



INTELLECTUAL
PROPERTY OFFICE

The Patent Office

Annual Report and Accounts

2011/12

The Patent Office Annual Report and Accounts 2011/2012

The Patent Office

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The Patent Office is an Executive Agency of the Department for Business, Innovation, and Skills.

2011/2012 Annual Report & Accounts

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Chapter 1

Chief Executive Officer's Introduction



I am very pleased to introduce the Annual Report & Accounts for the Intellectual Property Office (IPO¹) covering the year 2011/12.

Over the past year the IPO has made a strong impact in helping UK business to innovate. Our five year strategy, (developed in 2010), set out our ambitions for policy work, rights granting and provision of services to business, and we have made significant progress towards the achievement of our strategic goals. This year the Government published its response to the Hargreaves Review of Intellectual Property and Growth². This has set the framework for much of our activity, and we have taken forward initiatives to improve the Intellectual Property (IP) system in the UK.

I am delighted with our achievements; we made a number of improvements in delivering high quality services, we are setting the IP agenda, and giving value for money. Our organisational change Programme 'Improve', for example, has delivered new capabilities that will help us understand our customers better. We have invested in our people by improving skills and capability, recognising good work and focusing on good leadership and management as well as our technical and policy expertise.

Importantly, we have maintained the effectiveness and efficiency of our rights granting processes and have hit our key customer targets. We have succeeded in reducing patent pendency so that we now have no cases outstanding for longer than 42 months, despite an increase in patent demand of 5%, and we have kept on top of a 19% increase in Trade Mark applications.

We continue to actively engage with our parent Department, the Department of Business, Innovation and Skills (BIS), supporting the wider BIS agenda. We have been a key delivery partner in the Knowledge and Innovation Group, and contributed directly to the Government's Growth Agenda by improving the accessibility of the IP system to UK businesses at home and abroad. For example; this year we announced a small claims process for cases under £5,000 to be introduced at the Patents County Court; supported the Technology Strategy Board to develop an IP strategy for new catapult centres; and, we placed our first two IP attachés overseas.

¹ An operating name of the Patent Office

² Hargreaves, I, 2011, Digital Opportunity A review of Intellectual Property and Growth. Available at <http://www.ipo.gov.uk/ipreview-finalreport.pdf>

We will continue to engage with the BIS Corporate Services Strategy to help shape it in the interests of both BIS and the IPO, enabling us to deliver our objectives more effectively and efficiently. The Corporate Services change programme is looking to centralise HR, Finance, IT and Facilities Management across the BIS family; and our aim is to participate constructively in delivering excellent service, and a demonstrable improvement in value for money.

Next year, we are being challenged to press ahead with the implementation of Hargreaves initiatives, against a backdrop of growing demand for our services, and increased customer expectations. This year's performance is encouraging.

I would like to thank colleagues for the excellent contribution that they have made over the last year to the achievement of our goals, and to our many stakeholders for their continued support. I believe we are becoming a more resilient organisation and better able to operate flexibly in a fast changing environment.

A handwritten signature in blue ink that reads "John Alty". The signature is written in a cursive, slightly slanted style.

John Alty

Chief Executive Officer and Accounting Officer

Chapter 2

Review of the Year

Introduction

The Intellectual Property Office (IPO) supports the delivery of balanced, sustainable economic growth, a key priority for our parent Department, the Department of Business, Innovation and Skills (BIS), and for Government.

Every year in the last decade, investment by UK business in intangible assets has outstripped investment in tangible assets: by £137 billion to £104 billion in 2008³. Global trade in patent and creative industry licenses alone is worth more than £600 billion a year: five per cent of world trade and rising⁴. Intellectual Property incentivises innovation by facilitating the commercial exploitation of ideas.

To this end, the Office has continued to excel when delivering business as usual and improve policy development, rights granting and business management, meeting seven of its Ministerial Targets for 2011/12.

The Hargreaves Review, that made recommendations focused on reducing barriers to growth in the IP system and enabling business models more appropriate to the digital age, has coloured much of the Office's policy development work. Delivery of Hargreaves commitments remains on track as 2011/12 ends. The change Programme, 'Improve', has looked to enhance capability, and the Office as a whole has significantly invested in its capability across a number of areas.

This has been a busy year; performance against Ministerial Targets is set out overleaf. The rest of this chapter will describe what the Office has achieved in more detail.

³ Haskel J, Goodridge P, Pesole A, Awano G, Franklin M and Kastrinaki Z, 2011, Driving economic growth Innovation, knowledge spending and productivity growth in the UK, NESTA, Page 15, table 1, http://www.nesta.org.uk/library/documents/Driving_Ecc_Growth_Web_v4.pdf

⁴ Yanagisawa T and Guellec D, 2009, The emerging patent marketplace, OECD, page 8. UNCTAD Creative Economy Report 2010, <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=5763&lang=1>

Summary of Performance

Ministerial Targets are set annually; they detail our key deliverables, and are aligned with wider government objectives. The Office prioritises its work around these targets, 2011/12 performance against targets is set out below.

Performance ✓ Met X Not Met	Ministerial Target
Policy	
✓	Proposals for enhanced cooperation on the EU Patent and Court are adopted in line with UK objectives.
✓	Key commitments made in the Government Response to the Hargreaves Review, and due to be met before 31 March 2012, are completed within the published timetable.
Rights Granting	
✓	<p>Efficiently deliver high quality patents, so that:</p> <p>a. 90% of patent search reports are issued within 4 months of request; and,</p> <p>b. all outstanding patent examinations older than 42 months are cleared by the end of March 2012.</p>
✓	<p>Efficiently deliver high quality trade marks and registered designs, so that:</p> <p>a. applications for trade marks, for which we have not raised any issues and no opposition has been filed, are registered within 4 months in 85% of cases, within 5 months in 90% of cases, and within 6 months in 95% of cases;</p> <p>b. the correct decision on registration is made in at least 99% of trade mark applications; and,</p> <p>c. 95% of design applications, for which we have not raised any issues, are registered within 1 month.</p>
Targeted Business Support	
✓	Deliver business outreach that enables 85% of its recipients to improve the IP performance of their businesses or the businesses they advise.
✓	IPO customers will give an average score of 8 out of 10 for the service they receive.
Business	
✓	Achieve a return on capital employed of 4%.
✓	In addition to the return on capital employed, deliver an efficiency gain of 3.5%.
X	Improve the IPO's engagement index so that our score is at least equal to that of the Civil Service 2011 benchmark.

Delivering for our Customers

Intellectual Property Policy

Alongside rights granting, the IPO develops and implements UK IP policy in line with Ministerial priorities. This dual role enables the Office to use technical expertise and insight into customer needs' to develop IP policy and use this to work effectively with partners across Government and internationally.

The IPO is committed to developing and implementing global and national IP policy that promotes UK competitiveness and growth, and meets the needs of consumers and society. To this end, the Office constantly develops its policy making capabilities, is active internationally, and reviews and updates its existing national frameworks.

In 2011/12, work was shaped by the Hargreaves Review which was commissioned by the Prime Minister and published in May 2011. It made a number of recommendations focused on reducing barriers to growth in the IP system and enabling business models more appropriate to the digital age. These recommendations included:

- changes to make copyright licensing quicker so that it is easier for rights owners, small and large, to sell licenses for their work, and for others to buy them, with quicker, less burdensome transactions;
- widening the UK's copyright exceptions (the various statutory rights to use works in particular circumstances without the permission of the rights holder);
- opening up access to 'orphan works' - those works currently inaccessible because the author cannot be identified. These works have both cultural and economic worth that currently cannot be accessed legally;
- reviewing whether the Design Rights' system in the UK meets the needs of business;
- improvements to the enforceability of IP rights for smaller firms, through the introduction of a small claims track in the Patents County Court; and,
- resolutely pursuing international interests in IP, particularly with respect to emerging economies such as China and India.

The Government responded to the Review on 3rd August 2011, broadly accepting its recommendations, and setting out proposals for action and an outline delivery timetable. Since then, during 2011/12 several delivery milestones were met, including:

- an extensive consultation on potential change to the copyright system, including 'orphan works', reform of the collective rights management system, and exceptions to copyright law;
- a decision that a new 'small claims track' for IP court cases will be introduced;
- the publication and conclusion of a call for evidence on designs, and an interim assessment of the case for reform in this area;
- publication of the IPO's plans to help Small and Medium Enterprises (SMEs) maximize the value of their IP, as part of the BIS innovation strategy;
- publication of a more detailed paper, setting out the IPO's engagement with SMEs⁵;
- publication of research on patent thickets;
- the appointment of Richard Hooper (CBE) to take forward a feasibility study into the Review's proposal for the establishment of a Digital Copyright Exchange; and,
- publication of stage 1 of this work.

A reputation in the UK and globally for high quality, informed, and influential policy development work is key to delivery of our policy aims, including those which flow from the Hargreaves Review. To this end the Office invested in, and enhanced, its policy capability in 2011/12.

This has included updating the Office's secondment strategy (to bring in expertise relevant to policy areas), launching the IPO Fast Stream (to recruit high quality graduates), expanding capability to cover IP tax and competition issues, and enhancing learning and development to ensure that policy people have the right knowledge and skills.

The IPO is continuing to build economics and research capability within its in-house team to support the development of a robust evidence base and inform the policy process. In consultation with stakeholders in Government, industry and academia, the team has developed a rolling programme of research which will both, inform our policy perspectives, and build understanding of IP issues beyond the IPO⁶. This has taken on an even greater significance following the publication of the Hargreaves Review which called for a greater emphasis on evidence in policy making in the IP sphere.

Since 2010, the IPO has commissioned and published a wide range of reports into the economic impact of various aspects of IP, including proposed changes to the IP framework for design rights; the value to the economy of copyright and other forms of IP⁷. In December 2011 guidance was issued, as part of the consultation on the future of copyright in the UK that set out standards for evidence and delivery requirements on how evidence should be gathered and analysed to ensure that it is robust⁸.

6 Available at <http://www.ipo.gov.uk/iporesearch-20100824.pdf>

7 Available at <http://www.ipo.gov.uk/pro-ipresearch.htm>

8 Available at <http://www.ipo.gov.uk/consult-2011-copyright-evidence.pdf>

International Intellectual Property Policy

The IPO set policy and took practical steps to encourage UK businesses to trade internationally and take advantage of the European single market to support economic growth during the year. The Office is aware of the impact of delays in granting patents worldwide, with each year of additional delays being estimated to cost the global economy £7.6bn⁹. To encourage business to trade abroad and reduce delays in getting a patent, the IPO worked, (and will continue to work), to both harmonise and simplify laws and procedures internationally, as well as encouraging other countries to develop business friendly IP regimes.

At an EU level, in 2011/12, the IPO made significant progress in negotiations on the creation of the European Unitary Patent, including Council agreement on a general approach on the patent regulation and language requirements. This should deliver a pan European patent right so that business can enjoy patent protection across Europe at a significantly lower cost than under the present system. The Government also made a strong bid for London to host the new Unified Patent Court. At present, the Office is working to achieve its objectives on the location of the court, and refine the details of the patent and court procedures.

Alongside this, the Office actively negotiated proposals for an EU Directive on 'orphan works', to enable better and more consistent access to those works. Next year there will be significant opportunity to shape other European Commission proposals on copyright, notably on cross border copyright licensing, and a more accessible EU trade mark system.

Following a review of the EU trade mark system, to which the IPO submitted views, the Commission is expected to publish its proposals for legislative changes later in 2012. The IPO will continue to engage in dialogue with the Commission, the Office of the Harmonization for the Internal Market (OHIM) and others (including Member States, industry and MEPs), so that reforms, that ensure that the European trade mark system continues to meet the needs of business, are taken forwards. Substantive negotiations will begin once proposals are published.

Beyond the EU, the Office worked on improving the current international IP framework and expanding it through new agreements:

- the UK was elected as the chair of the main international group looking at patent harmonisation (known as 'Group B+'). This is a group of countries that are involved in patent reform, covering patent issues generally, as well as harmonisation and Patent Cooperation Treaty (PCT) improvement. (PCT enables patent protection in multiple countries through a single 'international' application). As chair of the group the IPO Chief Executive Officer can help the agenda for international patent reform;
- within Group B+ sits the Tegernsee Group, a smaller grouping of Member States which focus on the more technical aspect of patent harmonisation. This group recently held their second meeting during which they agreed to undertake further studies and fact finding work. The aim is to identify areas where harmonisation would be most beneficial and achievable. The IPO continued worksharing efforts with other IP offices to reduce duplication of work, backlogs and delays. These included new Patent Prosecution Highway (PPH) Agreements, and improvements to the PPH system to offer greater flexibility to applicants, and maximise benefits to offices. The Office lobbied emerging economies to join the global trade mark system, (known as the Madrid system); and,
- the Office also secured a commitment to conclude a Treaty on the Protection of Audio-Visual Performances in June 2012.

As well as these multilateral negotiations, the IPO works bilaterally with important partners such as the US, China, Brazil and India. In 2011 the IPO hosted, in London and Newport, the UK-China IP Symposium and High Level Dialogue, an activity which will be repeated in 2012.

In order to engage directly with IP Offices and Governments in partner countries, and to influence their decisions, the IPO took the significant step of recruiting representatives to Foreign and Commonwealth Office (FCO) posts around the world in 2011/12, posting IP attachés to India and China, and is in process of recruiting for similar posts in Brazil and East Asia. In addition, the IPO signed Memorandums of Understanding (MoUs) with Mexico and Nigeria to increase and deepen our bilateral cooperation.

The Office also supported Government's commitment to combating the effects of climate change, encouraging the development of, and improving access to, medicines. This means working with, and through, colleagues across Government to ensure that IP is not a barrier to achieving these goals. To do this, the IPO worked with the Department for International Development (DFID) and the FCO, to provide technical assistance to developing countries. The Office also works with BIS and the FCO to ensure IP is included in its trade policy priorities, and Department of Health (DH) to inform the debate on access to medicines.

Working with International IP Institutions

To achieve the above objectives the Office works with 3 main regional and international IP institutions:

- the UN's World Intellectual Property Organization (WIPO) is the only international institution dedicated to IP. It sets and monitors the international IP system – both providing a forum to negotiate harmonisation treaties and providing a service for business by operating an international filing system that facilitates the examination and granting of patents, trade marks and designs by national and regional IP offices. Given this important role, the IPO works with WIPO to improve its internal governance and service levels, and also with other countries to facilitate agreements at WIPO. In 2011/12 the Office secured commitments from WIPO to improve its governance, and from member states to take steps towards new business-friendly IP treaties on copyright and designs;
- OHIM registers the Community Trade Mark in the European Union. Through the Office's representation on OHIM's oversight groups (the Administrative Board and the Budget Committee), it has been possible to give assurance that it operates soundly, particularly as it takes on new responsibilities. During 2011/12, OHIM initiated a number of Cooperation Fund harmonisation projects and Convergence Fund projects. The IPO is an active participant in these. Over the next year, the IPO will continue to explore the scope for further standardisation of trade mark services across Europe, to determine whether this would bring benefits to customers; and,
- the European Patent Office (EPO) is responsible for granting around 80% of the patents in force in the UK. A customer-orientated and financially sustainable EPO is therefore essential. The EPO has a high reputation for the quality of its patent granting, but it is not as quick as its British customers would like, and it faces medium term financial challenges. The Office continues to pursue a strategic approach to its engagement with the EPO to promote a stable financial future for the organisation.

Intellectual Property Enforcement

Once the IP rights themselves are available and managed effectively, they still require an appropriate enforcement regime; this is supported through the co-ordination of the UK's response to IP Crime, facilitating access to justice and international engagement.

The IPO published the IP Crime Strategy in August 2011 as part of its response to the Hargreaves Review. In November 2011, in support of SMEs, it announced that there would be a small claims track for IP claims under £5,000 in the Patents County Court by the end of 2012; providing a low cost court forum for SMEs and individuals to seek access to justice at proportionate cost.

The Government is encouraging industry-led interventions to make it more difficult for criminals to benefit from the proceeds of on-line infringements including the cutting off of revenue through payment card providers and advertisers; restricting the '.uk' domain name; and reducing the likelihood of search engines hits.

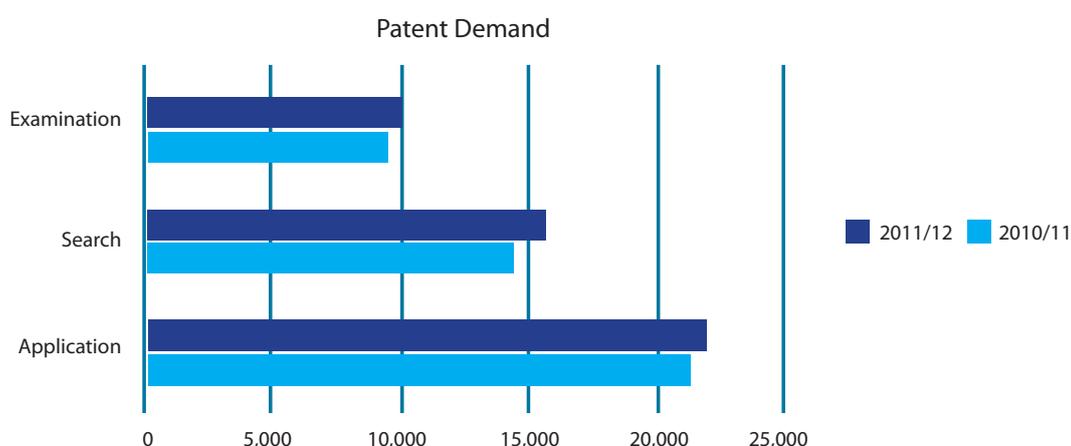
By December 2012 the Office will have contributed to the development of an IP module - as part of the common approach to professional standards competency for regulators - for Trading Standards, the principal enforcement agency for local IP crime.

Intellectual Property Rights Granting

The Office has established a strong reputation for high quality and efficient delivery of patents, trade marks and registered designs. For example, the patents granting process has been re-certified as meeting ISO9001:2008 (Quality Management Systems). This year the Office met its rights granting Ministerial Targets despite an increase in demand. The Office also began to improve its electronic delivery systems so that it can continue to deliver effectively and improve its services.

Intellectual Property Rights Granting - Patents

2011/12 saw an increase in demand for patent applications, searches and examinations, nevertheless the Office still succeeded in meeting its Ministerial Targets.



The Office also took decisive action to clear the patent backlogs, meeting its Ministerial Target of clearing all patent examinations older than 42 months by the end of the year. The Ministerial Target of issuing 90% of patent search reports within 4 months of request was also met.

The IPO is committed to granting high quality rights. Customers expect that search and examination reports will be reliable enough for them to make sound business decisions, and the patents that the IPO grants have a high presumption of validity. The Office set itself the target of giving good customer service in 95% of quality assured cases and did this in 96% of cases.

The 'Green Channel', which allows applicants to request accelerated processing of their application if the invention relates to a 'green' or environmentally-friendly technology, has been increasingly used. This year we received 296 requests, which is 27% more than last year.

The Office also invested in improving the accessibility of its public data. In early October 2011 Ipsum was launched; this new, free, online service allows anyone to check the status and access information on UK patent applications. It removes the cost to businesses of having to request and pay for copies of patent documents, and also helps make the patent process more transparent and better understood.

This year the IPO also dealt with the EPO's decision to withdraw support for the electronic case system that is relied upon to deliver its core business. This necessitated an urgent project to ensure business continuity and in 2012 a replacement electronic case system, which can be supported by the IPO, will be implemented. This will be followed by the electronic modernisation of the rest of the Office's processes.

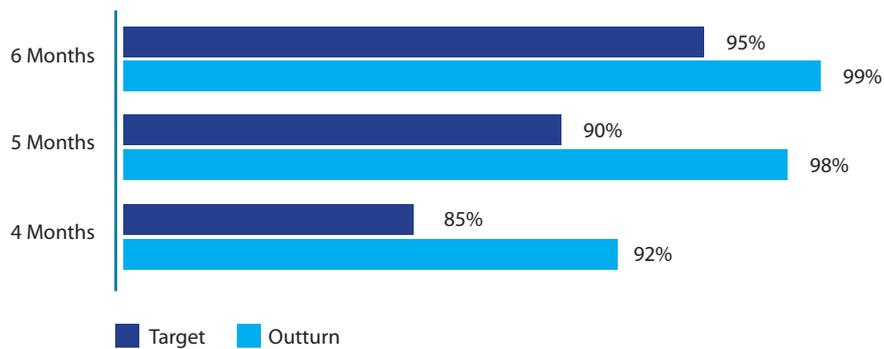
Intellectual Property Rights Granting – Trade Marks

Similarly, the Office met all Ministerial Targets for delivering trade marks, despite an increase in demand and having to undertake development and testing work on the new trade mark processing system, (TM10). The volume of applications for UK registered marks ('domestic' in the table below) received in 2011/12 was 19% greater than that received in 2010/11. International applications designating the UK and submitted under the Madrid Protocol were marginally down, while applications for registered designs were also up on 2010/11; performance is set out below:

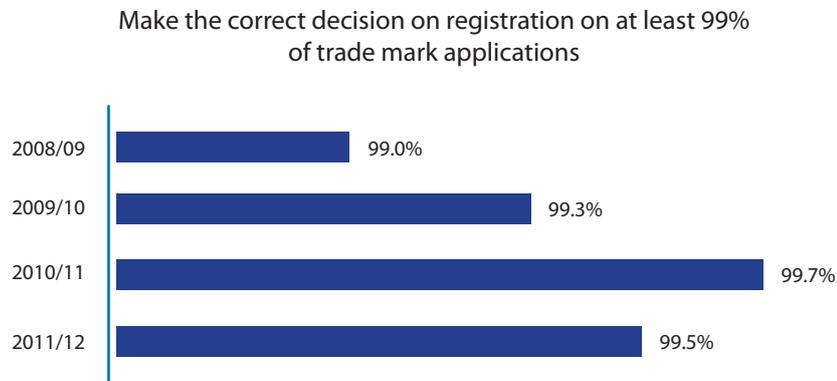


The Office aimed to register applications for trade marks, for which no issue has been raised, and no opposition has been filed, within 4 months in 85% of cases, within 5 months in 90% of cases, and within 6 months in 95% of cases. The Office exceeded all these targets, performance is set out below:

Register 85% of correctly filed applications for trade marks , where no opposition has been filed, within 4 months, 90% within 5 months, and 95% within 6 months



The IPO's trade mark quality target has been increasingly stretching over the years, in 2009/10 the Office aimed to make the correct decision on registration on at least 98.5% of trade mark applications and achieved 99.3%, in 2010/11 the target was 99% and 99.7% was achieved, in 2011/12 the target was 99% and 99.5% was achieved.



When considering efficiency targets for trade mark applications next year the Office has taken into account the fact that it is introducing an entirely new processing system in 2012/13. The ensuing disruption to processing capacity means that the Office expects a slight decrease in performance during the critical implementation period between January and March 2013, and has amended targets for next year accordingly. It is expected that the Office will have fully recovered from implementation by the start of the 2013/14.

Intellectual Property Rights Granting – Registered Designs

The Office's registered designs target continued to be stretching this year - register 95% of designs applications for which no issues have been raised, within 1 month. This target was exceeded, the Office delivered in 99% of cases, once again despite a rise in application numbers.

Following a recommendation relating to designs in the Hargreaves Review, we have done work to better understand the role that the design IP framework plays in helping UK design companies. We are now seeking to reform significant elements of the framework to ensure that it continues to meet the needs of business.

Intellectual Property Products and Services - Reaching Out to Companies and Individuals and Working with our Customers

A well-developed policy framework and system for rights granting is only useful if businesses and individuals understand the importance of, and know how to identify, protect, and exploit their IP assets. To achieve this the IPO has:

- raised business knowledge of IP rights, in particular reaching out to SMEs, so that their management is part of the strategic planning process; and,
- established a customer insight function to progress the strategic goal of delivering a portfolio of IP products and services that are customer focused and efficient, and so help business start to grow.

This year the Office attended a total of 189 events for business, reaching over 22,500 businesses, and exceeded its target to deliver business outreach which 85% of recipients say has allowed them to improve the IP performance of their business, or the businesses they advise, achieving a 90% positive response.

Working with other Government agencies, the Office provided training to business advisors to help them improve the quality of the IP advice that they provide. The Office delivered the IP Masterclass training programme to advisors – within the Patent Library network, as part of the Business Coaching for Growth programme and the Technology Strategy Board.

Over 6,000 entries to the 2011/12 Cracking Ideas competition were received; this is a competition run in partnership with Aardman Animations aimed at introducing school aged children to IP. The IPO was awarded the prestigious 'High Impact Badge of Honour' for achievements in encouraging innovation, creativity and IP awareness, amongst young innovators in the UK, as a result of its work on the Cracking Ideas competition. The 'Wallace & Gromit Present a World of Cracking Ideas' exhibition attracted a total of 545,189 visitors at its 3 venues with Newcastle's Life Science Centre seeing 146,598 through its doors before Aardman Animations exported the successful exhibition to Australia.

In March 2012, the IPO's Fast Forward competition awarded prizes, totalling £750,000, to universities and public sector research establishments, to support innovative projects to improve knowledge exchange. The success of this competition will be evaluated over the course of the coming year. Opportunities to strengthen links with universities were identified this year; and the Office will promote the inclusion of IP in relevant university courses.

In October 2011 the Office initiated the 'Customer Project' within the Improve Programme. The Office built capability within the organisation and put in place processes to gather customer insight on an ongoing basis, and to use this to develop transactional services. New methods of measuring customer satisfaction, which will allow the Office to gather opinions from a greater range of customers, on a more frequent basis than the current method, were devised. These new processes will be rolled out over the next year, and will allow the Office to develop an in-depth understanding of customers' needs and where improvements in services can be made.

Customer satisfaction levels for 2011/12 exceeded Ministerial Targets; customers gave an average satisfaction score of 8.45 out of 10; (the target being 8 out of 10). This year also saw a record 101,000 calls to the Office's information centre and the business target of answering 80% of these within 20 seconds, (achieving 82% overall), was met.

Intellectual Property Business Management

This year the Office continued to enhance its overall professionalism in Finance, IT and HR and, further increasing Office wide capability, continued to invest in its change Programme, Improve.

Business Management - Improve

Improve seeks to make the Office a demonstrably more efficient and capable organisation, delivering high quality services, setting the IP agenda and giving better value for money (vfm).

This year we focused on:

- increasing operational efficiencies through continuous improvement and availability of better management information;
- greater influence overseas through the placement of IP attachés in key foreign embassies;
- staff and leadership development programmes;
- improved accommodation to facilitate more flexible working and increase vfm; and,
- planning to increase the relevance, accuracy and timeliness of services to customers through increased use of electronic services.

We successfully underwent an Office of Government Commerce (OGC) gateway review and were assessed as amber/green. Next year we shall focus on delivering most of the strategic benefits that we wish to achieve from the Programme, and/or the capability needed to achieve them.

Business Management - Improving Resource Capability

This year the Office invested significantly in its professional capability. This has, and will, help the Office manage change now and in the future.

The Office invested in its leadership capability, holding a number of leadership conferences. A set of Values was agreed for the organisation, these are:

- delivering for our customers; valuing our people; and, innovating for success.

The Office has begun to use the Values as the foundation for a number of activities, for example, through reward mechanisms; and, the Office will be embedding these fully into the way it works over the coming year.

70% of change initiatives fail, so to ensure that the Office realises the benefits of Improve, 14 Business Change Managers have been trained to ensure that changes are viewed positively and deliver real and tangible benefits. The Office has also ensured that HR staff are suitably qualified, with entry point through to Masters CIPD qualifications supported. This means that HR will be able to provide more strategic advice and guidance, as a number of operational HR functions transfer to Shared Services in 2012/13, so that the Office can continue to build effective organisational capability in the future. The IPO has retained its accreditation for Investors in People (IiP).

The Office was disappointed that its engagement index in the Civil Service wide People Survey was similar to last year, and at 52% for the organisation, was 4% below the average for the Civil Service. As a consequence the Office missed one of its Ministerial Targets – ‘improve the IPO’s engagement index so that our score is at least equal to that of the Civil Service 2011 benchmark’. Although the Office improved its scores in a number of areas, namely Leadership & Managing Change, Organisational Objectives & Purpose, and Inclusion & Fair Treatment, there were other areas, such as Pay & Benefits, Resources & Workload and Learning & Development, where scores declined. There was some suggestion that this result was partly a response to broader economic drivers, such as the Government wide pay freeze.

In 2010/11 the Office's sick absence reached a low of 7 average working days lost (per employee, per year). This year the sick absence record was 8.5 days.

A corporate response to the survey results has been developed, this will focus specifically on the following themes:

- people management;
- employee voice;
- respecting difference; and,
- integrity.

Progress against the actions will be checked on a quarterly basis and the impact of this across the business will be tested using pulse surveys and focus groups.

Business Management - Improving IT

Following years of under-investment, this year has seen the start of a journey to enrich and modernise IT capability. The Office has a long way to go, but much has already been achieved through greater professionalism and flexibility in the way that work is planned and delivered. Fixed teams have been replaced by more flexible working and the use of agile development has improved both quality and pace of delivery.

IT used leading edge technology to modernise the Office's infrastructure and this has allowed a movement away from cumbersome and costly mainframe technology to virtual server technology.

There is still much to do and a development project, RockIT, is focusing on improving our IT structure, skills, methods and business engagement. The IT prioritisation process helped the Office identify and focus on doing the right things at the right time for the business. The Change Management project will build on that by providing tools to improve the way the business plans, controls and monitors work and resources.

Significant achievements that show the early benefits of new methods include an in-house publishing capability and an electronic records management solution. Both were delivered significantly faster and cheaper than originally planned through using the Scrum agile framework.

Modern, flexible working practices, investment in capability and up to the minute technology are building increased professional confidence in IT. Next year IT plans to deliver significantly improved support for the main operational delivery systems in Trade Marks (TM10) and Patents (Phoenix Replacement), as well as operational improvements to workflow planning to make it fully agile and priority focused.

The Office is also making sure that its information is safe and secure. The Information Security Policy sets out the Office's approach and commitment to information security so as to minimise the impact of incidents on the business and ensure continuity of business in accordance with the HM Government (HMG) Security Policy Framework.

All personal data is processed, stored and used in accordance with the HMG Data Handling Review and the Data Protection Act. There were no protected personal data related incidents in 2011/12 or 2010/11 reported to the Information Commissioner's Office or to BIS.

This year we received ISO 27001: BS7799-2:2005 certification for IT Services.

Business Management - Improving Finance

The Finance Directorate continued to build the financial capability of the organisation and invest in delivery systems. For example, a new electronic travel and subsistence system, and a travel booking system, were launched in 2011/12.

System and process improvements mean that the Office now delivers its management accounts within 5 days; this makes the Office best in class across Government. The Office also met its payment performance business target, paying suppliers within 5 working days in 87% of cases (against an 80% target). The Finance Directorate continues to analyse ways in which it can improve the management information service for the IPO, and next year plans to test a management information system delivered by the Improve Programme.

The proportion of qualified staff, and the number of staff working towards professional qualifications, has increased. The Finance Directorate is also raising financial awareness across the organisation through Finance Business Partners who work with each Directorate to improve the quality of financial information. To support them, a finance training package has been delivered and will be further rolled out in 2012/13.

The Finance Directorate has significantly invested in programme and project management; this capability is gradually being embedded across the organisation. The Directorate is also leading on the introduction of LEAN methodology across the Office.

Ensuring good corporate governance remains a priority for the Finance Directorate, to this end the Directorate produces quarterly performance reports and strategic risk reviews. The key organisational objectives for 2012/13 were streamlined during the planning process this year; this will help the organisation remain focused and re-align resource to meet competing priorities. In 2012/13 Finance will undertake a risk maturity level assessment, engaging external expertise, with a view to refining the risk management process to enhance the capability of the organisation, beginning a programme of work during the year.

In strengthening the Office's approach to financial management, the Finance Directorate introduced budget scrutiny meetings seeking to hold the business to account and ensure taut and realistic budget forecasting and sound justification for actual and forecast expenditure variances.

The Finance Directorate is also managing external changes to the Office's operating environment. As part of a wider Civil Service initiative, BIS are undertaking a shared service programme, looking to rationalise Finance, IT and Facilities Management services across the BIS family, (a number of HR functions have already transferred over). As part of this programme the Finance Directorate will play a full part in the implementation of the agreed services as they come on stream, ensuring vfm is obtained and existing levels of service are maintained as a minimum.

Business Management - Improving Working Space – Working Beyond Walls

Working Beyond Walls is the Office's project to improve the working environment and reduce office space. This was piloted this year and, in consultation with staff, will be rolled out across the Office next year.

In addition, the Office started to reduce data warehousing costs in Nine Mile Point during 2011/12, reviewing document retention and storage policies.

Business Management - Conclusion

The IPO has continued to improve its professional capability and systems, and in this way has addressed a number of recommendations made by the Heath and Austin vfm Review¹⁰. Next year the Office will introduce a new structure to the organisation with the appointment of a Chief Operating Officer (COO), who will take responsibility for corporate services and the delivery of change across the organisation.

Chapter 3

Corporate Governance

The Patent Office's Corporate Governance structure is described in the Office's framework document.

The Patent Office Steering Board

The Patent Office Steering Board uses its collective external experience to advise and challenge the executive Patent Office Board on issues relating to corporate governance; strategic and operational leadership and management, including strategic and annual planning and target setting; risk management; financial management; and, financial and performance monitoring and reporting. It serves to keep Secretary of State and Ministers informed of issues, through BIS representation on the Board.

Patent Office Steering Board meetings are held six times per year. They are chaired by a Non Executive Director, and have seven standing members whose details are given below.

Patent Office Steering Board Membership

Bob Gilbert	Chair (Non-Executive Director) Non-executive Chairman of Paintbox Group
Mary Champion	(Non-Executive Director) Freelance IT Management Consultant (previously Vice President at Capgemini)
Gary Austin	(Non-Executive Director) Deputy Chair of East Midlands NHS Ambulance Trust
David Roberts	(Non-Executive Director) Ex-Senior Vice President of IP at Glaxo SmithKline. Chairman Stratagem IPM Ltd
Sir Anthony Pigott	(Non-Executive Director) Chairman of a Defence/Security Strategic consultancy firm (FutureWins)
Sir Adrian Smith	(Director General, Knowledge and Innovation, BIS) (The Director General sends a designated deputy, Director of Innovation, John Dodds)
John Alty	Chief Executive Officer and Accounting Officer of the IPO

Executive Patent Office Board

The executive Patent Office Board collectively represents the organisation and is responsible for the strategic and operational leadership and management of the Office, ensuring that resource is aligned with Ministerial and Departmental priorities and that each Directorate contributes to corporate success. In practice, it is responsible for developing the Office's Corporate Strategy and annual Corporate Plans. The executive Patent Office Board also monitors performance against these plans and aligns financial resource and capability accordingly.

The executive Patent Office Board is chaired by the Chief Executive Officer and attended by IPO's Directors, membership is set out below. Meetings are held fortnightly.

The executive Patent Office Board membership

John Alty	Chair, Chief Executive and Accounting Officer of the IPO
Sean Dennehey	Deputy Chief Executive, Assistant Comptroller and Patents Director
Neil Feinson	International Policy Director
Andrew Layton	Trade Marks and Design Director
John Cappock	Finance Director
Louise Smyth	Business Support Director
Rosa Wilkinson	Innovation Director
Edmund Quilty	Copyright and IP Enforcement Director
Louis Kirby	Office Services and Organisational and People Development Director

The Audit Committee

The Audit Committee is a sub-committee of the Steering Board, advising on risk, control, governance and associated issues, focusing on process, and providing guidance. It comprises a Non Executive Chair, two Non Executive members of the Steering Board, the Finance Director and the Chief Executive Officer. There are additional attendees by invitation only from the IPO, BIS Internal Audit, and the National Audit Office. The Committee meets quarterly.

Audit Committee membership

Gary Austin	Chair (Non-Executive Director)
Mary Champion	(Non-Executive Director)
Bob Gilbert	(Non-Executive Director)
John Alty	(Chief Executive Officer; Accounting Officer)
John Cappock	(Finance Director)
Those who normally attend by invitation	
Jon Whitfield	(BIS Internal Audit)
Graeme Ralph	(BIS Internal Audit)
Dean Parker	(National Audit Office)
Richard Copeman	(National Audit Office)
Ian Webber	(Assistant Finance Director, IPO)
Rhian Connolly	(Head of Governance and Planning, IPO)
Intellectual Property Office Executive Directors	

Chapter 4

Future Plans

The IP framework is central to supporting innovation in business, through reducing barriers to, and encouraging companies to invest in, high value activities. The Office's Corporate Strategy sets out three strategic goals:

- global and national IP policy that promotes UK competitiveness and growth, and meets the needs of consumers and society;
- world-class IP rights, with a reputation for expertise, customer focus, and innovation in rights delivery that inspires global change; and,
- a portfolio of IP products and services targeted to meet latest customer needs and help businesses start and grow.

During 2012/13 the IPO will continue to further these goals, developing a more robust IP framework both at home and internationally, delivering high quality IP rights and IP products and services, and improving its business management. The Office's Corporate Plan 2012/13 details its strategy for realising these goals over the forthcoming financial year. The Office will measure its performance against the Ministerial Targets overleaf.

- Publish the Government's decisions on changes to copyright legislation proposed by the Hargreaves Review, following consultation.
- Make progress during 2012/13 on key European policy dossiers so as to reflect UK priorities; *(notably towards establishing a European Unitary Patent and Patent Court with real benefit for UK business by 2016).*
- Pursue UK business interests in IP in key emerging markets throughout 2012/13 by promoting the development of strong national IP regimes and delivering a refreshed portfolio of products and services for UK businesses overseas.
- Efficiently deliver high quality patents, so that 90% of patent search reports are issued within 4 months.
- Efficiently deliver high quality trade marks so that:
 - between April 2012 and December 2012 applications for trade marks, for which we have not raised any issue and no opposition has been filed, are registered within 4 months in 85% of cases, within 5 months in 90% of cases, and within 6 months in 95%; and,
 - between January 2013 and March 2013 applications¹¹ for trade marks, for which we have not raised any issue and no opposition has been filed, are registered within 7 months in 70% of cases; and,
 - the correct decision is made in at least 99% of applications.
- The IPO business outreach activities will reach at least 25,000 businesses, 85% of whom (based on sample) will say that what they learned has helped improve their (or their clients') business performance.
- Surveyed IPO customers will give an average score of 8 out of 10 for the service they receive.
- Achieve a return on capital employed of 4%.
- Deliver an efficiency gain of 3.5%.
- Improve the IPO's engagement index so that its score is at least equal to that of the Civil Service 2012 bench mark.

There will be challenges during 2012/13 as we look to deliver these targets. Nevertheless, the Office is looking forward to the forthcoming year and reporting back to you on its achievements in 2012/13.

¹¹ In 2012 we will be introducing a new processing system for trade mark applications. As a result, we will need to relax the target for registering trade marks for the January to March 2013 period as the new system beds in.

Chapter 5

Accounts 2011-2012

Statement of Patent Office's and Chief Executive's Responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973 the 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 issued by the Treasury on 20 December 2011. 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 income and expenditure, changes in capital and reserves 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 the 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; and,
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive Officer of the Patent Office as the Accounting Officer for the Office. 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 assets of the public body for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

Statement of Compliance

I have taken all necessary steps to make myself aware of information relevant to the audit of the accounts that accompany this Annual Report, and to ensure that my auditors are informed. So far as I am aware there is no relevant information of which my auditors are unaware.



John Alty

Chief Executive Officer and Accounting Officer

14 June 2012

Governance Statement 2011/12

Scope of Responsibility

As Accounting Officer (AO), I am responsible for maintaining sound governance, risk management and system of internal controls that support the achievement of the aims and objectives of the Patent Office, 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 Patent Office has complied with the principles of good governance and reviews the effectiveness of the system of internal controls.

The Organisation's Governance Framework/Structure

The Patent Office corporate governance structure comprises the executive Patent Office Board, the Steering Board and the Audit Committee, each with complementary functions (these are set out below). The Governance Framework is set out in the Framework Document; this details Terms of Reference for the Patent Office's Boards and Committees, and the annual corporate planning round - the process by which the organisation sets key targets, and Directors and Directorates responsibilities are agreed each year.

The Patent Office Board, which I chair, meets informally on a weekly basis and formally every two weeks, it is comprised of all eight Directors, and has collective responsibility for the leadership and strategic management of the Patent Office, in line with Ministerial priorities. The Patent Office Board approved a five year Corporate Strategy in 2010/11, ensuring that it aligned with the coalition Government's priority of restoring the UK economy to growth, and approves the annual Corporate Plan, ensuring that it aligns with our parent department's, the Department for Business Innovation and Skills (BIS), Structural Reform Priorities (SRPs).

I am also a member of the Patent Office Steering Board which has an independent Non Executive Chair and several Non Executive Directors as members, together with John Dodds, the Director of Innovation, BIS. Patent Office Directors attend, but are not official Steering Board members. The Steering Board meets bi-monthly and discusses, amongst other issues, the Patent Office's performance against Corporate Plan objectives, finance and risk management. It provides constructive challenge to the Patent Office Board. I attend weekly Directors meetings chaired by Adrian Smith, Director General for Knowledge and Innovation, BIS, and Baroness Wilcox, Parliamentary Under-Secretary for Business, Innovation and Skills, who has responsibility for intellectual property.

The Audit Committee is in place to advise the Steering Board and the Patent Office Board on risk, control, governance and associated issues, focusing on process, and also providing guidance. The Committee comprises a Non-Executive Chair and two Non-Executive members of the Steering Board, the Finance Director, and I. There are additional attendees by invitation from the Patent Office, BIS Internal Audit, and the National Audit Office. The Audit Committee meets quarterly.

The effectiveness of the Patent Office's Boards and members is measured on a number of levels:

- Patent Office Board meetings are reviewed on completion and changes implemented as appropriate, the Secretariat and I regularly review the Board's work programme ensuring that it addresses the Patent Office's and BIS' requirements, and Patent Office Directors attend two away days each year to review and improve collective effectiveness;
- the Steering Board is regularly reviewed and was last reviewed externally in 2010; Non-Executive Board members are reviewed individually on an annual basis and appointed for up to three years at a time;
- the Audit 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,
- the Finance Directorate and I hold annual meetings to review Directorate business plans, budgets, and the Corporate Plan, for the coming financial year.

The Corporate Governance Framework was reviewed in 2011 and recommendations implemented. Guidance from HM Treasury, Cabinet Office and BIS is regularly reviewed and used to drive change so that governance practice is consistent with central Government and departmental policy. Where applicable, the Corporate Governance Code is complied with, or alternatives are explained in the Terms of Reference of Patent Office fora.

The Risk and Internal Control Framework

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 policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them effectively and economically. The system has been in place throughout 2011/12 and up to 31.03.12. It is kept under review. In 2012/13 we will undertake a risk maturity level assessment, engaging external expertise, with a view to refining the risk management process to enhance the capability of the organisation and beginning a programme of work during the year.

The strategic risk register records all significant risks to the achievement of the Patent Office's policies, aims, objectives and risk management strategies and actions for our key risks. It is reviewed by the Patent Office Board, the Steering Board and Audit Committee on a regular basis. The Steering Board and Audit Committee provide strategic direction for risk management. The Steering Board is responsible for looking at the substance of the risks we are managing, and whether we are managing the right ones. Audit Committee looks at the effectiveness of the process that we have for identifying and mitigating risks in the organisation, supported by BIS Internal Audit reviews and assurance reporting.

Each Directorate maintains its own prioritised risk register which is used to inform the strategic risk register. A named individual is responsible for ensuring that Directorate risk registers are current and promoting a sound risk management culture within their area. There is a Programme Board in place for the Patent Office's change Programme 'Improve'; this Programme Board closely monitors the risks, and risk management strategies, of the Patent Office's change Programme and projects. These are escalated from project to programme level, to the strategic risk register, where appropriate. The effective governance of Improve Programme is in part ensured through having tailored assurance strategies for each initiative, including external Office of Government Commerce (OGC) review where appropriate, the Improve Programme was recently assessed as amber/green.

This is complemented by a system of continuous high level reporting for priority Patent Office work streams, generally on a quarterly basis, but, where necessary, more frequently; the Patent Office Board regularly reviews the risks to the delivery of the Office's work portfolio; the Senior Responsible Officer responsible for Hargreaves implementation reports to the Patent Office Board on a monthly basis and reports to the Steering Board on a weekly basis. This remains on track.

The Performance and Planning Team, sitting within Finance Directorate, co-ordinates the strategic risk register and is a central point for advice and guidance on effective risk management for the whole organisation.

Maintaining and improving effective governance within the Patent Office remains a key priority. A comprehensive Internal Audit programme is agreed each year with the resulting reports and recommendations acted upon accordingly. Steering Board and Audit Committee provide challenge and scrutiny of the Patent Office's system of internal control and processes we use to manage risk. During 2012/13 we shall undertake a risk maturity level assessment to inform improvement planning. The Audit Committee will be fully involved in this.

Financial accounting remains sound; a history of unqualified audit opinion of our accounts attests to this. External assurance on financial processes has been provided by Internal Audit reviews of our banking arrangements and budget forecasting and monitoring. Financial capability continues to improve, and all those undertaking financial training have been successful in recent exams. Steps have been taken to improve budgeting and forecasting during the year which has been an area of relative weakness.

The **Business Continuity Plans** for Newport and London are effective and regularly tested. Tests planned for 2012/13 will give Patent Office Directors, particularly those new to the Office, a further opportunity to fully understand the differing roles that they would need to fill in the event of a business continuity incident.

The Business Support Directorate's (BSD) **Information Assurance** (IA) Team is responsible for Information Assurance on behalf of the Patent Office. Almost 90% of staff have completed mandatory security training and those who have contact with data requiring particular handling are aware of the relevant policies and processes. This year IT Services received ISO accreditation for information security. Awareness raising is ongoing and is championed within each Directorate by the Information Asset Experts (IAE). IAEs also manage and monitor information security across their Directorates. I receive a separate Information Security Assurance Report from the IA Team. There have been no failures this year.

A number of activities to improve corporate governance in the wider sense were undertaken this year:

Leadership

The development of leadership capability and capacity has remained an ongoing priority addressed through a number of initiatives. Town hall style presentations, coffee mornings and road shows have made Patent Office leaders more visible. During 2011 a series of workshops were held within Directorates to share the Patent Office's overall strategy with staff and to highlight Directorate and individual contributions to our overarching vision. Directorate business plans are aligned to the Corporate Strategy and Plan.

Corporate Governance Structures, Policies, Processes

The Patent Office has a well established Corporate Governance structure with underpinning policies and processes. This year changes made to facilitate greater Steering Board involvement in the organisation, such as bi-monthly meetings and access to the Patent Office's IT network, were fully embedded. Our change Programme, Improve, is well managed and the OGC gate zero review assessed the Programme as amber/green.

Culture, Capability and Standards

We have taken action to improve our culture, capability and standards; we have reviewed and re-launched the Office values as Delivering for our Customers, Valuing People, and Innovating for Success. However, our engagement index remains static at 52% this year, 4% below the average for the Civil Service. The Patent Office's scores in relation to Pay and Benefits, Resources and Workload and Learning and Development were down in comparison to 2010/11. This result is partly a response to external factors such as the Government wide pay freeze; however, there is a variation in responses between different Directorates which suggests that more can be done to improve engagement. A corporate response to the survey results, underpinned by individual Directorate led action plans, has been agreed.

Following a successful health check in January, our Patents Directorate received Quality Management ISO 9001 recertification and IT services received Information Security ISO 27001 certification.

Programme and project management capability has been strengthened, and is gradually embedding across the organisation as a whole. Other key developments include the introduction of an IT prioritisation process, the launch of a project to strengthen our IT capability, and coaching skills training for over 150 members of staff.

Partnership and Stakeholder Management

The Patent Office continues to maintain strong links with our parent Department BIS, through BIS representation on our Steering Board and the BIS Partner Engagement Group (PEG), for example. This year we refreshed the co-ordination of our stakeholder strategy, identifying 43 key stakeholders and appointing relationship managers for each to improve stakeholder management.

As a Partner Organisation of BIS we are engaged in reviewing the potential for moving to a shared service environment for Finance, Procurement, ICT and Facilities Management. We are also part of Next Generation HR which will deliver a more streamlined service. A transition manager has been appointed, to work with the business and BIS to ensure a smooth transition to Civil Service HR, and we have representatives on the Finance, Procurement, ICT and Facilities work streams.

Significant Risk and Control Issues

There was a risk that the fundamental operation of the organisation could be affected as a result of the European Patent Office (EPO) withdrawing support for EPO IT systems implemented in the Patent Office before we were able to support them fully. Major failure of those systems would prevent the patents business from operating. Mitigating actions and controls have been implemented with the aim of making us self supporting, and, as a result, the overall rating of the risk has reduced over the year. We continue to monitor this closely.

The Patent Office Board and Audit Committee were concerned with one significant control challenge this financial year. The Patent Office web form payments service is not compliant with Payment Card Industry Data Security Standards. The card providers are aware of the situation and they are charging us a nominal monthly fee for the non-compliance. An action plan was put in place to address this and it was expected to be resolved in Quarter 4 of 2011/12. However, there have been delivery issues with the proposed system fix. The Finance Directorate is actively reviewing options with a view to prompt resolution.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the Patent Office's governance, risk management and system of internal control. My review is informed by the work of the Directors and Internal Auditors within the organisation; who have responsibility for the development and maintenance of the governance structures, internal control framework, and comments made by the external auditors in their management letter and other reports. I also receive independent assurance from the Audit Committee.

I have considered the evidence provided to support this Governance Statement and sought relevant Audit Committee assurance. I conclude that Patent Office's governance, risk management and internal control systems are operating effectively and are taken seriously by management.

A handwritten signature in blue ink that reads "John Alty". The signature is written in a cursive style.

John Alty

Accounting Officer/Chief Executive Officer

14 June 2012

The Patent Office

The Certificate And Report Of The Comptroller And Auditor General To The Houses Of Parliament

I certify that I have audited the financial statements of the Patent Office for the year ended 31 March 2012 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 Capital and Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Patent Office, Accounting Officer and auditor

As explained more fully in the Statement of Patent Office's and Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Patent Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Patent Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Patent Office's affairs as at 31 March 2012 and of its surplus 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 other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

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

Date 18 June 2012

Statement of Comprehensive Income

For the year ended 31 March		2012	2011
	Notes	£000	£000
Turnover	4	71,880	66,641
Staff costs	5	(37,439)	(35,611)
Depreciation and amortisation		(1,555)	(1,761)
Other operating charges		(19,087)	(18,169)
Operating surplus before financing and dividend		13,799	11,100
Financial income	8	351	318
Operating surplus on ordinary activities		14,150	11,418
Financial expenditure	9	(171)	(177)
Surplus for the year		13,979	11,241
Dividend	10	(3,108)	(2,721)
Retained surplus for the year		10,871	8,520
All of the operations are classed as continuing.			
Other comprehensive income			
Net gain on revaluation of plant, property and equipment		(968)	266
Net gain on revaluation of intangible assets	12	48	122
Total comprehensive income		9,951	8,908

Statement of Financial Position

As at 31 March		2012	2011
	Notes	£000	£000
Non-current assets			
Property, plant & equipment	11	20,409	21,901
Intangible assets	12	2,402	1,392
		22,811	23,293
Current assets			
Trade and other receivables	13	2,544	2,285
Financial assets	14	50,000	-
Cash and cash equivalents	15	40,302	78,838
		92,846	81,123
Total assets		115,657	104,416
Current liabilities due in less than 1 year			
Trade and other payables	16	(16,054)	(15,834)
Other liabilities	16	(13,399)	(11,722)
Total current liabilities		(29,453)	(27,556)
Non-current assets plus net current assets		86,204	76,860
Non-current liabilities greater than 1 year			
Provision for liabilities and charges	17	(1,129)	(1,570)
Financial liabilities	18	(832)	(998)
Total non-current liabilities		(1,961)	(2,568)
Net Assets		84,243	74,292
Financed by:			
Capital and reserves			
Public dividend capital		6,325	6,325
Revaluation reserve		2,714	3,772
General reserve		75,204	64,195
Total financing		84,243	74,292

John Alty



Accounting Officer and Chief Executive Officer

14 June 2012

Statement of Changes in Capital and Reserves

	PDC	Revaluation Reserve	General Reserve	Total Capital & Reserves
	£000	£000	£000	£000
Balance at 31 March 2010	6,325	3,590	55,469	65,384
Changes in capital and reserves for 2010/11				
Net gain on revaluation of property, plant and equipment	-	266	-	266
Net gain on revaluation of intangible assets	-	122	-	122
Transfer of (excess) / realised depreciation between reserves	-	(206)	206	-
Retained surplus	-	-	8,520	8,520
At 31 March 2011	6,325	3,772	64,195	74,292
Changes in capital and reserves for 2011/12				
Net gain on revaluation of property, plant and equipment	-	(968)	-	(968)
Net gain on revaluation of intangible assets	-	48	-	48
Transfer of (excess) / realised depreciation between reserves	-	(138)	138	0
Retained surplus	-	-	10,871	10,871
At 31 March 2012	6,325	2,714	75,204	84,243

Statement of Cash Flows

For the year ended 31 March	2012	2011
	£000	£000
Net cash inflow from operating activities		
Retained surplus	10,871	8,520
Adjustment for non-cash items	2,145	1,749
(Increase)/decrease in trade and other receivables	(258)	385
Increase in trade payables	1,897	26
Movements in payables relating to items not passing through the statement of comprehensive income (capital accruals and short term provision movement)	(446)	268
Use of provisions	(788)	(755)
Net cash inflow from operating activities	13,421	10,193
Cash flows from investing activities		
Purchase of property, plant and equipment	(559)	(1,850)
Purchase of intangible assets	(1,232)	-
Deposits with National Loans Fund	(50,000)	-
Net cash outflow from investing activities	(51,791)	(1,850)
Cash flows from financing activities		
Repayment of loans	(166)	(167)
Net (decrease)/increase in cash and cash equivalents in year	(38,536)	8,176
Cash and cash equivalents at the beginning of the year	78,838	70,662
Cash and cash equivalents at the end of the year	40,302	78,838

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 (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged the most appropriate to the particular circumstances of the Patent Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Patent Office 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 in accordance 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 preparation of financial statements in conformity with generally accepted accounting principles 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 managements view are asset valuation, provision for early retirement benefits and income recognition (deferred income).

1(c) Property, Plant and Equipment valuation

Land and buildings are valued on the basis of existing use.

The Patent Office has adopted depreciated historical cost as a proxy for fair value for plant and equipment from April 2011. The difference between these is not considered to be material to the accounts.

1(d) Depreciation

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 as follows:

Freehold buildings inc car park	57 years
Information technology	5 years
Plant and machinery	5 years

A full year's depreciation is charged in the year of acquisition.

1(e) Intangible Assets

Intangible assets consist of specialist software developed for the Patent Office.

Software development expenditure (covering the cost of third party work and the direct cost of in house IT staff effort) is capitalised when it is both material and incurred on projects which will deliver economic benefits over a number of years.

1(f) Amortisation

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 as follows:

Major software developments	10 years
Other software	5 years

A full year's amortisation is charged in the year the asset is brought into use.

1 (g) **Deferred income (prepayment)**

In many instances the Patent Office 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 deferred income (see note 16) and is only recognised in the Statement of Comprehensive Income when the services are performed.

1 (h) **Turnover**

Turnover, which is exclusive of VAT, comprises fees earned from the grant of patents, trade marks and designs; sales of Patent Office publications; and fees earned from other commercial services.

1 (i) **Value Added Tax (VAT)**

The Patent Office is not registered separately for VAT, but falls within the Department for Business Innovation and Skills (BIS) registration.

Irrecoverable VAT on revenue expenditure is charged to the statement of comprehensive income and on capital expenditure to the statement of financial position.

1 (j) **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 6) are taken to the statement of comprehensive income.

1 (k) **Operating Lease Rentals**

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

1 (l) **Financial Instruments**

The Patent Office 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 Office in undertaking its activities. Any possible embedded derivatives are investigated and disclosed if necessary.

1 (m) **Provisions**

All provisions where the time value of money is significant are discounted at the Treasury approved rate (see note 17).

1 (n) **Dividends**

Under Section 4(1) of the Government Trading Funds Act the Patent Office may be set further financial objectives which impact on plans and charges. The current financial objective and performance is shown in note 7.

This objective is in part to reflect the cost of capital utilised by the Patent Office and fees and charges are set to recover costs and meet this further financial objective.

1 (o) **Pension costs**

Past and future employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non contributory except in respect of dependants' benefits. The Patent Office recognises the expected cost of providing pensions on a systematic basis over the period in which it benefits from employees' services, by payment to the PCSPS of amounts calculated, on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of defined contribution schemes, the Patent Office recognises the contributions payable for the year.

Further information is given in note 5(b).

1 (p) **Contingent Liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37 (see note 21) the Patent Office is obliged to disclose, for parliamentary reporting and accountability purposes, certain statutory and non statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which must be reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at amounts reported to Parliament.

1(q) **Standards issued but not yet effective**

IFRS 9 Financial Instruments

Under IFRS 9 financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flows' characteristics. They should be measured initially at fair value and subsequently at either fair value or amortised cost. The IFRS is effective for periods commencing on or after 1 January 2013 and the Office does not believe this will have any significant impact.

IFRS 10 Consolidated Financial Statements

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The effective date is 1 January 2013 but as the Office does not have wholly owned subsidiaries this standard shall have no impact.

IFRS 11 Joint Arrangements

The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The effective date is 1 January 2013, but as the Office does not have joint arrangements, this standard shall have no impact.

IFRS 12 Disclosure of Interests in Other Entities

The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. The effective date is 1 January 2013, but as the Office does not have an interest in other entities, the standard shall have no impact.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. The effective date is 1 January 2013, but this standard is not expected to have any significant impact.

IAS 1 – Presentation of financial statements

This change covers the grouping of other comprehensive income and does not impact on the financial statements themselves.

IAS 12 - Income Taxes (amendment)

This amendment relates to deferred tax on assets and will not impact on the Office.

IAS 19 Employee Benefits

The basic principle of IAS 19 is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable. The effective date is 1 January 2013, but this standard is not expected to have any significant impact.

In addition to the above revisions and amendments the Annual Improvement Projects have updated a number of standards for incidental terminology or editorial changes as well as some minor technical changes with minimal accounting effect.

There are no interpretations which are predicted to have an effect on the Office.

There are also likely to be changes to the 2011-12 FReM which are not expected to impact on the Office.

2 **Segmental reporting and fees and charges information**

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

3 Fees and charges information

The following information on the main activities of the Office is produced for fees and charges purposes.

2011/12						
	Patents	Trade marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	54,328	15,685	1,447	137	283	71,880
Expenditure	(41,479)	(15,294)	(859)	(114)	(335)	(58,081)
Subtotal	12,849	391	588	23	(52)	13,799
Financial Income						351
Financial Expenditure						(171)
Dividend						(3,108)
Retained surplus / (deficit)	12,849	391	588	23	(52)	10,871
2010/11						
	Patents	Trade marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	48,499	16,083	1,348	137	574	66,641
Expenditure	(39,075)	(14,864)	(908)	(82)	(612)	(55,541)
Subtotal	9,424	1,219	440	55	(38)	11,100
Financial income						318
Financial expenditure						(177)
Dividend						(2,721)
Retained surplus / (deficit)	9,424	1,219	440	55	(38)	8,520

Common costs (excluding interest) are apportioned largely on either staff employed or space occupied ratios to arrive at the total.

Management review the income streams above and total expenditure across the Office as a whole.

The financial objective for Office services is given in the Treasury Minute of 23 June 2009 (Appendix A to these accounts), and the performance against this is referred to in note 7.

4 **Income**

Analysis of operating income by classification and activity

	2012	2011
	£000	£000
Patents		
Application, search and examination fees	3,300	3,187
Renewals for UK Patents	12,531	11,256
Renewals for European Patents designating the UK	37,550	32,949
Other	947	1,107
	54,328	48,499
Trade Marks		
Application fees	10,014	8,838
Renewal Fees	4,845	6,048
Other	826	1,197
	15,685	16,083
Designs		
Application fees	235	207
Renewal Fees	1,182	1,107
Other	30	34
	1,447	1,348
Publications	137	137
Commercial services	283	574
Total Turnover	71,880	66,641

All income is from the payment of statutory or non-statutory fees for services and all is attributable to turnover arising in the UK.

5 Staff costs and employee information

5(a) Staff costs

	2012	2011
	£000	£000
Salaries and wages	28,078	27,057
Social security costs	2,228	2,087
Pension costs	5,275	5,149
Agency/Contract staff	2,534	1,318
Capitalised staff costs included above	(676)	-
	37,439	35,611

5(b) The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011/12 employer contributions of £5,233,005 were payable to the PCSPS (2010/11 £5,164,529) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The difference between this contribution and pension cost in 5(a) is the movement in holiday pay adjustments. The PCSPS scheme's Actuary usually reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2011/12 to be paid when the member retires and not the benefits paid during this period to existing pensioners. The rates are unchanged for 2012/13.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £14,247 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £754, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1,420. Contributions prepaid at that date were zero.

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

	Directors	Staff	Seconded in staff	Agency/ Contract	Seconded out staff	2012	2011
Patents	1	329	0	0	1	331	343
Trade marks	1	131	0	2	8	142	146
Designs	0	0	0	0	0	0	0
Other	5	338	19	18	13	393	370
						866	859

In 2011/12 9.7 full time equivalent staff or contract staff were working on capital projects (2010/11 nil).

Of the people employed by the Office in 2011/12, 845 were civil servants (848 2010/11).

- 5(d) The in year provision for early retirement and severance schemes (see note 17) was £525,000 (-£69,000 2010/11) and is shown under other operating charges.

- 5(e) Reporting of Civil Service and other compensation schemes - exit packages

Exit Package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<£10,000	-	-	1	1	1	1
£10,000 - £25,000	-	-	8	-	8	-
£25,000 - £50,000	-	-	7	-	7	-
£50,000 - £100,000	-	-	1	-	1	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
£200,000 - £250,000	-	-	-	-	-	-
Total number of exit packages by type	0	0	17	1	17	1
Total cost £'000	0	0	460	8	460	8

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. Exit costs are accounted for in full when agreed. Where the Office has agreed early retirements, the additional costs are met by the Office and not by the Civil Service pension scheme. Ill health costs are met by the pension scheme and are not included in the table.

6 Other non staff costs

This includes

	2012	2011
	£000	£000
IT, Telecoms and bureau charges	6,910	6,023
Accommodation (ex leases)	2,950	2,704
Innovation support inc via Technology Strategy Board	1,199	2,562
Training, recruitment and other staffing costs	1,106	828
Legal and hearings	868	828
Travel	830	719
Office supplies and equipment inc postage	827	834
Research co-operation and seminars	774	794
Subscriptions to international bodies	795	722
Other admin costs	717	655
Property lease payments	679	696
Hire of office machinery	444	396
Outreach and marketing	267	256
Departmental overheads	185	179
Audit fee	36	36
Exchange rate (gains)/losses	(25)	3
Total	18,562	18,235
Non cash items		
	£000	£000
Amortisation	537	703
Depreciation	1,018	1,058
Loss on disposal of assets	-	3
Provision for early departure in year	525	(69)
Total non cash	2,080	1,695
Total cash and non cash	20,642	19,930

7 Performance against financial objective

The Treasury Minute at Appendix A requires the Office to achieve for the period from 1 April 2009 to 31 March 2014 a return, averaged over the period as a whole, of 4% in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed.

The return achieved for the year ended 31 March 2012 was 17.7% (16.1% at 31 March 2011).

The return achieved for the period 1 April 2009 to 31 March 2012 was 14.0% with the capital averaged using the mean of each year.

8 Financial income

	2012	2011
	£000	£000
Short term deposits - operating activities	351	318

The interest derives from deposits with the Government Banking Service and from short term investments with the National Loans Fund.

9 Financial expenditure

	2012	2011
	£000	£000
Interest on loans (see note 18)	106	122
Unwinding of discount on early retirement provision (see note 17)	65	55
	171	177

10 Dividends

A dividend of £3,107,776 will be paid in July 2012 to the Consolidated Fund. The 2010/11 dividend paid in July 2011 was £2,720,936.

11 Property, plant and equipment

	Land	Buildings	Plant and machinery	Information Technology	Total
2011/12	£000	£000	£000	£000	£000
Cost or valuation					
At 31 March 2011	4,000	16,000	1,324	4,519	25,843
Additions	-	-	94	401	495
Revaluation	(250)	(1,000)	-	-	(1,250)
Disposals	-	-	(4)	(321)	(325)
At 31 March 2012	3,750	15,000	1,414	4,599	24,763
Depreciation					
At 31 March 2011	-	-	1,106	2,836	3,942
Provided during the year	-	281	120	617	1,018
Surplus on revaluation	-	(281)	-	-	(281)
Disposals	-	-	(4)	(321)	(325)
At 31 March 2012	-	-	1,222	3,132	4,354
Net book value at 31 March 2012	3,750	15,000	192	1,467	20,409
Net book value at 31 March 2011	4,000	16,000	218	1,683	21,901

	Land	Buildings	Plant and machinery	Information Technology	Total
2010/11	£000	£000	£000	£000	£000
Cost or valuation					
At 31 March 2010	4,500	15,500	1,182	3,764	24,946
Additions	-	-	141	1,539	1,680
Revaluation	(500)	500	36	(123)	(87)
Disposals	-	-	(35)	(661)	(696)
At 31 March 2011	4,000	16,000	1,324	4,519	25,843
Depreciation					
At 31 March 2010	0	0	976	2,955	3,931
Provided during the year	-	267	165	539	971
Surplus on revaluation	-	(267)	-	-	(267)
Disposals	-	-	(35)	(658)	(693)
At 31 March 2011	0	0	1,106	2,836	3,942
Net book value at 31 March 2011	4,000	16,000	218	1,683	21,901
Net book value at 31 March 2010	4,500	15,500	206	809	21,015

The land and buildings referred to above are freehold and were revalued at £18.75 million by the District Valuer, Newport, South Wales on 31 March 2012 on the basis of existing use. The valuations were prepared in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

Depreciation in note 6 is made up of an in year (£1,018,000) provision, there were no revaluation adjustments.

Depreciation in 2010/11 was made up of an in year (£971,000) provision and downward revaluation (£126,000) by indexation offset where this reverses a previous upward revaluation (£39,000).

12 Intangible assets

	Software in use	Software under construction	Software total
2011/12			
	£000	£000	£000
Cost or valuation			
At 1 April	9,885	-	9,885
Additions	-	1,499	1,499
Assets brought into use	-	-	-
Revaluation	48	-	48
Disposals	-	-	-
At 31 March	9,933	1,499	11,432
Amortisation			
At 1 April	8,493	-	8,493
Provided during the year	537	-	537
Surplus on revaluation	-	-	-
Disposals	-	-	-
At 31 March	9,030	-	9,030
Net book value at 31 March	903	1,499	2,402
2010/11			
	£000	£000	£000
Cost or valuation			
At 1 April	9,763	-	9,763
Additions	-	-	-
Assets under construction	-	-	-
Assets brought into use	-	-	-
Revaluation	122	-	122
Disposals	-	-	-
At 31 March	9,885	-	9,885
Amortisation			
At 1 April	7,790	-	7,790
Provided during the year	703	-	703
Surplus on revaluation	-	-	-
Disposals	-	-	-
At 31 March	8,493	-	8,493
Net book value at 31 March	1,392	-	1,392

Additions represent significant developments in replacing our Trade Mark systems (TM10 project) and modifying the patents casefile management system.

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

The historic cost net book value at 31 March 2012 is £2,136,669 (£1,205,000 at 31 March 2011).

13 Trade Receivables

	2012	2011
	£000	£000
Trade receivables	113	172
Other receivables	246	237
Prepayments and accrued income	2,185	1,876
	2,544	2,285
Sums included above which fall due after more than one year are:		
Other receivables	14	13
Prepayments and accrued income	211	69
	225	82

14 Financial Assets

	2012	2011
	£000	£000
Deposits with National Loan Fund	50,000	-

This represents a deposit with the National Loans Fund from 15 March 2012 to 17 September 2012. The deposit and interest is not available until the end of the deposit term.

Interest earned to 31 March 2012 but not yet paid is included as part of note 8.

15 **Cash and cash equivalents**

	2012 £000	2011 £000
Short term investments with National Loans Fund	37,000	70,000
Cash at bank - with Government Banking Service	3,154	8,556
Cash at bank - in Commercial Banks	147	281
Cash in hand	1	1
	40,302	78,838

16 **Current liabilities**

	2012 £000	2011 £000
User deposit accounts	4,745	5,299
Trade payables	11,309	10,535
	16,054	15,834
Deferred income - prepayment	3,420	3,138
Early retirement provision (see note 17)	965	722
Taxation and social security	766	681
Superannuation	508	483
Other liabilities	27	36
Dividend payable	3,108	2,721
Untaken annual leave owed	1,639	1,377
Accruals	2,800	2,398
Loans (see note 18)	166	166
	13,399	11,722

17 **Provision for liabilities and charges**

Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early departure decisions are made. The Statement of Comprehensive Income is charged with the full liability of new decisions taken and a Statement of Financial Position provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2012 and 2019. The provision has been assessed at current prices at the Statement of Financial Position date and, in accordance with International Accounting Standard 37, has been discounted at a real rate of 2.8% (2.9% at 31 March 2011), with the unwinding of the discount treated as an interest charge on the Statement of Comprehensive Income (see note 9). The change in discount factor has increased the value required in the provision.

	2012	2011
	£000	£000
At 1 April	2,292	3,061
Provision made in year	525	(69)
Unwinding of discount on provision	65	55
Payments offset against the provision	(788)	(755)
At 31 March	2,094	2,292
Less amount payable within one year (included in Creditors - see note 16)	(965)	(722)
Amount payable after one year	1,129	1,570

18 **Loans**

The Secretary of State for the then Department of Trade and Industry made available loans at the fixed rates and terms shown below:

Amount	Date Issued	Period	Interest	Weighted Average interest	Book Value 2012 £000	Fair Value 2012 £000	Book Value 2011 £000	Fair Value 2011 £000
2,161	1.10.91	26 years	9.625% }	9.813%	499	611	582	703
2,164	31.03.92	26 years	10.000% }		499	609	582	698
					998	1,220	1,164	1,401
					Amounts due with in one year (see note 16)	166	166	
					Amounts falling due over one year	832	998	

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2012 interest rate of 2.78%: this is the rate applicable to loans of 26 years.

Equal instalments of principal are repayable on the 6 month anniversary of issue.

Under machinery of government changes these loans are now deemed to have been made by the Department for Business Innovation and Skills (BIS).

19 **Capital commitments**

	2012 £000	2011 £000
Contracted	-	-

20 **Commitments under leases**

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

	2012 £000 Buildings	2012 £000 Other	2011 £000 Buildings	2011 £000 Other
Leases expiring:				
within 1 year	817	329	856	307
between 1 and 5 years	2,323	389	2,663	557
after 5 years	3,077	-	3,842	-
	6,217	718	7,361	864

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

21 **Contingent liabilities**

In June 2009 the Government stated that the Intellectual Property Office would make a payment of £25m to the Department for Business, Innovation and Skills to help finance a new innovation fund led by the Department. This payment has not been made and the timing remains uncertain and is dependent on the requirements of the innovation fund.

The Directors are not aware of any other contingent liabilities at 31 March 2012.

22 **Related party transactions**

The Office is an executive agency of the Department for Business, Innovation and Skills. The Department is regarded as a related party. During the year, the Office had various material transactions with the Department. These were the dividend, loans payments and some payments for central services provided by the Department. In addition, the Office had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions were with the Statistics Authority, HM Treasury, the Insolvency Service and the Cabinet Office for services such as accommodation and legal services.

None of the Steering Board members, Office Directors or other related parties has undertaken any material transactions with the Office during the year.

23 **Financial instruments**

We are required to disclose the role which financial instruments have had during the period in creating or changing the risks the Office faces in undertaking its activities. The key risk for the Office 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 Office 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 Office in undertaking its activities.

Liquidity risk

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

Market risk

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

Interest bearing financial assets (see note 15) 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 Office.

24 **Intra-government balances**

	2012 £000 Receivables	2012 £000 Payables	2011 £000 Receivables	2011 £000 Payables
Balances with:				
Central government bodies	381	4,892	321	4,504
Local authorities	3	49	-	9
Public corporations and other trading funds	-	188	-	27
Total at 31 March	384	5,129	321	4,540

All balances fall due within one year.

25 **Subsequent events**

The financial statements were authorised for issue on 18 June 2012

Appendix A

TREASURY MINUTE DATED 23 JUNE 2009

THE PATENT OFFICE TRADING FUND:

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 First Secretary of State, Secretary of State for Business, Innovation and Skills, Lord President of the Council, 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 2009 to 31 March 2014 shall be to achieve a return, averaged over the period as a whole, of 4.0 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, ie the Public Dividend Capital, long-term element of Exchequer loans and reserves.
 4. This minute supersedes that dated 26 February 2004.
 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
23 June 2009

Chapter 6

Remuneration

Remuneration Report for Senior Staff at the Patent Office

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 has 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;
- 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 <http://www.ome.uk.com/index.cfm>

Directors comprise mainly members of the Senior Civil Service (SCS) or those whose pay and conditions, although delegated to the Office are determined by analogy with the SCS in the Department for Business, Innovation Universities and Skills (BIS).

Performance is assessed by line management into tranches. Individuals are allocated according to the guidelines that are in place for the relevant performance year. For the 2011/12 year individuals should be allocated in the following way: 25% of individuals to be in performance group 1, 65% in group 2 and 10% in group 3.

The percentage of staff that can be accepted in each category is established centrally by Cabinet Office. Performance pay of up to 5% of the pay bill is available to reward the top 25% performers. For SCS members the line management assessment is combined with those for all other BIS SCS and the outcome moderated by the BIS pay committee.

For SCS analogues the Chief Executive and Mary Champion (an independent member of the Steering Board) form a remuneration committee and moderate the final performance distribution. The committee met on 27 May 2011 to moderate the 2011/12 award.

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.civilservicecommissioners.gov.uk

Remuneration (including salary) and pension entitlements

The following tables provide details of the remuneration and pension interests of the Chief Executive and Directors of the Office and are audited.

Remuneration

	2011/12		2010/11	
	Salary £'000	Bonus £'000	Salary £'000	Bonus £'000
John Alty ¹ Chief Executive	145-150	0-5	145-150	5-10
Sean Dennehey ²	110-115	10-15	110-115	5-10
Andrew Hardingham ³ Director until 21.12.11	75-80 (100-105 full year equivalent)	0-5	100-105	0-5
Robin Webb ¹ Director until 29.08.11	25-30 (60-65 full year equivalent)	0-5	60-65	0-5
Louise Smyth ¹	60-65	0-5	60-65	5-10
Peter Holland ¹ Director until 26.06.11	15-20 (60-65 full year equivalent)	5-10	60-65	0-5
Andrew Layton ¹	65-70	5-10	65-70	5-10
Edmund Quilty ¹	70-75	0-5	70-75	0-5
Neil Feinson ¹ Director from 12.09.11	35-40 (70-75 full year equivalent)	Not applicable	Not applicable	Not applicable
Rosa Wilkinson ¹ Director from 26.09.11	25-30 (75-80 full year equivalent)	Not applicable	Not applicable	Not applicable
Louise Kirby ⁴ Director from 21.11.11	20-25 (55-60 full year equivalent)	Not applicable	Not applicable	Not applicable

¹ is a member of the Senior Civil Service.

² is a member of the Senior Civil Service by analogy.

³ is a member of the Senior Civil Service with a renewable three year contract.

⁴ is not a member of the Senior Civil Service.

In addition John Cappock was appointed interim Finance Director from 26 November 2011 until a recruitment exercise could be completed. The Office was billed £60,000 by a recruitment agency for his services to the end of the financial year. This included VAT, agency fees and other costs.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. John Alty's salary includes £22,000 in reimbursement for gross taxable expenses relating to his detached duty in South Wales. Andrew Hardingham's salary includes £17,000 in reimbursement for gross taxable expenses relating to his detached duty in South Wales.

Benefits in kind

There were no benefits in kind in 2011/12 or 2010/11.

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 previous year to which they become payable to the individual. The bonuses reported in 2011/12 relate to performance in 2010/11 and the comparative bonuses reported for 2010/11 relate to the performance in 2009/10. Directors and all other staff, apart from the Chief Executive, are eligible for an equal share of the overall office bonus.

Pension Benefits

	Accrued pension at age 60 as at 31/3/12 and related lump sum £'000	Real increase / (decrease) in pension and related lump sum at age 60 £'000	CETV at 31/3/12 or leaving office £'000	CETV at 31/3/11 or taking office £'000	Real increase/ (decrease) in CETV £'000
John Alty Chief Executive	50-55 plus 160-165 lump sum	(0-2.5) plus (2.5-5.0) lump sum	1,067	1,003	(24)
Sean Dennehey	45-50 plus 135-140 lump sum	(0-2.5) plus (2.5-5.0) lump sum	897	845	(20)
Andrew Hardingham Director until 21.12.11	0-5 plus 0 lump sum	(0-2.5) plus 0 lump sum	41	25	12
Robin Webb Director until 29.08.11	15-20 plus 50-55 lump sum	(0-2.5) plus (0-2.5) lump sum	286	273	(1)
Louise Smyth	15-20 plus 50-55 lump sum	(0-2.5) plus (0-2.5) lump sum	289	269	(3)
Peter Holland Director until 26.06.11	20-25 plus 30-35 lump sum	0-2.5 plus 0-2.5 lump sum	283	271	9
Andrew Layton	15-20 plus 45-50 lump sum	0-2.5 plus 0-2.5 lump sum	219	202	(1)
Edmund Quilty	25-30 plus 75-80 lump sum	(0-2.5) plus (0-2.5) lump sum	464	435	(8)
Neil Feinson Director from 12.09.11	20-25 plus 65-70 lump sum	(0-2.5) plus (0-2.5) lump sum	391	370	(4)
Rosa Wilkinson Director from 26.09.11	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	9	0	8
Louise Kirby Director from 21.11.11	10-15 plus 40-45 lump sum	0-2.5 plus 0-2.5 lump sum	216	205	7

The actuarial factors used in calculating CETVs were changed in 2011/12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors, for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic, premium or classic plus**); or a 'whole career' scheme (**nuvos**). 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 and nuvos are increased annually in line with Pensions Increase legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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' 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 his 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, immediately after the scheme year end, the accrued pension is up rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual 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 calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 earnings

The Hutton review recommended the reporting of the median earnings of the organisation's workforce and the ratio between this and the earnings of the highest paid Director. This includes both agency staff and contractors.

The highest paid director of the Patent Office received remuneration of £145,000 - £155,000 in 2011/12 (£155,000 - £160,000 in 2010/11) which includes salary, bonus and benefits in kind but not employer pension contributions or the cash equivalent transfer value of pensions. The median earnings at the Office were £29,888 (£26,975 in 2010/11) and the ratio was 5.0 (5.8 in 2010/11). This movement year on year reflects staff changes with higher overtime and the loss of administrative staff as more functions are done electronically. In addition the pay of the highest paid Director fell as a result of lower detached duty and bonus payments in the year.

Steering Board Members

Adrian Smith replaced Phillip Rycroft as Director General with responsibility for the Office from 1 December 2010. The Director General is a member of the Steering Board and appoints independent Board members for a fixed term, which may be renewed. Bob Gilbert was appointed Chair of the Steering Board with effect from 6 February 2011, replacing David Richards. John Dodd replaced Simon Edmunds as the BIS representative on 7 March 2011.

The Independent Board members and their remuneration are:

	2011/12 Remuneration £'000	2010/11 Remuneration £'000
Bob Gilbert Appointed from 6 February 2011 to 5 February 2014	5 - 10	0 - 5 (5-10 full year equivalent)
Gary Austin Appointed 15 July 2009 to 14 July 2012	5 - 10	5 - 10
Mary Champion Reappointed 1 September 2010 to 31 August 2013	5 - 10	5 - 10
Sir Anthony Pigott Appointed 15 July 2009 to 14 July 2012	5 - 10	5 - 10
David Roberts Reappointed 16 April 2010 to 15 April 2013	5 - 10	5 - 10

Professor Adrian Smith, Phillip Rycroft, John Dodd, Simon Edmunds and David Richards are civil servants and are not remunerated by the Office.

John Alty



Chief Executive and Accounting Officer

14 June 2012

Chapter 7

Sustainability Report

From 2011/12, all central government bodies that produce an annual report and accounts in accordance with HM Treasury's Government Financial Reporting Manual (FReM) are required to include a section in their annual report covering performance on sustainability during the year.

The Intellectual Property Office places a high importance on green issues and we have had a number of environmental successes during the year. We have started work towards the new Greening Government targets which are the UK Government's commitments for delivering sustainable operations and procurement. The targets run until 2015 but we have already set ourselves year on year improvements that we will strive to achieve. For the financial year 2011/12 this worked out as a 5% reduction in greenhouse gas emissions, domestic travel flights, waste and water.

Our accreditation to ISO 14001 was renewed during the year and the external assessor commended us for the degree of involvement of staff in continual improvement and the level of enthusiasm shown in support of improvement programmes.

Further recognition of our efforts came when the initial CRC Energy Efficiency Scheme league table was published in November 2011. This is a list of all organisations required to participate in the Government's CRC Energy Efficiency Scheme. We were ranked in 27th place out of a total of over 2,100 organisations.

Our programme of awareness has continued throughout the year through our team of Green champions called the "Green Team". Over 60 staff, including directors, took part in the UK-wide Climate Week challenge and our chosen entry was shortlisted in the national competition.

Summary of Performance

Carbon Emissions (from offices)

		2009/10	2010/11	2011/12
CO2 emissions from offices (tonnes CO2)	Gas	545	554	408
	Electricity	1,623	1,484	1,578
	Other	-	-	-
Related energy consumption (kwh)	Gas	2,960,562	3,018,125	2,221,599
	Electricity	2,981,555	2,828,137	3,008,383
	Other	-	-	-
Financial indicators (£)	Gas	96,211	81,786	64,072
	Electricity	279,917	251,150	326,958
	Other	-	-	-
	CRC registration fee	-	950	-
	CRC subsistence charge	-	1,290	1,290

Performance to date

We achieved a 26% reduction in gas usage over the year. This is due to a programme of continual improvement which means that our on-site maintenance team constantly monitor and make adjustments to our heating system.

Electricity usage has risen slightly over the period by 6%. An element of this is inevitable as a number of previous initiatives that have given us big savings are now coming to an end. We have, for example, now virtualised 90% of our server estate. However, increased numbers of staff working out of hours is also likely to have had an effect on our electricity usage.

Our Display Energy Certificate (DEC) rating has remained at a D rating in this period.

The future

The coming year will see a large part of the office equipped with Wyse terminals which will consume a fraction of the energy of a standard PC. LCD backlit monitors will also be rolled out to some parts of the office.

Our Concept House site is heated by gas fired boilers which are now 20 years old. Although these are still in good working order they do not provide the energy savings of more modern boilers. We have undertaken an independent feasibility study to help us decide the best way forward and hope to start planning for their replacement during the next financial year.

Carbon Emissions (from travel)

		2009/10	2010/11	2011/12
Non-financial indicators (kilograms CO2)	Travel in owned vehicles	3,797	2,767	3,286
	Air travel	17,168	6,047	7,355
	Rail travel	31,405	35,863	38,360
	Road travel	36,853	35,741	39,208
	Taxis	2,378	1,581	2,838
	Expenditure on accredited offsets (GCOF II)	-	6,822	-
Financial indicators (£)	Travel expenditure (UK)	442,636	418,276	491,908
	Travel expenditure (overseas)	310,555	301,136	394,803

Performance to date

All types of travel have shown an increase over this financial year. This is due to a number of factors including work involved in meeting Ministerial commitments and supporting the growth agenda. The number of IPO staff based in London has also increased and while video and telephone conferencing is promoted and used as much as possible, there are occasions when travel is unavoidable.

The future

We will continue to promote alternatives to travel and where it cannot be avoided encourage staff to travel as sustainably as possible.

Waste

		2009/10	2010/11	2011/12
Non-financial indicators	Total waste (tonnes)	148	161	119
	Reused / recycled (tonnes)	88	109	83
	Landfill (tonnes)	60	53	36
	Incinerated / energy from waste	-	-	-
	% recycled	59%	67%	70%
Financial indicators (£)	Total waste	26,616	31,861	12,574
	Reused / recycled	13,812	18,990	4,728
	Landfill	12,804	12,871	7,846
	Incinerated / energy from waste	-	-	-

Performance to date

Total waste has reduced by 26% over the year with a 3% improvement in our recycling rate. We recycle white and mixed paper, batteries, toner cartridges, glass, cans, plastic, fluorescent tubes, cardboard, IT equipment, pallets and furniture. In addition, during the year we introduced a composting scheme for our Concept House office. The equipment was provided as part of a Welsh Assembly Government grant and the scheme is run entirely by IPO staff volunteers. By the end of the financial year we had diverted 2.3 tonnes, (nearly 2%), of landfill waste through this scheme.

For the first time this year we were also asked to work towards a one year Government target to reduce the amount of paper consumed by office activities (printing, photocopying etc.) by 10%. We made exceptional progress against this with an overall saving of 23%. The main contributing factor is likely to have been the introduction of new multi function devices (MFD's) throughout the office which include double sided and secure printing as a default.

The future

Although we currently recycle as much waste as we can, we will continue to look for new waste streams that can be recycled. We will also continue with a programme of awareness raising through our "Green Team" in order to maintain and where possible, exceed our current performance.

Use of Finite Resources (water)

		2009/10	2010/11	2011/12
Non financial indicators	Water consumption (m3)	8,446	5,996	6,535
Financial indicators (£)	Water supply costs	24,986	15,125	19,936

Performance to date

Due to initiatives over the past few years, we have made huge improvements in our water consumption. This year we have seen the trend reverse and our water usage has increased by 8%. Although disappointing, some of this was to be expected as we have exhausted most of the options for improvement open to us. The only real improvement we can now make is to install a grey water harvesting system which we are confident will make large savings. This installation is underway but will not be completed until the next financial year.

The future

We will complete the implementation of a grey water harvesting system. This water will be used for flushing toilets and watering of the grounds at Concept House.

Biodiversity & Adaption Action Plans

Not applicable for IPO.

Sustainable Procurement

The IPO meets its needs for goods, assets, services, works and utilities via a process of sustainable procurement. This achieves value for money on a whole life basis whilst generating benefits not only to the IPO, society and the economy, but also minimising damage to the environment at the same time.

The IPO considers the following aspects of Sustainable Development in its procurement strategies: -

- social – for example, consideration of organisations with social objectives in contracting decisions such as Black/ Minority Enterprises or 'supported businesses;
- economic – for example, encourage the consideration of SME's in contracting opportunities; and
- environmental – for example, development of e-procurement capability to reduce costs of paper resources for potential suppliers.

Our Procurement team have set a target to keep abreast with Government-wide Corporate Social Responsibility (CSR) obligations and related targets throughout the period 2010-2015. This will ensure that they comply with their CSR obligations in a manner which is consistent with wider government objectives by achieving the targets set out in the Government Sustainable Procurement Action Plan.

Governance

As a government executive agency we report our progress against the Greening Government targets. Since 2007 we have also set ourselves annual corporate targets that will allow us to meet Government targets.

A dedicated team are responsible for providing management information on environmental performance to the IPO Board. The same team monitor progress and escalate issues to the Operating Committee. The Operating Committee consider any requests for additional spend etc which may be needed to enable us to meet these targets.

Intellectual Property Office
Annual Report and Accounts
2011/2012

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