



National
Measurement
Office

Corporate Plan 2013- 2016



Department for Business, Innovation & Skills

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Foreword from the Chief Executive

This Corporate Plan covers the remaining two years of the 2010 Spending Review period, together with proposals for 2015/16 which it was announced in the December 2012 Autumn Statement will be the subject of a separate spending review in the first half of 2013. It seeks to demonstrate how the Agency can continue to have an important part to play in delivering growth and meeting the BIS Objectives through a continuation in the trends for BIS Admin and Programme expenditure set out in the 2010 Spending Review. A major feature of the plans is the intention to implement new arrangements for the operation of the National Physical Laboratory which are designed to increase the impact of expenditure on the National Measurement System, in particular the investment in the UK's scientific measurement infrastructure and research programmes which it represents.

At the same time it represents a continued commitment to the management of the UK's system of weights and measures (including statutory responsibility for the measurement accuracy of gas and electricity meters) which ensures that consumers and businesses have confidence whenever they buy and sell by quantity. Reinforcing this is a strategy of extending both the range of certification services we provide to manufacturers across the world and, after a period of consolidation, the activities our Enforcement Authority undertakes as an appointed market surveillance authority responsible for enforcing European legislation throughout the UK. These latter activities promote important Government objectives, not least in supporting a number of successful UK industries, promoting trade policy and assisting the development of the Green Economy, as well contributing to the financial viability of the Agency and thus its ability to deliver a wide range of outcomes in what remains a very difficult fiscal climate.

Peter Mason
Chief Executive, NMO

Mission

NMO has adopted the following as its Mission Statement:

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

Objectives

The Agency has adopted the following objectives:

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

The Agency has also set itself the internal objective of providing professional, value for money, Corporate Services that contribute to Agency objectives, align with cross Government initiatives, promote good and informed decision making, ensure accountable governance and provide effective channels of communication.

Strategy to 31 March 2016

During the next three years, the Agency will need to combine its role of bringing together all elements of measurement policy - scientific, industrial and legal - within a common leadership and delivery framework with the specific task of implementing the changes to the future operation of the National Physical Laboratory (NPL) announced in November 2012. This is not expected to require any fundamental change to the way the Agency itself operates, at least until the new arrangements are fully in place.

We are already familiar with the challenges of carrying out a wide portfolio of activities which ranges from responsibility for the infrastructure and research programmes of the National Measurement System (NMS) to the management of the UK's system of weights and measures (including statutory responsibility for the measurement accuracy of gas and electricity meters) and from the range of certification services we provide to manufacturers across the world to our duties as an Enforcement Authority appointed to enforce certain European legislation throughout the UK. More recently, the Agency has been carrying out a review of the options for NPL and has set up a team to carry out this work. As we carry forward this major new task there will be a further shift in the balance of our activities.

Policy and Programme Management of the National Measurement System

Our purpose remains the same as it has been since the adoption on the new Strategy for the NMS in July 2011 – to continue the development of a national measurement infrastructure which is a world leader in measurement science. A good measurement infrastructure is essential as the bedrock of business development and innovation because new products and processes need reliable measurements to support their development and commercial exploitation. A core element of this will continue to be NMS Programmes that are organised and delivered in an exemplary manner. In 2012-13, priorities of the NMS Programmes have been based on implementing NMS Strategy, which sets out the main tasks in maintaining and developing the national measurement infrastructure to stimulate business growth and support innovation.

Activities over the current Plan period will remain focused on developing the measurement infrastructure to meet user demand in a cost effective way. Particular attention will be paid to achieving an appropriate balance between the work carried out in NPL and the activities which the NMS Programmes support in the other UK measurement institutes.

Future Development of NPL

On 27 November 2012 the Minister for Universities and Science announced that the future operation of NPL would take the form of a partnership arrangement between the Department for Business, Innovation and Skills, acting through the NMO, and one or more academic partners. This is intended to increase the alignment between the activities of NPL, notably those funded from the NMS, and work in related areas of science carried out in the university sector.

Central to the new vision for NPL is a long-term strategic partnership between Government and an academic partner or partners in the operation of the NPL, whereby partners share in the risks and rewards, thus creating a vibrant laboratory at the heart of a science and innovation campus. This will maximise the economic impact derived from the investment the UK has made in NPL and its facilities. The aim is to strengthen fundamental research and engagement with business by:

- Enabling NPL to retain its position as a leading global national measurement institute;
- Strengthening quality of science at NPL through stronger links with academic partners;
- Establishing a postgraduate institute based around measurement science at Teddington; and
- Establishing new national facilities and capabilities within the Teddington site.

This opportunity will be extended to academic institutions and to applied science organisations, both from the UK and overseas, with an interest in involvement in the ownership and governance of NPL.

The identification of potential partners, the negotiation of suitable arrangements and the transition to the new structures will be one of the principal tasks of the Agency over the next two years. The development of new arrangements for NPL is central to maximising the contribution which development of the Teddington estate and its laboratory facilities can make to enabling innovation and business growth.

Regulation Policy

The legislation on Weights & Measures, Utilities metering and Hallmarking are important elements of the UK's trading and consumer protection framework. For most purchases made by reference to measurement (which include gas, electricity and petrol) it is virtually impossible for consumers to check the quantity they are paying for, so appropriate controls are essential for confidence in the pricing mechanism that in turn facilitates trading at both local and international levels.

There are a wide range of sectors where the trade of goods and services is controlled by weights & measures. Each year in the UK well over £300 billion worth of goods are sold on the basis of the measurement of their quantity, with goods worth almost another £300 billion weighed or measured at the industrial/business-to-business level.

The legislation in all of these areas is long-established and there is scope for both modernisation and simplification. Implementing the package of measures identified in the Red Tape Challenge, Focus on Enforcement, Accounting for Regulatory Impact and the other policy initiatives involved in the Government's Better Regulation agenda will help deliver for business a regime that they can understand easily and without undue cost, together with risk-based enforcement that is consistent, proportionate and does not give rise to undue compliance costs. At the same time consumers (including businesses as consumers) can be confident that there are sufficient controls in place to protect them when they are making purchases and that they have access to sufficient information for them to make informed choices and comparisons.

We will continue to review and modernise UK legislation in accordance with the Government agenda of minimising burdens on business whilst ensuring an appropriate level of consumer protection, paying particular attention to the needs of SMEs and micro-businesses. This will contribute to the growth agenda by reducing red tape and making it simpler to trade. We will also provide leadership to the enforcement authorities to ensure that regulation does not hinder growth and we will continue to consult with, and provide timely and proportionate advice to, business stakeholders. For gas and electricity we will maintain consumer protection by ensuring that gas and electricity meters used for billing purposes continue to conform to the legal requirements.

Statutory and commercial services

Within the area of legal metrology, NMO is a designated measurement institute in its own right, providing a range of statutory and commercial certification services that meet the needs of businesses and Local Authorities. NMO's laboratory-based certification services, provided by a highly skilled team, have an excellent international reputation for customer service and expertise, ensuring that UK businesses have access to services that enable them to introduce innovative new products and help them to grow and develop new opportunities through the export of their products to international markets. Our services provide effective, efficient and comprehensive assurance to manufacturers that their products meet the relevant certification requirements, which are a pre-requisite for instruments used in legally controlled applications, including those used for trade based on quantity. It remains a priority for us to work within Europe and more widely to enable manufacturers to have access to world-wide markets. Successful extension of our certification services into new markets has confirmed the demand that exists from our customers for our style of doing business.

We will continue to develop our strategy of expanding our market share for existing services within existing markets and expanding our range of services into new markets. 2013/14 will see a period of change and transition as a new team structure is implemented. The new structure will see the Testing and Calibration Laboratories merge into a single Technical Laboratory function and our Product Certification and Management System Certification activities will combine to form a single Certification Body offering a range of conformity assessment services to our customers.

NMO Training will continue to build on recent successes by providing a range of training courses and consultancy services to manufacturers, local authority Weights & Measures Inspectors and developing countries. It will continue to develop partnerships with external organisations to expand our portfolio of services and will seek to gain recognition/accreditation for our courses.

NMO Enforcement Authority

The NMO Enforcement Authority supports the NMO corporate objective of protecting the interests of the public, business and the environment. It is responsible for an increasingly wide range of legislative enforcement and market surveillance activities which contribute directly to the Government's growth agenda by supporting businesses as they strive for compliance and by penalising those businesses that act in an unacceptable way.

Market surveillance is governed by complex legislative rules encompassed in the EC's New Legislative Framework and its successor, the New EC Regulation on Market Surveillance. There are requirements to work together at an international and global level in all aspects of the work, including sharing of data, experiences and actions. NMO currently participates in all the appropriate EU forums and has a proactive approach to global activities when they deliver value for money and support the aims of the legislation. This will remain a distinctive feature of our approach to discharging the obligations of an Enforcement Authority.

Having recently secured two more enforcement contracts (Timber and Tyres) the Directorate is expected to undergo a period of consolidation, at least in 2013/14, and a reduced emphasis on securing new enforcement work in the short term. It will concentrate on the delivery of high quality enforcement services both in these new areas and the areas in which the Agency has been operating for some time (RoHS, Batteries, Ecodesign and Energy Labelling). Given the success of the NMO approach to the enforcement of this type of legislation, however, we expect that there will be opportunities for further expansion later in the period covered by this Plan.

International Co-operation

In all areas of NMO's activities, there is an important international dimension. In legal metrology our approach will continue to be one of promoting harmonisation requirements and reduction of barriers to trade in order to reduce burdens on industry. In Europe, we are a leading voice within WELMEC, having UK representation in all committees, working groups, and the chairperson's group. We also provide a major influence on the implementation and future design of EU legislation via membership of the Commission's Measuring Instruments Working Group.

We will continue to participate as Members or Observers in relevant OIML Committees and Working Groups, providing the Secretariat if appropriate, and acting as the focal point for industry and other interested parties. This Plan envisages continuing to provide the resources for us to act as a UK interface with OIML, keeping interested parties informed about new International Standards to ensure the UK's interests are protected. There will also be support for UK's Presidency in the OIML which is a valuable means of promoting a consistent approach to matters of standards, measurement, accreditation and conformity assessment at the international level.

For hallmarking, NMO represents the UK's interests on the International Hallmarking Convention, which is helping to create a global market for hallmarked products.

On scientific metrology, there has been encouraging progress in response to calls for a more strategic approach and tighter financial discipline with BIPM. It will be particularly important that the introduction of the new arrangements in NPL does not lead to any diminution in the UK's profile within the international metrology community and the Plan envisages a continued effort by NMO in this area.

Staff Engagement and Learning & Development

The NMO People and Capability Strategy has been based on the twin pillars of encouraging appropriate Learning and Development using the Investors in People framework and promoting even greater employee engagement by responding to the points which emerge in our regular staff surveys. Amalgamating the Investors in People indicators and the Key Drivers for Engagement has enabled NMO to create a meaningful plan to maintain the already strong levels of staff engagement and to confirm our IIP accreditation. This is supported by our Learning and Development strategy and our 'Working Together' commitment, both of which aim for all staff to be treated fairly, to increase their understanding and to improve their skills in order to achieve high performance now and in the future. This approach has already helped the Agency to provide services to wider

markets with a workforce that has appropriate skills to deliver this expanded range of services. The 2012 Civil Service People Survey again showed that we were able to maintain a high engagement scoring for the Agency (+6%) compared to the Civil Service as a whole.

We will work with staff to increase engagement and address areas for improvement using guidance and best practice from BIS and the wider Civil Service to support initiatives.

Corporate Services

The Corporate Services of NMO are provided by a single Directorate which encompasses the services of finance, human resources, communications, information technology, records management, security, reception, governance, secretariat duties and the Chief Executive and his PA. These services are for the most part provided by standalone systems (the main exceptions being the HR system we share with our parent Department and our websites which are hosted by BIS). These standalone ICT systems enable NMO to provide good, up-to-date ICT, records management and finance systems that are suited to our needs and - crucially - at low cost.

We will continue to provide a good quality value for money services, providing timely management information to both NMO managers and BIS. This will mean continually benchmarking our current systems and procedures against best practice and evaluating any new systems. The resources in this Plan are designed to ensure that this level of service is maintained throughout the plan period.

We will maintain our links to BIS through the different functional leads, which is important as we move to an arena of increased use of shared services. HR will move to the new shared service platform in 2013 with finance being considered during 2013-2014 under phase 3 of the BIS plan. NMO will continue to make use of the shared procurement function where appropriate and use our own lead to move NMO onto many of the Government frameworks for commonly purchased goods. At the same time, we will work with BIS and procurement colleagues to improve the service and value for money we receive. We will move, in 2013, to the gov.uk website. The Civil Service Reform Plan which was published in June 2012 also has key themes that NMO will take forward during 2013, which include Digital by Default, shared services and staff competency and capability.

How NMO contributes to BIS objectives and outcomes

NMO is an Executive Agency of BIS, sitting within the Knowledge and Innovation Group, and is thus one of the partner organisations in the BIS Family. The BIS vision is:

To achieve strong, sustainable and balanced growth, evenly shared across the country and between industries

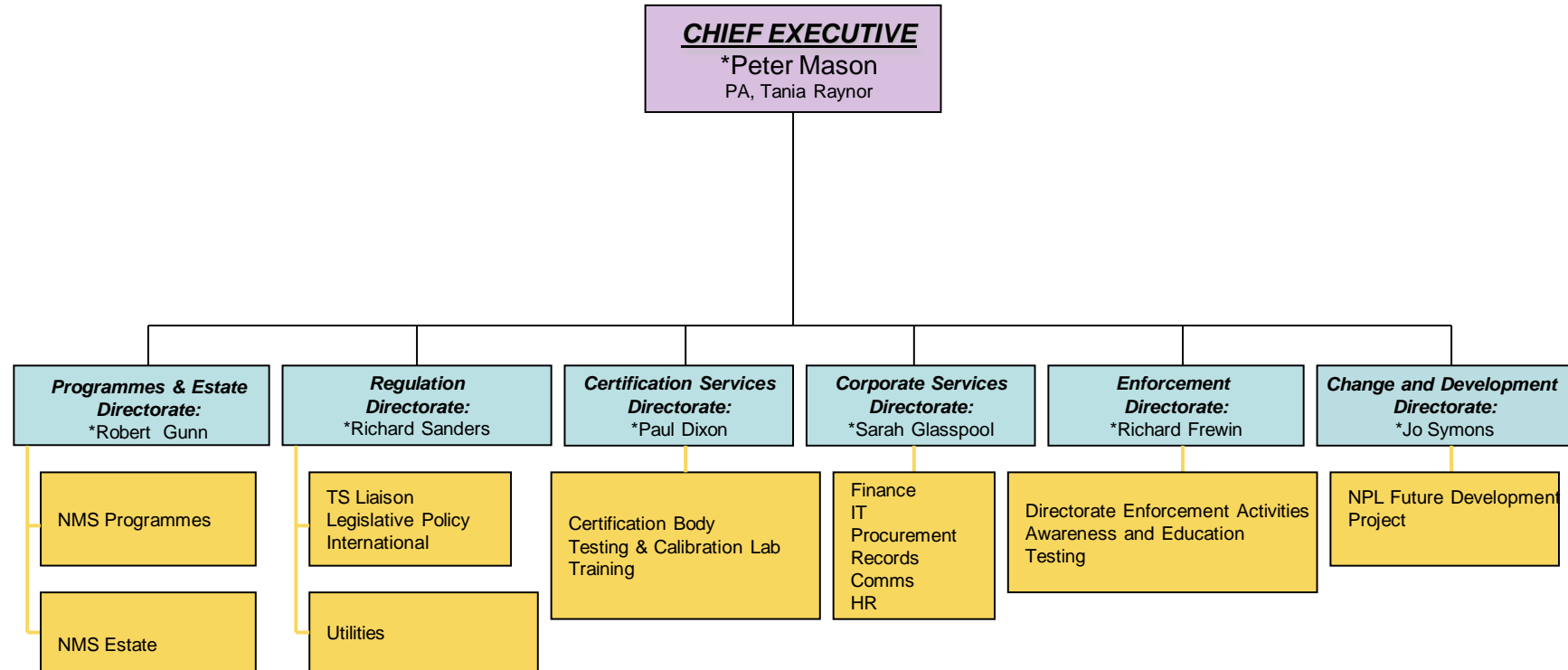
NMO contributes to this overarching vision mainly through its delivery of the **National Measurement System (NMS)**. A good measurement infrastructure is essential to the operation of all businesses, and improvements in that infrastructure can increase private sector growth across the country and assist year-on-year growth in a number of UK manufacturing sectors.

Measurements impact every aspect of our lives and contribute to all 6 of the BIS operational objectives and 14 out of the 20 BIS Mid-level outcomes:

| BIS Objectives | BIS Outcomes | How NMO contributes |
|--|--|--|
| <p>Knowledge & Innovation Promote excellent universities and research and increased business innovation</p> | <ul style="list-style-type: none"> • A research base that delivers maximum benefit for the UK • World-class translation of knowledge and ideas into successful commercial and public service outcomes, increasing productivity, growth and quality of life • A sustainable, autonomous English higher education system with world-class teaching that is open to people from all backgrounds. | <p>Responsible for the National Measurement System (NMS) and its scientific measurement research programmes that support business innovation.</p> <p>The reform of NPL will increase the quality of research undertaken along with a dedicated applied science postgraduate institute.</p> |
| <p>Skills Promote more opportunities for individuals in realising their potential</p> | <ul style="list-style-type: none"> • An internationally competitive skills base, helping business to grow and individuals to succeed • Increased private sector growth across the country | <p>Provide measurement training to high-value manufacturers who are critically dependent upon capable measurement.</p> <p>Provide and improve a measurement infrastructure which is essential for businesses to grow.</p> |

| | | |
|--|--|--|
| | <ul style="list-style-type: none"> • The UK to be world-class in high-value manufacturing and services • Maximise business opportunities and maintain competitiveness in the transition to the green economy. | <p>The proportionate and effective application of enforcement ensures that the UK economy remains competitive as it transitions to the green economy.</p> |
| <p>Trade Support UK trade overseas and inward investment</p> | <ul style="list-style-type: none"> • Encourage free, fair and open markets. | <p>NMO supports Ministers in their responsibility for the legislation that governs the accuracy and fairness of measurement transactions and for approving weighing and measuring instruments..</p> <p>NMO works closely with industry and their representatives to ensure access to the EU and global markets through our representation in OIML, BIML, WELMEC and IHC.</p> |
| <p>Markets Create markets that serve businesses' and consumers' long term interests</p> | <ul style="list-style-type: none"> • An effective consumer framework delivering growth and consumer welfare, with minimum regulatory burdens on business • A wider business environment that supports growth • Evidence-based Government strategy that helps facilitate sustainable, balanced economic growth • A positive regulatory environment for business resulting from the improved design and delivery of regulation | <p>NMO strengthens the traceability of measurement that underpins legislation, regulation and standards across a wide range of sectors, while reducing the burdens on business.</p> <p>NMO supports an internationally agreed system of measurement standards and plays an active role in ensuring that UK users have access to those standards and also expertise when they are needed and at an acceptable cost.</p> |
| <p>Enterprise Make it easier to start, grow and invest in the long term</p> | <ul style="list-style-type: none"> • Improved efficiency of the management and service delivery of public data | <p>NMO facilitates easy access to experts at the forefront of measurement technology that supports business innovation</p> |
| <p>Effective BIS Ensure BIS is a high-performing department</p> | <ul style="list-style-type: none"> • An efficient and effective BIS, enabling delivery of evidence-based policy objectives | <p>NMO is committed to carrying out its own activities as efficiently and effectively as possible</p> |

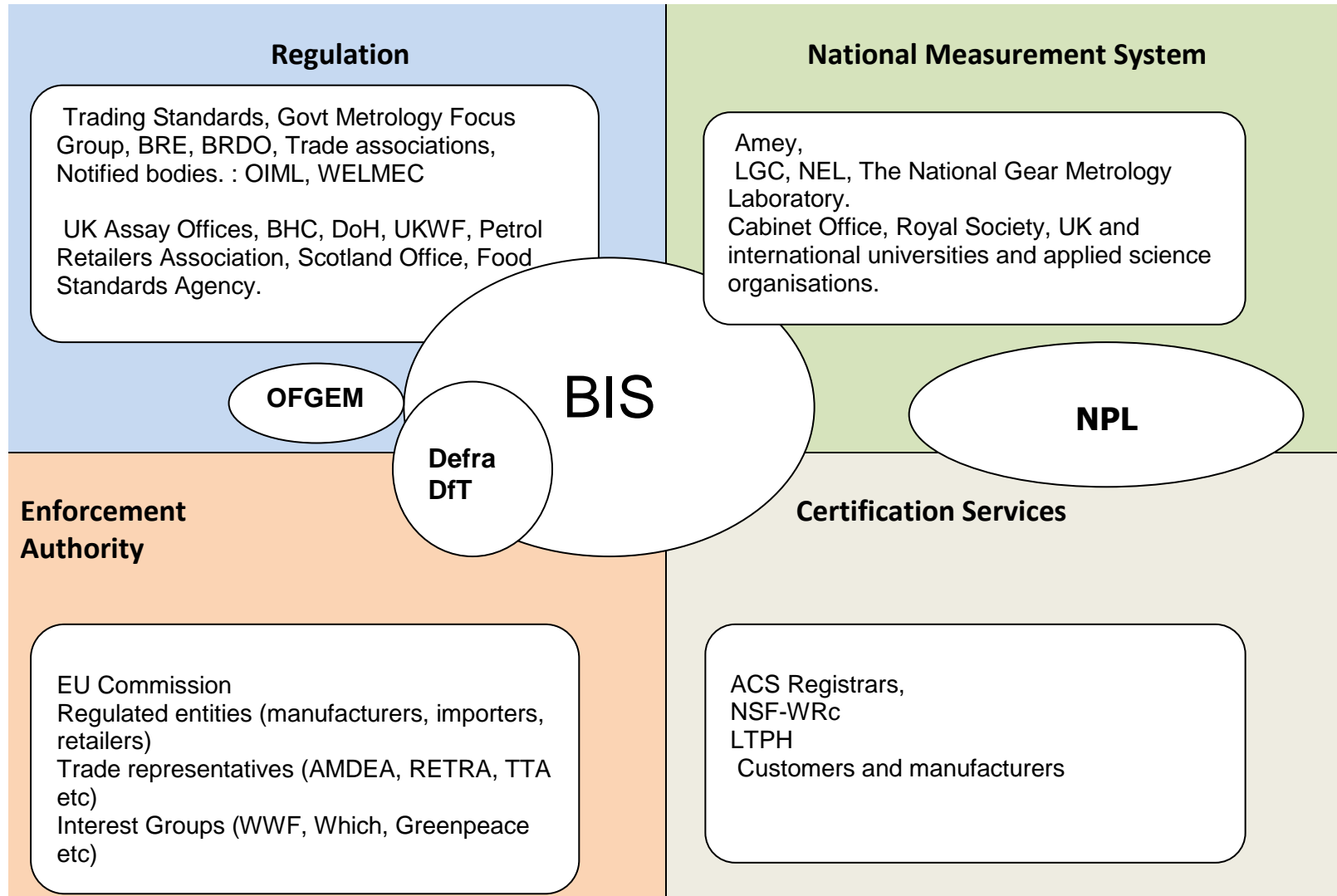
ORGANISATION CHART



Note:

➤ * Members of the Management Board

NMO work partnerships



Ministerial Targets

1. Improve performance of the NMS programmes over the Corporate Plan period 2011/12 to 2014/15 as measured by the value scorecard developed for this purpose.
2. Support business by ensuring a minimum of 95% of meter examiner appointments, manufacturer authorisations/consents and modifications to meter approval and decisions are made within five business days of receipt of all necessary documentation.
3. 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'.
4. Achieve an increase in income of at least 5% for Certification Services from the 2012/13 financial year.
5. Generate at least a positive 3:1 net contribution to consumers and the environment as well as the low carbon economy through the activities of the Enforcement Authority.
6. Reduce non ring-fenced Admin costs by at least 14% in cash terms over the Corporate Plan period 2011/12 to 2014/15.
7. Ensure that reduced contributions from BIS towards overheads are absorbed without any increase in per capita overhead rate.
8. Reduce NPL energy consumption in 2013 calendar year by 5% from 2012 calendar year.
9. Agree the partners who will work with Government on NPL and the model under which the partnership will operate post March 2014.

Target measurement techniques:

Target 1: The use of a scorecard technique across all programmes has been developed to provide a basis for measuring this improvement.

Target 5: This will be measured by comparing our cost base against the value of products made compliant, withdrawn from the market or affected by a formal business improvement plan.

Target 6: This reduction uses as a baseline the original forecast for 2010/11, the level of reduction is the same as that planned for BIS.

Target 7. The per capita rate is total overheads excluding technical lab costs divided by the non-overhead staff.

Target 9: This will be measured by identifying the preferred partner(s) and model for the new arrangements through a Ministerial submission before the end of FY 2013/14.

Financial Commentary

The Statement of Comprehensive Net Expenditure (SCNE) collates all the income and expenditure over the plan period in accordance with resource accounting. Much of NMO operates within the Administration Budget (“Admin”) regime. This requires that the NMO budgets are separated into Programme and Admin components. Admin budgets include all the costs of providing policy, funding and regulation (PFR) functions and all the back-office costs associated with these functions. All other expenditure is classed as Programme. Resource accounting and Budgets are accounted for on different bases, so a reconciliation has been provided to explain this further.

A gradual decrease in Admin budgets over the period has been planned, but in 2012/13 and 2013/14 an allowance has been made to cover costs required for the NPL future project. A Programme ‘flat cash’ budget has been assumed over the life of the plan. Income shows a gradual increase across all areas, reflecting our strategy of growth where we can provide value for money services to the wider Government and private sector. The increase in estate income is due to expected price increases in line with the contract and not an increase in scope. All our services supplied are provided on a full cost recovery basis. Costs steadily decrease in the SCNE to take into account the possibility that increased payments may need to be made post-2014 into the NPLML pension scheme, reducing the Programme budget available to spend on science. This pension scheme was for civil servants who moved from employment by the DTI to employment of NPLML in 1995.

The majority of NMO’s assets are the Teddington estate land and buildings on which NMO resides. These are specialised buildings within which NPL Management Ltd and NMO operate the scientific programmes for the National Measurement System. NMO also leases land from Royal Parks and Bushy House from the Crown Estate. The estate was last professionally valued in March 2009 and the next valuation is due to be performed in March 2014. It is NMO’s responsibility to maintain the estate and facilities so that science can be effectively carried out.

The capital investment is largely to maintain the infrastructure of the laboratories in order to support the science performed on site. The plan is further supported by the building maintenance plan. NMO is entering a period where renewal of life expired assets will utilise a significant amount of the capital spend. Recent investment has been made to increase the energy efficiency of the site. The challenge over the plan period will be to maintain the level of facilities required with the reduced “core” capital budget, and to make best use of these facilities across Government. In addition there is included an amount of £25m for construction of an Advanced Metrology Laboratory on the Teddington site which was agreed in the 2012 Autumn Statement.

The new arrangements for the NPL may change these figures from April 2014 onwards, but as we are early in the discussions the impact is unclear, this has not been reflected in this plan.

| Statement of Comprehensive Net Expenditure | 2012/13 Forecast £'000 | 2013/14 Plan £'000 | 2014/15 Plan £'000 | 2015/16 Plan £'000 |
|---|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Income | | | | |
| Estate occupation | 11,747 | 12,079 | 12,368 | 12,719 |
| Enforcement | 1,981 | 2,470 | 2,835 | 3,850 |
| Utilities | 845 | 917 | 973 | 1,020 |
| Certification Body | 320 | 400 | 420 | 440 |
| Testing & Calibration | 400 | 470 | 510 | 550 |
| Training | 97 | 85 | 95 | 105 |
| Other | 29 | 13 | 13 | 13 |
| Total Income | 15,419 | 16,434 | 17,214 | 18,697 |

| Costs | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Science Programmes | 54,886 | 54,916 | 53,000 | 53,500 |
| Depreciation | 7,624 | 7,629 | 7,824 | 9,000 |
| Reduction in asset values | 1,000 | 1,000 | 1,000 | 1,000 |
| Accommodation | 5,102 | 5,228 | 5,359 | 5,492 |
| Staff costs | 3,338 | 3,797 | 3,855 | 4,422 |
| Increase in pension provision | 3,710 | 1,160 | 1,336 | 1,300 |
| Information Technology | 139 | 150 | 143 | 145 |
| International subscriptions | 846 | 900 | 900 | 900 |
| Laboratory testing & test purchases | 1,012 | 1,149 | 1,274 | 1,250 |
| Other Expenses | 915 | 1,895 | 1,248 | 1,500 |
| Total Costs | 78,572 | 77,824 | 75,939 | 78,509 |
| Net Operating Cost | (63,153) | (61,390) | (58,725) | (59,812) |
| Headcount (FTE) | 67 | 77 | 79 | 83 |

| Reconciliation to budgets | 2012/13 Forecast £'000 | 2013/14 Plan £'000 | 2014/15 Plan £'000 | 2015/16 Plan £'000 |
|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Net Operating Cost | (63,153) | (61,390) | (58,725) | (59,812) |
| Add increase in pension provision | 3,710 | 1,160 | 1,336 | 1,300 |
| Less payments for provision | (2,165) | (2,257) | (4,540) | (4,500) |
| TOTAL Resource DEL Expenditure | (61,608) | (62,487) | (61,929) | (63,012) |

| Budgets | 2012/13 Forecast £'000 | 2013/14 Plan £'000 | 2014/15 Plan £'000 | 2015/16 Plan £'000 |
|---|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Programme Income | 15,397 | 16,412 | 17,189 | 18,744 |
| Programme Expenditure | (64,566) | (65,235) | (63,729) | (65,324) |
| Payments for provision | (2,165) | (2,257) | (4,540) | (4,500) |
| Net non ring-fenced programme expenditure | (51,334) | (51,080) | (51,080) | (51,080) |
| Ring-fenced programme expenditure | (8,380) | (8,499) | (8,689) | (9,872) |
| TOTAL PROGRAMME EXPENDITURE | (59,714) | (59,579) | (59,769) | (60,952) |
| Admin costs – non-ring fenced | (1,771) | (2,778) | (2,025) | (1,925) |
| Admin costs – ring fenced | (123) | (130) | (135) | (135) |
| TOTAL ADMIN EXPENDITURE | (1,894) | (2,908) | (2,160) | (2,060) |
| TOTAL Resource DEL EXPENDITURE | (61,608) | (62,487) | (61,929) | (63,012) |

| Capital Investment Plan | 2012/13 Forecast £'000 | 2013/14 Plan £'000 | 2014/15 Plan £'000 | 2015/16 Plan £'000 |
|---|------------------------------|--------------------------|--------------------------|--------------------------|
| Maintaining the integrity of the estate | 2,500 | 2,500 | 2,500 | 2,500 |
| Asset renewal | 4,760 | 2,110 | 1,540 | 3,500 |
| Initiatives to reduce site running costs | 800 | 800 | 1,800 | 1,800 |
| NMO equipment replacement/renewal | 300 | 300 | 200 | 200 |
| Site development (Advanced Metrology Lab) | 500 | 10,000 | 13,000 | 1,500 |
| TOTAL | 8,860 | 15,710 | 19,040 | 9,500 |

| Statement of Financial Position | 31/3/2014 Plan £'000 |
|----------------------------------|----------------------------|
| Land | 9,302 |
| Buildings | 94,000 |
| Other | 78,698 |
| Total non-current assets | 182,000 |
| Trade and other receivables | 4,700 |
| Cash | 1,500 |
| Total current assets | 6,200 |
| Trade and other payables | (1,700) |
| Accruals | (1,200) |
| Provisions | (200) |
| Total current liabilities | (3,100) |
| Provisions > 1 year | (45,000) |
| NET ASSETS | 140,100 |

Efficiency and Reform

NMO is leading a major reform of the National Physical Laboratory, moving from contractorised operation (ending in March 2014) to a partnership with one or more academic institutions. The partnership will both direct the work of NPL and provide leadership for the development of the wider campus. This is set to enable a higher volume and scientific quality of research to be undertaken with the same level of public funding, and to use NPL (and the recently-announced Advanced Metrology Laboratory) as a nucleus to generate external income and wider economic benefits from the site.

In areas of the Agency's business financed by the BIS single Admin budget, the principal driver has been to live within the 22% reduction over the Spending Review period (April 2012 to March 2015), without any reduction in the effectiveness or impact of NMO's activities in those areas. NMO is on target for achieving this reduction, while continuing to carry out a work programme, which for 2013/14 (see pages annex) is as extensive as previous years. This has been achieved partly by adopting new ways of working which have allowed reductions in Admin-funded posts as staff have left or been redeployed to other areas and partly by expanding our range of activities which makes more intensive use of the Agency's fixed overheads.

The additional costs that we are incurring as a result of the NPL Future project will mask this reduction during 2012/13 and 2013/14 - and possibly beyond - as additional internal and external resources are required to ensure the development and implementation of the new arrangements. In the longer term, however, we expect these new arrangements to make it possible to achieve further additional Admin savings. This should be entirely compatible with maintaining the impact of the National Measurement System spend – indeed obtaining greater impact and better value from the Tedddington Estate assets is at the heart of the new proposals. Investment in energy saving capital projects on the Tedddington Estate in order to reduce the energy consumption for the occupiers of the site are already having an impact, and this will continue over the period of the plan. Due to increases in energy prices, this may not be shown in a reduction in costs, but it means that the energy costs are not as high as they might have been.

The culture of efficiency and effectiveness at NMO, derived through operating many of our services in a competitive market and reinforced by periodic restructuring such as new structures in our laboratories, will continue over the plan period. In fact improving efficiency will be essential to achieving the targets for those services which face such competition. In these cases, any efficiency savings will be passed on to our customers as we operate under a full cost recovery regime.

NMO will also take advantage of the Government procurement service and shared services initiatives, and the savings that they may provide for NMO. NMO will work with procurement and finance colleagues to ensure that NMO obtains the best value from these opportunities.

Transparency

The Agency has put in place a number of systems to comply with the new transparency requirements from the Cabinet Office. We will continue to attach priority and devote resources to following both the letter and the underlying principles of these requirements.

All spend is published on both the NMO and 'data.gov.uk' websites. Because certain of our in-house activities involve operating in very competitive markets, where it is important that we enjoy a level playing field with our competitors, we will ensure that we do not publish information where to do so would be damaging to our commercial interests or to those we do business with. We will also withhold any information where disclosure would not be consistent with the Data Protection Act.

Half yearly HR data is also published on the NMO and 'data.gov.uk' websites. The organisational chart provided is required to follow the standard Cabinet Office format, but as this format does not contain sufficient detail to show the structure of NMO's activities, a full organisation chart is also available on the NMO website.

The current Cabinet Office procedures require publication of salary information only for individuals above SCS pay band 1. As no individual at NMO is above SCS pay band 1, the NMO website provides a link to its Annual Report and Accounts, which provides information on the salaries of NMO's senior management team.

All new contracts over £10k are published on the 'Contracts Finder' website and a link is provided on the NMO website.

NMO also publishes on its website the following information:

- Annual Report & Accounts.
- Corporate Documents, such as the Framework Document
- Management Board minutes.
- Steering Board minutes.
- Audit Committee minutes.
- Publication scheme.

Finally, the Agency will continue to take seriously its obligations under the Freedom of Information Act, and strive to be as forthcoming as it is able both in answering FOI requests and in providing information to Members of Parliament under the delegated arrangements for Executive Agencies.

Governance

The purpose of the Agency is set out in the Framework Document which is available on our website at www.bis.gov.uk/nmo, which also sets out governance arrangements, accountability and delegations of the Agency. Each year the Agency produces an Annual Report and Accounts which is audited by the NAO and is laid before Parliament before the summer recess. Within this is a signed Governance Statement which sets out the internal control procedures that have been operated by the Agency during the year in question. This is supported by the work of BIS Internal Audit whom NMO engage to perform the internal audit for the Agency.

NMO's Chief Executive is supported in his role of Agency Accounting Officer by three corporate governance bodies: the Steering Board, the Management Board and the Audit Committee.

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

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

The **Management Board** consists of the Chief Executive, the heads of the four operational Directorates, the Director of Finance and the Director of Change & Development . It meets once a month to monitor performance, including finances and risks. The Business Team Managers attend the first part of the performance meeting to report on their individual balanced scorecards which include successes, issues, financial position, progress against the Corporate Plan and a separate agenda item on risk. Any significant corrective actions are considered by the Management Board at the second part of this meeting. The Management Board additionally meet formally each month to address policy and strategic issues affecting the Agency. The Management Board is also responsible for setting standards, values and controls within the Agency.

The **Audit Committee** consists of two non-executive members from outside Government and meets three times a year along with representatives from NAO, BIS Internal Audit and BIS Finance. Its role is to support the Chief Executive in his role as Accounting Officer by:

- Promoting confidence in the Department's governance.

- Overseeing the work of the internal and external auditors.
- Making recommendations to the Steering Board and reviewing the annual financial statements before submission to the Steering Board.

Minutes of all the above meetings are available on the NMO website at www.bis.gov.uk/nmo

Web www.bis.gov.uk/nmo | Twitter <http://twitter.com/nmogovuk> | Facebook <http://www.facebook.com/NMOdigital> | YouTube <http://www.youtube.com/nmogovuk>