

## **NMO STEERING BOARD (SB) MEETING**

**DATE** : Tuesday 17<sup>th</sup> June 2014 **TIME** : 10.00am

**ATTENDEES** : Isobel Pollock, Chair (IP) **ROOM** : F12  
 Alan Proctor, Non Executive Director (AP)  
 Peter Cowley, Non Executive Director (PC)  
 Amanda Brooks, Director, Innovation, BIS (AB)  
 Mark Holmes, Deputy Director, Innovation, Infrastructure & Impact, BIS (MH)  
 Richard Sanders, Chief Executive, NMO (RS)  
 Sarah Glasspool, Director, Finance, NMO (SMG)  
 Robert Gunn, Director of Programmes & Estate, NMO (RG)  
 Jo Symons, Director, Technical Services, NMO (JS)  
 Richard Frewin, Director, Enforcement, NMO (RF)  
 Paul Dixon, Director, Certification Services, NMO (PRD)  
 Dave Barrett, Head of Human Resources (DB)  
 Tania Raynor, Secretariat, NMO (TR)

Please note actions appear in **Blue**

**1. Apologies for Absence/Substitutions/Welcomes**

LF - sent apologies

**2. Minutes of Previous Meeting of 25.02.14**

The minutes of the previous minutes were approved as a true and accurate record.

**3. Matters/actions arising from Minutes of last meeting**

All actions had been discharged and there were no further comments.

It was noted that the Audit Committee (AC) Report was not on the Agenda for this meeting as the next AC would take place on 27<sup>th</sup> June (following the NAO audit), where the NMO Annual Report and Accounts would be presented for approval.

**4. CE Update**

RS outlined the Agency's relatively healthy financial situation:

- NMO had met the 2013/14 admin target.
- There was an under-spend on the capital target in 2013/14 due to the redefining of the AML project.
- In 2013 there had been a small statutory services deficit, but this had been addressed and this year break-even would be achieved.
- It was likely that more Admin would be required for the NPL Project for 2014/15.
- The Annual Report and Accounts was being finalised

BIS Risk Review of NMO Meeting (9<sup>th</sup> June):

- BIS review risk across all Partner Organisations/Agencies to challenge them to identify weaknesses
- NMO's departmental sponsor had submitted an excellent paper covering NMO identifying the main risks i.e. future of NPL and the AML.
- Prior to the meeting BIS DG Finance had been concerned about the risk appetite for these projects. However, after the meeting he was more satisfied and suggested the format of the risk register could be used elsewhere in BIS.

RS said departmental policy owners were recommending NMO for potential new enforcement contracts:

- DECC had proposed that NMO could be the UK enforcement authority and scheme administrator for heat meters under the Energy Efficiency Directive. The contract value was still under negotiation.
- BIS approval was still awaited regarding the potential transfer of some new enforcement work.

**5. Update from BIS (including NPL Project)**

AB began with an update on the NPL Project:

- Considerable progress had been made to date. The preferred bidders had been informed, although two conditions of their proposal would require further discussion.

- There was a meeting with the bidder strategic leaders the following week to enhance understanding and clarify next steps
- The date of contract end with the GoCo contractor would be decided by the end of June, and was likely to be either the end of September or the end of December
- The project team had been restructured. It was no longer practical to have just one project manager, and an alternative constituted as follows:
  - AB would have overall responsibility
  - MH would manage the key deliverables i.e. conclusion of the partnership, company buy-back from Contractor and the preparation for a GOVCO for NPL
  - David Legg (DL) would focus on share sale
- The new mixed team of NMO, NPL and BIS would establish a new culture and promote a more collaborative approach and thus improve relationships
- Now that more NPL and BIS staff had been brought in for this project, MH was concerned about capacity/resourcing and the expenditure that it could incur
- A simplified governance structure was being constructed with consideration being given as to whom might sit on the governing board
- The NPL business plan and future strategy was being refreshed along with the NMS strategy. JS had met twice with the preferred NPL Project partners, who supported the refresh and were keen to get involved.
- The principles of the partnership had yet to be agreed and AB was seeking the UK/international community's views regarding the partnership
- AB said careful consideration should be given to the valuation of NPML, the financial implications of over-runs, and allowing enough time for the transfer of works upon termination of the GoCo contract

AB then reported that currently the Department's focus was on the following issues:

- Preparation of a new Science and Technology Strategy for publication in draft format by September.
- Science/innovation capital consultation (this would cover the work of IPO and NMS)
- The catapult network – Herman Hauser was leading this project looking at the future and funding. A Board had been established to identify the numerous stakeholders with whom to engage. AP said that catapults were an excellent initiative, and it was important that the workforce understood the broader picture rather than just focussing on one item of the agenda only. AB confirmed that formal consultation, engagements and the intranet would be used to promote the initiative. There was a new enquiry on Public Sector Research Developments (Chairman Lord Selbourne) exploring how UK/Government could exploit unique national expertise to benefit all, focussing upon areas of science and technology that were key to UK economy. AB confirmed to PC that Government was very much alive to benefits for industry, not just manufacturers and that the work was not manufacturer focussed
- Business support simplification – this tidy-up may be the point where decisions are made on whether to refer to NMO (PSREs & RTOs)
- What's happening in Europe – changing shape of European Parliament and a different set of stakeholders for the UK? Challenges over the Presidency – messy environment to engage with. Government were thinking about when best to influence and how to engage to get the best business and deliver it well
- Strategic Review of BIS Programme – the future landscape post 2020 within the Department. Future policy and manifesto/vision. This was a sizeable piece of work and access to innovation would be a key element.

## 6. Finance Report

SMG highlighted the key features of this report:

- NPL Project and NPML costs (i.e. pension scheme and loan guarantee) had been included in the NMO accounts. As NPL did not directly report to BIS, NMO Finance had become the custodian and a key communicator
- Currently, the NMO finance team were in the middle of the on-site NAO audit of the Annual Report & Accounts for 2013/14, which meant that detailed accounts to end May 2014 had not been provided. NAO were working to a tight schedule in order for the accounts to be signed off by the Audit Committee before end June and laid before recess
- Income was on plan for 2014/15, but a capital overspend was expected due to the purchase of NPML. However this would be countered by the under-spend on the AML reducing the over-spend to a small figure for 2014/15

- The valuation of the Teddington estate for 2013/14 had been a significant piece of work and NMO budget allocations had been met within 1% of the programme. This was due to accurate forecasting throughout the year. Overhead costs/fte had been reduced.
- AP asked about the pension deficit. SMG confirmed that this was in hand.
- AB discussed the Department's financial position and the enormous pressure on admin and capital budgets. SMG agreed and said that the need to submit extremely accurate forecasts at end Q1 had been emphasised internally

#### 7. **Agency & Business Team Balanced Scorecards**

- Agency Scorecard – SMG explained that NMO were not expecting to miss any Ministerial Targets this early in the f/y. A/R 1 – Corporate Resources Support the Agency. DB continued to work with UKSBS to resolve the issues concerning HR Online and service implications. Some improvement had already been seen, but the Agency were keen to have the full system back up and running by year-end (December)
- The Board had looked at the team scorecards and commented that they were satisfied with this good, honest and realistic way of reporting

#### 8. **Review of Work Programme 2013/14**

- The Corporate Plan 2013/14 had been monitored against a detailed work plan.
- Subject to NAO's confirmation all NMO objectives had been achieved bar 1.1 "To plan to implement new arrangements for the future of NPL by the end of March 2014.
- *Ensure uniform labelling in the work programme table – clearly labelling each objective "achieved" or "not achieved" (SMG, June)*

#### 9. **Update on New Enforcement Work**

RF presented this item and discussed the following:

- Despite a more challenging year, the Ministerial target had been met.
- Currently, there were 26 staff in the team with one vacancy to be filled.
- More new work was expected to be won this f/y.
- The same familiar working processes could be applied to this new work which mainly involved market surveillance, national enforcement and liaison with Trade Associations, keeping them informed of necessary regulations. Some of the new work had parallels with the work of the Utilities and Regulation teams
- General enforcement work comprised of maintaining quality, opening more dialogues with key stakeholders to ensure understanding, and liaising with other national regulators in the interests of knowledge transfer, best practice and the Regulators' Code.
- There was a push from our departmental customers to be a strong presence within Europe where NMO were already European leaders in terms of market surveillance
- Horizon 2020 focussed on eco design in partnership with Pro Safe, and this would bring extra testing work to NMO.
- RS explained to the Board that whilst the Agency continued to grow its enforcement services, it was not looking to grow outside of its skill base or to compete with Trading Standards through local enforcement
- RS said that currently the biggest team risk, other than the new enforcement work was declining internal engagement as a result of issues with shared services/UKSBS, which had adversely affected staff morale.

#### 10. **The Future Shape of NMO**

MH explained that the higher authorities at BIS would make any final decisions regarding the future shape of NMO. However, MH didn't envisage a change to the future of any of NMO's current activities including NMS. Just the shape of NMO's functions would be assessed. The project had been broken up into constituent parts, and MH gave an interim report to date on two of those constituent parts:

- A. Scientific metrology and estate functions
- B. Enforcement/policy/commercial functions

PC said that this all sounded remarkably sensible and logical. He was more concerned with the governance of the science programme and greater levels of scrutiny if closer to the Industrial Strategy.

AP was also supportive of ideas so far and felt that some good progress had been made. However, unlike PC, AP would prefer less scrutiny and more focus on the bigger picture. AP agreed that enforcement services were best left alone rather than transferred to Local Authorities that were already under so much pressure. AP was keen to know more about what would be left at NMO and might affect NMO's shape and strategic objectives. It would be important to consider next year's strategic review and establish strategic drivers, such as:

- a. Economic growth and how NMO contributes to that

- b. Avoid duplication and overload (this would be dealt with under Governance)
- c. International reputation and branding (how and where did MH's recommendations contribute to the Agency's outstanding existing reputation)
- d. Clearer definition on where policy and implementation was sitting

IP was keen to receive assurance that things would be kept together in a stronger, unified, more powerful body to communicate one message on measurement. A fractured approach would not be beneficial to delivering this with BIS' role as owner, shareholder, customer and landlord. Further work would be needed to produce a clear Governance model with consideration given to the order of decision making. IP would like to further examine any financial opportunities that could emerge from this and benefit UK Plc.

AB thanked the Steering Board for their helpful comments and concluded that timing was a key concern. It would be a challenge for NMO to be seen as K&I body, when in reality most of its customers were outside of that. It was important that NMO continued to engage its stakeholders and increase awareness, and also to engage with the universities and the proposal board. It would be advantageous to have clear recommendations in place by July, but this may not get on the agenda before recess, although, September might be more sensible for the consultation process.

***Agree communication lines with Brigid Feeney (RS/MH, June)***

RS explained he would be speaking to all staff later that afternoon, and anything said would quickly filter through to Stakeholders. The main message to deliver would be "business as usual".

**10. Advanced Metrology Laboratory (AML) Update**

RG presented this item

- Ministers had announced back in January 2013 that £25 m was to be made available for the construction of a high specification AML on the Teddington site. However, the estimated construction cost for the design recommended by a firm with a good reputation and experience in laboratory building was significantly higher.
- Whilst it would not be possible to build the preferred AML an alternative metrology laboratory had been proposed for consideration at the Project Board in July.
- There was further work to be done on detailed expenditure profile.
- AP was concerned with the risks involved with such a big construction works and wondered what percentage of the original spec would be used in comparison to the original plans.

**12. Staff Bonus Scheme (sign-off last year & agree this year)**

This item was taken at the end of the meeting with just RS, DB, MH, AB and the Non Executive Directors present. The payment of the corporate bonus was agreed for 2013/14. However, the corporate bonus for 2014/15 was not agreed as it was not in line with current BIS practice.

**13. AOB**

- RS gave the good news that our Steering Board Chair IP had been appointed an OBE in the Queen's Birthday Honours for services to engineering.

**14. Date of next Steering Board Meeting : *TUESDAY 16<sup>TH</sup> SEPTEMBER 2014***