



**INTELLECTUAL**  
PROPERTY OFFICE



# The Patent Office

# Annual Report & Accounts

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## 2010-2011



# **The Patent Office Annual Report and Accounts 2010/2011**

## **THE PATENT OFFICE**

Report Presented to Parliament pursuant to section 121 of the Patents Act 1977, section 42 of the Registered Designs Act 1949 and section 71 of the Trade Marks Act 1994, and Accounts presented to Parliament pursuant to section 4(6) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990.

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

**2010/2011 Annual Report & Accounts**

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# CONTENTS

01	Chapter 1	Chief Executive's Introduction
03	Chapter 2	Key Performance Indicators
07	Chapter 3	Introduction
09	Chapter 4	Review of the year
19	Chapter 5	Running the Business
27	Chapter 6	Governance report
31	Chapter 7	Accounts 2010/11
61	Chapter 8	Remuneration Report
67	Chapter 9	Sustainability Report

I am very pleased to introduce the Annual Report & Accounts of the Office, covering the first full year since my appointment as Chief Executive.

This year has seen the Office embarking on a period of change. Following the formation of the Coalition Government, we have developed a five-year strategy which sets out our ambitions for our policy work, rights granting and provision of services to business.

We have also begun a programme of organisational change in response to two “value-for-money” reviews to understand whether we were broadly delivering the services required by customers and stakeholders and whether the internal operations of the Office could be conducted with greater effectiveness, efficiency and economy. This year, we have considered the findings of these reviews, together with wider Government initiatives and have identified a number of areas where there is scope for improvement.

As a result of the programme, we expect the Intellectual Property Office (IPO) to be more influential in the development of the Intellectual Property (IP) policy agenda, to deliver improved services to customers, and to be a more resilient organisation.

I am very pleased with the contribution the IPO has made over the last year to innovation in the UK, working with our parent, the Department for Business Innovation and Skills and many other partners. In particular we have developed close relationships with the Technology Strategy Board through which we invested some of our efficiency gains into IP related aspects of the Small Business Research Initiative and Collaborative R&D support.



# Chapter One

## Chief Executive's Introduction

Balanced, sustainable economic growth is a key Government priority. Intellectual Property is a factor in that process. It enables business and individuals to produce products and ideas and gain a reward for their creativity. As such we welcome the work done by the recent independent review of IP and Growth led by Professor Ian Hargreaves and look forward to the government response.

Along with the changes, has come continued success. We have maintained our reputation for granting high quality IP rights and as a customer focussed agency, meeting our targets for timeliness and quality. We also met our target for reducing our patents backlog, completing 65% more Patent examinations than in previous years. Continued excellence in rights granting underpins all our other activity and is fundamental to our success. The Office must also remain on a sound financial footing and I am pleased with the continued financial health of the Office and the financial results for the year.

The Office has continued to play an influential role within Europe and the wider international landscape, particularly in supporting the development of a unitary patent for the European Union (EU), and in working with other offices to reduce global patent backlogs.

This is a very challenging time for all public services, however, the IPO has an important contribution to make and I look forward further, to working with colleagues in the Office as well as our many stakeholders in the next year.



A handwritten signature in blue ink that reads "John Alty".

**John Alty**  
**Chief Executive and Accounting Officer**





## Chapter Two

### Key Performance Indicators 2010/11

These were the targets recommended by the Board for 2010/11 and approved by the Minister as the key performance indicators for the year



Be able by March 2011 to quantify the level of IP rights and estimate IP's impact on the knowledge economy.

Two projects contributed to this target: Value of Intellectual Property Rights (IPRs) in the knowledge economy, and copyright investment income. Both were delivered by March 2011.

**Achieved**



Develop proposals on how the UK's intellectual property framework can further promote entrepreneurialism, economic growth and social and commercial innovation by April 2011.

The independent review into Intellectual Property and Growth was published on 18 May 2011. Publication was delayed until May, to avoid the local election campaign period.

**Achieved**



EU Free Trade Agreements (FTAs) negotiated and agreed with IP provisions in line with UK priorities.

EU-Korea FTA signed on 6 October 2010, with IP provisions in line with UK priorities.

FTAs with Central America and Peru and Colombia were initialled on 22 and 24 March. IP provisions are in line with UK priorities.

**Achieved**



Issue 80% of patent search reports within 4 months of request.

**91% Achieved**



Give good customer service in processing patent applications in 95% of quality assured cases.

**97% Achieved**



Clear outstanding patent examinations older than 49 months by March 2011.

**Achieved**

6695 examinations were required to have been performed to achieve this target.

	Register applications for trade marks for which we have not raised any issues 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.	<b>93.2%</b> within 4 months	<b>98.1%</b> within 5 months	<b>Achieved</b>
			<b>98.8%</b> within 6 months	
	Make the correct decision on registration in at least 99% of trade mark applications.	<b>99.7%</b>	<b>Achieved</b>	
	Register 95% of design applications for which we have not raised any issue within 1 month.	<b>96.4%</b>	<b>Achieved</b>	
	Our business outreach enables 80% of its recipients to improve the IP performance of their business or the businesses they advise.	<b>86.3%</b>	<b>Achieved</b>	
	Achieve a return on capital employed of 4%.	<b>16%</b>	<b>Achieved</b>	
	Achieve the savings target set by BIS of £6.3m for 2010/11.		<b>Achieved</b>	
	90% of IPO customers will be satisfied with the service they receive.	<b>96.5%</b>	<b>Achieved</b>	
	Demonstrate improvement in our people's perceptions of leadership and change management capability at all levels in the IPO compared to 2009.			<b>Not Achieved</b>
	Improvement of 4 percentage points was achieved, but this was lower than the desired improvement of 6 percentage points			





# Chapter Three

## Introduction

The Patent Office<sup>1</sup> was established in the mid-nineteenth century, with responsibility for the granting of patents for inventions. During the 1870s, it acquired the responsibility for registering trade marks and industrial designs, with the transfer of the Trade Mark Registry and the Designs registry. At that time it was part of the Board of Trade.

The Patent Office became an executive agency of the then Department of Trade and Industry in 1990 and acquired trading fund status on 1 October 1991. The Patent Office took the operating name of the UK Intellectual Property Office on 2 April 2007. Following “machinery of government” changes on 28 June 2007, the Office became an Executive Agency of the Department for Innovation, Universities and Skills (DIUS). Further “machinery of government” changes announced on 5 June 2009 resulted in the Office becoming an executive agency of the Department for Business, Innovation and Skills (BIS).

### Statutory Background

Major UK legislation under which the Office operates includes:

- The Patents Act 1977, as amended by the Copyright, Designs and Patents Act 1988; the Patents Act 2004; and the Regulatory Reform (Patents) Order 2004;
- The Trade Marks Act 1994; and
- The Registered Designs Act 1949, as amended by the Copyright, Designs and Patents Act 1988.

### Principal Activities

The Office facilitates the growth, creativity and innovation of industry and commerce through the development and exploitation of intellectual property rights relating to copyright, patents, trade marks and registered designs. These rights play a key role in fostering innovation and competitiveness. The Office is also responsible for developing the national and international frameworks that govern intellectual property rights.

The Office’s core objectives contribute to the achievement of the following BIS priorities:

- Support universities, science and research in building a strong, innovative economy;
- Boost enterprise and make this the decade of the entrepreneur;
- Stimulate exports and inward investment; and
- Create a positive business environment.

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<sup>1</sup> From 1 December 2008 the Intellectual Property Office has been the operating name of the Patent Office. Prior to this, the operating name was the UK Intellectual Property Office.

## Efficiency

### Benchmarking

Benchmarking our rights granting with other international IP offices, with other organisations and internally.

### Efficiency

Initiatives to improve the overall efficiency of the IPO.

### TM10

IT enabled change project aimed at ensuring trade mark services are delivered more flexibly and cheaply in future.

## Capability

### Improving Our Policy Capability

Developing high quality and sustainable policy capability to increase our influence on the policy agenda.

### Stakeholder Engagement Project

Developing a centrally coordinated approach to how we manage our customers and stakeholders.

### Finance Fit

Transferring the Finance Directorate into a proactive business partner for the organisation.

## Infrastructure

### Working Beyond Walls

A project to develop a strategy for the IPO which reduces the cost and size of the estate.

### Management Information

A review of management information requirements at all levels within the IPO.



## Chapter Four

### Review of the Year

This year has seen the Office embarking on a period of change. Following the formation of the Coalition Government, we have developed a five-year strategy which sets out our ambitions for our policy work, rights granting and provision of services to business. In Chapter 5 of this Annual Report, we set out our strategic and enabling goals, and our key performance indicators for 2011/12.

We have also begun a programme of organisational change. During 2009/10, the Office commissioned two “value-for-money” reviews to understand whether we were broadly delivering the services required by customers and stakeholders and whether the internal operations of the Office could be conducted with greater effectiveness, efficiency and economy. This year, we have considered the findings of these reviews, together with wider Government initiatives (for instance on estates), and have identified a number of areas where there is considerable scope for improvement.

Our change programme – Improve - has three aims:

- To improve our capability in some key areas;
- To improve some parts of our organisational infrastructure; and
- To improve value-for-money across the Office.

As a result of the programme, we expect the IPO to be more influential in the development of the IP policy agenda, to deliver improved services to customers, and to be a more resilient organisation.

Eight projects have been established in the first phase of the programme. Other improvements - for example, in the way we manage both the organisation and ourselves – are being taken forward as part of “business as usual”.

Alongside this change, the Office has had a busy year and the rest of this section will describe what has been achieved, under the headings that we used in our Corporate Plan for 2010/11.

#### Understanding the Role and Value of IP

Intellectual Property incentivises innovation, by facilitating the commercial exploitation of ideas. To help the economy reach its full potential, we need to understand how IP is effectively used within the economy. We have continued to work to develop the evidence base.

Following work we commissioned, we are now able to quantify the level of IP rights and estimate the impact of IP on the knowledge economy. One of the reports indicated that investment in UK business protected by IPRs is at least £65 billion per year (2008), compared with overall investment in intangible assets of £140 billion, and investment in tangible assets of £104 billion.

Reliable data that we can interrogate is essential for building the robust evidence base that we need. The Office has a wealth of data relating to patent, trade mark and design applications and we have extracted the information from our databases and matched it to Office for National Statistics (ONS) data. Now we are organising this data into one space.

As copyright is an automatic right, and not dependent on registration, we do not possess the same wealth of information as we do for the registered rights. We commissioned Imperial College to do some research to estimate the investment in works protected by copyright. We have facilitated the development of an evidence base. This report found that £2 billion to £3 billion of copyright investment is not included in the National Accounts and we are in discussions with ONS to ensure that this is now reflected in Gross Domestic Product (GDP) figures.

Finally, during this year, we established effective arrangements for ensuring that we receive valuable external input to our policy and research work. As a result of its review of “Arms Length” Bodies, the Government announced in July that the functions of the Strategic Advisory Board on Intellectual Property (SABIP) would transfer to the Office.

## Shaping the Policy Environment

### Increasing our policy capability

This year has seen a full and busy policy agenda. Our aim is that the Office should be at the heart of policy discussions, effectively communicating our views and influencing others. We have recognised the need to build on, and enhance, our policy capability and one of the projects in Improve is designed to do just that. Recommendations have been made and their implementation is now being considered. We have invested in the development of a training programme to enhance the skills of our policy staff, so that they can more effectively drive forward the Government's agenda.

We planned during 2010/11 to develop and implement a strategy for policy communication. This work has been taken forward as part of the Improve programme, with a project to develop more strategic stakeholder and customer engagement. We commissioned a survey to inform how we do this, and we will implement the strategic approach next year.

### Hargreaves Review on IP and growth

Keeping the policy framework relevant is challenging in a time of increasing technological change, and where investment in intangible assets is an important driver of private-sector growth. The Prime Minister announced in November that there would be an independent review of how the IP framework supports growth and innovation. This review is being led by Professor Ian Hargreaves, and the Office has provided support to his review team, working to tight timescales to deliver the review by the end of April 2011.

### International IP policy

Much of the IP framework is derived from international legal instruments, such as treaties. There is also a significant body of EU law that governs IP. During this year, we have developed and agreed an approach to international IP policy that is based on three goals:

**Making the framework work well:** an international IP framework and system that supports the growth of knowledge-intensive UK business and promotes wider access to knowledge.

**Good national regimes:** non-discriminatory and transparent application of IP rules within national regimes enabling level playing fields for protection and enforcement of IP.

**Economic and technological development:** an international IP framework that strikes the right balance between industrial and development priorities, in order to help stimulate economic growth and tackle critical global challenges.

In the EU, we have continued to negotiate to advance UK objectives, including the Europe-wide patent system mentioned by the Prime Minister in his speech at Davos on 28 January 2011. Our influence has been reflected in the adoption by the Competitiveness Council on 10 March 2011, of a decision to take forward enhanced cooperation on a unitary patent among 25 of the 27 EU member states. This would reduce costs to business of seeking patent protection across the EU and simplify the procedures for obtaining and enforcing that protection. Discussions have been ongoing for many years, and unanimous agreement has not been possible - the enhanced cooperation mechanism offers an alternative way forward.



We have also continued to influence other Member States the European Commission's proposal to extend the copyright term for sound recordings, with the aim of delivering benefits to performers. The issue has not yet been tabled for agreement.

We have also been working on the policy issues relating to the role of intellectual property in broader policy issues. A particular focus has been technology transfer, mostly concerning climate change and health technologies. We have commissioned research on technology transfer incentives and have funded three capacity-building workshops on health technologies, which took place in South Africa in February.

#### Our work with international IP institutions

We have continued our efforts to promote good governance in the institutions that govern the international IP system. Our work has focused on two institutions: The World Intellectual Property Office (WIPO) and the European Patent Office (EPO). WIPO is the UN body responsible for IP, but its effectiveness has historically been impaired by governance problems. We have supported the current Director General, Francis Gurry, in his efforts to reform the institution, including agreeing a medium-term strategic plan for the organisation at the WIPO General Assemblies in September 2010.

The EPO is responsible for granting patents under the European Patent Convention. It has a high reputation for its quality, but its costs, liabilities, income and productivity have not kept in balance with one another. We have developed and agreed a strategic approach to our engagement with the EPO, to promote a stable financial future for the organisation. The new President, Benoît Battistelli, visited London in November 2010 to engage with UK stakeholders. He has commissioned studies on the information technology and finances of the EPO, which were discussed by the Administrative Council in March. In response to comments, the EPO will now draw up road maps containing concrete proposals. Our Deputy Chief Executive, Sean Dennehey, has been elected as chair of the Patent Law Committee.

#### Our work with other IP offices

The IPO continues to be at the forefront of efforts to reduce backlogs and delays in the patent system which are estimated to cost business £7.6 billion for each additional year of pendency. The delays in processing patents are the result of the increasing number of applications filed globally, many of which are duplicates filed in multiple offices. We are involved in a number of work sharing initiatives which aim to make examination of these duplicate applications more efficient. The Patent Prosecution Highway (PPH) is one such initiative which allows applicants to benefit from accelerated examination in a second office once their application is considered to be acceptable by a first office. IPO has worked with its PPH partners to promote the benefits of PPH and to make it more attractive to users by working towards a set of common, more relaxed eligibility requirements.

Improving access to the results of examination work carried out in other offices is an essential element in encouraging work sharing between offices. In March 2011, together with the IP offices of Australia and Canada and WIPO, we launched the Centralised Access to Search and Examination (CASE) system. The intention is to extend coverage of this digital library of search and examination reports so that the search and examination results for all members of a patent family are available from a single location to enhance efficiency and quality of examination.

We have also made progress on the joint action plan with the US Patent and Trade Mark Office that was announced in March 2010. This has provided examiners in our two offices with valuable information on how to access and interpret the results of work done in the other office. We are currently conducting a survey of our examiners to find out how useful the shared work reports are, with a view to developing best practice guidance on maximising the benefit obtained from them.

We signed an agreement with China to co-operate and work together on copyright issues to help to promote a strong national and international economy. This will complement our existing work with China around patents and trade marks. We have also agreed a Patents Workplan with Instituto Nacional da Propriedade Industrial (INPI), our counterparts in Brazil.

#### IP Enforcement

Maintaining an IP framework is not in itself enough to encourage innovation. Rights holders must also be able to enforce their rights. One way we can do this is to increase access to justice, particularly for Small and Medium sized Entities (SMEs). We have started to introduce measures to reduce the costs of enforcing IP rights. Amendments to the Civil Procedure Rules in October 2010 will improve access to justice as they include more streamlined procedures and a fixed scale of costs capped at a maximum £50,000 in the Patents County Court. Secondary legislation will introduce a limit to the value of claims to be heard in the Patents County Court and will avoid disputes about whether a case should be heard there or in the High Court. An Order to introduce this damages cap for cases concerning patents and designs was debated in the House of Lords on 28 March, and in the House of Commons on 3 May. The Order came into effect on 14 June 2011. A further Order is now in progress to extend these changes to cases concerning copyright and trade marks.

We also planned to update our IP Crime Strategy, which was originally drawn up in 2004. However, following the announcement of the Hargreaves Review, we decided that it would be appropriate to postpone this work until the Hargreaves Review had reported. We can therefore ensure that any findings of that Review are fully considered when the IP Crime Strategy is updated.

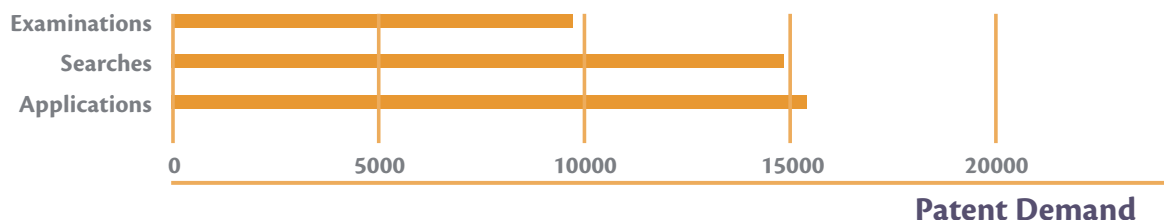
The Intelligence Hub has continued to work closely with all relevant enforcement agencies, including the Serious and Organised Crime Agency, to identify current key areas at risk of IP crime and coordinate intelligence efforts.

### Continuing Excellence in Rights Delivery

The Office has established a strong reputation for high-quality and efficient delivery of patents, trade marks and registered designs.

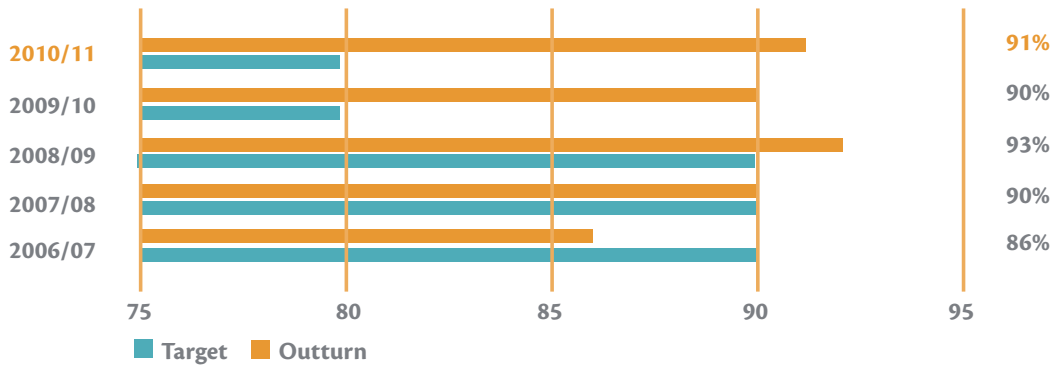
#### Patents

The chart below shows patent demand for 2010/11.

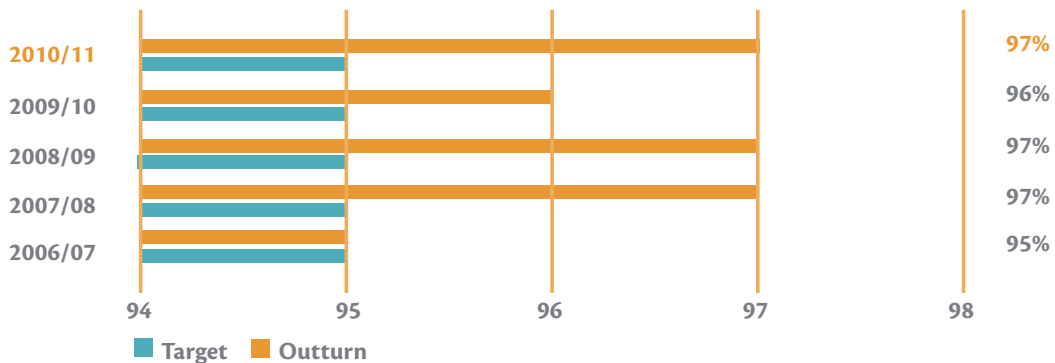


New fees were introduced on 6 April 2010, following a consultation the previous year. The main increases in fees were back-loaded, applying to renewal fees during the later years of a patent's life (which can be 20 years). Increases in application fees and for the first years of renewal were lower. This reflects a policy decision to keep entry-level fees low for potentially valuable, but unproven, technologies. We also introduced discounts for electronic filing.

In 2010/11, we achieved all our Agency targets that relate to our delivery of patents. We aimed to issue 80% of patent search reports within 4 months of request. We actually delivered 91% of search reports within this timescale, so will be raising our target next year to 90%.



We are also committed to producing high-quality rights. Our customers expect that our searches and examination reports will be reliable enough for them to make sound business decisions, and the patents that we grant must have a high presumption of validity. We were one of the first offices to gain ISO certification for our patent processing, and we have set ourselves the target of giving good customer service in 95% of quality-assured cases. We did this in 97% of cases.



We have already mentioned our efforts to tackle the global problem of backlogs. We are also working hard to get our own backlogs down as quickly as possible. This year we completed 65% more examinations than in the previous year. This has enabled us to clear all outstanding patent examinations older than 49 months. We will continue to set ourselves stretching targets to bring our exam backlog down as quickly as we can.

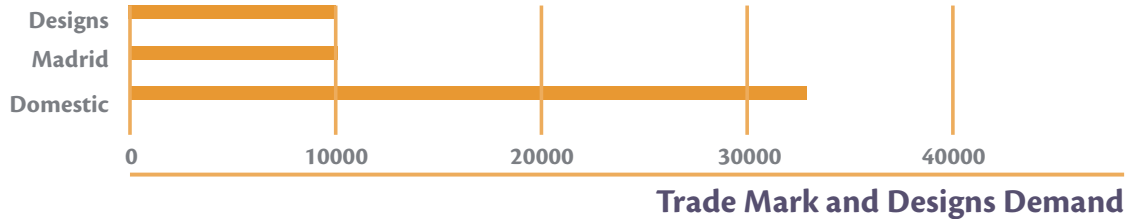
For some of our customers, an accelerated patent examination is also important. We aim to issue a substantive response to an allowable request for an accelerated patent examination within 2 months of receipt in 90% of searched applications. This year, we did this in 95% of cases.

We have reviewed our internal quality management systems, and compared them with those used by other major offices. The results of the review found that our quality management system stands up well against those of the national offices consulted (none of which are ISO 9001 compliant). It was noted that the Office is generally more open in the external reporting of its quality targets.

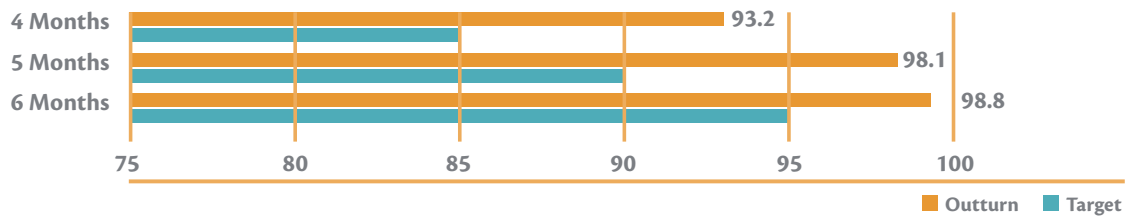
As part of Improve, we have initiated a benchmarking project which aims to compare the patents, trade marks and designs processes with those being run in other IP offices, and with processes carried out by other organisations. We have undertaken a benchmarking exercise with the US Patents and Trade Marks Office (USPTO) and internally compared quality assessment processes for patents and trade marks. We had planned to complete productivity benchmarking studies with two other patent offices, but this work will continue into the next year.

Trade Marks

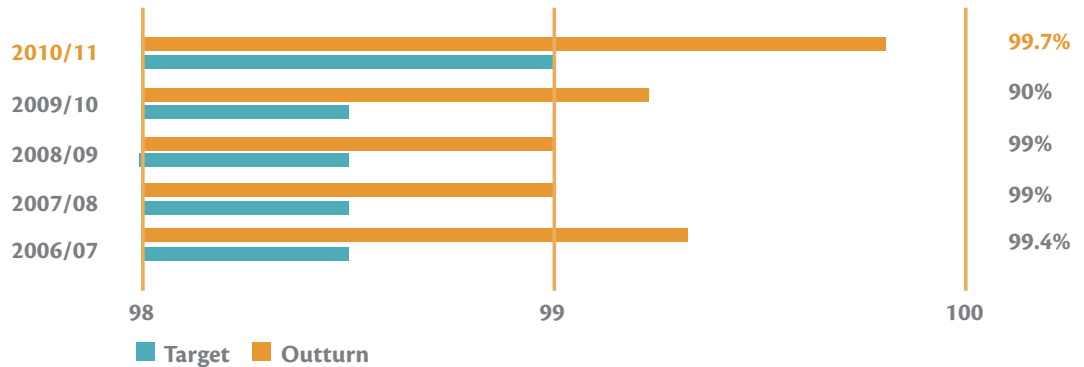
The chart below shows trade mark and designs demand for 2010/11.



This year our trade marks targets have been more stretching. We have aimed to register applications (for which we have not raised any issues 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. Our performance is set out below.



Our quality target was also more stretching for 2010/11. The previous year, we had aimed to make the correct decision on registration on at least 98.5% of trade mark applications. This year, our target has been 99%, and we have achieved 99.7%.



In addition to operational delivery targets we have successfully met corporate objectives, such as developing and launching new training resources; our website has been up-dated and the Classification and Examination Guides have been rewritten and redesigned, increasing accessibility of reference material for examiners.

The TM10 project which aims to give staff the appropriate tools and systems to help them effectively manage the trade marks process, has successfully completed the definition phase and is about to enter the Implementation Phase.

A review of the Company Name and Trade Mark Tribunals was completed. The review of the Company Name Tribunal indicated that it is working well and accessible and no changes are required; the review of the Trade Mark Tribunal concluded that newly acquired case management powers should be used in order to speed up proceedings. New guidance for managing time periods to facilitate these outcomes has now been issued. We also carried out some work to develop solutions to overcome barriers posed by unjustified threats provisions to pre-action negotiations. Following negotiations, the Law Commission has agreed to a review of the threats provisions in IP legislation.

## Registered Designs

Our registered designs target was more stretching this year. The previous year, we had aimed to register 95% of applications within 2 months, and this year we have aimed to register 95% of applications within 1 month. We met this target, registering 96.4% of applications within the specified time.

The Designs Registry is developing a strategy to help businesses better understand the system and the options open to them. We discussed a designs review document, which confirms the necessity of educating industry as to the value of registered and unregistered design right, with key stakeholders. The document has served as a springboard for further design activities throughout 2010/2011, including increased investment in designs examination resources, and more technical and policy awareness training for examiners. The review has also formed a framework for contacts with other international registration authorities as well as IPO participation in awareness raising activities amongst UK professionals.

Most significantly, the review document has led us to commission research into the economic value of UK design; what influences designers to use/not use the registration system; the barriers to the effectiveness of the design registration regime, particularly in comparison with France, Germany and Portugal where design registrations are significantly higher. We await the results of the research before determining the next steps.

## Reaching Out to Companies and Individuals

A well-developed policy framework and system for rights granting is only useful if businesses and individuals understand the importance of protecting their ideas, and respecting the ideas of others. We work with businesses and business advisors to help them to identify intellectual assets and understand how to protect and exploit them successfully.

We aim to deliver business outreach that enables 80% of its recipients to improve the IP performance of their business or the business they advise. In the first quarter of the year, we created an outreach evaluation framework to enable us to assess the impact of different activities. This evaluation has told us that we have exceeded the target, with 86% of respondents stating that our outreach has helped improve IP business performance. Next year, we will be implementing new procedures to increase the level of feedback that we get.

We have also promoted the use of our online IP Healthcheck. We set ourselves the target of 2,000 healthchecks completed by the end of March. We reached this figure in December 2010, and by 31 March 2011, 2,900 had been completed.

In November 2010, we announced that we would use £3m of in-year savings to support UK business, through funding projects to help companies develop new technologies and offer advice in developing their intellectual property. In the event this came to £2.6m direct cash support plus other non-cash activities. The money funded competitions and schemes run by the Technology Strategy Board (the Government's main channel for promoting innovation). Our support was targeted towards

- Small Business Research Initiative, which uses government procurement to drive innovation. It involves running competitions to find new technologies to solve the needs of government departments and often supports small early-stage companies; and
- Collaborative Research and Development support. This brings together business and academics to undertake pre-competitive research in areas where the UK is strong. The most recent round targeted; advanced materials, biosciences, electronics, high-value manufacturing, information and communications technology, and nanotechnology.

Through these projects, we have been able to provide direct support to over 230 companies. We will be using what we learned to develop closer collaboration with the Technology Strategy Board, to ensure that IP enables businesses to thrive. Through the Fast Forward Competition, we have supported 10 projects that enhanced business opportunities to capitalise on the research and innovative ideas that the Government funds. We have further funded projects across the BIS partner bodies to ensure that the BIS innovation offering provides effective IP information and advice.

We also raise awareness among the next generation of innovators, particularly in partnership with Aardman Animations. We confirmed the third venue for the exhibition we developed in partnership with Aardman and SGA and Wallace and Gromit present *A World of Cracking Ideas*. The exhibition launched in 2009 in London, and ran for much of 2010 in Glasgow. In 2011, it will open in Newcastle. Around 186,000 visitors attended the exhibition in London and 212,000 in Glasgow.

This year, we have also continued our work on public-sector and publicly-funded IP. We have developed an online resource for public sector bodies to help them manage their IP, and are now working with the Public Sector Intangible Asset (PSIA) working group to launch an IP resources page and a discussion forum for the PSIA website.

We also planned to draw up and carry out a plan to promote the Lambert technology transfer resources to increase their take-up and produce new guidance to enhance the management of IP arising from publicly-funded research. We have focused attention in this area on updating our guide for senior managers in universities to assist them in the development of their IP strategies and policies, this utilised the Lambert resources and is due to be published soon. We have started work looking at how the Lambert resources can be used to help manage IP in collaborative research internationally to support the growth of knowledge intensive UK businesses but also to facilitate transfer of key technologies into markets like Brazil and China.

In March the Budget announced the establishment of a network of IP attachés covering the key global markets, including China, East Asia and India. These will provide a focal point in host countries for supporting UK businesses with IP related issues and promote UK policy. We believe this new network will significantly increase the level of support available for UK businesses operating within these important markets and will complement the Foreign and Commonwealth Office's (FCO's) renewed focus on commercial diplomacy.





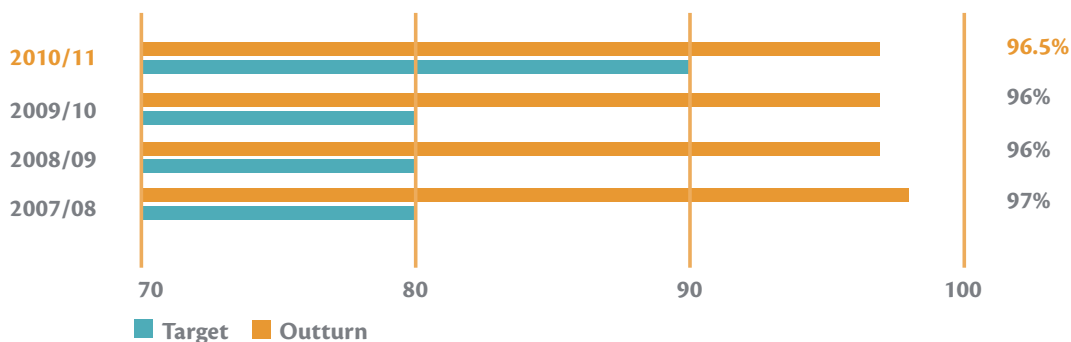


# Chapter Five

## Running the Business

### Customers

We are committed to delivering excellent service to our customers. Our aim is that 90% of customers will be at least satisfied with the service they receive. To measure this, we carry out a telephone survey of our customers twice a year. A total of 200 customers were surveyed in May and December and asked to rate their satisfaction on a 10 point scale, where a score of 6 represents satisfaction. Overall 96.5% of customers surveyed were at least satisfied.



### People

The headcount on 31 March 2011 was 899 (843.56 Full Time Equivalent (FTE)). This compares with 907 (857.18 FTE) at the end of 2009/10. The turnover for the year was 3.3%.

Following the 2009 Civil Service survey, we identified Leadership and Managing Change as a priority for action. We began to review our leadership and management development activities and have started implementation. The 2010 Civil Service survey revealed that our scores had improved in this area, but not by as much as we had hoped. 81% of staff responded to the 2010 survey and the following themes for action will be taken forward during 2011/12:

- Leadership and Managing Change;
- Organisational Objectives and Purpose; and
- Inclusion and Fair Treatment.

We will be developing a People Strategy in 2011/12 and this will further develop our thinking on leadership and managing change and on skills. We had planned to develop a skills strategy by November 2010, but decided that it would be more appropriate to take this forward as part of the broader work on the People Strategy, given the dependencies between different elements of that strategy.

To engage our people more effectively, we have established an Internal Communications team. A strategy has been developed that sets out how we will enhance existing methods of communication and go further in 2011/12. This year, we have used all-staff presentations and an "Ask the Board" service to facilitate two-way conversations. A daily news service and weekly blog written by the Chief Executive have also been established. Informal coffee mornings and the use of roadshows for communicating key messages were also features this year. Contact with the Trade Unions, on both a formal and informal basis, continues.

We have been successful in reducing levels of sick absence in the last few years from 8.4 average workings days lost (AWDL) in 2008/09, to 7.5 in 2009/10, and 6.1% in 2010/11. This year's performance therefore exceeds the target that we set ourselves of 7 AWDL.

#### Corporate Social Responsibility

<b>Environmental Management</b>	We are committed to managing our estate in a sustainable manner in line with the Sustainable Operations on the Government Estate (SOGES) targets. As part of this, we address social, economic and environmental issues when taking decisions and aim to reduce the impact that our operations have on the environment. We achieved ISO 14001 status for our environmental management systems.
<b>Climate Change and Energy</b>	We aimed to reduce carbon emissions from electricity, gas and air travel by 10% compared to 2009/10 figures. We were able to reduce emissions by 600 tonnes of carbon but this represented only a 6% reduction, which meant that we fell short of our target.
<b>Sustainable Consumption and Production</b>	We aimed to increase the proportion of waste recycled to 60%. By the end of the year we exceeded this target recycling 67% of our total waste. Furthermore we were able to continue the rollout of new recycling stations to open plan office areas.
<b>Procurement</b>	Our revised procurement strategy sets out our approach to sustainable development to support the Government's Sustainable Action Plan Flexible Framework, which sets out specific targets for procurement.
<b>Working with the Community</b>	We encourage staff to take on responsibility in the community and take part in local initiatives, working with voluntary organisations such as Business in the Community and The Prince's Trust. Volunteers visit two local schools weekly as part of a Reading & Numbers programme to help children with basic reading and numeracy skills. We give staff who are school governors and magistrates paid leave to carry out their duties.
<b>Equality and Diversity</b>	The Office remains committed to building a culture where employees are offered flexibility and development, where everyone's contribution is recognised and diversity is genuinely valued. The Office is also committed to ensuring that unlawful discrimination is not tolerated. Recruitment and selection at the Office are carried out in a manner that is systematic, efficient and effective, and promotes equality of opportunity. The Office is committed to providing access to a range of initiatives that help staff to work in an understanding, flexible and creative environment.

## Finance

Income grew in 2010/11 to reach £66.6 million, an increase of 9% on income received in the previous year. Most of this increase reflected changes to patent fees, particularly renewals from April 2010. Some rights holders took the opportunity to pay early before the change but apart from this timing difference the fee change did not appear to impact on demand and volumes remained much as expected. Income from other business areas was either static, or fell back slightly with trade mark renewals down due to fewer cases being available for renewal than the previous year reflecting a distortion in renewal dates from changes made in the 1994 Act.

Expenditure excluding depreciation fell to £53.7 million, down 2% on 2009/10.

We are required to achieve, on average and in real terms, a 4% Return on Capital Employed (ROCE) over a fixed 5-year period. In 2010/11, we achieved a 16.2% return. The return and the retained earnings after dividend at £8.5m were significantly higher than expected. This was in part due to government spending restrictions which impacted on a number of areas particularly outreach activities.

In 2010/11, we were set a target by BIS to save £6.3 million from our budget. We reduced the budget by £6.45 million of savings and recycled much of these savings to business support.

The Chancellor announced that the government standard to settle bills would be reduced from 10 days to within 5 working days of receipt of goods or services or a valid invoice whichever is later. This standard was introduced from 1 May 2010. The Office achieved a performance of 90.7%, well above the 80% target.

## Risk and Uncertainty

We have adopted an approach to risk management that seeks to ensure new policies and activities are made with due regard to consideration of associated risk, the Board's tolerance for risk in those areas, and potential mitigation actions. Our management of risk therefore relates to all aspects of our operations. We record, and actively manage risks using our strategic, directorate, programme and project risk register.

The Office is dependent on customer demand and we have continually reviewed the risk to our income. The economic recovery remains sluggish and given the long lead times of research and development in many sectors, we would expect increased demand to lag behind economic recovery. We are therefore forecasting limited increase in demand for our services over the next period.

The Office is heavily dependent on income from European (EP UK) Patent Renewals. 73% of total income (£50m in 2010/11) is from Patents and of that total 68% is derived from EPO renewals. The EPOs budget for granting patents has been reduced by 10%, which has been built into our planning assumptions for the next period.

## Information and IT

In order to deliver its objectives, the Office depends on effective information management and efficient IT systems.

We have a new records management policy and have agreed the scope of a project that will deliver a solution. The project starts in May 2011. The first phase will gather business and user requirements, develop a file-plan and identify a technical solution by April 2012. Subsequent phases will introduce the technical solution, test and refine the policy and file plan, train users, then embed electronic records management.

A range of options have been prepared for our document storage facility at Nine Mile Point but as they were being finalised, the British Library offered a new proposal to deal with all our older patents material. The new proposals will be put to the Board in May 2011 together with a business case for the recommended option.

Our private “cloud” is now well established, most services have been migrated to it and all new services are delivered by it. The cloud has reduced our energy and support costs whilst greatly increasing reliability, control and flexibility. It also provides foundations for other modernisations, notably flexible working and Windows 7.

We have not made the progress we would have wished on introducing a new Service Desk and are in on-going discussions with the service provider. However, we are using the Information Technology Infrastructure Library (ITIL) principal of continual service improvement and will have the first iterations of our new change, release, incident and configuration management procedures in place by September 2011.

Work on our website strategy was paused whilst awaiting the outcome of a BIS and wider government review of independent websites. We now know that our website will be retained but its future will be reviewed annually. During work on the strategy it became clear that the real need was for an e-Business strategy in which the website is a key delivery mechanism. Further work will be taken forward as part of the wider e-Business strategy.

#### Information Security

Our policy sets out the Office approach and commitment to the management of information security. Security is managed to minimise the impact of incidents on the business and ensure business continuity in accordance with the Security Policy Framework (SPF) and the benchmark standard for Information Security Management Systems ISO 27001: BS7799-2:2005. All personal data is processed, stored and used in accordance with the HMG Data Handling Review and the Data Protection Act.

Information is a key asset within government and we ensure that the Accounting Officer (AO), through the Senior Information Risk Owner (SIRO) and their Information Asset Owners (IAO) are accountable for the adequate protection of information which is collected, processed and stored within the Intellectual Property Office.

All staff undertake the National School of Government training on Information Security on an annual basis.

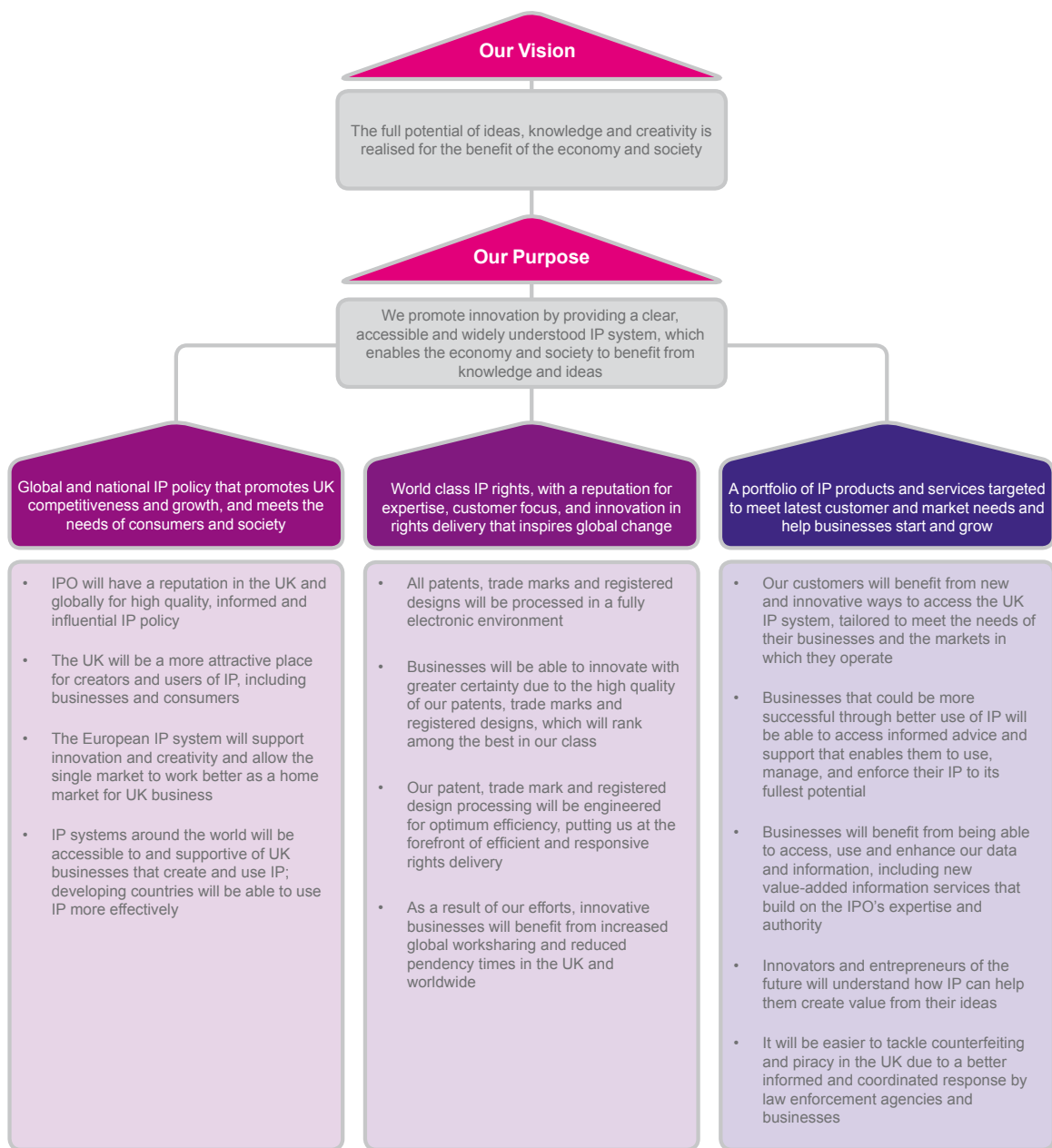
The table below shows a summary of protected personal data related incidents in 2010/11. Information deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner’s Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss on inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

# Looking Forward

Following the change of government, we reviewed our position and developed a new set of priorities for the future direction of the organisation. Our 5 year strategy, published in March 2011, is the framework that that will guide our forward planning for the next five years. It can be viewed at: <http://www.ipo.gov.uk/ipostrategy.pdf>.

## VISION, PURPOSE AND GOALS



Our strategic goals

## OUR ENABLING GOALS:

### An embedded culture of value for money, accountability and transparency

- The Intellectual Property Office will deliver its services with demonstrably increasing efficiency and effectiveness.
- IPO people will take personal responsibility for delivering value for money, with leaders at Board level and throughout the organisation setting positive examples.
- Internal customers will be supported and encouraged to develop innovative ways to deliver.

### Well-led and engaged staff with the right skills, who live our values and work together to achieve our goals

- We will have leaders at Board level and throughout the organisation who set and communicate a clear sense of purpose and who demonstrate our values and inspire them in others.
- We will have an agile, capable workforce, able to respond to the changing demands of our customers and stakeholders, that sets itself a high standard of performance and is valued and recognised.
- Our people will say that the IPO is a good place to work. They will be able to explain the organisation's priorities and purpose and will want to contribute to achieving its goals.

### Modern, innovative and sustainable systems, processes and ways of working

- IPO customers and stakeholders will use our information systems with confidence and trust.
- IT systems will be cheaper to run, greener and have the flexibility to adapt quickly to changing business requirements and customer needs.
- Information will be easy to store, access and share appropriately.
- We will have an efficient and sustainable working environment that enables our people to deliver our goals more effectively.

### An ability to shape our work for maximum benefit by understanding IP's economic and social impact, our customers, markets and stakeholders

- Our ability to segment our customer markets, recognise changing trends, and focus our stakeholder engagement will be improved because we will better understand how different groups of customers and stakeholders use and are affected by IP rights.
- Our policy making will be better informed by a deeper understanding of the economic impacts of intellectual property rights on creators and users of IP, and how this translates to wider benefits in the economy.
- Our excellence in IP research will enhance our reputation as a respected authority on intellectual property.

## Ministerial Targets

As a means of measuring our success, Ministers have approved the following targets for 2011/12:

### Policy

1. Proposals for enhanced cooperation on the EU Patent and Court are adopted in line with UK objectives.

### Rights granting

2. Efficiently deliver high quality patents, so that:
  - a. 90% of patent search reports are issued within 4 months of request; and
  - b. all outstanding patent examinations older than 42 months are cleared by the end of March 2012.
3. Efficiently deliver high quality trade marks and registered designs, so that:
  - 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;
  - b. the correct decision on registration is made in at least 99% of trade mark applications; and
  - c. 95% of design applications, for which we have not raised any issues, are registered within 1 month.

### Targeted Business support

4. Deliver business outreach that enables 85% of its recipients to improve the IP performance of their businesses or the businesses they advise.
5. IPO customers will give an average score of 8 out of 10 for the service they receive.

### Enablers: value for money and people development

6. Achieve a return on capital employed of 4%.
7. In addition to the return on capital employed, deliver an efficiency gain of 3.5%.
8. Improve the IPO's engagement index so that our scores are at least equal to that of the Civil Service 2011 benchmark.





# Chapter Six

## Governance Report

### The Steering Board

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

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

### Composition of the Steering Board

During the year, the Steering Board consisted of 7 members, five external members, one representative from the Department of Business, Innovation and Skills and the Chief Executive Officer.

Additionally members of our Executive Board attend meetings, though they are not formally members of the Steering Board.

In February 2011, Bob Gilbert was appointed to replace David Richards whose term as chair of the Steering Board came to an end.

### Frequency of meetings

Four Steering Board meetings take place each year at our office in Newport. From 2011/12, meetings will take place six times a year.

### Steering Board Membership

Bob Gilbert  
Independent board member. Non-executive  
Chairman of Paintbox Group

David Roberts  
Independent board member. Ex-Senior Vice  
President of IP at Glaxo SmithKline. Chairman  
Stratagem IPM Ltd.

Mary Champion  
Independent board member. Freelance IT  
Management Consultant (previously Vice  
President at Capgemini)

Sir Anthony Pigott  
Independent board member. Chairman of a  
Defence/Security Strategic consultancy firm  
(FutureWins)

Gary Austin  
Independent board member. Deputy chairman of  
East Midlands Ambulance Service

Professor Sir Adrian Smith  
Director General of Knowledge and Innovation, BIS  
A member from the Department of Business  
Innovation and Skills

## Intellectual Property Office Board (IPOB)

The role of IPOB is one of strategic decision making in relations to allocation of resources, major operational issues, setting priorities, organisation level performance monitoring, finance and people issues.

### Composition of the IPOB

The Board is made up of the Chief Executive, who is responsible for the day-to-day running of the Agency and the Heads of each Directorate.

### IPOB membership

John Alty  
Chief Executive and Comptroller-General

Andrew Hardingham  
Finance Director

Sean Dennehey  
Deputy Chief Executive, Assistant Comptroller  
and Patents Director

Louise Smyth  
Business Support Director

Peter Holland  
International Policy Director

Robin Webb  
Innovation Director

Andrew Layton  
Trade Marks and Design Director

Edmund Quilty  
Copyright and IP Enforcement Director

## The Audit Committee

The Audit Committee is a sub-committee of the Steering Board. The role of the Audit Committee is to consider our Corporate Governance, the activities of Internal Audit, External Audit, the Department for Business, Innovation and Skills (BIS) requirements of agencies and our accounts.

### Composition of the Audit Committee

Membership of the Audit Committee comprises three independent steering board members and the Chief Executive Office.

By invitation;  
Intellectual Property Office Executive Directors  
Jon Whitfield (Director of Internal Audit, BIS)  
Other BIS internal auditors  
National Audit Office, Intellectual Property Office external auditors

The Audit Committee meets four times a year.

## Audit Committee membership

Mary Champion  
Independent Board Member (Chair until June 2010; thereafter a member)

David Roberts  
Independent Board Member

Gary Austin  
Independent Board Member (Member until June 2010; thereafter chair)

Obligatory attendees:

John Alty  
Intellectual Property Office, Accounting Officer,  
Comptroller-General and Chief Executive

Andrew Hardingham, Finance Director





# Chapter Seven

## Accounts 2010-2011

### 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 Agency 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 22 December 2010. 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 of the Patent Office as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Agency's assets, are 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 and Accounting Officer**  
**22 June 2011**

## Statement on internal control in the Patent Office

Period Ended 31 March 2011

### Scope of responsibility

As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Patent Office's policies, aims and objectives, as agreed with Ministers of the Department for Business, Innovation and Skills (BIS), whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. The Patent Office's policies, aims and objectives are agreed with Ministers annually as part of our Corporate Planning process and reflect on-going close liaison and risk mitigation action with departmental officials.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Patent Office policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Patent Office for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

The main elements of the risk management processes in place in the Patent Office are:

- An internal Board that meets fortnightly on a formal basis to consider the plans, progress and strategic direction of the Office (the Board comprises the Chief Executive and Directors). Risk is formally discussed on a quarterly basis.
- A Steering Board that meets quarterly to discuss strategic issues (the Steering Board comprises senior management representatives of BIS, the Chief Executive and five external independent members, with Patent Office Directors as attendees).
- An Audit Committee that meets at least four times each year to assist the Chief Executive on audit and Corporate Governance issues (throughout the year the Committee comprised three external independent members, who are also members of the Steering Board, the Chief Executive and Finance Director as obligatory attendees with Patent Office Directors and senior representatives from Internal and External Audit as attendees).
- Training has been provided to key managers and staff in risk identification, evaluation and management, based on best practice guidance from the Departments and Treasury. Individual directorates have extended this training as part of their risk management processes.
- Any event that occurs highlighting a significant risk or control weakness is followed through to ensure that appropriate action is taken to manage the risk and reduce future risks and improve controls.

## The risk and control framework

In the Patent Office the main processes which we have in place for identifying, evaluating, and managing risk are:

### Identification, assessment and recording of risks

- a strategic risk register, compiled from discussions with individual Directors and consideration of Directorate risk registers, is debated and agreed by the Patent Office Board
- the risk registers of individual directorates of the Office
- risk registers for all programmes and projects within the Office
- a risk register format that requires the identification of both internal and external risks, assignment of a risk owner and actions to be taken to manage the risk, including detailed action plans for the most significant risks
- risk evaluation performed by source, type (reputation, financial, operational), likelihood, impact, effectiveness of controls, and comparison with risk appetite
- guidance on the compilation of Directorate risk registers both bottom-up by team members and top-down from Directors.

### Monitoring and review

- quarterly discussion of the corporate risk register by the Patent Office Board and Steering Board
- regular discussion of Directorate risk registers
- development and operation of the Office's risk management strategy and procedures are reviewed regularly by the Audit Committee
- review of an assurance matrix to provide confirmation that the Accounting Officer's roles and responsibilities have been discharged adequately with all necessary controls and systems in place to support delivery of the Office's aim and objectives
- monitoring of operational and financial performance on a monthly basis with remedial action taken as appropriate
- support to, and monitoring of, major projects by the Programme and Project Management Office (PPMO). This includes the requirement to identify and manage risks appropriately.

### Audit and assurance

- regular reports by Internal Audit on the adequacy and effectiveness of the Office's systems of internal control based on a risk-based audit programme. No urgent actions have been required following the audits conducted this year.
- an annual statement of opinion from Internal Audit on the Office's systems of control and risk management framework.
- the Internal and External Audit arrangements and follow up of recommendations overseen by the Audit Committee
- confirmation provided at Directorate level of the internal control arrangements and identification of areas for improvement.

Our procedures for Directorate and other risk registers, together with our implementation of formal project management procedures for major projects, are embedding risk management in our policy making, planning and delivery activities.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Patent Office who have responsibility for the development and maintenance of the internal control framework. The ISO 9001 Quality Management standard and ISO27001 Information Security Management System certification of some of our internal processes and systems and comments made by the external auditors in their management letter and other reports provides additional assurance. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the year periodic reviews of the strategic and Directorate risk registers have been conducted by the Board, Steering Board and Audit Committee, as well as management boards and staff teams. Internal Audit spent 109 audit days conducting audits, including reviews of internal controls, and giving specialist IT and PPM consultancy during the year. In addition, Directors took part in a peer review exercise of operational and financial controls in the year. To generate a statement of the effectiveness of internal controls, the review concluded that the office has implemented adequate controls under Leadership and Culture, Capability and Standards within the Patent Office in all key areas. Structures, Policies, Processes, Risk Management, Partnership and Stakeholder management are embedded and improving throughout the organisation.

We have strengthened the Programme and Project Management Office (PPMO) to ensure that current and future programmes and projects receive the appropriate level of support and programme and project management (PPM) best practice is embedded throughout the organisation. The PPMO was fully established in July 2010 and provides advice, support and guidance at both programme and project level. Capability of the PPMO team continues to grow and areas for enhancement have been identified.

The management of information risk continues to be a priority for the Patent Office Board and over the past year this discipline has been further embedded within each Directorate through the creation of the Information Asset Expert (IAE) role. Each IAE is charged with maintaining a culture of strong information risk management while maximising the use of our information for the public good. Each IAE submits a quarterly information risk return to the SIRO, followed by a consolidated corporate return to BIS. The SIRO regularly briefs Board colleagues on issues of information risk and risk management.

During 2010/11, a programme of information assurance improvement projects have continued to deliver change to the way the Patent Office captures, records and manages information risk. Requirements for information assurance continue to be demanding, following well-publicised data losses by Government departments. We have confirmed through external health checks that our IT systems and infrastructure have good resistance to external and internal attack. Governance and structural requirements now demanded of Government departments and agencies are in place and the Patent Office is now substantially compliant with Government requirements and has achieved a good level of maturity against the published standards following our annual assessment using the Information Assurance Maturity model.

In preparation for the Bribery Act which comes into force on 1st July 2011 an impact paper has been produced and is being reviewed by the Operating Committee.



HM Treasury's Managing Risk of Financial Loss toolkit has been piloted across the four process types which are relevant to the Patent Office. The four areas targeted were:

- Procurement – Government Procurement Card Process,
- Payroll,
- Expenses – Travel and Subsistence,
- Fees and Charges – Credit/Debit Card Payment Processes.

The only significant concern arising from this exercise was an issue surrounding compliance with Payment Card Industry Security Standards, this is discussed below. While no other significant concerns arose, the exercise demonstrated some inconsistency in the ways in which the risk of financial loss is controlled, and the final recommendation and our review of risk management policy in 2011/12 will seek to address inconsistencies.

Prior to carrying out this exercise, it had been identified that the Patent Office web form payments service was 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. It is recognised there are possible reputational consequences for the office in terms of fines and rectification costs. We judge that the probability of card data being compromised is, however, low and actions are in hand to mitigate the risk. The Patent Office contracts with a third party provider, through the Department of Work and Pensions (DWP), for processing web-based credit card payments. Changing the way that these payments are processed is, therefore, outside our direct control. The Patent Office have requested that DWP change the Government Gateway to resolve the compliance issue and is actively chasing DWP for a resolution. Subject to timely progress not being made alternative solutions will be considered for implementation.

The Head of Internal Audit's opinion for the 2010/11 accounting period was that "the design, adequacy and effectiveness of the system of internal control operating within the IPO" was satisfactory. No significant control weaknesses have been identified in the specific systems and processes reviewed as part of the Audit work that could have had an impact on the achievement of the organisation's objectives.

The conclusion of these reviews is that, with the exception of non-compliance with the Payment Card Industry Data Security Standards, there is no indication of any major control weakness that would lead me to qualify this statement on internal control and that risk management awareness is good. I conclude that risk management and controls are implemented in all key areas and that we are taking steps to improve performance.



**John Alty**  
**Chief Executive and Accounting Officer**  
**22 June 2011**

## **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 2011 under the Government Trading Funds Act 1973. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows 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 Patent Office and its Chief Executive are 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 I consider the implications for my certificate.

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

#### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2011 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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  
28 June 2011

## Statement of Comprehensive Income

For the year ended 31 March

		2011	2010
	Notes	£000	£000
Turnover	4	66,641	61,202
Staff costs	5	(35,611)	(36,041)
Depreciation and amortisation		(1,761)	(1,973)
Other operating charges		(18,169)	(18,743)
<b>Operating surplus before financing and dividend</b>		<b>11,100</b>	<b>4,445</b>
Financial Income	8	318	189
<b>Operating surplus on ordinary activities</b>		<b>11,418</b>	<b>4,634</b>
Financial Expenditure	9	(177)	(259)
<b>Surplus for the year</b>		<b>11,241</b>	<b>4,375</b>
Dividend	10	(2,721)	(2,465)
<b>Retained surplus for the year</b>		<b>8,520</b>	<b>1,910</b>
All of the operations are classed as continuing.			
<b>Other comprehensive income</b>			
Net gain on revaluation of plant, property and equipment		266	1,362
Net gain on revaluation of intangible assets	12	122	137
<b>Total comprehensive income</b>		<b>8,908</b>	<b>3,409</b>

## Statement of Financial Position

As at 31 March		2011	2010
	Notes	£000	£000
<b>Non-current assets</b>			
Property, plant & equipment	11	21,901	21,015
Intangible assets	12	1,392	1,973
		<b>23,293</b>	<b>22,988</b>
<b>Current assets</b>			
Trade and other receivables	13	2,285	2,670
Cash and cash equivalents	14	78,838	70,662
		<b>81,123</b>	<b>73,332</b>
<b>Total assets</b>		<b>104,416</b>	<b>96,320</b>
<b>Current liabilities due in less than 1 year</b>			
Trade and other payables	15	(15,834)	(14,944)
Other liabilities	15	(11,722)	(12,586)
Total current liabilities		<b>(27,556)</b>	<b>(27,530)</b>
<b>Non current assets plus net current assets</b>		<b>76,860</b>	<b>68,790</b>
<b>Non current liabilities greater than 1 year</b>			
Provision for liabilities and charges	16	(1,570)	(2,242)
Financial liabilities	17	(998)	(1,164)
<b>Total non-current liabilities</b>		<b>(2,568)</b>	<b>(3,406)</b>
<b>Net assets</b>		<b>74,292</b>	<b>65,384</b>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Public dividend capital		6,325	6,325
Revaluation reserve		3,772	3,590
General reserve		64,195	55,469
<b>Total financing</b>		<b>74,292</b>	<b>65,384</b>

John Alty

John Alty  
Chief Executive and Accounting Officer  
22 June 2011

## Statement of changes in capital and reserves

As at 31 March	PDC	Revaluation Reserve	General Reserve	Total Capital & Reserves
	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>	<b>6,325</b>	<b>2,403</b>	<b>53,247</b>	<b>61,975</b>
<b>Changes in capital and reserves for 2009/10</b>				
Net gain on revaluation of property, plant and equipment	-	1,362	-	1,362
Net gain on revaluation of intangible assets	-	137	-	137
Transfer of (excess) / realised depreciation between reserves	-	(312)	312	-
Retained surplus	-	-	1,910	1,910
<b>At 31 March 2010</b>	<b>6,325</b>	<b>3,590</b>	<b>55,469</b>	<b>65,384</b>
<b>Changes in capital and reserves for 2010/11</b>				
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
<b>At 31 March 2011</b>	<b>6,325</b>	<b>3,772</b>	<b>64,195</b>	<b>74,292</b>

## Statement of cash flows

For the year ended 31 March

	2011	2010
	£000	£000
<b>Net cash inflow from operating activities</b>		
Retained surplus	8,520	1,910
Adjustment for non-cash items	1,749	3,905
Decrease in trade and other receivables	385	154
Increase / (decrease) in trade payables	26	(2,908)
Movements in payables relating to items not passing through the operating statement (capital accruals and short term provision movement)	268	879
Use of provisions	(755)	(2,961)
<b>Net cash inflow from operating activities</b>	<b>10,193</b>	<b>979</b>
<b>Cash flows from investing activities</b>		
Purchase of property plant and equipment	(1,850)	(423)
Purchase of intangible assets	-	-
<b>Net cash outflow from investing activities</b>	<b>(1,850)</b>	<b>(423)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(167)	(166)
<b>Net Increase in cash and cash equivalents in year</b>	<b>8,176</b>	<b>390</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>70,662</b>	<b>70,272</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>78,838</b>	<b>70,662</b>

## 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.

Other assets acquired before the start of the year have been valued at net current replacement costs using appropriate indexation as at 31 March or, if lower, the recoverable amount. Assets acquired during the year have been capitalised at cost of acquisition and installation.

#### 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	58 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 consists of specialist software developed for the Patent Office.

Software development expenditure (covering the costs of third party work and the direct costs 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.

Assets acquired before the start of the year have been valued at net current replacement costs using appropriate indexation as at 31 March or if lower, the recoverable amount.

**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 15) and is only recognised in the operating account 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 operating account and on capital expenditure to the balance sheet.

**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 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 16).

**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 to 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.

**1(p) Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37 (see note 20) 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**

The following standards have been issued but have not been adopted by the Office in these financial statements as they are not yet effective:

IFRS 1 'First time adoption of IFRS' - Revision and amendments. As the Office has adopted IFRS in the period to 31 March 2009 these revisions and amendments will not have any impact on the Office.

IFRS 7 'Financial Instrument Disclosures' - Amendments. This revision enhances the disclosure requirements transfers of financial assets and applies to periods on or after July 2011.

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.

There are no Interpretations that are predicted to have an impact on the Office:

IAS 12 'Income Taxes' - Amendment. This is a limited scope amendment dealing with the recovery of underlying assets and applies to periods on or after 1 January 2012. It is not expected to have any 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 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 and 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.

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)
<b>Subtotal</b>	<b>9,424</b>	<b>1,219</b>	<b>440</b>	<b>55</b>	<b>(38)</b>	<b>11,100</b>
Financial Income						318
Financial Expenditure						(177)
Dividend						(2,721)
Retained surplus / (deficit)	<b>9,424</b>	<b>1,219</b>	<b>440</b>	<b>55</b>	<b>(38)</b>	<b>8,520</b>

2009/10	Patents	Trade marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	42,707	16,325	1,373	168	629	61,202
Expenditure	(39,896)	(15,058)	(980)	(157)	(666)	(56,757)
<b>Subtotal</b>	<b>2,811</b>	<b>1,267</b>	<b>393</b>	<b>11</b>	<b>(37)</b>	<b>4,445</b>
Financial Income						189
Financial Expenditure						(259)
Dividend						(2,465)
Retained surplus / (deficit)	<b>2,811</b>	<b>1,267</b>	<b>393</b>	<b>11</b>	<b>(37)</b>	<b>1,910</b>

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

For the year ended 31 March

	2011	2010
	£000	£000
<b>Patents</b>		
Application, search and examination fees	3,187	2,467
Renewals for UK Patents	11,256	10,188
Renewals for European patents designating the UK	32,949	29,214
Other	1,107	838
	<b>48,499</b>	<b>42,707</b>
<b>Trade marks</b>		
Application fees	8,838	8,941
Renewal fees	6,048	6,058
Other	1,197	1,326
	<b>16,083</b>	<b>16,325</b>
<b>Designs</b>		
Application fees	207	206
Renewal Fees	1,107	1,121
Other	34	46
	<b>1,348</b>	<b>1,373</b>
<b>Publications</b>	137	168
<b>Commercial services</b>	574	629
<b>Total Turnover</b>	<b>66,641</b>	<b>61,202</b>

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

	2011	2010
	£000	£000
Salaries and wages	27,057	27,205
Social security costs	2,087	2,061
Pension costs	5,149	5,166
Agency/Contract staff	1,318	1,609
Capitalised staff costs included above	-	-
	<b>35,611</b>	<b>36,041</b>

- 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](http://www.civilservice-pensions.gov.uk)).

For 2010/11 employer contributions of £5,164,529 were payable to the PCSPS (2009/10 £5,190,540) 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 reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid when the member retires and not the benefits paid during this period to existing pensioners. The rates are unchanged for 2011/12.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £8,379 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 £480, 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 £1,317. 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:

2010/11	Directors	Staff	Seconded in staff	Agency / Contract	Seconded out staff	2011	2010
Patents	1	341	-	-	1	343	352
Trade marks	1	140	-	-	5	146	145
Designs	-	-	-	-	-	-	-
Other	6	339	12	5	8	370	416
						<b>859</b>	<b>913</b>

In 2010/11 no staff or contract staff were working on capital projects (2009/10 nil).

Of the people employed by the Office in 2010/11, 848 were civil servants (881 2009/10).

**5(d)** The in year provision for early retirement and severance schemes (see note 16) was -£69,000 (£1,811,000 2009/10) 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	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
<£10,000	-	-	1	1	1	1
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	-	4	-	4
£50,000 - £100,000	-	-	-	1	-	1
£100,000 - £150,000	-	-	-	3	-	3
£150,000 -£200,000	-	-	-	4	-	4
£200,000 -£250,000	-	-	-	2	-	2
<b>Total number of exit packages by type</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>15</b>	<b>1</b>	<b>15</b>
<b>Total cost £'000</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>1,710</b>	<b>8</b>	<b>1,710</b>

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. This does not include payments for additional costs to surplus staff (or their new employer) who left the Office but remain in the Civil Service.

The Office was instructed to make payments to those members of staff over 60 at time of departure when the civil service calculation was over ruled. This meant an additional £46,000 to the costs in 2009/10.

## 6 Other non staff costs

<b>This includes</b>	<b>2011</b>	<b>2010</b>
	£000	£000
IT, Telecoms and bureau charges	6,023	5,729
Accommodation (ex leases)	2,704	3,346
Innovation support inc via Technology Strategy Board	2,562	-
Office supplies and equipment inc postage	834	1,003
Legal and hearings	828	792
Training, recruitment and other staffing costs	828	938
Research co-operation and seminars	794	653
Subscriptions to international bodies	722	745
Travel	719	753
Property lease payments	696	729
Other admin costs	655	801
Hire of office machinery	396	492
Outreach and marketing	256	553
Departmental overheads	179	213
Audit fee	36	36
Exchange rate gains/(losses)	3	(51)
Contracted out work	-	198
<b>Total</b>	<b>18,235</b>	<b>16,930</b>
<b>Non cash items</b>	<b>£000</b>	<b>£000</b>
Amortisation	703	1,190
Depreciation	1,058	783
Loss on disposal of assets	3	2
Provision for early departure in year	(69)	1,811
<b>Total non cash</b>	<b>1,695</b>	<b>3,786</b>
<b>Total cash and non cash</b>	<b>19,930</b>	<b>20,716</b>



## 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 2011 was 16.1% (7.1%.at 31 March 2010).

The return achieved for the period 1 April 2009 to 31 March 2011 was 11.8% with the capital averaged using the mean of each year.

## 8 Financial Income

	2011	2010
	£000	£000
Short term deposits - operating activities	318	189

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

## 9 Financial expenditure

	2011	2010
	£000	£000
Interest on loans (see note 17)	122	139
Unwinding of discount on early retirement provision (see note 16)	55	120
	177	259

## 10 Dividends

A dividend of £2,720,936 will be paid in July 2011 to the Consolidated Fund. The 2009/10 dividend paid in July 2010 was £2,464,925.

## 11 Property, plant and equipment

2010/11	Land	Buildings	Plant and machinery	Information Technology	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
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
<b>Depreciation</b>					
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
<b>Net book value at 31 March 2011</b>	<b>4,000</b>	<b>16,000</b>	<b>218</b>	<b>1,683</b>	<b>21,901</b>
<b>Net book value at 31 March 2010</b>	<b>4,500</b>	<b>15,500</b>	<b>206</b>	<b>809</b>	<b>21,015</b>
<b>2009/10</b>					
<b>Cost or valuation</b>					
At 31 March 2009	4,500	14,500	1,260	3,135	23,395
Additions	-	-	64	469	533
Revaluation	-	1,000	13	174	1,187
Disposals	-	-	(155)	(14)	(169)
At 31 March 2010	4,500	15,500	1,182	3,764	24,946
<b>Depreciation</b>					
At 31 March 2009	0	0	985	2,506	3,491
Provided during the year	-	246	146	462	854
Revaluation	-	(246)	-	-	(246)
Disposals	-	-	(155)	(13)	(168)
At 31 March 2010	0	0	976	2,955	3,931
<b>Net Book value at 31 March 2010</b>	<b>4,500</b>	<b>15,500</b>	<b>206</b>	<b>809</b>	<b>21,015</b>
<b>Net Book Value at 31 March 2009</b>	<b>4,500</b>	<b>14,500</b>	<b>275</b>	<b>629</b>	<b>19,904</b>

The land and buildings referred to above are freehold and were revalued at £20 million by the District Valuer, Newport, South Wales on 31 March 2011 on the basis of existing use.

The valuations were prepared in accordance with the Royal Institute of Chartered Surveyors Valuation the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards, sixth edition.

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

Depreciation in note 6 is made up of in year (£971,000) provision and downward revaluation (£126,000) by indexation offset where this reverses a previous upward revaluation (£39,000).

Depreciation in 2009/10 was made up of in year provision (£854,000) offset where the upward revaluation reverses a previous downward revaluation (£71,000).

## 12 Intangible Assets

	Software in use 2010/11	Software in use 2009/10
	£000	£000
<b>Cost or valuation</b>		
At 1 April	<b>9,763</b>	<b>9,626</b>
Revaluation	122	137
At 31 March	<b>9,885</b>	<b>9,763</b>
<b>Amortisation</b>		
At 1 April	<b>7,790</b>	<b>6,600</b>
Provided during the year	703	1,190
At 31 March	<b>8,493</b>	<b>7,790</b>
<b>Net Book value at 31 March</b>	<b>1,392</b>	<b>1,973</b>

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

The historic cost net book value at 31 March 2011 is £1,205,000. (£1,769,000 at 31 March 2010).

**13 Trade and other receivables**

	<b>2011</b>	<b>2010</b>
	£000	£000
Trade receivables	172	216
Other receivables	237	186
Prepayments and accrued income	1,876	2,268
	<b>2,285</b>	<b>2,670</b>

Sums included above which fall due after more than one year are:

Other receivables	13	14
Prepayments and accrued income	69	27
	<b>82</b>	<b>41</b>

**14 Cash and cash equivalents**

	<b>2011</b>	<b>2010</b>
	£000	£000
Short term investments	70,000	60,000
Cash at bank - at Government Banking Service	8,556	10,092
Cash at bank - in Commercial Banks	281	569
Cash in hand	1	1
	<b>78,838</b>	<b>70,662</b>

## 15 Current liabilities

	2011	2010
	£000	£000
User deposit accounts	5,299	4,379
Trade payables	10,535	10,565
	<b>15,834</b>	<b>14,944</b>
Deferred income - prepayment	3,138	3,289
Early retirement provision (see note 16)	722	819
Taxation and social security	681	683
Superannuation	483	485
Other liabilities	36	34
Dividend payable	2,721	2,465
Untaken annual leave owed	1,377	1,505
Dilapidations	-	400
Accruals	2,398	2,739
Loans (see note 17)	166	167
	<b>11,722</b>	<b>12,586</b>

## 16 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 operating account is charged with the full liability of new decisions taken and a provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2011 and 2019. The provision has been assessed at current prices at the balance sheet date, and, in accordance with Internal Accounting Standard 37, has been discounted at a real rate of 2.9% (1.8% at 31 March 2010), with the unwinding of the discount treated as an interest charge on the operating account (see note 9). The change in discount factor has reduced the value required in the provision.

	2011	2010
	£000	£000
At 1 April	<b>3,061</b>	<b>4,091</b>
Provision made in year	(69)	1,811
Unwinding of discount on provision	55	120
Payments offset against the provision	(755)	(2,961)
At 31 March	<b>2,292</b>	<b>3,061</b>
Less amount payable within one year (included in payables - see note 15)	(722)	(819)
Amount payable after one year	<b>1,570</b>	<b>2,242</b>

## 17 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 2011	Fair Value 2011	Book Value 2010	Fair Value 2010
£000					£000	£000		
2,161	1.10.91	26 years	9.625%	} 9.813%	582	703	665	810
2,164	31.03.92	26 years	10.000%		582	698	666	802
					1,164	1,401	1,331	1,612
Amounts due within one year (see note 15)					166		167	
Amounts falling due over one year					998		1,164	

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2011 interest rate of 4.15%: 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).

## 18 Capital commitments

	2011	2010
	£000	£000
Contracted	-	-

## 19 Commitments under leases

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

	2011	2011	2010	2010
	£000	£000	£000	
	Buildings	Other	Buildings	Other
Leases expiring:				
within 1 year	68	-	68	-
between 1 and 5 years	543	864	734	1,142
after 5 years	6,750	-	6,810	-
	<b>7,361</b>	<b>864</b>	7,612	<b>1,142</b>

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

## 20 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 and future government policy.

The Directors are not aware of any other contingent liabilities at 31 March 2011.

## 21 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 UK 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.

## 22 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 financial liabilities carry nil or fixed rates of interest.

Interest bearing financial assets (see note 14) 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.

All fees are denominated in sterling with the exception of certain international trade mark business. The Madrid Protocol element (3.23% of turnover), denominated in Swiss Francs and payable by the World Intellectual Property Organisation, is managed by offsetting this against the sums due to the Organisation in respect of Patent Co-operation Treaty fees.

### Credit risk

There is no material credit risk to the Office.

## 23 Intra-government balances

	2011	2011	2010	2010
	£000	£000	£000	£000
	Receivables	Payables	Receivables	Payables
Balances with:				
Central government bodies	321	4,504	329	4,393
Local authorities	-	9	45	48
Public corporations and other trading funds	-	27	-	2
Total at 31 March	321	4,540	374	4,443

All balances fall due within one year.

## 24 Subsequent Events

The financial statements were authorised for issue on 28 June 2011



# Annex 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 Eight

## Remuneration

### 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 four tranches. Individuals are allocated according to the guidelines that are in place for the relevant performance year. For the 2010-11 year individuals should be allocated in the following way:

25% of individuals to be in performance group 1, 40% in group 2, 20/25% in group 3, 5/10% in group 4.

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 20 May 2010 to moderate the 2010/11 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](http://www.civilservicecommissioners.gov.uk).

## 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

	2010/11		2009/10	
	Salary	Bonus	Salary	Benefits in kind (to nearest £100)
	£000	£000	£000	£000
John Alty <sup>1</sup> Chief Executive from 15.02.10	145 – 150	5 – 10	15 – 20 (120 - 125 full year equivalent)	Not Applicable
Sean Dennehey <sup>2</sup> (Also Interim Chief Executive from 01.11.09 to 15.02.10)	110 – 115	5 – 10	110 – 115	10 – 15
Andrew Hardingham <sup>3</sup> Director from 23.11.09	100 – 105	0 – 5	35 – 40 (95 - 100 full year equivalent)	Not Applicable
Robin Webb <sup>1</sup>	60 – 65	0 – 5	60 – 65	5 – 10
Louise Smyth <sup>1</sup>	60 – 65	5 – 10	60 – 65	10 – 15
Peter Holland <sup>1</sup>	60 – 65	0 – 5	60 – 65	10 – 15
Andrew Layton <sup>1</sup>	65 – 70	5 – 10	65 – 70	10 – 15
Edmund Quilty <sup>1</sup>	70 – 75	0 – 5	70 – 75	0 – 5

<sup>1</sup> is a member of the Senior Civil Service.

<sup>2</sup> is a member of the Senior Civil Service by analogy.

<sup>3</sup> is a member of the Senior Civil Service with a renewable three year contract.

### 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 £25,000 in reimbursement for gross taxable expenses relating to his detached duty in South Wales. Andrew Hardingham's salary includes £18,000 in reimbursement for gross taxable expenses relating to his detached duty in South Wales

### Benefits in kind

There were no benefits in kind in 2010/11 or in 2009/10.

## 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 2010/11 relate to performance in 2009/10 and the comparative bonuses reported for 2009/10 relate to the performance in 2008/09. 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 31/3/11 and related lump sum	Real increase / (decrease) in pension and related lump sum at age 60	CETV at 31/3/11 or leaving office	CETV at 31/3/10 or taking office	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
John Alty Chief Executive	50 – 55 plus 155 - 160 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	997	915	(2)
Sean Dennehey	45 – 50 plus 135 - 140 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	831	770	(1)
Andrew Hardingham Director	2.5 – 5 plus 0 – 2.5 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	31	8	20
Robin Webb	15 – 20 plus 50 - 55 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	252	227	3
Louise Smyth	15 – 20 plus 50 - 55 lump sum	0 – 2.5 plus 0 - 2.5 lump sum	248	225	3
Peter Holland	15 - 20 plus 30 - 35 lump sum	0 – 2.5 plus (0 – 2.5) lump sum	242	218	3
Andrew Layton	15 - 20 plus 45 - 50 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	173	155	3
Edmund Quilty	20 - 25 plus 70 - 75 lump sum	0 – 2.5 plus 0 - 2.5 lump sum	420	386	1

The actuarial factors used in calculating CETVs were changed in 2010/11. The CETVs at 31/03/10 and 31/03/11 have both been calculated using the new factors, for consistency. The CETV at 31/03/10 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](http://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.

## 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:

	2010/11 Remuneration £000	2009/10 Remuneration £000
David Richards Reappointed 9 March 2006 to 5 February 2010 extended to 5 February 2011 with permission of Minister of State	Not Applicable	Not Applicable
Bob Gilbert Appointed from 6 February 2011 to 5 February 2014	0 – 5	Not Applicable
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**  
**22 June 2011**





# Chapter Nine

## Sustainability Report

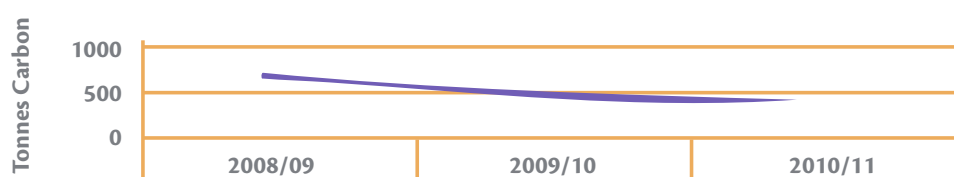
From 2011/12, all central government bodies that produce an annual report and accounts in accordance with HM Treasury's Government Financial Reporting Manual (FRM) are required to include a section in their annual report covering performance on sustainability during the year. This is the first time that the Intellectual Property Office (IPO) has produced this report.

The Intellectual Property Office have seen a number of environmental successes during the year. We have met the Sustainable Operations on the Government Estate (SOGE) targets on waste, recycling, water consumption and carbon emissions from vehicles and also our own more challenging corporate target on recycling. However, while our impressive performance on energy reduction continued into the early part of the financial year, the exceptionally cold winter thwarted our progress and meant that the SOGE target and our own corporate target on carbon emissions from offices were not met.

### Summary of Performance

#### Carbon Emissions (from offices)

Carbon Emissions (from offices)		2008/09	2009/10	2010/11
Non-financial indicators	Carbon emissions from gas and electricity usage (tonnes carbon)	601	503	488
Related energy consumption (kwh)	Electricity	3,379,787	2,981,555	2,828,137
	Gas	4,035,357	2,960,562	3,018,125
	Other			
Financial Indicators (£)	Gas	133,717	96,211	81,786
	Electricity	343,207	279,917	251,150
	Other			
	CRC – registration fee			950
	CRC – Subsistence charge			1290



Carbon Emissions (from offices)

## Performance to date

Energy usage has fallen considerably over the past three years, this has been mainly due to:

- A programme of virtualisation which has considerably reduced the number of IT servers and related air conditioning units;
- Improvements to the heating system including a reduction in the temperature and time during which the heating is turned on; and
- Installation of a voltage optimisation unit and a new Building Management System (BMS).

Evidence of this progress is reflected by the fact that our Display Energy Certificate (DEC) rating has improved from an F to a D rating in this period. We were also awarded the Carbon Trust Standard in 2010.

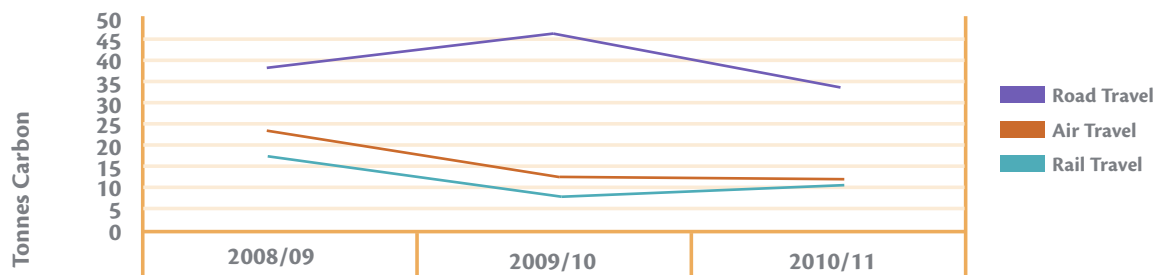
However, despite these measures, performance against the SOGE target to reduce carbon emissions from offices was disappointing. Increases in the amount of additional equipment installed and lack of energy efficiency measures in the early years after the target was set in 2006 have meant that we narrowly missed the 12.5% reduction required by the end of financial year 2010/11.

## The future

We are currently working towards the target set by the Prime Minister to deliver a 10% reduction in our carbon emissions from energy usage over the year to 13 May 2011. Government are finalising new Greening Government commitments for the current parliament (to 2014/15) and we have set ourselves a corporate target to reduce carbon emissions by 5% by April 2012 towards this target.

## Carbon Emissions (from travel)

Carbon emissions (from travel)		2008/09	2009/10	2010/11
Non-financial indicators	Road travel (tonnes carbon)	23.61	12.23	11.7
	Air travel (tonnes carbon)	39.44	45.35	34.50
	Rail travel (tonnes carbon)	17.4	9.3	10.59
Financial Indicators (£)	Expenditure on accredited offsets (GCOF II)	-	-	6,822
	Travel expenditure (UK)	680,753	442,636	418,276
	Travel expenditure (overseas)	416,898	310,555	301,136



Carbon Emissions (from travel)

## Performance to date

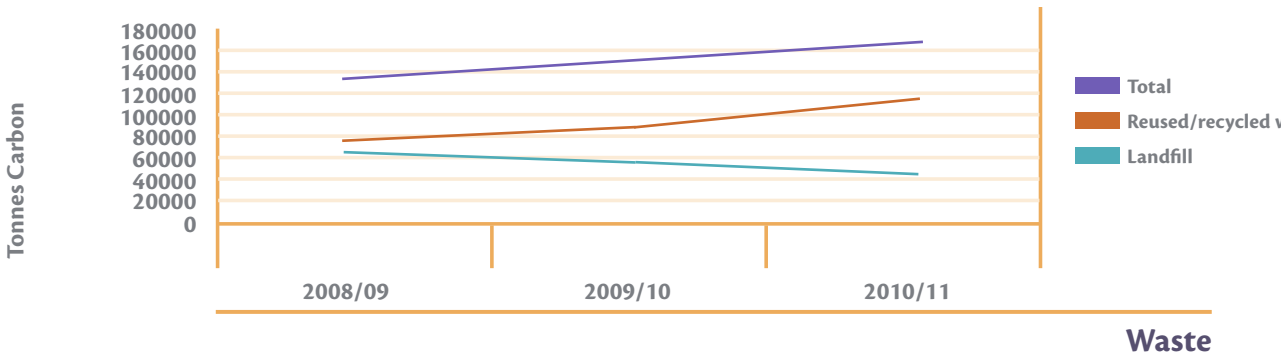
The SOGE target to reduce carbon emissions from road vehicles by 15% by end financial year 2010/11 was met. Emissions from all modes of transport has reduced over the previous 3 years. We have invested in a number of video conferencing units and provided training for all staff to reduce the amount of air and rail travel undertaken.

## The future

We have set a corporate target to reduce the amount of domestic air travel by 5% in this financial year.

## Waste

Waste		2008/09	2009/10	2010/11
Non-financial indicators	Total Waste (tonnes)	136,147	148,076	161,438
	Reused / Recycled (tonnes)	74,162	87,601	108,871
	Landfill (tonnes)	61,985	60,475	52,567
	Incinerated / energy from waste	-	-	-
	% recycled	54%	59%	67%
Financial Indicators (£)	Total Waste	28,218	26,616	31,861
	Reused / Recycled	14,983	13,812	18,990
	Landfill	13,235	12,804	12,871
	Incinerated / energy from waste	-	-	-



## Performance to date

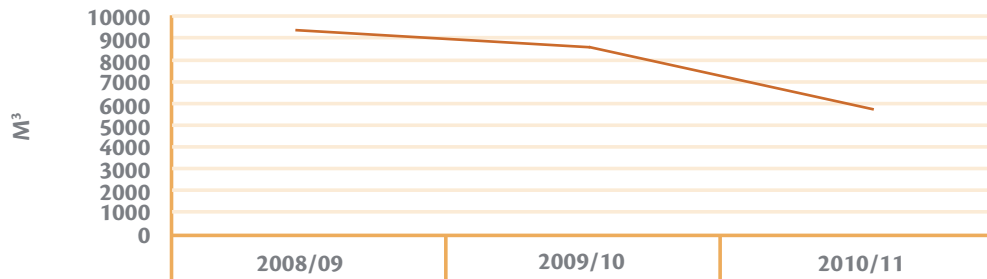
We recycle white and mixed paper, batteries, toner cartridges, glass, cans, plastic, fluorescent tubes, cardboard, IT equipment, pallets and furniture. Staff are encouraged to recycle their waste at collection points around the office. Over the past few years we have introduced new recycling points in open plan offices and removed personal waste bins. We also recently set up a composting scheme on a trial basis. We met the SOGE targets to reduce the total amount of waste and increase recycling rates from a 2006 baseline and also met last years challenging corporate target to recycle 60% of our waste.

## The future

IPO has set a corporate target to reduce the amount of waste produced by 5% in this financial year. We will continue to move more staff to multi function devices and remove personal printers which will reduce the amount of white paper we use.

## Use of Finite Resources (Water)

Use of Finite Resources (Water)		2008/09	2009/10	2010/11
Non-financial indicators	Water consumption (m <sup>3</sup> )	9,251	8,446	5,996
Financial Indicators (£)	Water supply costs	25,473	24,986	15,125



**Water**

### Performance to date

Water consumption has been falling steadily since the SOGE targets were set in 2006. We achieved a 54% reduction on the baseline by end financial year 2011. A number of measures have contributed to this including the installation of low flush toilets, waterless urinals and sensor taps.

### The future

For 2011/12 we have set ourselves a 5% reduction target in water consumption. To achieve this we will implement a rain water harvesting system

## Biodiversity & Adaption Action Plans

Not applicable for IPO.

## Sustainable Procurement

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

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 SMEs 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 have previously reported our progress against the SOGE (Sustainable Operations on the Government Estate) targets. Since 2007 we have set ourselves annual corporate targets that would allow us to meet the SOGE targets.

A dedicated team are responsible for providing management information on environmental performance to the Board. The same team monitor progress and escalate issues to the Operating Committee through the Director of International Policy who is the Office board level Green Champion. The Operating Committee will approve any requests for additional spend etc. which may be needed to enable us to meet these targets.



# **Annual Report and Accounts**

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Intellectual Property Office  
Annual Report and Accounts  
2010/2011

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