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NMO STEERING BOARD (SB) MEETING

DATE : Tuesday 16th September 2014 **TIME** : 10.00am

ATTENDEES : Isobel Pollock, Chair (IP) **ROOM** : F12
 Alan Proctor, Non Executive Director (AP)
 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)
 Lynnette Falk, Director, Regulation, NMO (LF)
 Dave Barrett, Head of Human Resources (DB)
 Tania Raynor, Secretariat, NMO (TR)

Please note actions appear in **Blue**

1. Apologies for Absence/Substitutions/Welcomes

PC and PRD - sent apologies, JS joined the meeting later, AB joined the meeting for Item 9 (future shape of NMO) via teleconference.

2. Minutes of Previous Meeting of 17.06.14

The minutes of the previous minutes were approved as a true and accurate record without amendments.

3. Matters/actions arising from Minutes of last meeting

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

SMG confirmed that the NMO Corporate Plan Work Programme was reviewed each year at the Audit Committee (AC) and also discussed at the Steering Board to measure progress against Corporate Plan objectives. SMG would continue to ensure that each objective would be marked "achieved" or "not achieved" together with a short narrative providing brief details.

4. CE Update

RS said there was little to report since the August CE's Report to the Steering Board six days ago. August had been an unusually busy month, despite holiday season, mainly due to the NPL Future Project and AQML, both of which would be covered under Item 8 of the Agenda.

The NPL Future Programme Quarterly Catch-Up meeting was held on Monday 11th September. It provided an opportunity for those working on individual projects to hear how other projects within the programme were progressing. This proved to be very useful, with all attendees adopting a genuinely open approach and problems being addressed collectively.

Also on the 11th, Treasury finally granted clearance to publish NMO's consultation document, draft regulations, and guidance on the forthcoming EU Food Information to Consumers Regulation. The deadline for implementation was 13th December 2014 leaving a consultation period of just 5.5 weeks for stakeholders to respond. This was shorter than the 'best practice' 12 weeks but necessary in order to meet the EU regulation implementation date.

Preparations for the annual Civil Service Staff Engagement survey and the NMO IIP reassessment were underway. The Management Board appreciated that these assessments would happen at a difficult time for NMO staff but felt that the feedback was still worth having to help improve staff engagement and organisational performance particularly during this time of change and uncertainty. All NMO HR policies and processes had been refreshed with procedures in place for potential redeployment of staff if required. This would help to promote a sense of security and readiness for all eventualities.

IP asked if NMO were now at full compliment. RF responded that exact staff numbers for the VCA project (starting 1st April 2015) were still unknown, and there were at least six posts to fill for the heat metering work with DECC. SMG confirmed that currently there were 5 vacant posts in the Enforcement team, 1 in the Programmes and Estate team and 1 in the Certification Services Directorate.

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AP asked about the future landscape and possible staff reductions – were there any specific plans in place? RS said that there were no specific plans yet and it was likely that the areas facing particular pressure would be those funded by BIS “Admin” which currently covers Regulation, Programmes and Estate, and Corporate Services directorates. He agreed that NMO should plan for this though. IP suggested the Board revisit this at the November meeting.

5. **Agency Balanced Scorecard/BTM Balanced Scorecards/Agency Risk Register**

SMG explained that the Agency Scorecard gave an overview of NMO’s current position and demonstrated the detailed level of monitoring in place. AP commented that perhaps less detail was more appropriate at the higher (Agency) level. SMG agreed that moving forward, it would be preferable to reduce some of the detail similar to BIS best practice. The Board had looked at the team scorecards and were satisfied that the NMO Management Board were sufficiently monitoring progress and issues across all areas of the organisation.

SMG explained that the Risk Register would be reviewed in detail at the Audit Committee the following month. The main risks focussed around the NPL Future Project and the AQML.

6. **Finance Report**

SMG outlined the key features of the financial report to end August:

- It was recommended that overall estate assets remained on NMO’s accounts to calendar year-end.
- Underspend against plan due to the phasing of the science research budget and a lack of recruitment.
- Savings had been made across the Agency including the NPL project, which was being monitored very closely.
- Also, an underspend on capital expenditure largely due to delays with the AQML. The resignation of some key Amey staff had contributed to delays in spending across the site. SMG was hopeful that all would fall within budget.
- The pension deficit was discussed. MH explained that the deficit would sit within NPL and would be recognised on the NPL balance sheet. The valuation process was still incomplete as the level of contributions to be made had yet to be agreed. However, more would be known after the next Pension Trustees meeting the following Thursday.

7. **Update from BIS**

- MH reported that since the last meeting, there had been a change of Minister with whom the Department was getting more familiar. The new minister Greg Clark had a wider brief and was both Science Minister and the Minister for Cities, and preferred a more scheduled approach to his diary.
- The Department had much to do in a short space of time.
- There had been a substantial engagement exercise within Science and Innovation before the summer recess. This had prompted focus on infrastructure, business investment and talent.
- The Autumn statement strategy was due to be published early December after the consultation exercise.
- The Party conference season was approaching, although there was less demand on Department officials than usual.
- K&I SMT away day had taken place at NPL the previous week with focus given to the following issues:
 - Legislation on higher education
 - Student loans company
 - HEFCE
 - Connectivity across the science system
 - Post graduate system
 - Newton Fund – overseas investment
 - 20/20 horizon
 - Global talent
 - Innovate UK (formerly TSB)
 - Innovation
 - Local growth and national capability – balancing the two
- Cuts to BIS admin/programme were expected

8. **Update on NPL & AQML Programme**

- MH gave a brief update across the programme and explained the new programme structure for the Future Direction of NPL. The programme had been split into 5 sub projects:
 1. Share sale (led by David Legg) - meetings with Serco and BIS.
 2. Partnership (led by JS) – meetings with Surrey and Strathclyde to agree the shape of the partnership

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3. Governance (led by MH) – meetings involving many, including NMS, NPL and BIS. There was currently a bit of a backlog on this project and there was much to complete over the next three months.
4. Transition and readiness (led by NPL) – to ensure that systems are in place to work with BIS rather than Serco from 1st January 2015.
5. AQML (led by RG) - and involving the development of Building 2 with the focus on quantum physics and the acquisition of building 39 (currently owned by LGC). Currently, there was a £25 m project budget profile, which didn't match the spend profile. Much was being done to resolve this issue, which was a risk to BIS' capital budget.

- PC asked about the governance of the science programmes. RG said that it was likely that the responsibility would sit with NPL, and the oversight would rest within BIS rather than NMO.
- MH clarified the NMO Steering Board's role in relation to the AQML. He suggested that the Board should be aware of and continue to review any risks to NMO, and to continue to ensure they remained updated on the programme and timetable. Any associated risks would be added to the Agency risk register for review at the next Audit Committee, where effective change management processes would also be considered.
- AP asked if there was a need for contingency planning. MH explained that the ownership of NPL would transfer to Government on 1st January 2015. As per the contract 90 days notice was required to Serco, and share discussions could continue for a bit longer. The main risk for NMO was with how smoothly the transfer of ownership went ahead

9. The Future Shape of NMO

AB dialled in for this item and JS joined the meeting at this point.

A confidential paper "Future Shape of NMO : Second Phase Report" had been circulated to Board members the previous afternoon. The Board confirmed that they had all had the opportunity to review and consider the options and recommendations made therein.

The Board agreed with IP's suggestion to focus on the following questions and a detailed discussion ensued:

1. Was the report correct and accurate?

The Board thought the paper was very thorough and made a sound set of recommendations.

- LF was pleased to see a recognised linkage between regulation policy, certification and enforcement teams.
- MH explained that the paper had been compiled taking into account feedback from stakeholders and balancing wider Departmental agenda/pressures. Whilst there was an important link between legal and scientific metrology, it was not strong enough to keep them together. Although, alignment was important and geographic location could help the argument.
- The cost benefit analysis may require wider development, but an Agency model was not included in the paper as it was not considered critical as the current model worked. A draft communications plan had also not been included as it was deemed too premature at this stage.
- A timescale had not been formally agreed, but 1st April 2015 seemed sensible.
- The Board unanimously ruled out Option 2 and agreed that there seemed little point to developing it any further if it was not the preferred option and because the cost benefit analysis also ruled it out.
- MH said that the Board should be aware that, having explored the alternative option in some depth, it may be difficult to make a case to HQ as Option 2 was feasible, just not advisable

2. Were there any contributions to improve the report?

- RG said it was vital that the paper correctly pitched the relationship with legal and scientific metrology and that a detailed profiling exercise was required. AB agreed that it was important to maintain and protect the relationship between scientific and legal metrology moving forward.
- MH commented that he had found legal metrology very difficult and some terminology changes were required.
- RF thought perhaps some support from non metrology stakeholders i.e. DEFRA/DECC would be beneficial. *Forward MH contacts accordingly (RF, soonest).*
- AP suggested that the representations of industry groups should be further highlighted within the report, and that economic growth emphasised as a significant argument. IP mentioned that she

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had been sent direct, two letters of support from NMO from the UK Weighing Federation and Herbert Group. *Pass these letters to MH for inclusion (IP, soonest).*

- *Feed comments/suggestions for improvement to MH via email (The Steering Board, by COP 18th September)*
- SMG said it was crucial to include some figures to inform the Executive Board and Ministers and provide key indicators of scale and substance. The Board agreed, and RS said it was important to broaden the paper and explain that the Agency's 84 staff were not all funded by BIS.
- MH agreed that the final draft should consist of many simple details, as in reality, the NMO was not visible to all at HQ
- PC was concerned with risks and was keen that the paper's weights and measures (W&M) focus looked at future regulation and metrology requirements in order to continue to best support business. AP agreed that that the importance of NMO to UK economy and business from an industry perspective, rather than just a scientific metrology perspective, should be emphasised (in a brief and punchy manner) within the report to justify the Agency's existence and demonstrate its forward looking approach. *Arrange strategic level discussion with NPL and others to support this (MH, Sept/Oct).* PC also wondered how regulation activities would be funded in the future and how to best ensure calibration services were sensibly priced.
- Sustaining the level of skills within the Trading Standards community and the expertise on W&M (which had been shrinking) was recognised as an important future challenge. A linkage with BRDO should help to sustain metrology capability in the future.
- MH was keen to further explore the merger with BRDO and identify any sensitivities. BRDO Senior Managers had already been consulted and were in favour of the merger. BRDO were a very small organisation with less than half the staff of NMO. However, they had four members of the Senior Civil Service (NMO had just one). This could prove to be very useful at a strategic level. Nevertheless it would be a key requirement to pitch the proposal to merge correctly to staff as merger is often perceived to mean takeover.
- RS confirmed that WELMEC, OIML and the European Commission were the key routes to keeping abreast of future trends in technology and the regulation of trade and medical instruments. He also thought it unlikely that significant interest/support would come from the scientific metrology community. So the Agency would be ready to support business, industry and other Government Departments and gave the recent example of the hydrogen economy where NMO had already established the requirements for legal control of hydrogen fuel dispensers for vehicles if in use for trade.

3. Did the Board agree with the report's recommendations?

The Board unanimously agreed with the recommendations made within the report, but there was concern that a reduction in the size of the Agency could lead to a reduction of budgets.

RS supported the recommended Option 1, and agreed that there was strength in critical mass. He said that strategically it would be better to be in control of the future shape of the Agency now, rather than waiting for something to be imposed at a later date as a result of the Future Shape of BIS project.

PC, who had passed his comments to IP prior to the meeting, also preferred Option 1, and had reservations about Option 2. IP agreed with this view, and wondered if BRDO was likely to welcome the proposed merger.

AP also supported Option 1. However, he was concerned that there may not be enough time to revisit some of the synergies of functions, and carry out a future proofing exercise with all the changes involved with the NPL future project.

SMG said that Option 1 was the logical conclusion and offered assistance with any financial figures/profiling as necessary. LF agreed, and thought the proposed merger with BRDO could be very positive as there were many natural synergies. The cost benefit analysis of Option 2 ruled out its viability.

DB and RF echoed the preference for Option 1. RF was concerned about the credibility with stakeholders, and said it would be important to look at BRDO's visions in relation to NMO's.

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JS also preferred Option 1. She was keen that whatever decision was made, NMO should not undergo another costly, time intensive and unsettling review.

4. How could the Board best help the process?

- AB said she would try her best to influence against any further resource intensive reviews of NMO which she recognised as unsettling on staff morale.
- JS offered change management assistance from her team who were managing the NPL transition project.
- The immediate work required would be for RS, SMG and MH, in particular with initial discussions with BRDO. It would be important to utilise the Board's experience in order to establish a structure. RS said it was important *not* to assume that there would be no objections from, or conflicts of interest with BRDO. However, MH commented that this would not alter the recommendations made in the paper, and BRDO may be encouraged to merge by BIS.
- The Board should consider the constitution of the Steering Board and BRDO representation at the next Steering Board meeting. PC's contract had come to an end and AP's role was also approaching the end of its term. *Discuss further after the forthcoming NMO Audit Committee on 20th October (NMO Steering Board, 20.11.14)*
- *Add risks to Agency Risk Register prior to the Audit Committee (SMG, October)*

5. What next – what was the best way to proceed?

- RS reminded the Board that this was a confidential matter and not for wider discussion at this stage. JS wondered if Directors could be more open with staff, but Richard explained that it would be wrong to communicate details before the BIS Executive Board and Ministers were informed and could not be done prior to BRDO's decision and communication with their staff. RF asked if VCA staff should be made aware that NMO was under review. RS said that VCA were not yet NMO staff, but he had already informed them of the review when they visited NMO on 13 August.
- The Board agreed that it was important to communicate something to NMO staff, who would be expecting news following on from this meeting. RS would let staff know that options had been discussed and passed to BIS for consideration. It was hoped that the Agency might know more in the next month or so.
- It was agreed that a communications plan was required and that it should align with a Project Programme that had yet to be established. MH would continue discussions with various key people and organisations as he was keen for a decision by end September. However, this would require much organisation in order to find the time in everyone's diaries and line up with the Comms plan, as the Minister was involved with party conference season. Consideration was needed as to whether it would be counter-productive to consult the Executive Board the following Friday.
- At some stage soon, a new paper on BRDO and the proposed merger would be required and also a note on how the Steering Board's recommendation for Option 1 was arrived at.

10. NMO Corporate planning assumptions and horizon (depending on 9 above)

- SMG explained that majority of NMO's planning would usually be sent to BIS by end December. Careful consideration would be given to financial planning. Although, this would be difficult until more was known regarding the future shape of NMO. Any merger decision made by end September would be helpful to the planning exercise.
- AP advised that the Corporate planning assumptions be revisited and that the finance team should work towards the 15/16 horizons and not beyond. SMG should be aware of how the merger may significantly affect the planning/funding/metrology landscape.
- It was hoped that the "business as usual" approach to be communicated to all should help to reassure staff. It was agreed that it was essential to provide staff with a clearer picture of NMO's customer and shareholder functions as soon as possible. JS was keen that constitution of the NMS team and the NPL future team, and where in BIS they might sit, be communicated to those teams as soon as it was known.
- MH confirmed he would manage any communications with NPL relating to NMO's future configuration when final decisions had been made and all was settled.

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11. **AOB**
 - MH expressed apologies that he would be unable to attend the next Steering Board meeting in November.

14. **Date of next Steering Board Meeting :** ***THURSDAY 20TH NOVEMBER 2014***