601

Of the £2,601k balance as at 31 March 2015, £1,014k was moved to BIS as part of the transfer of the National Measurement System responsibilities on 1 April 2015 (see note 14).

10. Provisions for liabilities and charges

	NPLML Pension Scheme £'000	Disposal of Radiological Sources £'000	CRC £'000	Total £'000
Balance at 1 April 2015	–	265	–	265
Provided in the year	–	–	–	–
Provision not required written back	–	–	–	–
Transfer to BIS	–	(265)	–	(265)
Increase/(Decrease) due to change in discount rate	–	–	–	–
Provisions utilised in the year	–	–	–	–
Borrowing costs (unwinding of discount)	–	–	–	–
Balance at 31 March 2016	–	–	–	–
Undiscounted	–	–	–	–
Analysis of expected timing of discounted flows				
Not later than one year	–	–	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
Total	–	–	–	–
Balance at 1 April 2014	32,717	265	202	33,184
Provided in the year	–	–	–	–
Provision not required written back	(30,952)	–	(19)	(30,971)
Increase/(Decrease) due to change in discount rate	–	–	–	–
Provisions utilised in the year	(1,765)	–	(183)	(1,948)
Borrowing costs (unwinding of discount)	–	–	–	–
Balance at 31 March 2015	–	265	–	265
Undiscounted	–	265	–	265
Analysis of expected timing of discounted flows				
Not later than one year	–	30	–	30
Later than one year and not later than five years	–	120	–	120
Later than five years	–	115	–	115
Total	–	265	–	265

Disposal of radiological sources

This provision covered the cost of meeting regulations where radioactive waste was disposed of and replaced with a new source for continuing work. On 1 April 2015, the maintenance of this provision was moved to BIS as part of the transfer of NMS responsibilities.

11. Commitments under leases

11.1 Payables under operating leases

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

	2015-16 £'000	2014-15 £'000
Obligations under operating leases comprise:		
Land		
Not later than one year	–	18
Later than one year and not later than five years	–	3
Later than five years	–	25
	–	46
Buildings		
Not later than one year	640	38
Later than one year and not later than five years	12	29
Later than five years	–	47
	652	114

The above table covers the following operating leases:

- Leasehold property agreement for office space in Teddington from the Department for Business, Innovation and Skills. An informal rolling annual agreement is in place with this lease.
- Leasehold property agreement for office space in Bristol from the Department for Communities and Local Government and which expires in March 2018.

The above leases were transferred to BIS on 1 April 2016.

The 2014-15 figures included leases for Bushy House and for land on which NMRO had buildings at the Teddington estate. These leases were moved to BIS on 1 April 2015 as part of the transfer of NMS responsibilities.

	2015-16 £'000	2014-15 £'000
Other		
Not later than one year	9	15
Later than one year and not later than five years	4	12
Later than five years	–	–
	13	27

The above table covers the following operating leases:

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

The above leases were transferred to BIS on 1 April 2016.

11.2 Receivables under operating leases

	2015-16 £'000	2014-15 £'000
Land and Buildings		
Not later than one year	15	125
Later than one year and not later than five years	–	499
Later than five years	–	1,122
	15	1,746
Less interest element	–	–
Total	15	1,746

The land and buildings for 2015-16 related to a charge receivable from NPL to use a meeting room in NMRO's building in Teddington. This will expire in January 2017 with the lease transferred to BIS on 1 April 2016.

The 2014-15 figures related to BMT Fluid Mechanics Ltd to occupy premises on the Teddington estate. This lease was moved to BIS on 1 April 2015 as part of the transfer of the NMS responsibilities.

12. Other financial commitments

12.1 NMRO entered into non-cancellable contracts (which were not leases, PFI contracts or other service concession arrangements) for various expenditures. The most significant payments to which NMRO was committed to, analysed by the period during which the commitment expired, were as follows:

	Note	Within one year £'000	Later than one year and not later than five years £'000	Due thereafter £'000	Total 2015-16 £'000	Total 2014-15 £'000
Organisation						
SGS Ltd	a	249	–	–	249	283
Virgin Media Business	b	13	22	–	35	–
Total		262	22	–	284	283

Notes:

- a. NMRO had a non-cancellable contract which had a six month notice period with SGS Ltd to test disputed gas and electricity meters.
- b. NMRO had a non-cancellable contract which had a no-notice period with Virgin Media Business to provide data pipe for managed internet access services.

These commitments were transferred to BIS on 1 April 2016.

12.2 NMRO had the following significant international subscriptions payable in the next financial years to which it was required to subscribe to on an ongoing and continuous basis. These international subscriptions were paid in Euros and Swiss Francs which were subject to fluctuations due to exchange rate differences. These were analysed by the period in which the commitments were due to expire:

	Note	Within one year £'000	Later than one year and not later than five years £'000	Due thereafter	Total 2015-16 £'000	Total 2014-15 £'000
Organisation						
Hallmarking Convention	a	6	23	–	29	29
WELMEC	b	4	18	–	22	24
Total		10	41	–	51	53

Notes:

- NMRO subscribed to the Hallmarking Convention which was an international treaty between contracting states, which aimed to facilitate the cross-border trade of precious metal articles. The scope of the Convention was strictly limited to the control of the precious metal content – not to health, security or other aspects of precious metals articles.
- NMRO subscribed to WELMEC which was the European co-operation in the field of legal metrology and aimed to provide a harmonised and consistent approach to legal metrology. Its members were representatives of the national authorities responsible for Legal Metrology in the European Union and European Free Trade Association.

These international subscriptions were transferred to BIS on 1 April 2016.

13. Contingent liabilities disclosed under IAS 37

NMRO did not have any contingent liabilities as at 31 March 2016. The two unquantifiable contingent liabilities that were stated as at 31 March 2015 were transferred to BIS on 1 April 2015 as part of the science metrology responsibilities:

- Disposal of radioactive sources on the Teddington site should the radiological work at NPL cease, where the normal practice of replacing sources through the Environment Agency, for which there is a provision, no longer occurs. These costs could not be reliably estimated.
- Decontamination of land and buildings on the Teddington estate. These costs could not be reliably estimated.

14. Transfer to BIS – National Measurement System

On 1 April 2015, the responsibility for policy and maintenance of the National Measurement System was transferred to BIS. BIS therefore became responsible for the whole of the UK scientific and legal National Measurement System. The full effect of this transfer to BIS is shown below.

Statement of Other Comprehensive Expenditure

Loss on transfer of assets		194,297
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Statement of Financial Position

Non-current assets

Property, plant and equipment	194,102	
Heritage assets	661	
Intangible assets	325	
Total non-current assets		195,088

Current Assets

Other receivables		488
Total assets		195,576

Current liabilities

Provisions	(30)	
Other payables	(1,014)	
Total current liabilities		(1,044)

Total assets less current liabilities		194,532
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Non-current liabilities

Provisions		(235)
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Assets less liabilities		194,297
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Taxpayers' equity

General fund		144,857
Revaluation reserve		49,440
Total taxpayers' equity		194,297

15. Related Party Transactions

NMRO was an Executive Agency of the Department for Business, Innovation and Skills (BIS) and BIS was regarded as a related party. During the 2015-16 year, NMRO had various material transactions with the Department and with other entities for which the Department was regarded as the parent Department:

- UK Shared Business Services Limited (UK SBS), and
- NPL Management Limited (NPLML).

In addition, NMRO had various material transactions with other government departments and other central government bodies. Most of these transactions were with:

- The Department of Energy and Climate Change (DECC)
- The Department for Environment, Food and Rural Affairs (Defra)

- The Department for Transport (DfT) and
- The Office of Gas and Electricity Markets (Ofgem)

No Board member, key manager or other related parties undertook any material transactions with the Agency during the year. Details of the Management Board's remuneration can be found on pages 21-22 of the Remuneration and Staff report.

16. Events after the reporting period date

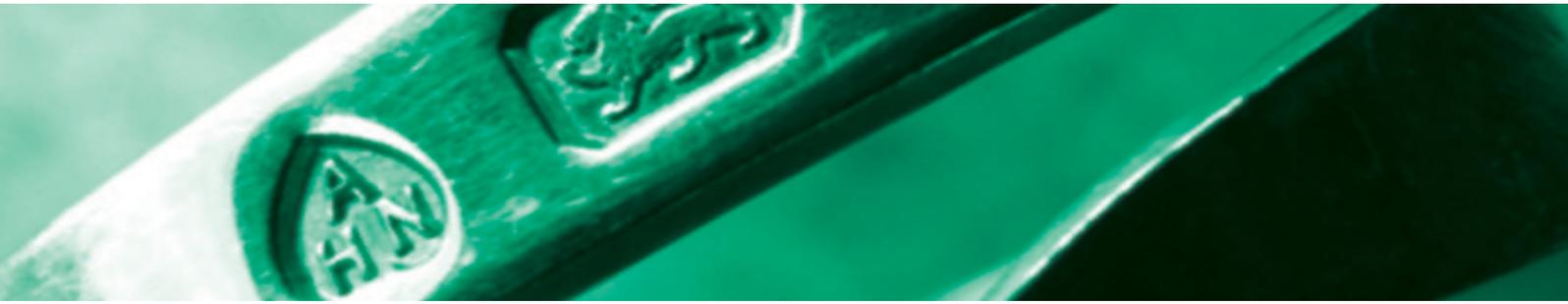
The Better Regulation Delivery Office (BRDO) and the NMRO were brought together into a single BIS directorate called Regulatory Delivery on 1 April 2016 to focus on regulation and enforcement. Further details of this change can be found in the following link:

<https://www.gov.uk/government/news/brdo-and-nmro-combine-to-simplify-regulation-for-british-business>

As a result, NMRO ceased to operate as an Executive Agency on 31 March 2016 and all of its services and functions were transferred across to the new directorate.

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. NMRO's activities and fee income are related to EU legislation, and they will therefore need to be considered how the changes following the results of the referendum may affect financial planning within the new Regulatory Delivery directorate in BIS.

In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditors General. There are no post Statement of Financial Position events between the balance sheet date and this date.



Chapter 4

Contacts and Glossary

Contacts

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Glossary: Abbreviations

BHC	British Hallmarking Council	FReM	Financial Reporting Manual
BIS	The Department for Business, Innovation and Skills	GIAA	Government Internal Audit Agency
BMT	Fluid Mechanics Ltd – independent specialists in the fields of wind engineering and computational modelling for the civil construction and oil & gas industries	IAS	International Accounting Standards
BRDO	Better Regulation Delivery Office	IFRS	International Financial Reporting Standards
BSI	British Standards Institute	MID	Measuring Instruments Directive
CETV	Cash Equivalent Transfer Value	MoU	Memorandum of Understanding
CIML	International Committee of Legal Metrology	NAWI	Non Automatic Weighing Instrument
DCATS	Diploma in Consumer Affairs and Trading Standards	NMO	National Measurement Office
DECC	Department of Energy & Climate Change	NMS	National Measurement System
DEFRA	Department for Environment, Food and Rural Affairs	NPL	National Physical Laboratory
DRC	Depreciated Replacement Cost	NPLML	National Physical Laboratory Management Ltd
DSHC	Departmental Security Health Check	OIML	International Organisation of Legal Metrology
EFT	European Free Trade	PCSPS	Principal Civil Service Pension Scheme
EU	European Union	RoHS	Restriction of the use of Certain Hazardous Substances
EUP	Energy Using Products	SPO	Security Policy Officer
		TSI	Trading Standards Institute
		TSO	Trading Standards Officer
		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 the 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.



National Measurement & Regulation Office



ISBN 978-1-4741-3357-9



Department for Business, Innovation & Skills