



Intellectual
Property
Office

The Patent Office Annual Report and Accounts

2020/21



IPO | Making life better through IP

Intellectual Property Office is an operating name of the Patent Office

**The registered address of The Intellectual Property Office/
The Patent Office**

Concept House
Cardiff Road
Newport
NP10 8QQ

**The Intellectual Property Office/
The Patent Office**

The Intellectual Property Office (IPO) is the official UK government body responsible for intellectual property (IP) rights including patents, designs, trade marks and copyright.

We operate and maintain a clear and accessible intellectual property system in the UK, which encourages innovation and helps the economy and society to benefit from knowledge and ideas. We help people get the right type of protection for their creation or invention.



The Intellectual Property Office became the operating name of The Patent Office on 2 April 2007. The Patent Office was set up in 1852 to grant patents, although the origins of the patent system date back a further 400 years.



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Any enquiries regarding this publication should be sent to us at:

The Intellectual Property Office

Concept House
Cardiff Road
Newport
NP10 8QQ

Tel: 0300 300 2000

e-mail: information@ipo.gov.uk

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Chair's Statement



Kevin Orford
Interim Chair

About Kevin

Kevin Orford has held executive, non-executive and trustee positions on NHS and charity boards for over 20 years. His last NHS executive role was that of Chief Executive of the East Midlands Strategic Health Authority. He is currently a Non-Executive director on the boards of the Northern Devon Healthcare NHS Trust and on the Board of the Royal Devon and Exeter NHS Foundation Trust.

The role of our Steering Board is to advise Ministers, through our Director General, on our strategies and performance (including targets) as set out in our Corporate Plan. It also provides guidance from a commercial standpoint on our operation and development across a range of issues.

During the last 12 months, the Steering Board has provided advice and guidance on a wide range of topics, such as our Corporate Plan, Agency Targets, Intellectual Property Policy, Accounts and Risk Management.

Following the conclusion of Tim Suter's term as Chair of the Intellectual Property Office on 31 March 2021, I am pleased to be invited to provide the Chair's Statement for this year's Annual Report and Accounts.

It goes without saying that this past year has been like no other. The Covid-19 pandemic has presented unprecedented challenges to the IPO, to our people and to our customers. In the face of these challenges, our teams responded with professionalism, imagination and flexibility to ensure that our services were maintained throughout. I am pleased to report that we met all of our Ministerial Targets and made considerable progress in delivering the IPO's strategy. Launched in 2018, our strategy sets out how we will support the Government's ambition of making the UK the most innovative country and the best place to start and grow a business. We aim to support this through being the world leading Intellectual Property (IP) office, by delivering excellent IP services, by creating a world leading IP environment and by making the IPO a brilliant place to work.

During the year we also implemented the relevant changes required by the UK's departure from the European Union (EU). We delivered the legislation required for the end of the transition period and as part of this we successfully delivered the Rights Migration of over 2 million trade marks and designs alongside the Address for Service changes that came into effect in January 2021.

We have also seen unprecedented demand and record volumes across our rights areas. We have made significant progress in reducing our patent backlog below the target and have seen significantly increased demand for both trade marks and designs. Our overall customer satisfaction score evidences that throughout, we continued to provide excellent customer service across all our registered rights. It has been over a year since we launched our Customer Strategy and there is much to be proud of in how our people have continued to deliver for our customers in extremely difficult circumstances, adapting to changing customer needs and putting customers at the heart of everything we do.

To develop our understanding of how artificial intelligence (AI) impacts the IP framework, we also completed a call for views on AI and published a government response.

As ever, our people are at the forefront of our continued success. Our overall engagement score in the People Survey reached an all-time high, with an increase of 5% from last year, keeping us within the Civil Service high performance bracket and retaining a top 3 placement for Learning and Development. We successfully supported the transition to remote working and put help and support in place for those with home schooling and caring responsibilities. We also updated our Framework¹ document to help ensure we have a best-in-class approach to governance and decision making.

We move into 2021/22 with huge ambition to deliver the key priorities supporting the delivery of our strategy. As well as further improving and delivering our core services, we will embark on the next phase of our enterprising service transformation programme, which will align the IPO's services to an increasingly digital IP environment. We will work on future-proofing the IP framework to ensure that the UK IP system remains one of the best in the World and we will further embed our 'One IPO' culture. All of this supports our continued focus on our customers and on our support of our people.

Finally and above all, I would like to personally thank all our people for their unwavering professionalism and dedication over this extremely challenging year. This Annual report demonstrates what we can do in the most challenging of times and shows how well everyone has pulled together to achieve our goals and objectives.

Kevin Orford
Interim Chair

¹ [IPO Framework Document 2020 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

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2021

Chief Executive's Introduction



Tim Moss
CEO

About Tim

Tim took up post as Chief Executive Officer and Comptroller General of the UK's Intellectual Property Office (IPO) on 1 May 2017. As CEO of the IPO Tim is responsible for advising Ministers on all IP policy matters and for the operation of the Office.

Tim came to the IPO from Companies House where he was the Registrar of Companies for England and Wales and Chief Executive (March 2012- April 2017). He worked at Companies House from 2002 where he held many senior positions within the organisation. His extensive work portfolio included leading on the digital agenda, operational delivery, business strategy

and corporate policy. Tim also held the position of president of the Corporate Registers Forum (an association of over 60 registries worldwide) from 2013 to 2017.

Tim's career also includes 12 years in senior operational roles in the manufacturing industry; he has a Natural Sciences degree from Cambridge University, an MBA from Swansea University and lives on a farm in South Wales and is married with two children. He was awarded a CBE in the 2016 Queen's Birthday Honours list for services to the economy and the people of Swansea.

I am delighted to introduce the Annual Report and Accounts for 2020/21

Our Corporate Plan 2020/21 was the third year under the refreshed Intellectual Property Office (IPO) Strategy. Although the Covid-19 pandemic presented huge challenges for us, we have continued to deliver significant achievements including:

- excellent customer satisfaction, reducing our patent backlog by 42%;
- successfully delivering the migration of European Union (EU) trade marks and designs to the UK registers;
- completing the mobilisation phase of our transformation programme;
- completing a call for views on artificial intelligence (AI) and published a government response; and
- have remained a high performing organisation in the Civil Service People Survey.

It has been a successful year.

This report sets out the detail of our achievements this year and I am pleased to provide my perspective on our performance over 2020/21.

Like all organisations the IPO has been adversely affected by the Covid-19 pandemic and we have seen 96% of our workforce working remotely since March 2020 over the last year. Our continued investment in technology supported this transition. Our teams worked brilliantly to ensure that our processes could work effectively remotely, and we invested in upgrading our infrastructure to support this.

To support our customers through the pandemic, we announced a period of 'interrupted days' from 24 March 2020 until 29 July 2020, which meant we relaxed the requirements on customers to act by certain deadlines in relation to their rights. We also implemented temporary fee changes to avoid additional charges for certain late filing up until the end of March 2021.

Delivering Intellectual Property (IP) services for our customers remains central to what we do at the IPO and we have continued to provide excellent customer services, achieving an average customer satisfaction target of 85%. This is despite seeing unprecedented demand across our rights, with domestic trade marks increasing 56.7% and international trade marks increasing 19.3%. Domestic Design applications have also increased significantly by 44.6% with international applications up by 60%. In patents, we delivered 94.9% of requests for an accelerated two-month turnaround against a target of 90% and have reduced our patent backlog by 42%. In dealing with this record level of workload we have carried out a high level of recruitment and training whilst maintaining our focus on our people's wellbeing ensuring support is provided where necessary in adopting the new ways of working.

We committed to putting customers at the heart of the IPO in line with our Customer Strategy and during the year we established the IPO's Customer Experience Unit bringing together customer expertise from across the IPO. We also developed and implemented a 'closing the loop' framework to help us resolve long-running customer issues and reviewed and simplified our complaints process to ensure complaints are handled correctly. We also made progress in our transformation space and completed a mobilisation phase, making sure we are ready to embark on our five-year transformation change programme.

We are consistently ranked as having one of the best IP regimes in international indices and most recently this was confirmed in the US Chamber 2021 International IP Index² where we ranked number 2.

2 [U.S. Chamber 2021 International IP Index | The Global Innovation Policy Center \(theglobalipcenter.com\)](https://www.uschamber.com/2021-international-ip-index)

One of the most significant events and major achievements was in delivering a smooth exit from the EU transition period for Intellectual Property (IP) rightsholders, which involved creating over 2 million new trade marks and design rights on the UK register on 31 December 2020. As part of the end of transition from the EU we agreed the IP chapter of the UK-EU Trade and Cooperation Agreement under challenging circumstances. We also successfully delivered IP chapters in a range of global UK trade agreements; this includes deals that cover 63% of the UK's bilateral trade.

To understand how AI impacts the IP framework, we completed a call for views and published a government response; this was the first step in ensuring the IP framework supports this important technology and is an enabler to future innovation. In response to the pandemic, we have adapted and implemented virtual offerings to continue to reach out and educate businesses, young people, and universities about the importance of IP. We have engaged with more than 70,000 businesses and an average of 78% felt able to make an informed decision about managing their IP.

We provided support to UK businesses looking to operate overseas, shifting to virtual outreach where needed and using the network of IP Attachés to deliver support on difficult IP challenges whilst also increasing the UK's influence at the World Intellectual Property Organisation. We also made headway in reducing crime and infringement both overseas and in the UK with highlights including our work with Border Force leading to seizures of goods worth over £24m at East Midlands Airport, facilitating, with Police Intellectual Property Crime Unit (PIPCU), an operation in Brazil which led to 252 pirate sites and 65 pirate streaming services being suspended or seized.

The IPO is already a great place to work and we are committed to making it a brilliant place to work. Our engagement score reached an all-time high in the Civil Service People Survey with us remaining a Civil Service High Performer. Our commitment to diversity and inclusion has been recognised through a number of awards including: Working Families Top 10; retained our Disability Leader accreditation; and awarded the Carer Confident benchmark of 'Level 2 Accomplished'.

The physical and mental health of our employees has never been more important and to continue supporting our people, we introduced a new employee assistance programme to sit alongside our staff counselling service and other sources of support. We also successfully provided everyone with all the additional IT equipment and furniture needed at home within weeks of the office closure and made our buildings 'Covid safe' with risk assessments undertaken for those members of staff who had to work on-site.

Looking Forward

Our ambition is to be the best IP office in the world and going forward our 2021/22 Corporate Plan will build on this and support the UK to become the most innovative and creative country in the world. We will be transforming our ways of working, our services and the way we engage with our customers. Our focus over the next year will be our transformation programme; delivering our core services; increasing our external impact and future proofing the IP framework; and our 'One IPO' approach. We also expect rights applications to increase by around 25%, therefore we will grow our workforce and in parallel will work to build on our culture to ensure our people are supported to contribute their best, focusing on our future organisational needs including leadership development, hybrid working and organisation design.

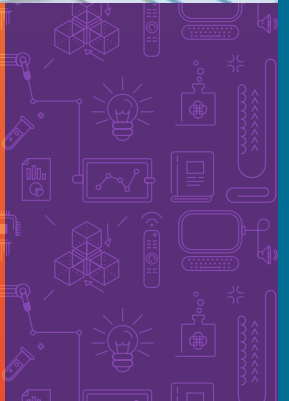
The achievements and successes through this year demonstrate our ability to address challenges and demonstrate our commitment to our role of making life better through IP. This has only been possible through the incredible dedication and hard work of everyone at the IPO. I am immensely proud to be their CEO and thank them for their great work.



Tim Moss CBE

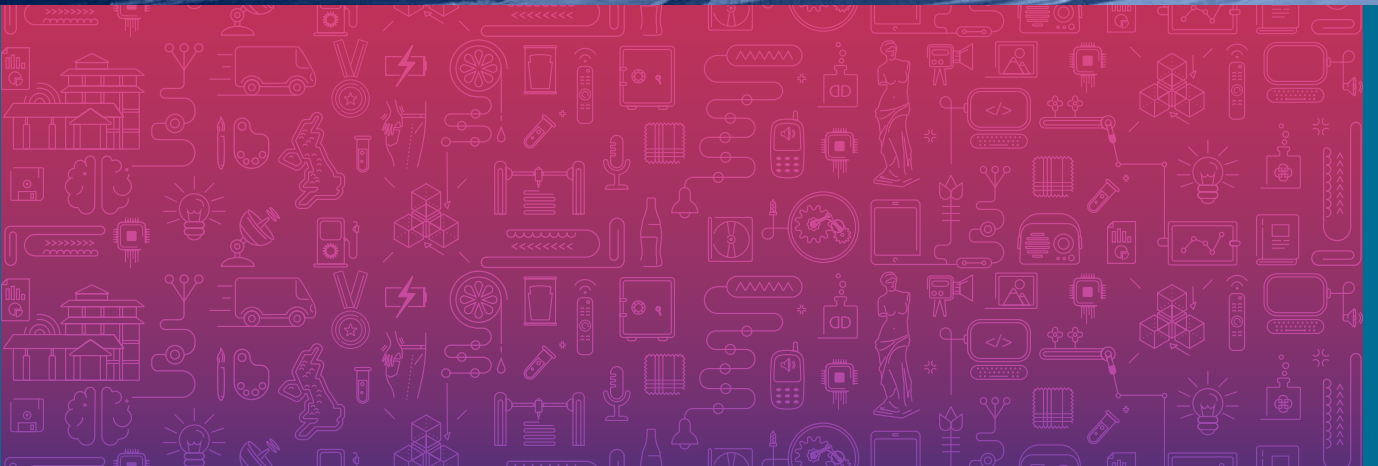
Chief Executive and Accounting Officer

08 July 2021



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Performance Report





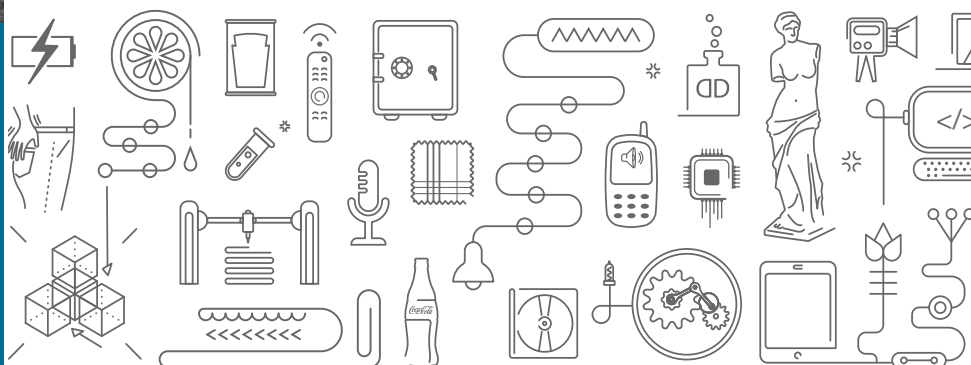
Part 1: Overview

As the UK government body responsible for Intellectual Property (IP) rights including patents, designs, trade marks and copyright, the IPO's purpose is 'Making life better by supporting UK creativity and innovation'. The IPO is a Trading Fund and an Executive Agency of the Department for Business, Energy and Industrial Strategy (BEIS).

Our organisation is led by the Chief Executive and Accounting Officer, Tim Moss, who joined the IPO in 2017. The IPO has seven directorates each headed by a director. The IPO corporate governance structure comprises of the Executive Board (IPOB), the Steering Board and the Audit and Risk Committee, each with complementary functions and supported by three sub-committees. Our non-executives provide advice and an external perspective to the organisation and further details of our corporate governance structure is described in our recently updated Framework Document³ and in our Governance Statement.

Our Strategy⁴ sets out a framework for how we will support the UK to be the most innovative and creative country in the world. To help deliver the ambition set out in our strategy, we develop and agree an annual Corporate Plan, setting out our key priorities for the year and how we plan to achieve them. The IPO's performance is measured against key targets, including those which are set annually by the Minister, following consultation with the Chief Executive and the Steering Board.

This section of the Annual Report and Accounts reflects the performance of the organisation against our Ministerial Targets and Corporate Priorities set out in 2020/21 Corporate Plan, providing a view of progress and outlining future plans to support achievement of our strategic objectives. This section will also highlight the challenges and impact that Covid-19 has had on the organisation in relation to our Corporate Priorities. Details of the key risks faced during the year can be found in the Governance Statement.



³ [Our governance - Intellectual Property Office - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

⁴ [IPO Strategy 2018 to 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

IPO's Strategy:

Intellectual Property (IP) touches everything that makes modern life more enjoyable, easier, safer, and prosperous. Our work gives researchers, inventors and creators, whether as individuals or businesses, the confidence to invest their time, energy and money in doing something new – making life better.

We are helping the UK to become the most innovative and creative country in the world. In doing this we will:



Deliver Excellent IP Services

Delivering IP services for our customers is central to what we do at the Intellectual Property Office (IPO) and to be excellent we know that we must:

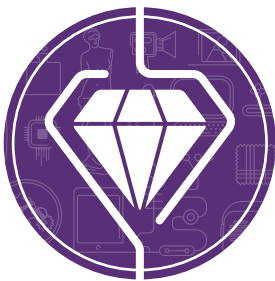
- deliver timely, reliable and quality services;
- provide end to end digital services that support our vision of providing 'one IPO' services and are the same quality services that customers receive elsewhere; and
- ensure that our data helps our customers through improving services and increasing knowledge.



Create a World-Leading IP Environment

The UK has a world class IP system, however this is only part of the picture. We want the whole IP environment to be world leading and our strategic approach is to:

- provide certainty to our stakeholders by developing the legislative and policy framework;
- increase IP's impact through awareness and education; and
- reduce IP crime and infringement.



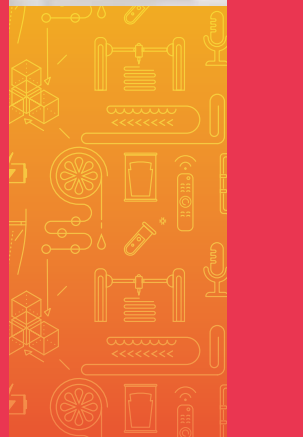
Make the IPO a Brilliant Place to Work

The IPO is already a great place to work, and we want to make it a brilliant place to work, where everyone is dedicated to providing the best services for our customers. Our three key focus areas are:

- having solid foundations to retain and attract the right people;
- having a great culture, with shared values and behaviours, a respect of difference and a common purpose; and
- having healthy people working in a healthy environment.

Our awards

INVESTORS IN PEOPLE™
We invest in people Gold



Performance Summary

We have achieved our Ministerial targets (page 12) and have made significant progress against our Corporate Priorities. Key highlights from 2020/21 include:

- meeting a challenging target of an average customer satisfaction score of 85%, with the knowledge and attitude of our people scoring highly throughout (Ministerial target);
- making significant progress in reducing our patent backlog, reducing the number of overdue examinations by 42% over the course of the year;
- successfully delivered a migration of over 2 million EU trade marks and designs to the UK registers and made the legislative changes that brought those rights into effect (Ministerial target);
- our enterprise-wide Renewals service successfully passing its assessment to move to public beta and is now being used for 99.5% of all IP renewal transactions with the project winning the bronze award for the Civil Service Operational Delivery Profession in the transformation category;
- delivering a smooth exit from the EU for IP rightsholders and agreed the UK/EU Trade and Cooperation Agreement under challenging circumstances;
- completing a call for views on AI to develop our understanding of how AI impacts the IP framework and published a government response, enabling us to provide the clarity our customers need to confidently invest in AI (Ministerial target);
- engaging with more than 70,000 businesses on IP and of those that we surveyed an average of 78% of them felt able to make an informed decision about managing their IP;
- being influential in delivering changes in the international enforcement space, providing more certainty and security for UK customers when they trade abroad with particular success in Brazil and the Philippines;
- adapting quickly and effectively in response to Covid-19, ensuring that 96% of our people could work effectively remotely within days and those who did need to come into the workplace felt safe and confident to do so;
- being named as a Top 10 Employer for Working Families for the third time in four years;
- achieving an efficiency outturn of 5.5% (Ministerial target);
- being awarded the Carer Confident benchmark of 'Level 2 Accomplished' from Carers UK; and
- being awarded gold status as a UK Cycle friendly employer following a review of our facilities, policies and support for our workplace cycling.

Part 2: Performance

Analysis: Review of IPO Business 2020/21

Financial Summary

The IPO continues to experience significant growth, with record turnover of £122 million this year. Our operating activities in 2020/21 generated a surplus of £7m.

Income increased by almost £11 million, due to several factors:

- patent income continues to increase due to the significant inroads we have made with our backlogs; ongoing rise in the number of patents being renewed; the impact of fee changes introduced in 2018 and the improved productivity at the European Patent Office (EPO). As the EPO clears its backlog, renewal fees become due for those rights holders designating the UK; and
- the rise in trade mark and design applications seen over recent years has continued, providing further increases to our income. The growth in trade mark applications and subsequent backlog, has significantly impacted our deferred income. This has increased by around £7m in 2020/21. Additional examiners have been recruited and we work towards restoring normal backlog levels throughout 2021/22, with income being recognised as the backlog applications are completed. As this is an area where judgement is applied, close monitoring will continue to ensure that should any changes to estimates be required, they are identified and applied in a timely manner. In addition to the underlying growth trend of recent years, there have been large numbers of Covid related rights registered, plus the impact of EU Exit, which means that applicants need to come directly to us since January this year rather than being able to get rights at the EUIPO.

Operating expenditure increased by just over £8 million:

- this includes the additional staff linked to the increases in our workload, together with the associated increase in non-pay costs to support the larger workforce.

The Covid-19 situation meant some expenditure savings were made in 2020/21 as a result of new ways of working necessitated by the pandemic. We were able to quickly implement the changes required for our staff to work remotely, in most cases arranging for equipment already used to be relocated to their homes. Additional savings were seen with minimal costs in areas such as travel, postage, print and stationary. The IPO's offices largely went unused this year, although we continued to fully provide all of our services.

Income, resources, staff numbers and new expenditure were all carefully managed through a new quarterly reforecasting approach signed off at board level and enhanced spend and business case approval processes.

The operating surplus was added to our general reserve, which following the growth in rights applications and renewals in recent years stood at over £86m at the start of the year.

From our reserves, we have invested in transforming our services, our accommodation and data capability, as well as supporting IP related protection and enforcement activities. At the year end, we had general reserves of over £86m; sufficient to fund our transformation and other requirements over the next 5 years.

Our plans for service improvements and the customer and operational benefits these will bring, together with our long term forecasts of rights applications and renewals, mean that the IPO will continue to be able to meet our financial and related targets, to meet our return on capital obligations and maintain our self-funded status.

Ministerial Targets

Our Ministerial Targets are set annually, aligned with wider government objectives and our ambition and strategy. These are laid in Parliament in a written Ministerial Statement. We prioritise our work around these targets.

We measure our performance against these targets and report to our Steering Board, IPO Board (IPOB) and committees. This is done through reports outlining: current delivery status; delivery confidence; route to green for any targets reporting amber or red; and an analysis of progress. These are all reviewed and discussed monthly.

Our targets for 2020/21 and performance against these are set out below:

Priority: Delivering our core services

- Delivering excellent customer service with our average overall customer satisfaction reaching at least 85%.

Target met: 85%

- Delivering our services efficiently through continuously improving our systems, processes and ways of working to make things better for our customers and our people. Our target is to achieve efficiencies worth at least 3.5% of our core operating costs.

Target exceeded: 5.5%

Priority: Supporting the UK's independent economic and political future

- We will have created equivalent UK rights from existing EU trade marks and designs to the UK register on 31 December 2020.

Target met: We successfully delivered a migration of EU trade marks and designs to the UK registers and made the legislative changes that brought those rights into effect.

Priority: Understanding the impact of future technology on the IP framework

- We want to ensure that the UK's IP framework incentivises the development and adoption of AI technologies, supporting the government's ambition of putting the UK at the forefront of the AI and data revolution. We will do this by developing our understanding of how AI impacts the IP framework through launching a call for views and publishing our response to provide the clarity our customers need to confidently invest in AI.

Target met: We completed a call for views and published a government response, enabling us to provide the clarity our customers need to confidently invest in AI.

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- In addition to the Ministerial Targets, we are required by HM Treasury to achieve a Return on Capital Employed (ROCE) of at least 3.5%, over a five-year period.

Target exceeded: 7.2%



Corporate Priorities 2020/21



Delivering Excellent IP Services

We committed to putting customers at the heart of the Intellectual Property Office (IPO) in line with our Customer Strategy launched in February 2020.

During 2020/21 we established the IPO's Customer Experience Unit (CEU) bringing together customer expertise from across the IPO (including insight and analysis, user research, complaints, relationship management and quality). Throughout the year the CEU have delivered a programme of internal engagement, raising awareness of the IPO's customer strategy and promoting our customer-centric approach - adapting our engagement to suit our new virtual working environment. We also updated our Customer Charter⁵ so that customers know what they can expect from the IPO.

We have developed and implemented a 'closing the loop' framework to help us resolve long-running customer experience issues. Using our customer issues dashboard as a basis for this work, we have assigned owners for each entry and used customer insight to drive progress. As of March 2021, we have made progress on 91% of issues on the dashboard, with 32% now resolved or largely resolved. Close monitoring of customer feedback and contact with our information centre also allowed us to respond rapidly to emerging issues as part of our response to the Covid-19 pandemic.

We reviewed our complaint process in the first half of the year. The process has been simplified to make it easier for staff to follow, ensuring complaints are handled correctly and valuable learning points are identified and acted upon⁶. The updated process is set out clearly on our website and includes information about escalation to the Parliamentary Ombudsman⁷. In 2020/21 we received 223 complaints.

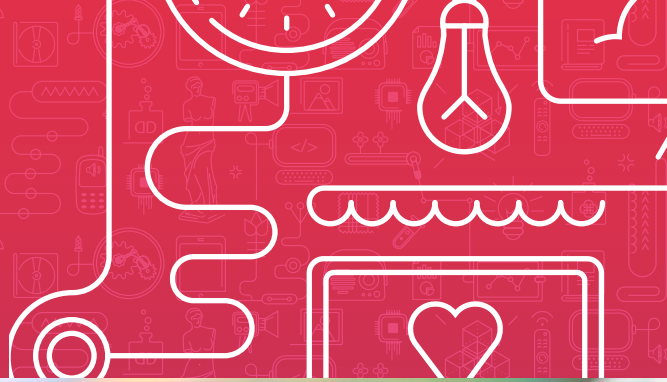
To focus our benchmarking efforts, we conducted research with customers to understand how we compare to intellectual property offices around the world and where we can learn from others. The level of engagement from customers involved in this work was excellent and has provided us with valuable information which will inform work over the coming year.

Our customers continue to rate our services highly; this year we met a challenging target of an average customer satisfaction score of 85%, with the knowledge and attitude of our people scoring highly throughout. Results of the customer satisfaction survey also showed high scores for 'customer-first' behaviours in line with the customer strategy, as customers believe we are fair, helpful and care about their experience. These great results are even more impressive given the significant disruption faced by the IPO and our customers this year, alongside increasing demand and ageing IT systems.

⁵ <https://www.gov.uk/government/publications/customer-charter/ipo-customer-charter>

⁶ In line with our ISO 9001:2015 accreditation

⁷ <https://www.gov.uk/government/organisations/intellectual-property-office/about/complaints-procedure>



Customer Information Centre (CIC)



**answered
21,768 emails**



Customer Information Centre also handled



65,819 calls

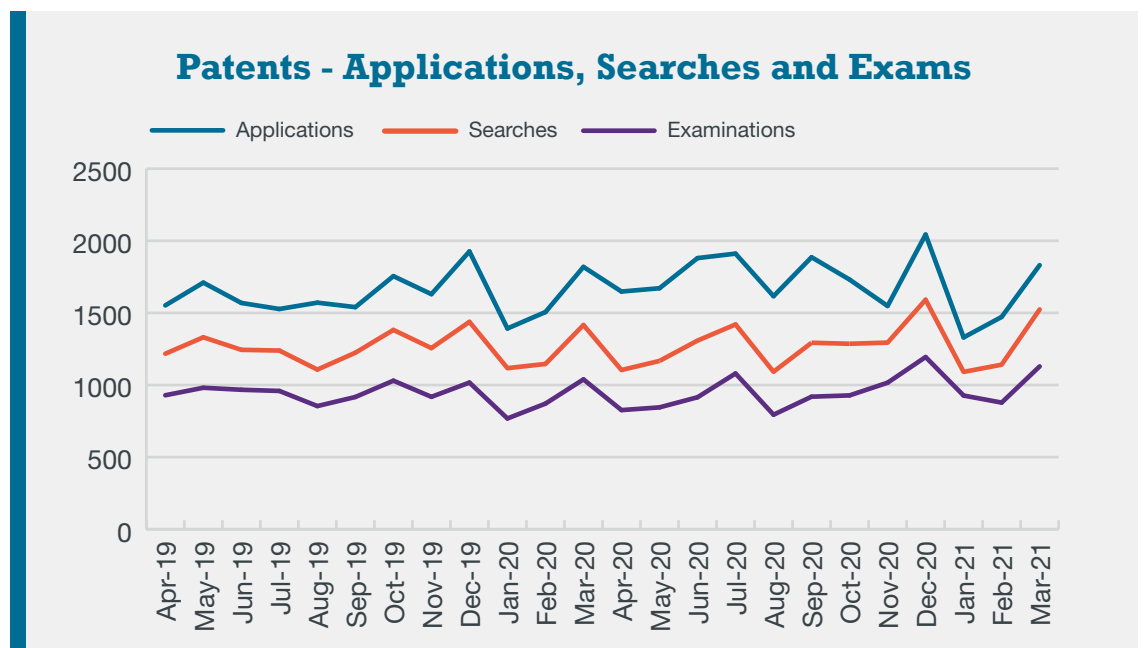


In November we were assessed against the Customer Service Excellence (CSE) Award, an annual independent review of our customer service operations and processes. We passed the assessment, achieving 'Compliance Plus' status in two additional areas and having 10 areas of good practice highlighted. Praise was given for the IPO's customer-centric response to Covid-19 and corresponding shift to online delivery, as well as the complaints process review, the customer strategy and related internal engagement initiatives. The assessment has also helped us identify continuous improvement opportunities that will help us increase our customer focus and, in turn, improve on the already good levels of customer service we deliver.

“ Our customers continue to rate our services highly; this year we met a challenging target of an average customer satisfaction score of 85%, with the knowledge and attitude of our people scoring highly throughout. ”

Timely, Reliable and Quality Services

We have continued to ensure high quality rights granting, rights management and tribunal services for patent, trade mark and design customers. We continue to see a growth in demand for our services as a result of the Covid-19 pandemic and the UK's exit from the European Union (EU). We have made significant progress clearing our backlog of patent cases, and although trade mark and designs cases are taking longer as a result of large increases in applications, we aim to clear all backlogs by the end of next year. The following graphs and commentary provide more detail for patents, trade marks and designs:



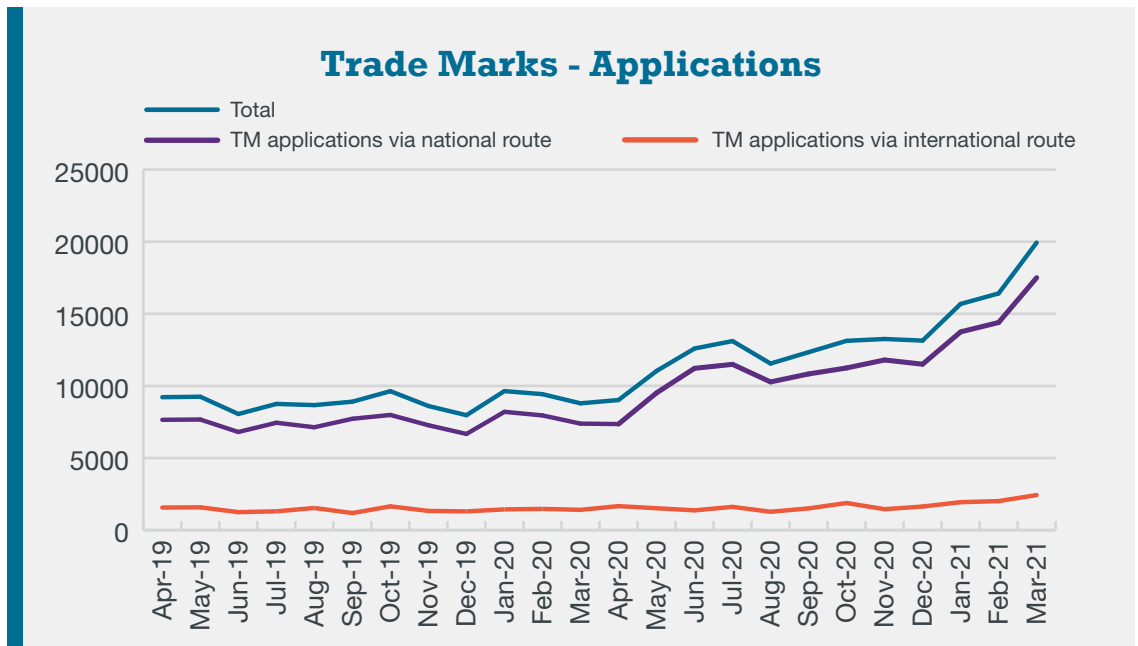
We received 20,567 patent application requests in 2020/21, an increase of 5.5% compared with 2019/20.

There were 15,311 requests for searches made in 2020/21, a 1.3% increase compared with 2019/20. We also received 11,451 examination requests, a 1.8% increase on the previous financial year.

We delivered 94.9% of requests for an accelerated two-month turnaround for search, publication and examination against a target of 90%.

Search pendency (time to search from request) was maintained at six months across all areas of technology, with there being no searches over six months old in hand in the office at the end of the year, although some searches contracted out to the EPO are taking longer, with 273 over six months old in hand at the end of the year.

We made significant progress in reducing our patent backlog, reducing the number of overdue examinations by 42% over the course of the year.

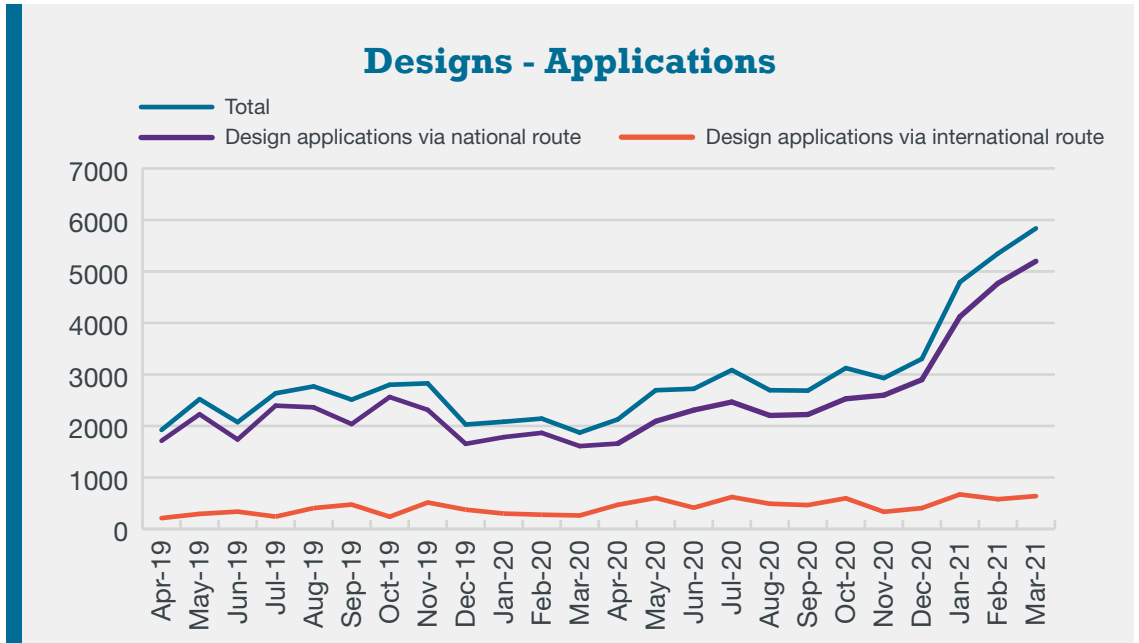


We received 140,894 trade mark applications from UK rights holders in 2020/21, an increase of 56.7% compared with 2019/20.

There were 20,313 international trade mark applications received in 2020/21, an increase of 19.3% compared with 2019/20. Substantial increases in applications were seen in Q4, following the end of the EU Exit transition period on 31 December 2020.

The World Intellectual Property Office (WIPO) saw a 71% increase in UK designations in Q4 compared to the previous year, these will flow through to us in 2021/22.

The significant increase seen over trade mark applications has resulted in our application backlog growing. This has impacted customers with the average examination feedback turnaround times increasing from 5-15 days previously to up to 3 months currently. We have addressed this by recruiting additional examiners and are monitoring demand in order to ensure we have adequate resource to support our services, and achieve our high level of customer satisfaction going forward. Reductions to this feedback time are planned in 2021/22 with the aim to achieve normal service levels by the end of the year.

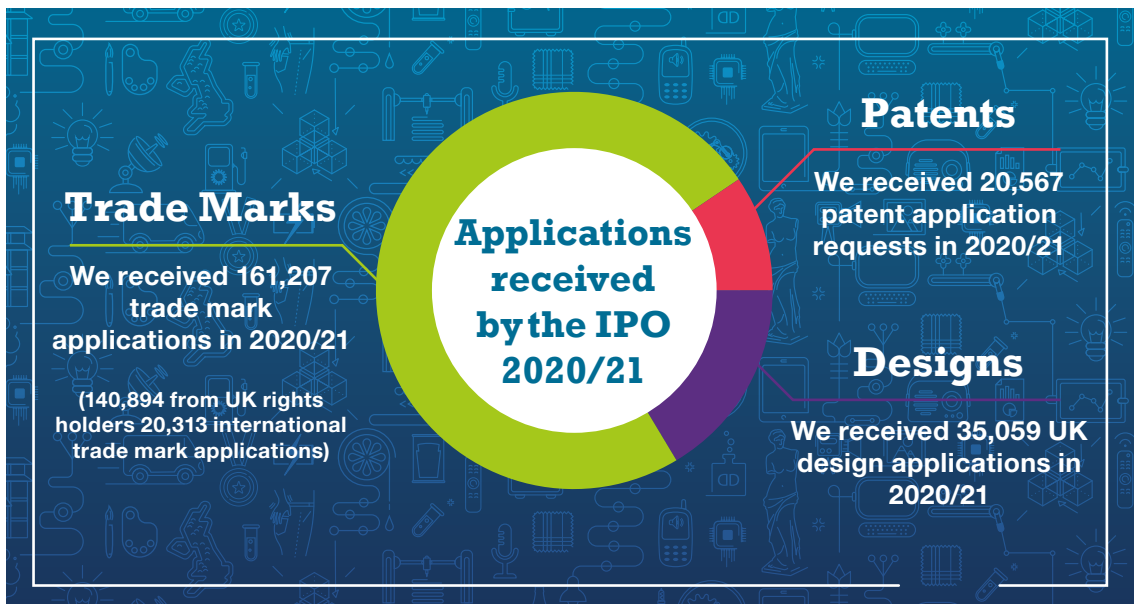


We received 35,059 UK design applications in 2020/21, an increase of 44.6% compared to 2019/20.

There were 6,280 international applications received in 2020/21, an increase of 60.0% compared to 2019/20, with WIPO seeing an increase of 91% in Q4.

For trade mark and design ex parte hearings, we exceeded our target to issue reports within 10 working days of a hearing. 99.4% of reports were issued within timescales against a target of 95%.

Our Tribunal service issued 87.7% of decisions within agreed timescales, just short of the 90% target. Whilst performance was in excess of 90% for five of the last six months it was not possible to make up the shortfall from earlier in the year.



End to End Digital and Data

This has been an unprecedented year keeping our services and staff working remotely, which provided unique obstacles for IT to overcome. Achievements throughout the year includes the expedited roll out of new software and devices, along with onboarding significant numbers of new starters. Despite this, our overall availability of our customer facing, and business critical internal systems remained above the 99.5% target at 99.73% of core business hours.

Our ambitious ‘One IPO Transformation Programme’ is not just about modernising the way we currently deliver our services, it’s about transforming what we do, the way we do it and the value we add as an organisation to the UK economy. Our transformation is about providing new customer-focused services which will allow creatives, innovators and businesses to seamlessly apply for, manage and research all their IP rights in one place.

Transformation is a strategic priority for the IPO, and we have made significant progress over the last year. As set out in our 2020/21 Corporate Plan, the key focus has been a major mobilisation phase to ensure we are set up to deliver successfully such a large and complex programme of change. The key deliverables for the mobilisation phase were:

- setting a Transformation vision and a clear roadmap of the journey ahead;
- developing an engaging communication plan for both customers and colleagues;
- ensuring we have the right people in post, with the right skills at the right time;
- developing a robust and compelling case for change which included a detailed investment case to be signed off and agreed by the IPO Board;
- a Transformation plan which is robust and realistic; and
- a commercial strategy through which we can secure the right suppliers and market resources to help us deliver this complex change programme.

All these milestones have been successfully delivered over the last year. The mobilisation phase completed in November 2020 with approval of a robust and evidenced based investment case which clearly articulates the benefits the programme will deliver and our success criteria. At the end of 2020 we also passed an external Gateway Review which endorsed our readiness to move to the delivery phase of the programme. Delivery began in March with the commencement of the Discovery phase of our Manage IP project. During this phase we will explore what our customers need from a customer account and any new accompanying services to allow them to digitally manage their IP rights.

Alongside the detailed planning and preparation during mobilisation, we made significant progress on other activities we had underway to transform and improve our services and systems:

- our digital renewals service successfully passed a Government Digital Service (GDS) assessment in October 2020. The quality and transformational nature of the service was recognised by winning the bronze award in the ‘Transformation’ category at the prestigious Civil Service Operational Delivery Profession Awards where it was shortlisted from over 700 nominations;
- during 2020/21 we successfully used Artificial Intelligence (AI) for the first time to develop several innovative tools and changes offering significant improvements and efficiencies for our customers and staff. Our trade mark Pre-Apply tool launched into public beta in October 2020 and is now being used by around 1.5K users per day. Our new internal trade mark search tool has become the default image-search option for a pilot group of examiners (with rollout to be extended throughout 2021-22); and
- in October 2020 we met another of our 2020/21 Corporate Plan objectives when we completed the work required to allow decommissioning of our Patent Office Computerised Account System (POCAS) by implementing new and improved ways of working paving the way for our wider transformation.

EU Exit Rights

By the 1 January 2021 we successfully migrated and published the IP rights onto the UK register that were legally held at the EUIPO and WIPO. Around 1.5 million trade marks and 700,000 designs were successfully migrated. On this date we also implemented the Statutory Instruments to ensure our systems were able to manage all Post-Exit activities by law.

The programme of work also delivered the following changes successfully for the 1 January 2021:

- Launch of the new TM Classification Search Service
- Address for Service change was implemented for trade marks, designs and patents





Creating a World Leading IP Environment

Developing the Legislative and Policy Framework

Our focus this year has been on the changes required for EU Exit, supporting businesses and other stakeholders with the impact of this, and developing policies and legislation for the future.

We ensured that the necessary legislation was laid in Parliament in time for the end of the EU Exit Transition Period and that, where necessary, it took account of the requirements of the Northern Ireland Protocol. We also provided guidance for businesses in advance of the end of the Transition Period so that businesses understood the impact of those changes.

To align with wider Government policy on the UK's exit from the European Union (EU), and having worked closely with stakeholders, we changed our rules on address for service so any new applications for patents, trade marks or designs – or any new request to start new proceedings like invalidations – filed from the end of the Transition Period required an address for service in the UK (which, for these purposes, includes the Isle of Man, Gibraltar or the Channel Islands). We provided guidance and help to businesses to understand the impact of this change.

Our teams have been integral in free trade negotiations with the EU and the rest of the world, ensuring that the importance of IP is reflected by negotiating specific rules and chapters for IP. We have ensured that IP plays a full role in cross-Whitehall trade agreement discussions, including on setting mandates for priority countries.

The communications focus throughout the year was on building awareness of the impacts that EU exit and end of Transition will have on our customers and stakeholders. This included changes to services, new rights, consultation on and introduction of Address for Service and changes to the exhaustion regime. A variety of products were created and used through our owned channels and the earned channels of our stakeholders to try and make sure the right audiences were informed and engaged. Using a single landing page as a starting point for information, it logged more than 8,000 unique views and the range of business guidance totalled nearly 30,000 views. The balancing measure of success we used were the number of Information Centre calls that were generated that could not find the guidance or could not find answers within the guidance. At its peak in January, after the 31 December deadline, only 330 related calls were logged with only 1500 across the entire year.

Despite the pandemic's impact on travel, the IPO has delivered an ambitious international engagement agenda, including increasing the UK's influence at the World Intellectual Property Organisation (WIPO) as the coordinator of our regional group for the first time. We also opened discussions with the EUIPO with a view to establishing a new relationship as a third country. In particular we discussed agreeing a new Memorandum of Understanding to ensure good access and continuing certainty for UK businesses.



The IPO has partnered closely with the Foreign, Commonwealth and Development Office (FCDO) to design and deliver comprehensive projects in Latin America, China and Southeast Asia. In China, the IPO has steered a programme of work targeting longstanding issues for UK companies and will use the evidence base built this year to develop interventions on IP in e-commerce, copyright enforcement and bad faith trade marks. Indonesia, Philippines and Vietnam have also been target markets for IPO initiatives, where experts have conducted in-depth reviews to modernise national IP laws into effective and forward-looking frameworks for economic, trade and innovation developments. We will, however, need to manage funding uncertainty for future years, and manage the scope and scale of any IP-related projects that are planned.

The purpose of the IPO's Futures Programme is to increase the office's understanding of the future opportunities and challenges for IP posed by technological and societal changes, such as the rise of artificial intelligence, the global shift to clean growth, changes in automotive and transport technology, and the needs of an ageing society.

Building on the progress made in understanding the impact of future technology on the IP framework, the AI and IP call for views was published in September 2020. It sought to gather information on where the IP framework may need to adapt to stay ahead of technological developments. The call for views ran between September and November 2020 and 92 responses were received.

The government response to the call for views was published on 23 March, meeting the Ministerial target set in the Corporate Plan. The government response summarises the contributions received and sets out actions to be taken forward. To help provide a system better equipped to meet the Government's ambitions on artificial intelligence technology, the response proposes a number of actions. These include:

- plans to consult on the extent to which inventions and creative works made by AI should be protected by patents and copyright, respectively, and on ways to make it easier to use copyright works when training AI; and
- plans for studies into the role of IP in incentivising investment in AI, the use of AI for IP enforcement, and the feasibility of a deposit system for data used to train AI systems. The IPO will also take action on international cooperation; partnership working; delivery of a programme of university-led seminars; and the use of sophisticated AI to improve our services.

In addition to its work on AI, the Futures Group signed off a programme of horizon scanning workshops internally and with stakeholders. The internal horizon scanning workshops were delivered, seeking input from staff from across the IPO. An external facilitator has been appointed to deliver and facilitate sessions with external stakeholders in the coming months. These workshops aim to produce a clear and prioritised plan of work for the Futures Group going forwards, in terms of understanding the impact of future technology on the IP framework and other new and emerging operational and policy issues that the IPO need to consider.

We have continued to better understand IP's role in the wider regulatory framework. This has been done through a series of committee discussion papers including IP and Tax, IP and Procurement, IP and Competition, and IP and Standards (which included detail around standard essential patents and FRAND⁸ licensing practices). These papers included a series of recommendations to be pursued and identified opportunities to link up to other government policies and departments. The papers have also identified further areas of cross-governmental collaboration, particularly in respect of competition and standards.

A number of the recommendations have been agreed will require further activity in this space which will continue into 2021/22 reporting period, and further research is to be conducted to better understand the relationship between the IP framework and data. We are also continuing to review HMRC's Evaluation of the Patent Box and undertaking analysis of the current IP and tax offering in light of the Government's recent Research and Development (R&D) tax relief consultation being published.

We are committed to evaluating the impact of our research programme. To achieve this, project boards of internal and external customers have been established to monitor and evaluate progress as the research progresses. The project boards agree key success criteria specific to each project and advise on relevance to policy throughout the lifetime of the project. The impact of research is often far reaching and informs thinking over a long period. The team will therefore revisit research 12 months post publication and gain insight from the project board and other stakeholders, internally and externally, to evaluate its impact.

We have published a number of reports which help support the development of our legislative and policy framework which include the following:

- Funded by the BEIS Regulators' Pioneer Fund (RPF), Cardiff University were commissioned to research 'AI-assisted patent prior art searching'⁹ which looks at the feasibility, technical complexities, and effectiveness of AI-assisted patent prior searching.
- The 'IP activity of UK Higher Education Institutions'¹⁰ (HEIs) analytics report is the first report of its kind conducted by the IPO, which allows further analysis into the IP filings habits of UK HEI's. This is the first IPO analytics report to bring together all three registered rights.
- We published the 'Use of Intellectual Property Rights across UK Industries'¹¹ which is a new publication of UK data and analysis, exploring the use of Intellectual Property across UK Industries. This paper builds on previous international studies of IP use across industries: one conducted jointly by the European Union Intellectual Property Office (EUIPO) and the European Patent Office (EPO), and another by the United States Patent and Trademark Office (USPTO).

As part of Transformation Mobilisation phase we carried out a comprehensive review of possible constraints to transformation in the IP framework, and looking at where and how some constraints could be removed. We also reviewed where we could make legislative changes to enable new services and bring greater consistency and effectiveness to such services. This will form the basis for a programme of legislative change across patents, registered trade marks and registered designs to ensure our legislative framework is agile, flexible and supports the aims of our transformation programme.

8 Fair, Reasonable and Non-Discriminatory

9 [AI-assisted patent prior art searching – feasibility study - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/research-analysis/ai-assisted-patent-prior-art-searching-feasibility-study)

10 [IP filing habits of UK Higher Education Institutions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/research-analysis/ip-filing-habits-of-uk-higher-education-institutions)

11 [Use of Intellectual Property rights across UK industries - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/research-analysis/use-of-intellectual-property-rights-across-uk-industries)





Increasing IP's Impact Through Awareness and Education

During this year we converted our business engagement programme to an entirely virtual offering, in response to the pandemic. Despite the delay caused by this we engaged with more than 70,000 businesses during the year returning a rate where more than 80% of businesses felt better able to manage their IP and 78% of business advisers felt more confident providing IP advice. We took the opportunity to update content in many of our products, including the IP Masterclass, and to build on collaborative activities with a range of partners including delivering webinars with Companies House and HMRC.

Over the last year we undertook a gap analysis to review the level of IP understanding across government and sought to identify what the government audience looks like. This was undertaken to better understand how we could upskill government on IP and develop a bespoke package of IP learning. The training will be delivered over the course of early 2021/22 a combination of online virtual classroom learning and self-directed study for civil servants using an online platform.

Since 2017 the IPO has had a Place strategy in place; the strategy was focussed on supporting businesses to recognise and understand the value within their IP assets. Within the 2020/21 Corporate Plan we committed to revising the strategy to support the Government's ambition of levelling up all areas of the UK.

As part of this review and in view of the increased prominence placed on levelling up, the IPO decided to widen the scope of the strategy and develop a Places strategy encompassing all of our work. The ambition of the strategy is to move from a 'places blind' to 'places focus' approach and ensure that, where appropriate decisions made within the IPO take greater account of places as a factor and that the IPO is supporting the Government's ambition to level up all areas of the UK.

Our regional posts form part of our original Place strategy focussing on business support. During this year we have evaluated the original posts that were based in Birmingham and Manchester. The evaluations demonstrated that the posts had met their original objectives of building IP capacity and capability within the regions. We also commenced a pilot post within the West of England, this pilot proved successful and has now been made permanent. We also continued with our role within Oxfordshire.

As part of our revised Places strategy the posts will continue with a widened remit covering business support, knowledge exchange and education and international support. New strategies for the roles will be developed in partnership with our host partners which will focus on supporting the regions priorities and the levelling up ambitions of Government.

We want all young people to learn about IP, so they understand what IP is, why it is important and how it fits into their lives and future employment. We have developed a framework for IP education that sets out the knowledge, skills and behaviours needed by young people. The framework provides a structured and progressive approach to IP education by identifying what young people need to learn at each main educational stage from primary school through to university.

Our Cracking Ideas competition, which closed at the beginning of the year, generated more than 1,400 entries, exceeding expectations especially since it was completed during the first lockdown period with schools closed. Meanwhile, we have migrated all of our Key Stage 1-4 educational resources to the Times Educational Supplement (Tes) website which will give us far more exposure directly to the teaching profession.

We have continued to support UK businesses looking to operate overseas, shifting to virtual outreach where needed and fully utilising the network of IP Attachés to deliver in-market support on difficult IP challenges. During the year, we have reaped significant benefits through sharing of best practice to influence IP enforcement action in priority markets. IPO-facilitated cooperation in Brazil has led to 252 pirate sites and 65 pirate streaming services being suspended or seized. We have also committed to piloting a new IP Attaché post in the Middle East to be recruited in Summer 2021.

We have continued to address the findings of our joint HM Treasury/British Business Bank 2018 report, helping to unlock lending to IP rich businesses. We have worked with IP valuers to carry out research into how IP valuations change over time. We have also carried out a comprehensive review of the work to date in the financial industry and are in the process of developing an IP in finance strategy to ensure that we engage with the financial sector to boost funding for innovative, IP rich, businesses.

Reducing IP Crime and Infringement

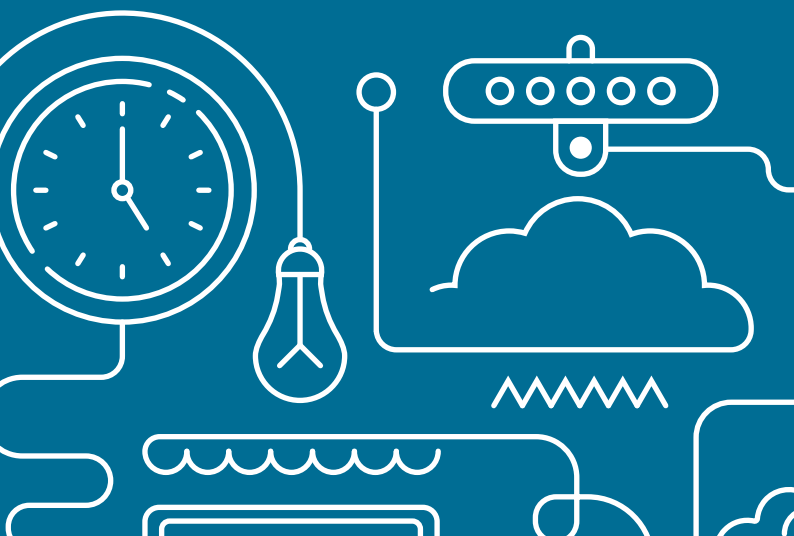
During the year we began development of a new UK government strategy on IP enforcement to take us forwards from 2020, building on the work of the previous three strategies (2004, 2011 and 2016). We worked closely with analysts to ensure the strategy is evidence based and used our research to run a series of workshops with other government departments, enforcement agencies and key external stakeholders. These workshops were invaluable and enabled us to develop and agree clear aims and ambitions for this 5-year period focussing on: our global leadership on IP enforcement, our partnership with others in the fight against IP crime and infringement, and how we can educate and empower consumers.

We subsequently used our findings from the research and stakeholder engagement to identify key recommendations for the strategy, based on the current and emerging issues identified. While we had planned further engagement with our key internal and external stakeholders to develop these, progress has been delayed to ensure the strategy can incorporate findings from an external review on the UK's enforcement landscape and reflect ongoing reforms to our IP Crime Group. We are now aiming to publish the strategy late summer/early autumn 2021.

We have an ambition of making infringing activity socially unacceptable and in 2020/21 have developed plans for behavioural insights work to support this.

We have been working across a wide range of initiatives in the enforcement space, with one of the most notable being the creation of the first strategic threat assessment for IP in April 2020. This detailed document provided an updated context on the threat from IP rights crime and was welcomed for the insight it provided across the enforcement community.

The team has also worked with National Trading Standards to set up an ambitious pilot project delivering self-regulation to the self-storage industry, with a large number of local authorities and self-storage operators now signed up to the new scheme and plans underway to roll it out nationwide.





Following EU Exit the enforcement policy teams have been busy developing the future regime for exhaustion of IP rights, an extremely high profile and likely contentious piece of policy development with a potential financial impact running into many hundreds of millions of pounds. At the same time the team have been working to deliver free trade agreements with the EU and Japan, and have now turned to work with Australia, New Zealand and the United States. The Japanese agreement in particular was welcomed by rights holders for the strong language it contains emphasising the importance of effective protection for creative content online.

During the same period the team have been working to develop new relationships and adjust others to allow ongoing engagement with international work on IP enforcement, both through continued work with EUROPOL, and engagement with bodies such as the OECD Anti-Illicit Trade Taskforce. Domestically the team have contributed to a formal review of the Government Agency Intelligence Network (GAIN) and retained a position on the GAIN executive board ensuring that IP crime is represented in this important national forum.

Our IPO funded posts in UK Border Force have also had a successful year, with activity at East Midlands Airport resulting in the seizure of 399 consignments, totalling 823 packages containing 200,309 individual items. The goods seized had a rights holder estimated retail value of £24.9 million.

In a notable piece of cross government engagement, the IPO Intelligence Hub has, from the beginning of the pandemic, pro-actively collected, collated and analysed incidents arising from an IP perspective and shared that with government and enforcement agencies. The model of representing the risks and harm has been accepted and used as best practice at the Organisation for Economic Co-operation and Development (OECD) Anti-Illicit Trade Task Force and the United Nations Criminal Research Institute.

During the year we also delivered a review of civil court procedures and remedies for IP infringement with a call for views and a series of working groups led by a retired Judge. The outcome of the review will be published shortly. Work undertaken has begun to deliver some of the improvements identified by the review, regarding the guidance available to court users and the processes and administration required to manage claims.

The IPO funded Police Intellectual Property Crime Unit (PIPCU) in the City of London Police has also had a successful year despite the pandemic restricting operational activity. The unit now has 1,559 websites on the Infringing Website list which means they will be denied the advertising revenue which they use to fund the hosting of IP infringing content. The team have also continued their work with Nominet to disrupt domains selling counterfeit goods with over 115,623 websites disrupted. Both of these workstreams have proven very effective and represent a cost effective way to restrict infringing activity.

On the operational side, the unit have launched a new North West Hub to support work in Manchester and across the region. One of the new Hub's earliest pieces of work was to support four raids in Cheetham Hill, in conjunction with the London based team and Greater Manchester Police, which uncovered an estimated £15 million worth of branded clothing, shoes, electricals, watches, jewellery, and perfume suspected to be counterfeit. Suspected counterfeit medication was also found and seized. In total over 45,000 items were seized in this one operation, with an estimated loss to brands of £15 million, if sold at retail price.

Other notable operations throughout the year have included action against an organised crime group importing and selling counterfeit wine, investigations into fake baby carriers and perhaps most disturbingly, the investigation and arrest of an individual for administering a fake Covid-19 vaccine to an elderly lady in London. Other Covid-19 related cases were also dealt with by the team, with an operation in conjunction with the US Food and Drug Administration and the UK's Medical Health Regulatory Agency leading to a man being arrested and sentenced for selling fake treatment kits which he was posting from the UK to customers all over the world.

In conjunction with the IPO and Sky, the PIPCU team have also developed their work with payment providers in order to better understand and disrupt the sale of IP infringing TV streaming services.



Making the IPO a Brilliant Place to Work

Solid Foundations

As a growing organisation with a focus on both delivering excellent services now and transforming for the future, our solid foundations have never been more important.

We ran 195 recruitment campaigns, appointing 259 new members of staff including trade mark examiners, patent examiners, and IT specialists.

Much of our activity around our operating model and workforce planning has been to support transformation mobilisation: getting match-fit teams in place for the programme delivery phase to start in March; undertaking capability assessments and developing knowledge transfer approaches and building them into commercial activity; and agreeing an interim Service Owner model to take us through the first phase of transformation. Additionally, in the last quarter, IPOB has worked with Operational Design (OD) experts to consider whether we are set up in the best way to deliver our strategy, recognising that post EU Exit; with increasing customer demands; at the start of our transformation journey; and with an ambitious Corporate Plan and context of sharp growth, we need to take stock and agree where we need to strengthen; be more efficient or transform. We have aligned on a process of incremental transformation; identifying some quick wins and some longer-term strategic OD priorities, with activity starting in April 2021 and continuing throughout the year.

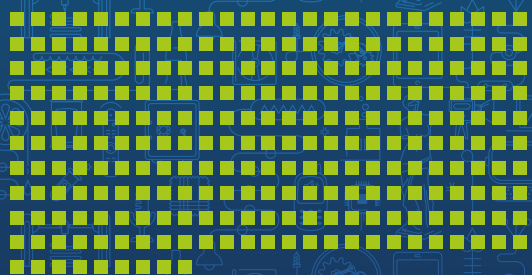
We have delivered significant improvements in how the organisation manages its knowledge and information during the reporting year. We have introduced a handbook for all knowledge and information management policies and are building these into our systems as much as possible. We have completed the roll-out of collaboration software across the organisation and we are now moving all our corporate information and knowledge onto a document management and storage system, auditing and cleansing the information and knowledge we hold as we go. We are also providing training and awareness to our people in the systems.

IPO recruitment

We ran **195**
recruitment campaigns
appointing

259

new members of staff



Including trade mark examiners,
patent examiners, and IT specialists.

A 12-month review of our new committees was presented to the IPO Board which outlined that the IPO has successfully implemented and embedded the recommendations of the 2019 review improving our governance and that this had been a positive change for the organisation.

To improve consistency and strengthen our governance and controls around spending decisions, we introduced revised thresholds and controls, delegations & supporting guidance in April 2020. The introduction of these standards has been very successful. Transparency and consistency around spending decisions have improved, supported by a central business case repository. Two reviews have been completed on the effectiveness of the business case process during November 2020 (completed internally) and February 2021 (completed by the Government Internal Audit Agency (GIAA)). Both reviews reflect successes achieved to date and recommendations to be taken forward to improve the process(es) further.

We recognise the importance of ensuring our people's skills are fit for the future and prioritise investment in learning and development. We are committed to providing an environment in which its people are encouraged to learn and develop and have been nominated finalist for several awards¹² reflecting the wide-ranging work that the team have been involved with. Work includes: development sessions for the IPO Board and wider Senior Leadership Group (SLG); a specific offering of 'having a better conversation'; continued with our core offerings; Microsoft 365 training; and welcomed our seventh cohort of apprentices in IT and Finance.

The Continuous Improvement (CI) team have continued to embed CI as part of the culture across the IPO. We continue to support teams with change, challenging mindsets and behaviours, influencing those to take ownership of their work and improve their service and its performance. This has enabled 250 incremental improvements to the way we work, with contributions coming from right across the IPO showing a great cultural outcome.

A new Management Information/Business Intelligence (MI/BI) Strategy and associated MI/BI Policy have been completed, setting out our approach for developing and delivering MI/BI within the IPO and detailing the mechanism for accepting and prioritising data requests. In combination, these items address the issues raised by the GIAA in its 2020 report and fully embrace its recommendations.



We have delivered significant improvements in how the organisation manages its knowledge and information during the reporting year.



Throughout the year we have developed new business intelligence reports to support analysis of the early impacts of the pandemic on our services and have provided regular updates to the business to help them understand these impacts. Our trade mark forecasting models have been substantially overhauled to provide a more reactive picture of changes in demand, as necessitated by the uncertainties surrounding the end of the transition period. These forecasts have been further refined to predict monthly trade mark examiner capacity, facilitating better workforce planning; and reforecasting has been stepped up across all rights.

¹² Winning the Public Services People Managers Association (PPMA) Excellence in People Management 2020 Awards for Public Sector Team of the Year; and nominated in the Civil Service Awards 2020 as Developing People Award.

Culture: One IPO

Building and strengthening the culture we want takes every person at the IPO pulling together. Articulating and demonstrating the best of One IPO, and how our efforts to make the IPO a brilliant place to work are feeding into this has been a multi-team effort and we have made great progress this year.

We agreed the cultural indicators of ‘One IPO’ and articulated what good looks like in terms of the clarity, capability and confidence our people need to be successful in their role. We worked with teams across the organisation whose core functions influence our culture to understand the outcomes of their action and how this can be measured. Together with business areas and our MI team, we have laid the foundations for a working dashboard that will allow us to measure our culture based on defined metrics and incorporating new measures as they become available.

“ We are also committed to a zero-tolerance approach to bullying and harassment.”

Our People Survey results showed a positive and improving picture of engagement across the IPO with our overall score reaching an all-time high of 73%, an increase of 5% from last year. We remain a Civil Service High Performer for engagement and saw positive increases in our areas of focus identified in the 2019 survey. We have also seen increases in areas related to our engagement focus through the pandemic – confidence (in leadership and own ability), feeling included even whilst remote working, and feeling valued for their contribution.

This year we have worked on embedding the new approaches to performance management and reward and recognition to stretch and support us to deliver our best work and recognise when this happens. To assist great performance conversations, we continued to run “Great Goals and Respectful Feedback” workshops virtually throughout the year, regularly reviewed and adapted based on feedback. We also developed a remote working check-in template and ran dedicated virtual drop-in sessions for over 200 colleagues to help them get the best from our performance management system (Clear Review) and wider performance management approach. The latter was developed into a virtual video for onboarding new colleagues and to provide on-going support. In the second year in operation our recognition scheme, Recognising your Best was evaluated by the Brilliant Place to Work Committee each quarter in 2020/21 to evaluate outcomes and agree any changes or improvements. Overall reviews highlighted that the scheme was being well used to reward a range of great outcomes. We also continued to see a positive trend in how awards were being distributed amongst colleagues in different grades and diversity groupings.

During the year we have also worked hard to continue our focus on creating an inclusive culture and environment. We support this by being part of a series of networks and allies’ groups and our commitment to diversity and inclusion has been recognised through a number of awards¹³.

As part of our work for this year we have continued our focus on enhancing our interventions to increase the representation of women in our science, technology, engineering and mathematics (STEM) roles. Although women make up nearly half of our workforce, the majority of them are in non-specialist roles. Our patent examining roles attract higher salaries due to their specialism, however, only 22% of these are taken up by women.

¹³ For example, Working Families Top 10; retained our Disability Leader accreditation; and were awarded the Carer Confident benchmark of ‘Level 2 Accomplished’.

Our networks and allies

iThink
(Neurodiversity network)

WIN
(Women's inclusive network)

iBelieve
(Faith and Belief network)

iCAN
(Capability network)

BAME
(Black, Asian and
Minority ethnic network)

Peer-to-Peer
(Mental health
support network)

**Men's Wellbeing
Network**
(Network for men)

Caring for Carers
(Carers network)

iPRIDE
(LGBT+ Allies network)

Although this issue is not exclusive to the IPO, we need to address any perceived barriers that are preventing women from pursuing a career in STEM. On the 31 March 2020 (our last published figures), our Gender Pay Gap¹⁴ was as follows:

- mean pay gap: 19% in favour of men
- median pay gap 27% in favour of men

The comparison of mean and median pay in the IPO shows a gap in favour of men which is higher than the national pay gap which is 16% (median), which is not dissimilar to the gender gap in the field of STEM where women are consistently under-represented. According to estimates based on the Office of National Statistics' Labour Force Survey and compiled by the WISE Campaign (2019), women make up only 24% of the UK core-STEM workforce.

A high proportion of women are part-time and employed at lower grading levels in support roles (corporate and operational) which skews the average. 69% of our part-time workers are women. We recognise that the significantly higher proportion of men within our more highly paid technical specialist cadre, results in a material gender pay gap based on the required reporting methodology. We also recognise that the greater proportion of men in our highest grades is also reflected in the gender pay gap analysis.

Whilst the overall mean and median gender pay is still significant at 19% and 27%, we are pleased to report a reduction in the gender pay gap over the last three years. The IPO is committed to fair pay irrespective of gender and this is echoed in our annual inclusion and diversity report. It is something that we, as an organisation, take very seriously and reducing our gender pay gap will continue to be a priority focus for our brilliant place to work strand in 2021/22.

We are actively seeking to recruit more women into our specialist roles with the support of our STEM ambassadors and our Women's Network. Work to date includes:

- we invested in and launched a STEM Returner scheme this year which places qualified and experienced people in STEM roles for 12 weeks to bridge the gap in their CV following a period out of the STEM environment. The scheme started in February and early signs show that the Returner's scheme is an effective way to increase under-represented groups in STEM areas with 57% of appointed candidates being Black, Asian and minority ethnic (BAME) and 86% being female;

14 [IPO gender pay gap 2020 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/gender-pay-gap-2020)



- we have reviewed and reshaped our recruitment policy to ensure we attract more diverse talent. A recruitment review was completed by Chwarae Teg (gender equality charity) to include checking recruitment process for gender bias language with successful outcomes during a recent Patent Examiner recruitment exercise that saw almost an equal number of women recruited into the role as men (5 women, 6 men). Work is continuing in this area as we are thoroughly reevaluating our recruitment practices;
- our Men's Network have been promoting Shared Parental Leave and are also reviewing our Shared Parental Leave processes with a view to offer effective mentoring opportunities, and our Women's Network are looking at ways to increase visibility of our women as role models; and
- links are being made with external organisations such as STEM Returners, In2Science and Girls in STEM to increase our visibility as a STEM employer, and support efforts to improve gender balance in the STEM Pipeline including funding external bursary schemes.

We are also committed to a zero-tolerance approach to bullying and harassment. The 2020 People Survey results highlighted a reduction in people experiencing bullying, harassment or discrimination within the IPO. Although slightly lower than levels elsewhere in the Civil Service, we are clear that nobody should be subjected to bullying and harassment and that we have a zero-tolerance approach. To support our efforts, we have (amongst other things) held training sessions around a board game designed to encourage debate and discussion on difficult scenarios and feedback was excellent so will become part of our core training offer in 2021/22.

Our Respect at Work campaign continues, having launched a suite of bite-size videos around banter, meeting etiquette and working in a virtual environment. Evaluation of the videos has shown that they've been an effective way of reaching people with 81% of respondents saying the videos helped them evaluate their own behaviour, 88% saying the videos helped them evaluate other people's behaviour and 83% saying the videos helped them clarify what unacceptable behaviour is. Further videos on Feedback (giving and receiving) were commissioned in April 2021 with the due to be launched in the summer.

Healthy People, Healthy Environment

The Covid-19 pandemic has required new ways of working and a focus on providing support and services to our staff. 96% of our people moved from working on site to working from home at the start of the first lockdown.

We provided all the additional IT equipment and furniture that people needed at home. We set up a range of support measures, making good use of our staff counsellors and they were able to offer wellbeing check-ins and manager support sessions within days of the lockdown. Our network of mental health first aiders was also mobilised to attend team meetings and to proactively contact those members of staff that managers were most concerned about. During the year we also implemented an employee assistance programme to complement the other sources of support.

We set up a resilience workstream, which reports to the Covid-19 business continuity team, to co-ordinate wellbeing measures and to ensure that our people working from home had the support they needed. The team were aware that people were missing social interaction, especially those IPO people who were recruited during the lockdown. Interventions which the team have led have included all staff virtual talks on topics such as burnout; desk yoga and relaxation sessions; Coffee Connect (a chance to meet new colleagues virtually) and a programme of Christmas activities through the IPO Advent calendar.

We have frequently asked our people how they are feeling, and it is reassuring that our approach to their wellbeing has been appreciated, for example, 92% of people said that they felt supported by IPO ("How are you getting on?" Survey July 2020). Going forward we are keen to understand the longer-term mental health effects of Covid-19 and this is a key priority in our Mental Health Approach which we refreshed during the year.



Our Newport site was made Covid-19 safe with additional cleaning and social distancing in place and risk assessments carried out for every task that had to be undertaken on site and for those members of staff who had to work from the site. We have had no cases of coronavirus as a result of people working on site. We are preparing areas to ensure they remain safe when government guidelines allow us to welcome people back on site. We have asked our people during the year how they would prefer to work in the future, and it is clear that a majority of people would like to work in a hybrid and flexible way, split between remote and site working. Our future ways of working group will be looking at how we use our accommodation going forward; balancing our business needs and working preferences to continue to be a brilliant place to work.

During the year we took advantage of the very few people being on site to complete various improvements, including a major refurbishment project of our reception to make it more efficient, secure, sustainable, and a more flexible space for our staff and customers; this work will be completed by June 2021. We have also redesigned the entrance to the site; made the site more energy efficient through replacing the boiler; changed the lighting in multi-storey carpark and completed the refurbishment of the heating system and all our stairwells and toilets.

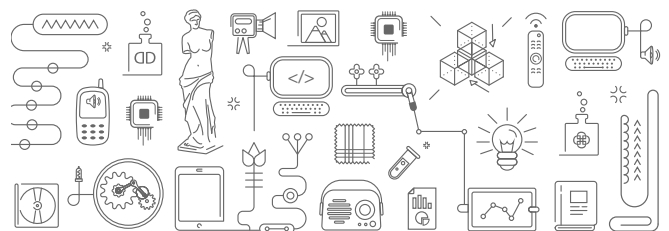
Discussions have taken place during the year on how to meet the requirement to transfer our property freehold into central Government ownership, further work is needed to resolve some outstanding issues associated with the transfer mechanism, ongoing funding arrangements and occupancy agreement. We are working closely with GPA and other stakeholders on these matters and fully expect to conclude this work in 2021/22.

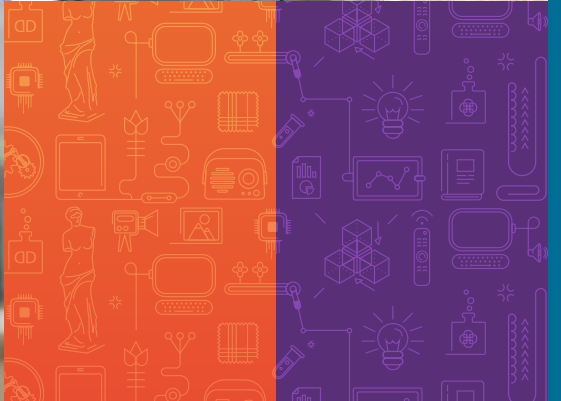
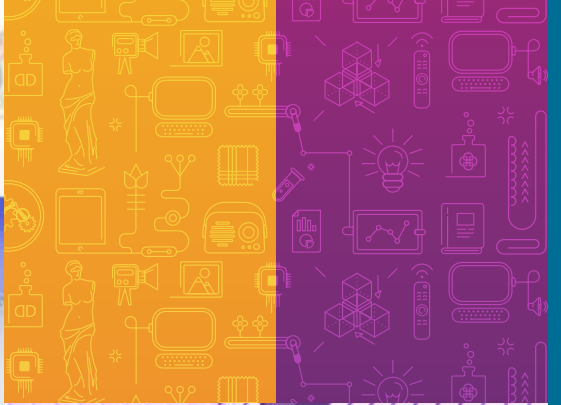
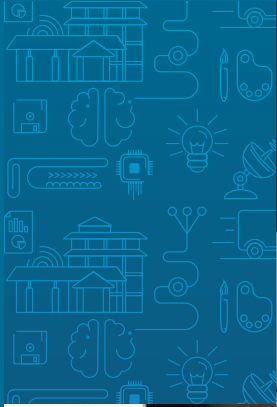
Corporate and Social Responsibility

Our work on Corporate Social Responsibility (CSR) continues to be part of the culture for the organisation. Through this we create opportunities for our people to contribute to the community and be part of events and projects, which are outside of their usual field of expertise.

“Some people were able to help the Covid-19 effort through helping at vaccination centres.”

As an organisation we allow up to six days a year where our people can get involved in community activities such as school governors or volunteering. Lockdown has severely affected the programme and most of the volunteering opportunities we would normally offer have simply not been possible. However, we encouraged IPO to take part in community initiatives, where safe to do so, and were proud that some people were able to help the Covid-19 effort through helping at vaccination centres. During the year we confirmed that our Business Class partnership with a local comprehensive school will continue. Although home schooling has meant that the school have been unable to work with us on collaborative projects, we were able to host the annual Global Conference event virtually to help support students in their Welsh Baccalaureate studies.





Introduction

As expected, our environmental performance in the past year has been overshadowed by the pandemic. Within days of the first lockdown in March 2020, 96% of our workforce were working from home. For most of the year, the only people working from our sites were people unable to do their jobs from home.

Fewer people in our offices has meant less demand for utility services but we have also taken the opportunity to undertake several improvement projects. Within the coming months we will unveil a re-vamped main reception area and improved facilities for those people wanting to cycle to work. In future our people will want to use our offices in different ways and continue to work in a hybrid manner. We will need less desk space but more areas for collaboration and have spent time preparing our space for this new way of working.

Carbon Emissions from Offices

Electricity usage fell by around 30%. Although there have been fewer staff in our buildings the IT servers, which are one of our biggest users of electricity, have been working to full capacity.

Our gas usage showed an increase on last year. This is due to longstanding issues with our gas meter resulting in prior year estimates being under-reported (costs have been accrued to reflect a more accurate charge). During the year all our metering equipment has been replaced and our on-site services teams are closely monitoring our usage on a fortnightly basis to ensure that everything is now working correctly. We are confident that moving forward we will be able to accurately record our gas usage.

		2016/17	2017/18	2018/19	2019/20	2020/21
Tonnes CO₂	Gas	131	206	171	241	182
	Electricity	1,297	1,279	855	635	453
Related Energy Consumption (kwh)	Gas	715,249	1,120,473	928,975	1,313,780	2,432,439
	Electricity	2,886,723	2,846,408	2,782,104	2,289,060	1,634,765
Financial Implications (£)	Gas	66,800	117,319	124,462	89,902	98,478
	Electricity	420,783	421,863	464,231	391,058	285,832
	CRC Efficiency Scheme	29,614	28,603	19,672	n/a	n/a



Carbon Emissions from Travel

All business travel was stopped during the year which meant that air and rail travel have both shown zero returns.

While most staff already had IT devices to enable them to work from home, arrangements were made for additional kit and furniture to be made available. The IPO van and hire vehicles were used to deliver equipment and we allowed staff who needed to work from site to take taxis in place of public transport.

When people return to our offices, we want to encourage them to travel sustainably. During the year we applied to be a Cycle Friendly Employer through Cycling UK and were pleased to be awarded their gold status. However, there is still more that we can do, and we will be working through their recommendations in the next financial year.

	2016/17	2017/18	2018/19	2019/20	2020/21	
Non-Financial Indicators (kg CO₂)	IPO Owned Vehicles	3,320	3,220	3,210	2,603	2,690
	Air Travel	10,000	5,130	5,390	3,100	0
	Rail Travel	39,830	32,890	43,370	26,890	0
	Road Travel	41,550	50,480	47,590	44,170	621
	Taxis	2,430	1,760	1,800	1,880	2,356
Financial Implications (£)	Travel Expenditure (UK)	650,930	675,526	811,359	661,178	32,887
	Travel Expenditure (Overseas)	361,453	358,850	305,995	352,905	4,063*

* Non-refundable travel costs and credits in relation to travel restrictions.

Use of Finite Resources (Water and Paper)

The reduced numbers of staff on site are reflected in the 40% reduction in water usage. Paper usage has reduced by 86%. This is due to the majority of our people working from home, therefore have no direct access to printing facilities. We have also made improvements to our digital services and introduced a more established email route rather than using postal methods for correspondence, giving our customers access to documents remotely during the pandemic.

		2016/17	2017/18	2018/19	2019/20	2020/21
Non-Financial Indicators	Water Consumptions (m ³)	8,574	5,055	5,406	4,951	2,928
	Paper Consumptions (A4 Reams Equivalent)	8,005	7,500	6,650	6,118	880
Financial Implications (£)	Water Consumptions Costs	25,730	19,426	19,474	21,891	7,483
	Paper Costs	20,804	22,445	29,672	24,285	4,918

Waste

While overall waste has reduced by around 30% there has been a small increase in waste to landfill. This is mainly due to the work needed to re-arrange our office spaces to allow social distancing and to prepare them for future ways of working.

		2016/17	2017/18	2018/19	2019/20	2020/21
Non-Financial Indicators (Tonnes)	Total Waste	185	393	204	301	203
	Waste to Energy		60	70	71	44
	Re-used/Recycled	120	263	104	188	112
	ICT Recycled and Reused	2	2	1	15	18
	Waste Composted	4	4	4	4	0
	Landfill	65	64	25	23	29
	% Recycled	65%	67%	53%	68%	64%
Financial Implications (Disposal Costs (£))	Total Waste	23,152	40,880	37,664	39,128	40,374
	Re-used/Recycled	10,709	26,566	27,257	35,734	20,932
	Landfill	12,443	14,314	10,407	3,394	19,442

Information and Cyber Security

Our security and privacy strategy detail our approach to information handling across the organisation, including cyber security. The IPO continues to follow central guidance on the Government security approach. The IPO is ISO 27001:2013 certified for all systems owned by the IPO. We manage any security incidents in line with our information security policies and ensure continuous improvement following these. Where breaches occur a root cause analysis is performed, and further safeguards are implemented to prevent reoccurrence. No serious breaches of security have occurred due to malicious activity during the year.

This year we have seen a fall-off in the numbers of breaches and incidents being reported by end users. Our Security Operations Centre (SOC) is increasingly detecting security anomalies before incidents are allowed to occur. This trend was identified in year, attributed partly to the lack of physical security incidents given the increase in the pandemic related remote working and increased capabilities of the SOC. A reminder to staff was issued about the importance of continuing to report breaches. We developed continuous improvement changes to the incident and breach reporting tooling. These improvements increase the visibility of our reporting and allow incident managers real time access. We continued to brief relevant committees monthly and this report is now shared with all Directorates with an encouragement to review during their Senior Leadership Team meetings.

Significant improvements have been made in the Knowledge and Information Management (KIM) domain and increasing alignment between the KIM and security teams has been developed. Our security tooling and its associated capability and tuning continues to improve in line with industry best practice.

We continue to meet our statutory obligations in responding to Freedom Of Information requests. In the 2020 calendar year a total of 122 requests were received, which is 20% up on 2019; 91% of all request were answered within the statutory 20 working day deadline. Our response rate for full responses at 44% compares favourably with group of central government bodies monitored by the Cabinet Office, which stood at 43% in 2019.

Our Plans for 2021/22

The Corporate Plan 2021/22 details what we want to deliver for the year to progress our strategic aims of: delivering excellent IP services; creating a world leading IP environment; and making the IPO a brilliant place to work. We have identified the following key priority areas that are essential for us to deliver on during the year:

- to deliver excellent IP services we will: transform our services and deliver modern, efficient customer focused services; and deliver our core services by providing high quality IP rights services; eliminating the historic patent backlog, as well as the trade mark and designs backlogs caused by Covid-19 and post-EU additional workloads by the end of the corporate year;
- to create a world leading IP environment, we will: increase our external impact and future proofing the IP framework by working across government and with stakeholders to ensure that IP plays a key role in unleashing innovation. We will focus on maximising how IP is understood, accessed and utilised and making sure the domestic IP framework gives the UK the competitive edge; making sure IP frameworks in target international markets are fit-for-purpose and enable UK businesses to grow; and
- to make the IPO a brilliant place to work, we will: embed our 'One IPO' culture supporting all our people to contribute their best through our 'One IPO' approach, specifically this year by focusing on our future organisational needs including leadership development, hybrid working (mix of remote and office-based) and organisation design.

2021/22 Ministerial Targets

We have agreed with our Minister three performance targets for 2021/22, which are focused on the delivery of our key priorities:

Deliver our core services:

- Customer: Average overall customer satisfaction with the IPO of 85% or more in Q4 2021/22;
- Efficiency: Delivering our services efficiently through continuously improving our systems, processes and way of working to make things better for our customers and our people. Our target is to achieve efficiencies worth at least 3.5% of our core operating costs.

Increasing our external impact and future proofing the IP framework:

- Future proofing the IP Framework: Consult on changes to patent and copyright law to meet the future challenges and opportunities of artificial intelligence, and present recommendations to ministers by Q4.

These priorities and targets are challenging and appropriate. Whilst they are developed to be as much within our control as possible, there are always risks and uncertainties in the external and internal environment that may affect delivery.



Tim Moss CBE

Chief Executive and Accounting Officer

08 July 2021

ARA
2021

Accountability Report





Corporate Governance Report

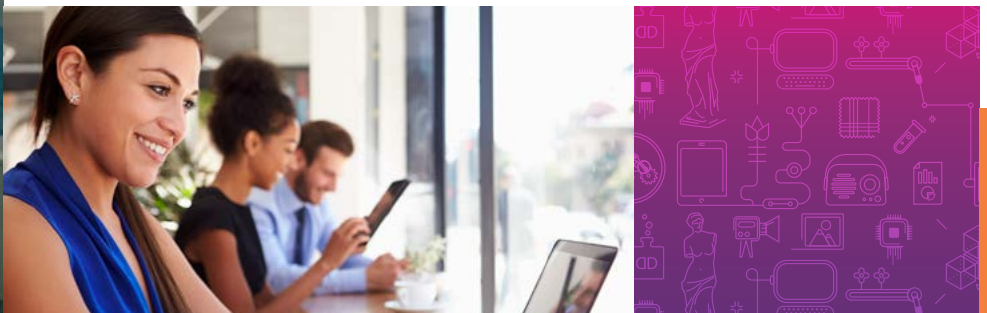
This report and its subheadings are presented as required by the 2020/21 Government Financial Reporting Manual (FRoM) issued by HM Treasury.

Directors' Report

Our corporate governance structure is described in our Framework Document¹⁵.

The Minister responsible for the IPO during the year as Minister for Science, Research and Innovation from February 2020 is Amanda Solloway MP.

For details of our Boards and Committees please refer to the Governance Statement.



¹⁵ <https://www.gov.uk/government/organisations/intellectual-property-office/about/our-governance>

Statement of Accounting Officer's Responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973, HM Treasury has directed the Patent Office 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 the Patent Office and of its net resource outturn, application of resources, changes in 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 to disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Chief Executive as the Accounting Officer for the Patent Office Agency. 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 the Patent Office's assets, are set out in Managing Public Money published by HM Treasury.

Accounting Officer's Confirmation

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that IPO's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

2020/21

Scope of Responsibility

In accordance with Section 4(6) of the Government Trading Funds Act 1973, HM Treasury has appointed me as the Accounting Officer for the IPO.

As Accounting Officer, I am responsible for maintaining sound governance, risk management and systems of internal control that support the achievement of the aims and objectives of the IPO, whilst safeguarding the funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'.

Purpose of this Statement

This statement explains how the IPO has complied with the principles of good governance and reviews the effectiveness of the system of internal controls.

The Governance Framework of the IPO

The IPO corporate governance structure comprises of the Executive Board (IPOB), the Steering Board and the Audit and Risk Committee, each with complementary functions and supported by three sub-committees. The governance framework is explained in our Framework Document which sets out the policy, planning, accountability and delegations within which the IPO operates.

IPOB is chaired by me and usually meets informally on a weekly basis and formally every month. In response to the challenges of remote working we increased our meetings to two per month. In addition, to monitor the impact and agree our response to the global pandemic, we have had an additional 19 Covid-19 specific board meetings throughout the year. IPOB has collective responsibility for the leadership and strategic management of the Office, in line with ministerial priorities and our corporate plan. During 2020/21 the Executive Board have worked collaboratively to deliver our objectives and develop our priorities for 2021/22 which are:

- transforming our services;
- delivering our core services;
- increasing our external impact and future proofing the IP framework; and
- embedding our 'One IPO' culture.

Member Attendance at IPOB meetings held during April 2020 – March 2021

Members	Meetings Attended (20 in year)	Covid-19 Board Meetings Attended (16) ¹⁶
Tim Moss (Accounting Officer/Chief Executive Officer and Chair of Executive Board)	20	16
David Holdsworth (Deputy Chief Executive Officer and Director of Operational Delivery)	20	16
Adam Williams (Director of International Policy)	18	14
Pippa Hall (Director of Innovation and Chief Economist)	20	16
Ros Lynch¹⁷ (Director of Copyright and IP Enforcement)	7	8
Neil Hartley (Director of Finance)	20	14
Mike Fishwick (Chief Technology Officer)	17	11
Dominic Houlihan¹⁸ (Director of People, Places and Services)	12	12
Paula Brooks¹⁹ (Head of HR and Organisational Development)	12	2

¹⁶ The Board met regularly from mid-March to November to focus specifically on Covid-19 issues.

¹⁷ Left November 2020

¹⁸ Parental Leave from October 2020

¹⁹ Appointed October 2020

There are three sub-committees of IPOB which are linked to the three pillars of the IPO strategy: Delivering Excellent IP Services; Creating a World Leading IP Environment; and Making the IPO a Brilliant Place to Work.

Delivering Excellent IP Services Committee is chaired by the Director of International Policy. It is responsible for providing governance and oversight of all matters relating to IPO's strategic goal of Delivering Excellent IP Services, including: delivering timely, reliable and quality services; and improving how we manage and share our data.

Creating a World Leading IP Environment Committee is chaired by the Deputy Chief Executive Officer and Director of Operations. It governs all matters relating to the IPO's strategic goal of Creating a World Leading IP Environment, including: developing the legislative and policy framework; increasing IP's impact through awareness and education; and reducing IP crime and infringement.

Making the IPO a Brilliant Place to Work Committee is chaired by the Director of Innovation and Chief Economist. It supports, drives and challenges delivery relating to the IPO's strategic goal of Making the IPO a Brilliant Place to Work, including: ensuring the IPO has solid foundations in place; a culture of One IPO; and healthy people, healthy environment.

The committees are chaired by an executive director and have an additional executive director member as well as a variety of subject matter experts with experience in areas relevant to the delivery of the pillar for which the committee is responsible. Each committee acts with delegated authority from IPOB and handles all matters relating to their pillar, including approving business cases, reviewing performance and managing risk. Committees refer any matters of exceptionally high financial or reputational risk, or those with a cross cutting impact, to IPOB. Each sub-committee meets monthly and produces a highlight report, which is submitted to IPOB.

A review of the committees, led by one of our non-executive directors, was undertaken in September and October 2020. The review reported that the committees, which were introduced in September 2019, had been a positive development for the IPO and that all committees are viewed as working effectively to achieve the objectives of our corporate plan. There were a number of improvement recommendations made, which were accepted by IPOB, and all have been implemented or are in progress.

The **Transformation Programme Board** reports directly to IPOB. It reviews the performance of the Transformation Programme, acts as a change control authority and provides support and assistance to ensure the programme is delivered in line with IPO's assurance procedures.

The **Intellectual Property Office Steering Board** has an independent non-executive chair and six further non-executive directors as members, including one who is part of the Board Apprentice Scheme. David Rawlins (BEIS sponsor of the Met Office, IPO and National Physical Laboratory) attends as the designated deputy for the Director General of Industrial Strategy, Science and Innovation. I am also a member, along with the Deputy Chief Executive Officer and Director of Operations. The role of the Steering Board is to advise Ministers on the IPO's strategies and performance (including targets) as set out in the IPO Corporate Plan. It also provides guidance, drawing on the experience of the non-executive directors, on our operation and development across a range of issues. The Steering Board met eight times which included two virtual away-day meetings.

Member Attendance at Steering Board meetings held during April 2020 to March 2021

Members	Meetings Attended (8 in year) ²⁰
Tim Suter Non-Executive Director and Chair of Steering Board Managing Director of Perspective Associates	8
Andrew Lawrence Non-Executive Director and Chair of Audit and Risk Committee Chair of Bron Afon Community Housing	7
Mandy Haberman²¹ Non-Executive Director Founder and Creative Director of Haberman Global Innovations Ltd and Haberman Products Ltd Director of IPAN (IP Awareness Network)	7
Lopa Patel Non-Executive Director Founder and Chair of Diversity UK	8
Kevin Orford Non-Executive Director Managing Director of Kevin Orford and Associates Ltd Non-Executive Director of Northern Devon Healthcare NHS Trust	7
Laurie Benson Non-Executive Director Chair of Audit Committee at Christie Group plc	8
Karin Schulte²² Non-Executive Director as part of Board Apprentice Scheme Director of GKKC Ltd	7
Tim Moss Accounting Officer/Chief Executive Officer	8
David Holdsworth Deputy Chief Executive Officer and Director of Operational Delivery	7
David Rawlins BEIS Sponsor of the Intellectual Property Office and designated deputy of the BEIS Director General, Industrial Strategy, Science and Innovation	7

No related party transactions arise from these members' other interests.

²⁰ This includes two virtual meetings for the Steering Board Awayday in September 2020

²¹ Left November 2020

²² Left December 2020

The Audit and Risk Committee is a sub-committee of the Steering Board, advising on risk, control, governance and associated issues. The Committee comprises a non-executive chair, two further non-executive members of the Steering Board and one independent member from another government department. I am an obligatory attendee, along with the Deputy Chief Executive Officer and Director of Operations, and the Director of Finance. There are additional attendees by invitation. In addition to providing me with assurance over the preparation and signing of the IPO's accounts for 2020/21, the committee considered the findings of 12 audit reports and one management letter. These reports covered a range of governance and risk management areas, including an audit of our organisational response to Covid-19 through the enactment of our business continuity plan and a review of major project procurement. The Audit and Risk Committee meets four times a year.

Member Attendance at Audit and Risk Committee meetings held during April 2020 – March 2021

Members	Meetings Attended (4 in year)
Andrew Lawrence (Non-Executive Director and Chair of Audit and Risk Committee)	4
Lopa Patel (Non-Executive Director)	4
Kevin Orford (Non-Executive Director)	4
Paul Coombs²³ (Independent member from other government department)	2
Chris Pleass²⁴ (Independent member from other government department)	1

²³ Left June 2020

²⁴ Appointed February 2021

Obligatory Attendees of Audit and Risk Committee

Members

Tim Moss Accounting Officer/Chief Executive Officer
David Holdsworth Deputy Chief Executive Officer and Director of Operational Delivery
Neil Hartley Director of Finance

Attendees of Audit and Risk Committee by Invitation

Karen Powell Head of Governance, Risk and Assurance
James Meager Head of Internal Audit (Government Internal Audit Agency)
David Legg BEIS Representative
Incumbent External Auditors from National Audit Office
Incumbent Representatives of External Auditors (KPMG)

The effectiveness of the IPO's Boards and members is measured in several ways:

- Secretariat and I regularly review IPOB's work programme ensuring that it addresses the requirements of the IPO and BEIS;
- Steering Board carries out an annual effectiveness review;
- Non-executive board members are reviewed individually on an annual basis and appointed for up to three years at a time;
- Audit and Risk Committee undertakes an annual self-assessment which makes recommendations for change;
- Mid-year and end-year directorate performance reviews are held with each director and their senior team to assess performance against targets and the Corporate Plan; and
- An external effectiveness review of the Steering Board is conducted every three years. The latest one was concluded in June 2021. The review found that there is a substantial amount of goodwill, professionalism, and cooperation in how the Steering Board operates and that there were no fundamental issues that needed to be addressed. Several recommendations were made to assist continuous improvement.

The Risk and Internal Control Framework

Delivering a great IP system that supports innovation and economic growth is complex. Our organisation is responsible for developing the legislative and policy framework, delivering quality rights granting services, increasing awareness and education, and reducing IP crime and enforcement. We work in an international framework and retaining a global outlook is important.

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of our aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they materialise, and to manage them effectively and economically. The system has been in place throughout 2020/21.

“ All reviews reflected successes with minor recommendations to be taken forward to further improve the controls. ”

We continually assess and refine management data to ensure that IPOB are provided with the most appropriate information to allow them to identify and respond to emerging risks. IPOB are involved in shaping the information they receive to ensure its quality and that it meets their needs in overseeing the business.

The Board Risk Register records all significant risks to the achievement of the IPO's aims and objectives. It is reviewed by IPOB and Audit and Risk Committee on a regular basis. This is further supported by internal audit reviews and assurance reporting. IPOB carry out an annual risk horizon scanning session to identify possible risks to achieving our ministerial targets and strategic goals, followed by an annual review of the IPO Risk Appetite Statement.

Due to the office closure, internal risk training was postponed for most of the year whilst it was adapted to accommodate remote learning and a suitable online platform was identified. This restarted in January 2021 and the Senior Risk Manager has delivered risk training to 33 of our people over four training sessions. A risk horizon scanning session was undertaken with the Brilliant Place to Work Committee in December 2020 to ensure that risk management is clearly linked to the aims and objectives of the IPO and risk pre-mortem exercises were conducted with the Executive Board in June 2020 and the Transformation Board in January 2021.

Each directorate maintains its own prioritised risk register and has their own named individual (risk representative) who is responsible for ensuring that a sound risk management culture is promoted within their area. Monthly meetings are chaired by the Senior Risk Manager to bring risk representatives together to share best practice, clarify areas of the policy and guidance, and raise any issues or concerns.

Programmes and Projects have responsibility for managing their own risk registers, which are reviewed and maintained by the programme manager, project manager or associated risk owner. Risks are a standing agenda item at the Transformation Programme Board where the top three key risks are reported and discussed. Quarterly meetings have been embedded between the Transformation Programme Manager and the Head of Governance, Risk and Assurance, where the risk register and the risk management process are reviewed.

Maintaining and improving effective governance within the IPO remains a key priority. A comprehensive internal audit programme is agreed each year with the resulting reports and recommendations acted upon. This year Internal Audit gave us an overall audit opinion of 'moderate' based on the Government Internal Audit Agency (GIAA) scoring methodology, confirming that the systems of control, governance and risk management that operated during the year were generally effective.

Financial accounting remains sound; a history of unqualified audit opinion of our accounts attests to this. Three reviews have taken place this year by the GIAA, as part of a four year rolling plan covering Key Financial Controls. All reviews reflected successes with minor recommendations to be taken forward to further improve the controls. Improvements already made in our accounting and control environment have also been positively noted this year by our external audit partners.

During 2020/21 we have been working to ensure continued compliance with the Government Functional Standard on Counter Fraud. The Senior Risk and Counter Fraud Manager has been working with all business areas to ensure that there is accurate and timely reporting of all instances of potential fraud and official error. A new report was created and presented to the Audit and Risk Committee in February and April 2021. This shows trends and easily displays fraud and error figures for comparison each quarter. Fraud and error figures are also sent to BEIS and the Cabinet Office on a quarterly basis. Twice-yearly reviews of the IPO fraud risk assessment have continued to ensure that there are no new fraud risks caused by the change to remote working and that all fraud risks are captured, regularly reviewed and updated where necessary. Counter Fraud and Official Error Loss Prevention training sessions, were postponed upon office closure. A pilot session was successfully delivered in January 2021 and going forward training will continue to be available to all staff on a monthly basis. We continue to attend BEIS Family Counter Fraud Network meetings and Cabinet Office Fraud Champions Network meetings remotely, where best practice is shared.

During the year there have been several instances where a bank has claimed money back from the IPO (credit card chargebacks) for trade mark applications that were not recognised by their customer. These incidents have resulted in a small financial loss of £4k to the office. **There have been no serious cases of fraudulent behaviour identified.**

Our **whistle-blowing policy** is available for all our people to access on our intranet site. No whistle-blowing cases have arisen this year.

The Business Continuity Manager leads the IPO's **business continuity response**. They are responsible for three key decision-making bodies:

The Business Continuity Advisory Board (BCAB), was set up in 2019 to strengthen our governance structure. The group meets quarterly, is chaired by the Business Continuity Manager and is responsible for providing assurance to IPOB on our business continuity planning.

The Business Continuity Management Team (BCMT) manages any incidents after invocation of our business continuity plan (BCP). An incident is classed as anything which is a threat to normal business operations as a result of system failure, emergency or prolonged business disruption.

“ **This year we have worked largely on a remote basis.** ”

The Business Continuity Continuation Team (BCCT) was set up at the beginning of the financial year specifically to ensure the continued and sustained organisational resilience during the Covid-19 pandemic. It initially met daily and now meets fortnightly. It consists of four workstreams: Resilience, which has coordinated support for mental health, wellbeing, technical and talent and learning; Return, responsible for identifying the business need for on-site working and ensures those who are required can work in a safe and secure way; Business Workarounds, which mapped the impact of business workarounds on the need for continued homeworking or on-site working (this work is now completed); Future Ways of Working, which considers and develops proposals for how a future hybrid approach could work for the IPO.

All three main business continuity bodies contain representatives from IPO operational and business areas who are essential to our business continuity response.

Our Business Continuity Plan is updated every six months. The dedicated Business Continuity Officer is responsible for updating and testing our plans and training our people, working closely with business areas. Our plans enabled us to mobilise quickly and effectively in response to Covid-19. A range of scenarios were tested via a desktop exercise in early March 2020, ensuring that over 96% of our people could work effectively remotely within days and that those who did need to come into the workplace felt safe and confident to do so. An internal audit completed in July 2020 commended us on our effort to ensure the wellbeing of our people and speed by which actions were taken to stand up continuity arrangements and deliver effective homeworking solutions. The audit provided a moderate assurance as some further improvements are required to enhance the adequacy of our documentation. We will ensure the plan is regularly revised to take account of lessons learned during the pandemic.

Disaster recovery is a key element of business continuity and the BCP team works closely with the Disaster Recovery Project team who are reviewing our disaster recovery facilities and improving our corporate resilience. An audit of our disaster recovery preparedness was completed in January 2021. The audit reported that the IPO has a clear baseline of business continuity requirements for key services, a system for keeping these up to date, and an effective and tested governance structure for invoking and implementing the Business Continuity Plan. The audit provided moderate assurance, highlighting the need to fully develop and test further possible disaster recovery scenarios and the need for ongoing work in the information technology disaster recovery environment.

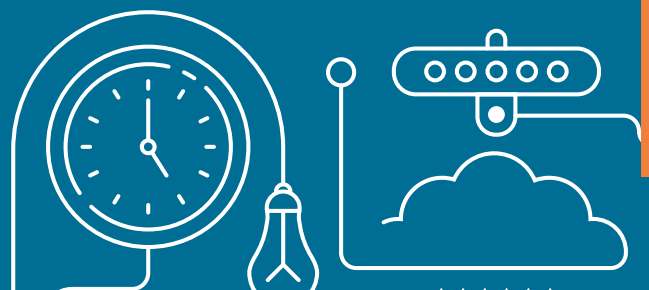
The IPO has retained ISO/IEC 27001:2013 Information Security Management System Certification and used a third party to verify its Payment Card Industry Data Security Standard (PCI DSS) compliance status. The IPO has reviewed its comparative results from the Departmental Security Health Check and has utilised this to prioritise work for the next financial year. The IPO Secure team continue to maintain a risk management approach aligned with ISO/IEC 27005 and 31000. Data Protection operations are being shaped to align closely with the ISO/IEC 27701 standard with a continued and conscious effort to further embed privacy by design and default.

All security operations remained unaffected by the Covid-19 Pandemic, however the Security Operations Centre (SOC) did register the associated changes in our threat actors' behaviours and habits as would be expected. Continued progress made by the Knowledge and Information Management (KIM) team continues to yield positive results for security, further embedding policy into system configurations. Security architecture guidance continues to focus on KIM, Data, Transformation and Technology. The SOC registered record levels of activity this year having analysed 80 billion security events.

The IPO continues to monitor security incidents and has introduced improved tooling to aid visibility and quality of reporting in the last year. **There have been no breaches leading to information loss due to malicious action to report.** In the last 12 months 59 data breaches, 44 of them involving personal data, were reported. All have been analysed and largely put down to human error. All personal data breaches were reported to BEIS within the 24 hours, thus meeting our service-level agreement. We considered all breaches to have a low risk of adversely affecting the rights and freedoms of any individuals concerned.

The volume of reports is down on previous years. This year we have worked largely on a remote basis and have made some adjustments to working practices e.g. digitising manual practices, which has eliminated breaches caused by hard copy documents going to the wrong address. We continue to promote the importance of reporting breaches and incidents to all staff and will deliver refresher training in the early part of the 2020/21 operating year.

The **Alexander Review of the tax arrangements of public sector appointees** published in May 2012 made a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of public sector appointees. The IPO has procedures in place to ensure we comply with the recommendations of the report. All board members and those with significant financial responsibility have been on the IPO payroll during the year.



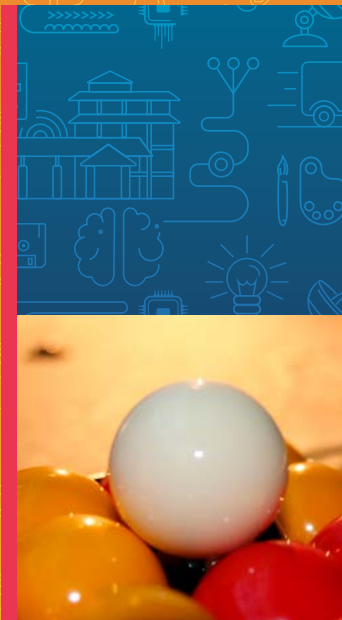
The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HMT in March 2013 made several recommendations for government departments and their arm's-length bodies. The IPO has reviewed its use of analytical modelling and concluded that there are currently no analytical models used within the IPO that could be classed as business critical. However, we are in the process of building financial modelling which in the future will meet the criteria. We will ensure that an appropriate quality assurance framework is put in place which adheres to the principles outlined in the HMT guidance on producing quality analysis for government (The Aqua Book).

Guidance from HMT, Cabinet Office and BEIS is regularly reviewed and used to drive change so that governance practice is consistent with central government and departmental policy. A comprehensive review of governance, risk and internal control has provided me, IPOB and Audit and Risk Committee with assurance that the IPO has complied with the 'Corporate Governance in Central Government Departments: Code of Good Practice' and the 'Orange Book Management of Risk – Principles and Concepts' throughout the year, where applicable.

Significant Risks and Control Issues

We aim to continually improve our internal governance mechanisms and identified a need to strengthen our data governance. As a result, we have established a Data Governance Council to set and manage the detailed implementation of data governance within the IPO. They will be responsible for agreeing data governance processes, promoting good practices and measuring the maturity of our data governance. We have recruited additional people to ensure we have the capability to deliver this.

Throughout the year resourcing issues and increasing workloads have remained a challenge and possible risk to the wellbeing of our people and the delivery of our priorities. There is evidence that our people are experiencing increased workloads due to a range of contributory factors, including increased customer demand, higher than usual levels of recruitment and churn, and the rising work involved in trade agreements, ensuring IPO supports the work for Build Back Better and the Plan for Growth. To address the risk, we will be closely monitoring demand and prioritisation across all areas of the business and ensuring that teams have the correct level of resourcing and necessary skills.



The pandemic has brought significant challenges, however we have shown great agility by mobilising quickly to ensure 96% of our people could work effectively remotely within days and those who needed to come into the workplace felt safe and confident to do so. We have continued to deliver excellent services to our customers, and this is testament to the hard work and commitment of our people. Throughout the year, the risk to our peoples wellbeing has been of constant concern and we introduced a range of additional measures to provide support: a new employee assistance programme to support the mental health of our people which sits alongside our staff counselling service; special paid leave to support with home schooling or with caring responsibilities; increased availability and support from our mental health first aid team; manager support sessions; and increased social interaction encouraged via a range of virtual groups. During this time a number of surveys have been completed with positive results: 94% approval rate of how senior leaders have handled the pandemic; 92% said they felt supported by the IPO, 91% by their managers and 91% by their teams; 82% of people have enough contact with colleagues to work effectively; 91% of people think technology used by the IPO enables them to connect and collaborate with colleagues; and 94% of people are clear on what is expected of them and have the enabling support to work effectively. This will continue to be an area of risk and concern and we will be developing a Wellbeing Action Plan to ensure we can continue to provide ongoing support throughout 2021/22.

Going forward into 2021/22 we will be monitoring closely the transfer of our Newport site to the Government Property Agency (GPA) and will continue to mitigate any associate risks as they are identified.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the IPO's governance, risk management and system of internal control.

My review has been informed by the assurance of individual governance returns from each Executive Director, who have responsibility for the development and maintenance of the governance structures and internal control framework across the IPO. Further assurance has been gained from internal audit reports and the annual audit report from GIAA.

I have considered the evidence provided to support this Governance Statement and sought relevant Audit and Risk Committee assurance. Overall, I conclude that the IPO has maintained a sound system of governance, risk management and internal control during the financial year 2020/21.



Tim Moss CBE

Chief Executive and Accounting Officer

08 July 2021



Remuneration and Staff Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister, following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services, including the requirement on departments to meet output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits and the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at: www.gov.uk/government/organisations/review-body-on-senior-salaries

Directors comprise of members of the Senior Civil Service (SCS) or those whose pay and conditions, although delegated to the IPO, are determined by analogy with the SCS in BEIS.

Performance is assessed by line management into three performance groups: top, achieving and low. Individuals are allocated according to the guidelines that are in place for the relevant performance year. However, as with any normal large organisation, performance differentiation is expected to take the shape of a bell curve, with the highest proportion of SCS falling in the middle box (achieving) and the smallest proportion in the bottom box (low).

Members of SCS are only eligible for an end-year award if they are assessed as a top performer. The cost control for Non-consolidated Performance-Related Payment (NCPRP) remains at 3.3% of the SCS pay bill.



The percentage of staff that can be accepted in each category is established centrally by Cabinet Office.

For SCS members, the line management assessment is combined with those for all other BEIS SCS and the outcome moderated by the BEIS Pay Committee.

Departments continue to have discretion to make in-year non-consolidated award payments to recognise outstanding contribution for up to 40% of SCS staff within set criteria.

The IPO's performance awards for the year were compliant with both end-year and in-year arrangements. For SCS analogues, the IPO SCS Analogues Remuneration Committee moderated the final performance grouping and outcomes.

The committee met on 9 October 2020 to moderate the 2020 award. The Chief Executive's performance was moderated by the Director General, Industrial Strategy, Science and Innovation.

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.

Unless otherwise stated below, the 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 Commissioners can be found at: www.civilservicecommission.org.uk

Remuneration (including Salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and directors of the IPO. These tables together with the median earnings data are subject to audit. For comparison, the full year equivalent (FYE) is provided for those holding office for part of the year.

Remuneration of Board Members - Audited

Single total figure of remuneration

	Salary		Bonus		Pension Benefits		Total Remuneration	
	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20
	£000	£000	£000	£000	£000	£000	£000	£000
Tim Moss²⁵ Chief Executive from 1 May 2017	105-110	100-105	0-5	5-10	46	39	150-155	150-155
David Holdsworth²⁵ Deputy CEO and Director from 10 June 2019	95-100	75-80 (FYE 95-100)	0-5	-	51	66	150-155	145-150
Dominic Houilhan²⁵ Director from 18 September 2017	75-80	70-75	5-10	5-10	29	29	110-115	110-115
Neil Hartley²⁵ Director from 1 April 2015	80-85	75-80	0-5	0-5	39	35	115-120	115-120
Mike Fishwick²⁵ Director from 7 September 2015	115-120	115-120	0-5	0-5	46	46	165-170	165-170
Adam Williams²⁵ Director from 19 September 2016	75-80	70-75	5-10	5-10	29	29	110-115	110-115
Pippa Hall²⁵ Director from 31 August 2016	75-80	70-75	0-5	0-5	29	29	100-105	100-105
Ros Lynch²⁵ Director from 27 February 2014 to 15 November 2020	50-55 (FYE 70-75)	70-75	0-5	0-5	15	21	70-75	90-95
Paula Brooks²⁶ Director from 19 October 2020	30-35 (FYE 70-75)	-	-	-	12	-	40-45	-

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 decrease due to a transfer of pension rights. The total remuneration bands have been calculated using actual figures.

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 IPO and thus recorded in these accounts.

²⁵ is a member of the Senior Civil Service

²⁶ temporary cover

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the IPO and treated by HM Treasury (HMT) as a taxable emolument. There were no benefits in kind in 2020/21 or 2019/20.

Bonuses

Performance 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 2020/21 relate to performance in 2019/20 and the comparative bonuses reported for 2019/20 relate to the performance in 2018/19. Directors and all other staff, apart from the Chief Executive, are eligible for a standard share of the overall office bonus.

Pension Benefits - Audited

	Accrued pension at pension age as of 31/3/21 and related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV ²⁷ at 31/3/21 or leaving office	CETV ²⁷ at 31/3/20 or taking Office	Real Increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
Tim Moss Chief Executive from 1 May 2017	30-35 plus a lump sum of 45-50	2.5-5 plus a lump sum of 0-2.5	537	486	29
David Holdsworth Director from 10 June 2019	25-30 plus a lump sum of 40-45	2.5-5 plus a lump sum of 0-2.5	320	282	22
Dominic Houilhan Director from 18 September 2017	10-15	0-2.5	129	110	9
Neil Hartley Director from 1 April 2015	40-45	0-2.5	719	668	24
Mike Fishwick Director from 7 September 2015	15-20	2.5-5	243	193	33
Adam Williams Director from 19 September 2016	15-20	0-2.5	232	203	16
Pippa Hall Director from 31 August 2016	15-20	0-2.5	150	131 ²⁸	9
Ros Lynch Director from 27 February 2014 to 15 November 2020	20-25 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0-2.5	517	496	16
Paula Brooks Director from 19 October 2020	20-25	0-2.5	350	331	7

²⁷ Cash Equivalent Transfer Values (CETV)

²⁸ The 31/03/20 closing balance has been recalculated in 2020/21 by the pension provider to remove an element of estimation that was included at the prior year end. This was calculated to be £138k at the end of 2019/20, and has since been recalculated (based on actuals) to be £131k.

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 Others 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: three 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 five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. As the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values (CETV) shown in this report).

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 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and 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 pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. 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 up to the limits set by the Finance Act 2004.



The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Cash Equivalent Transfer Values (CETV)

This 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.

Median Staff Pay Multiples - Audited

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.

	2020/21	2019/20
Band of highest paid director total remuneration excluding pension increase (£000)	120-125	115-120
Median total remuneration (£)	31,664	31,006
Ratio	3.9	3.8
Number of persons receiving remuneration in excess of highest paid director ²⁹	10	12
Remuneration range for employees excluding highest paid director (£000)	19-320	18-181

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

²⁹ This refers to temporary appointments, who on an annualised basis, receive remuneration in excess of the highest paid director. No permanent employees received remuneration in excess of the highest paid director for either 2020/21 or 2019/20.

Steering Board Members - Audited

The Independent Board members and their remuneration are:

	2020/21 Remuneration	2019/20 Remuneration
	£000	£000
Tim Suter Chair Reappointed from 30 September 2019 to 31 March 2021	10-15	5-10
Andrew Lawrence Appointed from 31 July 2018 to 30 July 2021	10-15	5-10
Lopa Patel Appointed from 31 July 2018 to 30 July 2021	5-10	5-10
Kevin Orford ³⁰ Appointed from 28 November 2018 to 27 November 2021	5-10	5-10
Laurie Benson Appointed from 1 January 2020 to 31 December 2022	5-10	0-5 (FYE 5-10)
Mandy Haberman Reappointed from 2 November 2018 to 1 November 2020	0-5 (FYE 5-10)	5-10
Nora Nanayakkara Reappointed from 6 November 2016 to 5 November 2019	-	0-5 (FYE 5-10)

Jo Shanmugalingam is Director General, Industrial Strategy, Science and Innovation within BEIS with responsibility for the IPO throughout the year.

The Director General is a member of the Steering Board and is represented by David Rawlins as the BEIS representative.

David Rawlins is a civil servant and was not remunerated by the IPO for serving on the Steering Board.

Paul Coombs, Director of Finance, Planning and Performance at Crown Commercial Service served as an Independent Member on the Audit and Risk Committee from October 2017 to June 2020. He was replaced by Chris Pleass, Finance and Commercial Director at the Insolvency Service in January 2021. Both are civil servants and not remunerated by the IPO for serving on the Committee.

Karin Schulte was appointed as Non-Executive Director as part of the Future Boards Scheme from January 2020 to November 2020. She was replaced by Ada Jabaru in February 2021. They were not remunerated by the IPO for serving on the Steering Board.

The Minister appoints independent Board members for a fixed term, which may be renewed.

³⁰ Kevin Orford took over as Interim Chair of Steering Board from 1 April 2021

Staff Report

Staff Costs - Audited

	Permanently employed staff	Short-term employment contract and agency staff	2020/21 Total	2019/20 Total
	£000	£000	£000	£000
Wages and Salaries	55,942	5,099	61,041	54,503
Social Security costs	6,025	-	6,025	5,430
Other pension costs	14,188	-	14,188	12,718
Sub total	76,155	5,099	81,254	72,651
Capitalised staff costs included in above	(1,215)	(838)	(2,053)	(1,490)
Total net costs	74,940	4,261	79,201	71,161

Off-Payroll Engagements

Highly paid off-payroll appointments as of 31 March, for more than £245 per day³¹ or greater³².

	2020/21	2019/20
No. of existing engagements as of 31 March	29	16
Of which:		
Number that have existed for less than one year at the time of reporting	15	5
Number that have existed for between one and two years at time of reporting	8	10
Number that have existed for between two and three years at time of reporting	6	-
Number that have existed for between three and four years at time of reporting	-	-
Number that have existed for between four or more years at time of reporting	-	1

³¹ The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

³² The data for 2019/20 is based on reporting requirement for appointments lasting for more than 6 months. This reporting requirement has been removed for 2020/21

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2021, earning £245 per day³¹ or greater³².

	2020/21	2019/20
Number of temporary off-payroll workers ³³ engaged during the year ending 31 March	42	13
Of which:		
Not subject to off-payroll legislation	-	-
Not subject to off-payroll legislation and determined as in-scope of IR35	41	13
Not subject to off-payroll legislation and determined as out-of-scope of IR35	1	-
Number of engagements reassessed for compliance or assurance purpose during the year	-	-
Of which:		
Number of engagements that saw a change to IR35 status following review	-	-

Consultancy and the use of Contingent Labour

	2020/21	2019/20
	£000	£000
Consultancy expenditure	29	28
Contingent labour expenditure	4,261	4,807

Our contingent labour costs have decreased slightly when compared to the prior year however, we continue to utilise this resource to manage fluctuation in operational demand and support the delivery of our Transformation programme.

³¹ The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

³² The data for 2019/20 is based on reporting requirement for appointments lasting for more than 6 months. This reporting requirement has been removed for 2020/21

³³ A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the Department must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes.

Off-Payroll Engagements of Board Members, and/or Senior Officials with Significant Financial Responsibility, between 1 April 2020 and 31 March 2021

	2020/21	2019/20
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-
Total number of individuals on payroll and off-payroll that have been deemed "Board members, and/or, senior officials with significant financial responsibility", during the financial year	9	9

Post-Employment Benefits

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as "Alpha" – are unfunded multi-employer defined benefit schemes but the IPO is unable to identify its share of underlying assets and liabilities.

The Scheme Actuary valued the PCSPS as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at: <https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts>

For 2020/21, employer contributions of £13,972,596 were payable to the PCSPS (2019/20: £12,717,600) at one of the four rates in the range 26.6% to 30.3% of pensionable earnings (2019/20: 26.6% to 30.3%), 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 2020/21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £86,256 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and ranged from 8% to 14.75%.

Employer also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3,040, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £6,384. There were no prepayments at the balance sheet date.

Average Number of Persons Employed - Audited

The average number of persons employed (including agency and contract staff) and including staff on secondment to other organisations, during the period, is analysed below:

	2020/21 (FTE)	2019/20 (FTE)
Directors	8	8
Staff	1,316	1,220
Seconded In Staff	3	3
Seconded out Staff	4	21
Total	1,331	1,252
Agency/contract staff	104	82

At the reporting date there was one member of seconded out staff as a result of COVID-19.

Reporting of Civil Service and other Compensation Schemes – Exit Packages – Audited

Exit package cost (£)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
< 10,000	-	-	-	-	-	-
10,000 - 25,000	-	-	-	-	-	-
25,000 - 50,000	-	-	-	-	-	-
50,000 - 100,000	-	-	-	1	-	1
100,000 - 150,000	-	-	-	-	-	-
150,000 - 200,000	-	-	-	-	-	-
Total Number of exit packages	-	-	-	1	-	1
Total Cost (£)	-	-	-	58,828	-	58,828

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2020/21: Nil (2019/20: £59k). Exit costs of £Nil were paid in 2020/21, the year of departure (2019/20: £59k). Where the IPO has agreed early retirements, the additional costs are met by the IPO and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Staff Composition

The staff composition as at 31 March was as follows:

	2021 Male	2021 Female	2020 Male	2020 Female
Total staff	53.2%	46.8%	54.1%	45.9%
Directors	75.0%	25.0%	75.0%	25.0%
Senior Civil Servants	80.0%	20.0%	73.1%	26.9%
All other staff	52.8%	47.2%	53.8%	46.2%

SCS band	2020/21	2019/20
Band 2	2	2
Band 1	23	24
Total	25	26

We are committed to ensuring that our workforce is representative of the customers we serve across the UK. As part of this, we monitor the diversity of our people. Disclosure of personal characteristics is not mandatory and we have made significant progress in improving levels of staff declarations over the last year. This will give us a better basis for understanding where we need to target efforts to increase numbers of under-represented groups. We will be producing a full diversity, inclusion and wellbeing report, which will be published annually on our website. This report will give an account of all our efforts to ensure we are an inclusive organisation and our priority actions for the forthcoming year.

Sickness Absence Data

During 2020/21, we averaged 4.6 (2019/20: 7.3) working days lost per person against our internal target of an average of 6.5 working days lost per person. The number of days reported includes Covid-19 related absences.

Staff Turnover

The staff turnover percentage for 2020/21 is 2.8% (2019/20 4.9%). The staff turnover figure is calculated as the number of leavers within the financial year divided by the average number of staff in post over the financial year. Leavers reported are aligned to the Cabinet Office guidelines, therefore include retirements and resignations, however do not include transfers to another department.

Civil Service People Survey Results

The Civil Service People survey ran from 1 October 2020 to 3 November 2020. (2019/20 survey ran from 1 October to 31 October) and was available for all staff to complete. There were 1084 respondents which equates to a 77% response rate (2019/20 saw 1001 respondents which equates to a 73% response rate). The Employee Index was 73% (2019/20 68%) with the Civil Service Benchmark being 66% (2019/20 63%).

Staff Policies

The IPO is committed to making it a brilliant place to work, where staff are offered flexibility and development, where everyone's contribution is recognised, and diversity is genuinely valued.

Staff policies were applied during the year:

- For giving full and fair consideration to applications for employment by the IPO made by disabled persons, having regard to their particular aptitudes and abilities;
- For continuing the employment of, and for arranging appropriate training for, employees of the IPO who have become disabled persons during the period when they were employed by the IPO;
- For the training, career development and promotion of disabled persons employed by the IPO;
- For promoting a working environment free from discrimination, harassment and victimisation; and
- For ensuring that all decisions relating to the IPO employment practices are objective, free from bias, and based solely on work criteria and individual merit, with due account taken of an individual's personal circumstances and the needs of the IPO.

We regularly consult with our employees using a variety of engagement channels on a number of topics.

We have a formal consultation and negotiation process with our recognised Trade Union representatives on pay, employment matters, human capital management and Health and Safety. We have regular meetings on these topics with the Trade Unions including an annual meeting with the IPO Board and Chief Executive.

We hold quarterly Whitley meetings under the Health and Safety Working Act 1974. Our Health and Safety policy is held internally on our intranet and available to all staff.

Trade Union Facility Time

Relevant Union Officials

The following table summarises the total employees who were relevant union officials between 1 April and 31 March.

	2020/21	2019/20
Number of employees who were relevant officials during the financial year	25.0	23.0
FTE number	23.5	21.7

Percent of Time Spent on Facility Time

	2020/21	2019/20
0%	5.0	4.0
1%-50%	20.0	19.0
51%-99%	-	-
100%	-	-

Percent of Paybill Spent on Facility Time

	2020/21	2019/20
	£000	£000
Total cost of facility time	56	64
Total paybill	74,939	66,354
Percentage of total paybill spent on facility time	0.07%	0.10%

Paid Trade Union Activities

	2020/21 (%)	2019/20 (%)
Time spent on paid trade union activities as a percentage of total paid facility time hours	8.96	7.40

Parliamentary Accountability and Audit Report

Regularity of Expenditure - Audited

All expenditure has complied with the regularity of expenditure requirements set out in HMT guidance.

Losses and Special Payments - Audited

Losses or special payments were below the reporting threshold of £300k (cumulative).

Fees and Charges - Audited

The IPO provides statutory services registering or granting rights for patents, trade marks and designs. In common with all major rights granting organisations throughout the world, costs are recovered across the life of the rights. To encourage economic growth and innovation, access to the IP system includes low initial fees that are not a significant barrier to entry, with renewal fees covering the majority of our costs. This also acts as an incentive to maintain only valuable rights.

When fees are set they are designed to avoid any cross subsidy between rights. On average the fees paid across each class of rights are intended to be equal to the average costs of the service provided. The current volumes are resulting in some imbalances between the total income and costs of the different rights; a fees review will be undertaken in due course to address this.

In addition to the income we receive from those seeking UK rights, we also receive renewal income for European patents which have been granted by the EPO and which give the patent owners protection in the UK. This income is for a UK patent and is treated in the same way as other renewal income.



The following information summarises the income and expenditure for each of the main activities of the IPO:

2020/21	Patents	Trade Marks	Designs	Publications	Commercial	Grant Income	Total
	£000	£000	£000	£000	£000	£000	£000
Income	76,899	41,175	1,875	54	2,335	44	122,382
Expenditure	(79,680)	(32,729)	(1,253)	(152)	(1,236)	(23)	(115,073)
Subtotal	(2,781)	8,446	622	(98)	1,099	21	7,309
Financial Income	13	7	-	-	1	-	21
Dividend	(2,237)	(1,198)	(55)	(2)	(68)	(1)	(3,561)
Additional Dividend	(2,402)	(1,286)	(58)	(2)	(73)	(1)	(3,822)
Retained (deficit)/ surplus	(7,407)	5,969	509	(102)	959	19	(53)

2019/20	Patents	Trade Marks	Designs	Publications	Commercial	Grant Income	Total
	£000	£000	£000	£000	£000	£000	£000
Income	74,181	34,094	720	63	2,377	-	111,435
Expenditure	(76,644)	(27,490)	(658)	(126)	(1,321)	-	(106,239)
Subtotal	(2,463)	6,604	62	(63)	1,056	-	5,196
Financial Income	367	169	3	-	12	-	551
Dividend	(2,334)	(1,072)	(23)	(2)	(75)	-	(3,506)
Additional Dividend	-	-	-	-	-	-	-
Retained (deficit)/ surplus	(4,430)	5,701	42	(65)	993	-	2,241

Remote Contingent Liabilities - Audited

In addition to contingent liabilities reported within the meaning of IAS 37, the IPO also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. There are no such liabilities that the IPO are aware of. Liabilities of the EPO and other multi-national organisations lie with the Secretary of State.

Long Term Expenditure Trends

Our workload and income continue to grow across all fronts. We are experiencing record numbers of trade mark and designs applications, with many Covid related products and the former EU applicants now coming direct to us adding to the ongoing growth in protected marks.

We are tackling patent backlogs, as are the EPO.

With more rights being granted, renewal income is also increasing.

IP is a key part of Government's economic growth strategies and international trade agreements; our role in policy development and negotiations is increasing.

Our expenditure is therefore growing in line with this, with more staff being taken on – through fixed term arrangements where requirements are temporary or uncertain – and the associated support costs.

We expect to reach annual turnover of £150m in the next year.



Tim Moss CBE

Chief Executive and Accounting Officer

08 July 2021

The Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Intellectual Property Office (the Patent Office) for the year ended 31 March 2021 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Patent Office's affairs as at 31 March 2021 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Patent Office in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Patent Office's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Patent Office's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. The Chief Executive as Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Patent Office and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports. 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Patent Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Patent Office's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Patent Office's controls relating to the Government Trading Funds Act 1973.
- discussing among the engagement team and involving relevant internal and or external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and;
- obtaining an understanding of the Patent Office's framework of authority as well as other legal and regulatory frameworks that the Patent Office operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Patent Office. The key laws and regulations I considered in this context included the Government Trading Funds Act 1973, Managing Public Money, employment law, tax legislation and other statutory instruments which relate to the delivery of services.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

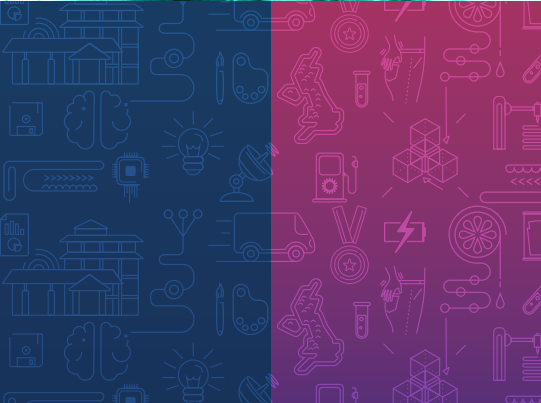
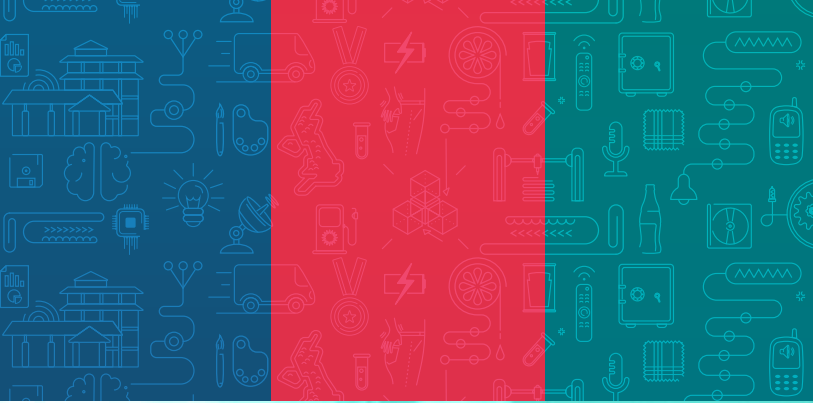
Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

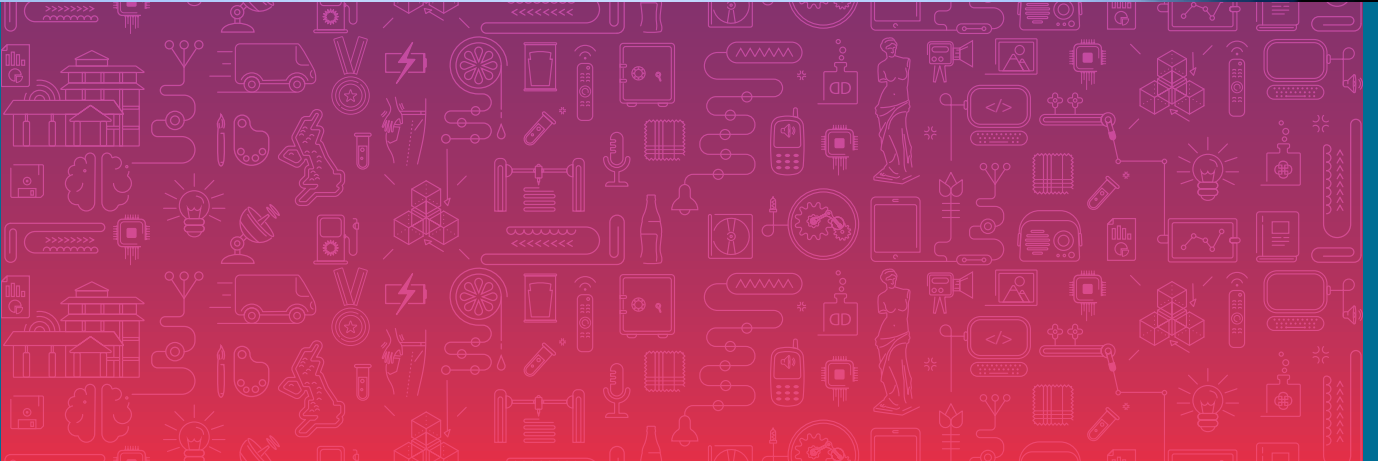
Date: 09 July 2021

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



ARA
2021

Financial Statements to 31 March 2021



Financial Statements to 31 March 2021

Statement of Comprehensive Income

For the Year Ended 31 March

		2021	2020
	Notes	£000	£000
Revenue from contracts with customers	3(a)	119,949	108,995
Other operating income	3(b)	2,433	2,440
Total operating income		122,382	111,435
Staff costs	4	(79,201)	(71,161)
Other operating costs	5	(33,168)	(32,527)
Depreciation and amortisation	5	(2,704)	(2,356)
Provision expense	5	-	(195)
Operating surplus before financing and dividend		7,309	5,196
Financial income	6	21	551
Operating surplus on ordinary activities		7,330	5,747
Dividend	7	(3,561)	(3,506)
Surplus before additional dividend		3,769	2,241
Additional dividend	7	(3,822)	-
Retained (deficit)/surplus for the year		(53)	2,241
Other comprehensive income			
Net (loss)/gain on revaluation of property, plant and equipment	8	(788)	310
Net gain on revaluation of intangible assets	9	113	157
Total comprehensive income		(728)	2,708

Statement of Financial Position

At 31 March		2021	2020
	Notes	£000	£000
Non-current assets			
Property, plant & equipment	8	20,533	21,096
Intangible assets	9	16,582	10,629
Trade and other receivables	10	2,160	658
Total non-current assets		39,275	32,383
Current assets			
Trade and other receivables	11	11,147	16,841
Cash and cash equivalents	12	99,332	90,502
Total current assets		110,479	107,343
Total assets		149,754	139,726
Current liabilities			
Trade and other payables	13	(23,536)	(23,208)
Other liabilities	13	(30,291)	(19,863)
Total current liabilities		(53,827)	(43,071)
Total assets less current liabilities		95,927	96,655
Total non-current liabilities		-	-
Total assets less total liabilities		95,927	96,655
Capital and Reserves			
Public dividend capital		6,325	6,325
Revaluation reserve		3,046	3,738
General reserve		86,556	86,592
Total equity		95,927	96,655



Tim Moss CBE

Chief Executive and Accounting Officer
08 July 2021

Statement of Cash Flows

For the year ended 31 March

	Notes	2021 £000	2020 £000
Net cash inflow from operating activities			
Net operating surplus		7,330	5,747
Adjustment for non-cash items	5	2,704	2,356
Decrease/(increase) in trade and other receivables	10&11	4,192	(5,890)
Increase in trade payables	13	10,951	3,647
Movements relating to items not passing through the SOCI	7	(55)	356
Use of provisions	14	(195)	-
Dividends paid	7	(7,328)	(3,861)
Net cash inflow from operating activities		17,599	2,355
Cash flows from investing activities			
Purchase of property plant and equipment	8	(1,000)	(605)
Purchase of intangible assets	9	(7,769)	(4,194)
Net cash outflow from investing activities		(8,769)	(4,799)
Cash flows from financing activities			
		-	-
Net increase/(decrease) in cash and cash equivalents in year		8,830	(2,444)
Cash and cash equivalents at the beginning of the year	12	90,502	92,946
Cash and cash equivalents at the end of the year	12	99,332	90,502
		8,830	(2,444)

Statement of Changes in Taxpayers' Equity

		PDC	Revaluation Reserve	General Reserve	Total Capital & Reserves
	Notes	£000	£000	£000	£000
Balance at 31 March 2019		6,325	3,366	84,256	93,947
Changes in Capital and Reserves for 2019/20					
Net gain on revaluation of property, plant and equipment	8		310		310
Net gain on revaluation of intangible assets	9		157		157
Transfer of (excess)/realised depreciation between reserves			(95)	95	-
Retained surplus				2,241	2,241
At 31 March 2020		6,325	3,738	86,592	96,655
Changes in Capital and Reserves for 2020/21					
Net gain/(loss) on revaluation of property, plant and equipment	8		(788)		(788)
Net gain on revaluation of intangible assets	9		113		113
Transfer of (excess)/realised depreciation between reserves			(17)	17	-
Retained loss				(53)	(53)
At 31 March 2021		6,325	3,046	86,556	95,927

The revaluation reserve and public dividend capital (PDC) are non-distributable.

Notes to the Accounts

1 Accounting Policies

1(a) Statement of Accounting Policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by HMT. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged the most appropriate to the particular circumstances of the IPO for the purpose of giving a true and fair view has been selected. The particular policies adopted by the IPO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1(b) Accounting Convention and Estimates

The accounts have been prepared under the going concern assumption and in accordance with historic cost convention with the historical cost convention modified to include revaluation of property, plant and equipment and intangible assets, in a form determined by the Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973. The Accounting Officer has prepared forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including the impact of COVID-19, the Patent Office will have sufficient funds to meet its liabilities as they fall due for that period.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and judgements that affect the reported assets, liabilities, revenue and expenditure. Actual results can differ from those estimates. The accounting policy descriptions set out those areas where judgement needs exercising. The most significant in management's view are asset valuation and income recognition (contract liabilities).

1(c) Capitalisation Recognition and Threshold

Property, plant and equipment is capitalised where:

- The asset is held for use in delivering services or for administrative purposes;
- It is probable that future economic benefits associated with the item will flow to, or service potential be provided to, the IPO;
- It is expected to be used for more than one financial year;
- The cost of the item can be measured reliably;
- The item has cost at least £3,000 excluding VAT; or
- Collectively, a number of items have a cost of at least £3,000 and where assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, e.g., plant and equipment, then these components are treated as separate assets and depreciated over their own useful lives.

New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge is capitalised.

Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the IPO operations.

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the IPO and the cost of the item can be determined reliably.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance is charged to the Statement of Comprehensive Income in the period in which it is incurred.

1(d) Non-Current Assets: Property, Plant and Equipment Valuation

We revalue our non-current asset portfolio on 31 March each financial year in accordance with the requirements of the FReM. Where assets are revalued, the depreciation charge is based on the revised value over the remaining life of the asset.

The IPO has adopted depreciated historical cost as a proxy for fair value of plant and equipment. Any difference between these figures is not considered material for the accounts.

The last land and building valuation was performed on the 31 March 2021 on an existing value in use basis. Surpluses and deficits arising on revaluation are charged to the Revaluation Reserve. Where it is not possible for any such deficit to be offset by previous surpluses in the Revaluation reserve, it is charged to revenue as permanent diminutions in the value of the fixed assets. We continue to review our Non-Current Assets and report in line with our accounting policy. Sensitivity analysis has shown that the valuation would have to increase/decrease by 7.8% before there was a material financial reporting impact on our financial statements. We conclude our property valuations and assets values remain applicable as reported in note 8.

1(e) Non-Current Assets: Intangible Assets

Intangible assets consist of specialist software developed for the IPO.

Software development intangible assets are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the IPO over a period of more than one year, and where the cost of the asset can be measured reliably.

Intangible assets are recognised initially at cost, comprising all directly attributable costs (including the costs of third-party work and the direct costs of in-house staff effort) needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Any assets under construction held at the reporting date are reviewed against the criteria set out in IAS 38 - Intangible Assets to ensure they are correctly categorised. At the point the asset is capable of operating as intended, and economic benefit flows from the asset, it will be transferred into live irrespective of the official project stage name.

As the asset becomes live, estimated useful lives are applied and a depreciation charge triggered. Software is revalued using an appropriate index.

1(f) Depreciation and Amortisation

Depreciation is provided on property, plant and equipment, except freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life using the following guide:

- Information technology 5 years
- Plant and machinery 5 years

Depreciation is charged from the date of acquisition.

The estimated remaining life of the building and car park on 31 March 2021 is 51 years.

Amortisation is provided on intangible assets, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life using the following guide:

- Major software developments 10 years
- Other software 5 years

Amortisation is charged from the date the asset is available to use.

The estimated useful lives are reviewed regularly and revised when necessary. An alternative expected useful life may be applied where evidence exists to support this.

1(g) Income

IPO adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018. This standard has been adapted by the FReM to include revenue from fees and charges arising from legislation within the definition of a contract with customers. Income from fees and charges including statutory fees is now classified as income from contracts with customers. Income outside the scope of IFRS 15 is classified as income from other operating activities. Liabilities arising as a result of customers paying in advance of delivery of service are now reported as contract liabilities, previously reported as deferred income.

Receipt of payment from a customer forms a contract with a performance obligation being placed on the IPO. Income is recognised when this obligation is satisfied.

The following sets out our income recognition approach for each service:

Nature, timing of satisfaction of performance obligations and significant payment terms

Patents

Customers apply for a patent to be registered with associated rights granted to them. We identify three obligation points for these transactions; application, search and rights granting stage. Payment is made for this service immediately at the point of transacting with the relevant form at each stage.

Performance obligations are met at various stages throughout the transaction cycle with each stage initiated by the customer completing the relevant form and making payment.

- Application - the customer receives a filing date and preliminary report typically within two weeks,
- Search - a report is issued within 6 months with publication completing 12 months later,

- Rights granting - the final stage is upwards of four years from the initial contact point and completes with the right being either granted and republished or refused.

Further details on patent application timings³⁴

The fees applicable to each stage³⁵

Income relating to patent renewal transactions is recognised at the point of processing a system transaction i.e. when payment and a transaction form is received, and the Rights register is updated.

Trade Marks and Designs

Customers apply for a trade mark or design to be registered with associated rights granted to them. Payment for this service is made immediately at the point of transacting with revenue recognised at two obligation points; completion of examination and rights granting stage.

This is an area where judgement is applied over the transaction price due to one fee being charged at the start of the transaction to cover both obligation points. These estimates consider the average time and effort relating to the satisfaction of each performance obligation. In 2019/20, a review was conducted to assess examiner effort at each stage, this resulted in an immaterial change to the accounting estimates regarding the recognition of income at each performance obligation. Based on analysis, these are set as 80% of income recognised at the first performance obligation (examination) and 20% recognised at the final performance obligation (rights granting or refusal).

We perform sensitivity analysis over this area and conclude the deferral rate could move between 66% and 94% before causing a material difference. It is also worth noting this does not apply to the full population of deferred transactions as a significant proportion are deferred at 100% (application received, not yet started).

Performance obligations are met at various stages throughout the transaction cycle;

³⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/826223/patent-timeline.pdf

³⁵ <https://www.gov.uk/government/publications/patent-forms-and-fees/patent-forms-and-fees>

Trade marks;

- Examination – feedback will be provided within three months before moving into publication for up to three months. Feedback times have increased from 5-15 days to up to 3 months in 2020/21 as a result of the significant increase in trade mark applications. Reductions to this extended feedback time are planned in 2021/22 with the aim of normal service levels of 5-15 days being achieved by the year end.
- Rights granting – providing no opposition has been made the trademark will be registered typically within two weeks.

Income relating to trade marks renewal transactions is recognised at the point of processing a system transaction i.e. when payment and a transaction form is received, and the Rights register is updated.

Designs;

Examination – feedback will be provided within 10 days

Rights granting – providing there are no deficiencies, registration takes place within 24 hours.

Further details on trade mark application timings³⁶

Details on trade mark fees³⁷

Further details on design application timings³⁸

Details on design fees³⁹

For the transactions listed above the customer purchases a service covering assessment, searches and rights granting. The fees charged are set in statute and non-variable. The fee is due from the customer irrespective of the outcome of the service i.e. whether or not the right is granted. No obligation exists for IPO to provide refunds.

The timings associated with the above transactions result in a contract liability being held at any point in time and released as performance obligations are met (see note 1(h), note 3(a) and note 13).

Other transactions

All other income is recognised when the performance obligation is completed.

1(h) Contract Liabilities (Deferred income)

In many instances the IPO collects fees and charges for services before those services are performed. Therefore, at any point in time a prepayment situation exists in respect of unperformed services. Income relating to those services is recorded as contract liabilities (see note 13) and recognised in the Statement of Comprehensive Income in line with IFRS 15: Revenue from Contracts with Customers, as and when the performance obligations have been met. For patent transactions we identify the obligation points as application, search and rights granting stage; and for trade marks and designs we identify the obligations as the completion of examination and rights granting stage. This remains to be an area where judgment is applied and is monitored and reviewed annually (see note 1(g)).

1(i) Grant Income

Where government grant income is received relating to assets it is treated as contract liabilities and subsequently recognised in the Statement of Comprehensive Income in line with the utilisation of the asset and in accordance with IAS 20 as interpreted by the FReM. As a Trading fund we apply this interpretation to provide a consistent approach across government and align timing relating to income and costs. Grant funded projects are scrutinised to ensure progress in delivering project milestones, and to ensure the grant offer letter's terms and conditions are not breached.

36 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/826521/TrademarkTimeline.pdf

37 <https://www.gov.uk/government/publications/trade-mark-forms-and-fees/trade-mark-forms-and-fees>

38 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/829853/designs-timeline.pdf

39 <https://www.gov.uk/government/publications/design-forms-and-fees/design-forms-and-fees>

1(j) Taxation

As a Trading Fund we are not liable to pay Corporation Tax. VAT is not chargeable on statutory services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets. Expenditure is otherwise shown net of VAT. The IPO is not registered separately for VAT as it falls within the BEIS registration.

1(k) Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences (see note 5) are taken to the Statement of Comprehensive Income.

1(l) Operating Lease Rentals

Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1(m) Financial Instruments

The IPO has very limited powers to borrow or to invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the IPO in undertaking its activities.

1(n) Provisions

All provisions where the time value of money is significant are discounted at the HMT approved rate (see note 14).

1(o) Dividends

Under Section 4(1) of the Government Trading Funds Act the IPO may be set further financial objectives which impact on plans and charges. The current financial objective and performance is shown in the Performance Report. This objective is in part to reflect the cost of capital utilised by the IPO and fees and charges are set to recover costs and meet this further financial objective. This cost of capital equivalent charge is then paid as a dividend to BEIS. The Treasury Minute detailing the ordinary dividend charge can be found in Appendix A. BEIS is also able to withdraw additional dividends if there are surplus funds held by the IPO. This arrangement is currently being used to cover the funding requirements for the Police Intellectual Property Crime Unit (PIPCU).

1(p) Pension Costs

Present and past employees are covered by the provisions of PCSPS and the CSOPS scheme known as 'alpha', which is described in the Remuneration Report. These are multi-employer defined benefit schemes where we are unable to identify our share of the underlying assets and liabilities. In accordance with IAS 19, we do not recognise liabilities associated with these schemes, though information on the schemes in total is available in the Civil Superannuation accounts. We recognise the expected cost of providing pensions 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 and alpha. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

1 (q) Cash and Cash equivalents

Cash and cash equivalents comprise cash balances in government and commercial bank accounts. Cash not required for short-term operational needs is deposited with National Loans Fund. They are carried in the Statement of Financial Position at face value (see note 12). The IPO does not have any bank overdrafts.

1(r) Adoption of New and Revised Standards

The IPO provides disclosure where it has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that the initial application of a new standard would have on the financial statements.

IFRS 16: Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Due to the circumstances caused by Covid-19 and following HMT's agreement with the Financial Reporting Advisory Board (FRAB) the IPO will defer the implementation of IFRS 16 until 1 April 2022.

IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives will not be restated, and the measurement of the asset and liability balances recognised with effect from 1 April 2022 will reflect our intentions as at that date. Leases currently classified as operating leases will be assessed and recognised in the Statement of Financial Position in accordance with IFRS 16 criteria, increasing the value of property, plant and equipment assets and the value of lease liabilities. Assessments will take place in the coming year in preparation of the adoption of this standard.

IFRS 17 Accounting for Insurance Contracts replaces IFRS 4 for accounting periods starting on or after 1 January 2023. An insurance contract under IFRS 17 is: "A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder." The accounting treatment for insurance contracts is based on a risk-adjusted probability-weighted estimate of discounted future cash flows. Insurance contracts are grouped according to the nature of their risks and their start date, and the cash flows and risk adjustment are determined for each group as a whole.

We will adopt IFRS 17 as specified by the FReM. The impact of IFRS 17 is not expected to be significant based upon an initial review of existing contractual arrangements. A full review will be undertaken well ahead of adoption to assess the complete impact. We do not consider that any other new or revised standard or interpretation will have a material impact.

2) Segmental Reporting

Decisions are taken based on the overall position described in the Statement of Comprehensive Income and the Statement of Financial Position. As such, management consider there is only one segment. The IPO is managed as an integrated whole and decisions made on that basis.

3) Income

Analysis of operating income by classification and activity.

3(a) Revenue from Contracts with Customers

For the year ended 31 March

	2021	2020
	£000	£000
Patents		
Application, search and examination fees	4,887	4,183
Renewals for UK patents	12,770	12,507
Renewals for European patents designating the UK	57,720	55,786
Other	1,522	1,705
	76,899	74,181
Trade Marks		
Application fees	29,579	24,546
Renewal fees	10,141	6,470
Other	1,455	3,078
	41,175	34,094
Designs		
Application fees	405	341
Renewal fees	1,365	289
Other	105	90
	1,875	720
Total Revenue from Contracts with Customers	119,949	108,995

3(b) Other Operating Income

	2021	2020
	£000	£000
Publications	54	63
Commercial services	2,335	2,377
Grant income	44	
Total other operating income	2,433	2,440
Total turnover	122,382	111,435

Note 3(a) above includes revenue relating to contract liabilities movement (note 13) over the reporting period. For 2020/21 the movement is included in the Application lines, however in 2019/20 this was included in Other.

	2021	2020
	£000	£000
Patents	618	226
Trade Marks	(7,027)	1,682
Designs	(142)	27
	(6,551)	1,935

Income is from the payment of statutory or non-statutory fees for services plus commercial services provided, and all is attributable to turnover arising in the UK.

4) Staff Costs

Staff costs comprise of salaries and wages, social security cost, pension contributions and contractor costs less capitalised staff costs to create software assets. Further details are shown in the Accountability Report.

	2021	2020
	£000	£000
Salaries and wages	55,942	49,096
Social security costs	6,025	5,430
Pension costs	14,188	12,718
Agency/contract Staff	5,099	5,407
Capitalised staff costs included above	(2,053)	(1,490)
	79,201	71,161

5) Other Non-Staff Costs

	2021	2020
	£000	£000
IT and Telecoms	11,714	12,047
Accommodation ex leases	6,027	6,088
Access to online IP databases	2,757	2,868
Innovation support	2,702	1,868
European Patent Office cost	2,631	516
Property lease costs	1,233	1,120
Training	1,121	1,210
Subscriptions to international bodies	913	920
Legal and hearings	819	810
Banking and card commissions	549	277
Office supplies and equipment inc postage	519	700
Other admin costs	494	681
Research co-operation and seminars	460	700
Recruitment and other staffing costs	436	521
External programme assurance	235	491
Outreach and marketing	183	497
Hire of office machinery	144	191
Departmental overheads	83	97
Exchange Rate (gains) /losses	63	(124)
Audit fee ⁴⁰	48	58
Travel	37	991
Total	33,168	32,527
Non cash items		
Amortisation	1,929	1,598
Depreciation	775	758
Provision for dilapidations	-	195
Total non cash	2,704	2,551
Total cash and non cash	35,872	35,078

40 This represents the cost for audit services. There have been no non-audit services provided by the auditors.

6) Financial Income

	2021	2020
	£000	£000
Short term deposits - operating activities	21	551

The interest derives from deposits with the Government Banking Service.

7) Dividends

	2021	2020
	£000	£000
Dividend	3,561	3,506
Additional dividend	3,822	-
	7,383	3,506

A dividend of £3,561k is due to BEIS for 2020/21 in line with our Trading Fund financial objective (see note 1(o)).

BEIS is able to utilise IPO surpluses through taking additional dividends and currently does so to fund other IP related initiatives, specifically the funding of the Police Intellectual Property Crime Unit (PIPCU); the amount of £3,822k paid in 2020/21 covers PIPCU's costs (on an actuals basis) since the last additional dividend in 2018/19.

The cashflow statement reflects payments made in 2020/21 being the 2019/20 dividend of £3,506k, plus the additional dividend of £3,822k.

8) Property, Plant and Equipment

2020/21	Land	Buildings	Assets under construction	Plant and machinery	Information technology	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2020	3,570	16,383	-	2,097	3,918	25,968
Additions	-	-	704	70	226	1,000
Revaluation decrease	(170)	(618)	-	-	-	(788)
Disposals	-	-	-	-	(158)	(158)
At 31 March 2021	3,400	15,765	704	2,167	3,986	26,022
Depreciation						
At 1 April 2020	-	-	-	1,843	3,029	4,872
Provided during the year	-	315	-	115	345	775
Disposals	-	-	-	-	(158)	(158)
At 31 March 2021	-	315	-	1,958	3,216	5,489
Net Book value at 31 March 2021	3,400	15,450	704	209	770	20,533
2019/20						
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2019	3,570	16,383	-	2,382	6,781	29,116
Additions	-	-	-	90	515	605
Revaluation	-	-	-	-	-	-
Disposals	-	-	-	(375)	(3,378)	(3,753)
At 31 March 2020	3,570	16,383	-	2,097	3,918	25,968
Depreciation						
At 1 April 2019	-	-	-	2,081	6,091	8,172
Provided during the year	-	310	-	137	316	763
Surplus on revaluation	-	(310)	-	-	-	(310)
Disposals	-	-	-	(375)	(3,378)	(3,753)
At 31 March 2020	-	-	-	1,843	3,029	4,872
Net book value at 31 March 2020	3,570	16,383	-	254	889	21,096

The land and buildings referred to above are freehold and were revalued at £18.85 million by the Valuation Office Agency, Newport, South Wales on 31 March 2021 on the basis of existing use (2019/20 £19.95 million). The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors (RICS): RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. As at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuation provided by our valuers is not reported as being subject to ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Further details are included in note 1(d).

9) Intangible Assets

2020/21	Software in Use	Software Under Construction	Software Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2020	18,837	1,589	20,426
Additions	2,665	5,104	7,769
Reclassifications	1,589	(1,589)	-
Revaluation	113	-	113
Disposals	-	-	-
At 31 March 2021	23,204	5,104	28,308
Amortisation			
At 1 April 2020	9,797	-	9,797
Provided during the year	1,929	-	1,929
At 31 March 2021	11,726	-	11,726
Net Book Value at 31 March 2021	11,478	5,104	16,582
2019/20	Software in Use	Software under Construction	Software Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2019	14,977	1,098	16,075
Additions	2,605	1,589	4,194
Reclassifications	1,098	(1,098)	-
Revaluation	157	-	157
Disposals	-	-	-
At 31 March 2020	18,837	1,589	20,426
Amortisation			
At 1 April 2019	8,203	-	8,203
Provided during the year	1,594	-	1,594
At 31 March 2020	9,797	-	9,797
Net Book Value at 31 March 2020	9,040	1,589	10,629

All software is internally generated.

Intangible assets are revalued annually by reference to the most appropriate price indices.

Software under construction includes three projects as part of our Transformation Programme, with a carrying value of £5,104k (2020: £1,589k). It is expected that these projects will go live in June 2023 and will have a useful economic life of 13 years.

Software in use includes projects with material values, as detailed below:

Software in Use as at 31/3/2021	Carrying value	Useful economic life	Grant carrying value	
	£000		£000	
TM10	4,303	3 years and 3 months		
AI	2,953	9 years and 7 months	949	Grant to be released over remaining UEL of asset
Renewals	2,813	8 years and 6 months		
Designs	932	4 years and 3 months		

Software in Use as at 31/3/2020	Carrying value	Useful economic life	Grant carrying value	
	£000		£000	
TM10	3,932	4 years and 3 months		
Renewals	2,951	9 years and 6 months		
Designs	1,075	4 years and 3 months		

10) Non-Current Trade Receivables

	2021	2020
	£000	£000
Prepayments and accrued income	2,160	658
	2,160	658

In 2020/21 we have a prepaid invoice for £3.4m which covers a period of 5 years. This has been split between current and non-current trade receivables. In the prior year, the full amount was recognised as a current trade receivable.

11) Current Trade Receivables

	2021	2020
	£000	£000
Trade receivables	6,201	9,088
Other receivables	-	17
Prepayments and accrued income	4,946	7,736
	11,147	16,841

12) Cash and Cash Equivalents

	2021	2020
	£000	£000
Balance at 1 April	90,502	92,946
Net change in cash and cash equivalent balances	8,830	(2,444)
Balance at 31 March	99,332	90,502
Government banking service	96,127	89,051
Commercial banks and cash in hand	3,205	1,451
	99,332	90,502

13) Current Liabilities

	2021	2020
	£000	£000
Trade and other payables		
User deposit accounts	7,423	7,720
Trade payables	16,113	15,488
	23,536	23,208
Other Liabilities		
Contract liabilities - prepayment	11,325	4,755
Contract liabilities - grant income	949	992
Taxation and social security	1,543	1,375
Superannuation	1,530	1,346
Other liabilities	168	980
Dividend payable	3,561	3,506
Untaken annual leave owed	3,392	2,344
Accruals	7,823	743
	30,291	19,863

Our contract liabilities – prepayment, have increased significantly this year due mainly to an increase in trade mark applications. This has resulted in an increased backlog and corresponding increase in deferred income. As the backlog applications are completed the income will be recognised. We are working to restore normal backlog levels throughout 2021/22. Our contract liability for trade marks at the 31 March 2021 was £8.89m (2019/20 £1.86m) No changes have been made to either accounting estimates or judgements in 2020/21 (2019/20 changes made resulted in an additional £1.7m being recognised in revenue over the period) A further breakdown is included in Note 3.

14) Provision for Liabilities and Charges

Dilapidations

	2021	2020
	£000	£000
At 1 April	195	-
Provision made in year	-	195
Provisions not required written back	(110)	-
Payments offset against the provision	(85)	-
At 31 March	-	195
Less amount payable within one year (Included in current liabilities - see note 13)	-	(195)
Amount Payable After One Year	-	-

The provision made in 2019/20 for expected dilapidation costs relating to the IPO's leased building at Abbey Orchard Street has been partially utilised with the remaining balance released in 2020/21. No provisions are required for 2020/21.

15) Commitments Under Leases

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

	2021	2021	2020	2020
	Buildings	Other	Buildings	Other
	£000	£000	£000	£000
Leases falling due:				
Within 1 year	458	148	2,049	62
Between 1 and 5 years	1,676	142	1,752	19
After 5 years	279	-	667	-
	2,413	290	4,468	81

There are no commitments under non-cancellable contracts apart from leases.

16) Future Income Due Under Non-Cancellable Operating Leases

	2021	2020
	£000	£000
Land and buildings:		
Receivable within 1 year	-	1,137
Total	-	1,137

Rent due is recognised as commercial services income in note 3 (b); 2020/21: £1,100k; (2019/20: £1,300k). This relates to rental income received for our Aldgate Tower premises. The lease ended in February 2021 with no further rental income due.

17) Contingent Liabilities

The IPO has no contingent liabilities at 31 March 2021 (2019/20: Nil).

18) Related Party Transactions

The IPO is an executive agency of BEIS. BEIS is regarded as a related party. During the year, the IPO had various material transactions with BEIS. These were the dividend and some payments for central services provided by BEIS. In addition, the IPO had a small number of material transactions with other government departments and other central government bodies. Most of these transactions were with the UK Statistics Authority, HMT, the Cabinet Office, Crown Commercial Service and UK SBS for services such as accommodation and legal services.

None of the Steering Board members, directors or other related parties have undertaken any material transactions with the IPO during the year.

19) Financial Instruments

We are required to disclose the role which financial instruments have had during the period in creating or changing the risks the IPO faces in undertaking its activities. The key risk for the IPO arising from financial instruments is interest rates. Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which this mainly applies. The IPO has very limited powers to borrow or to invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the IPO in undertaking its activities.

Liquidity risk

The IPO is not exposed to liquidity risk given the present net liquid asset position.

Market Risk

All of the IPO's liabilities carry nil or fixed rates of interest.

Interest bearing financial assets comprise cash balances which are held at floating rates of interest. Given that cash is available on demand or is placed on short term deposit at fixed rates and given that interest is budgeted conservatively, interest rate risk is limited but remains a factor because of the level of cash balances held. Longer term cash deposits do not exceed six months. Sufficient cash and cash equivalents are maintained to meet any demands in that time frame.

Credit risk

There is no material credit risk to the IPO.

20) Events After the Reporting Period

There have been no significant events between the Statement of Financial Position and the date of authorising these financial statements.

These financial statements are laid before the House of Commons by the Department for BEIS. IAS 10 required us to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the certificate.

The Accounting Officer authorised these financial statements for issue on 08 July 2021.

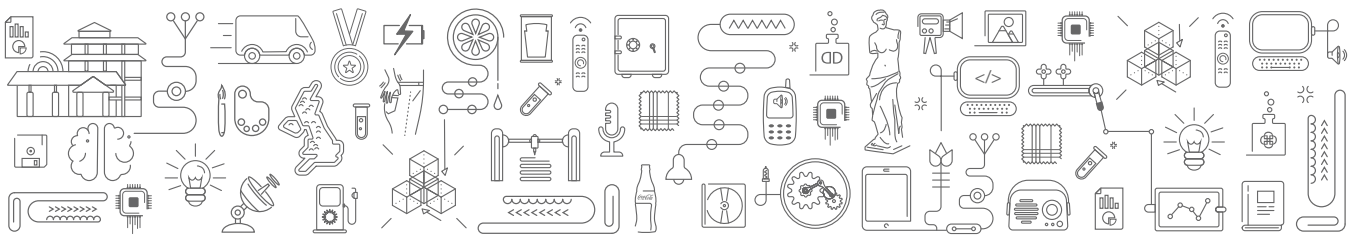
Appendix A

Treasury Minute for the Patent Office Trading Fund

The Patent Office Trading Fund:

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of **the responsible Minister and in discharge of his function in relation to the fund** it shall be his duty:
 - (a) to manage the funded operations so that the revenue of the fund:
 - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
 - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
 - (b) to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund known as The Patent Office was established on 1 October 1991 in pursuance of The Patent Office Trading Fund Order 1991 (S.1 1991 No. 1796).
3. The Secretary of State for Business, Energy and Industrial Strategy, being the responsible minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by The Patent Office Trading Fund for the 5-year period from 1 April 2019 to 31 March 2024 shall be to achieve a return, averaged over the period as a whole, of 3.5 per cent in the form of a surplus on ordinary activities before interest payable on long term Treasury loans and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long-term element of Exchequer loans and reserves.
4. This minute supersedes that dated 19 May 2014.
5. Let a copy of this minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

HM TREASURY
18 March 2021



2020/21

Concept House
Cardiff Road
Newport
NP10 8QQ

Tel: 0300 300 2000

Email: information@ipo.gov.uk

Web: www.gov.uk/ipo

Facebook: TheIPO.UK

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