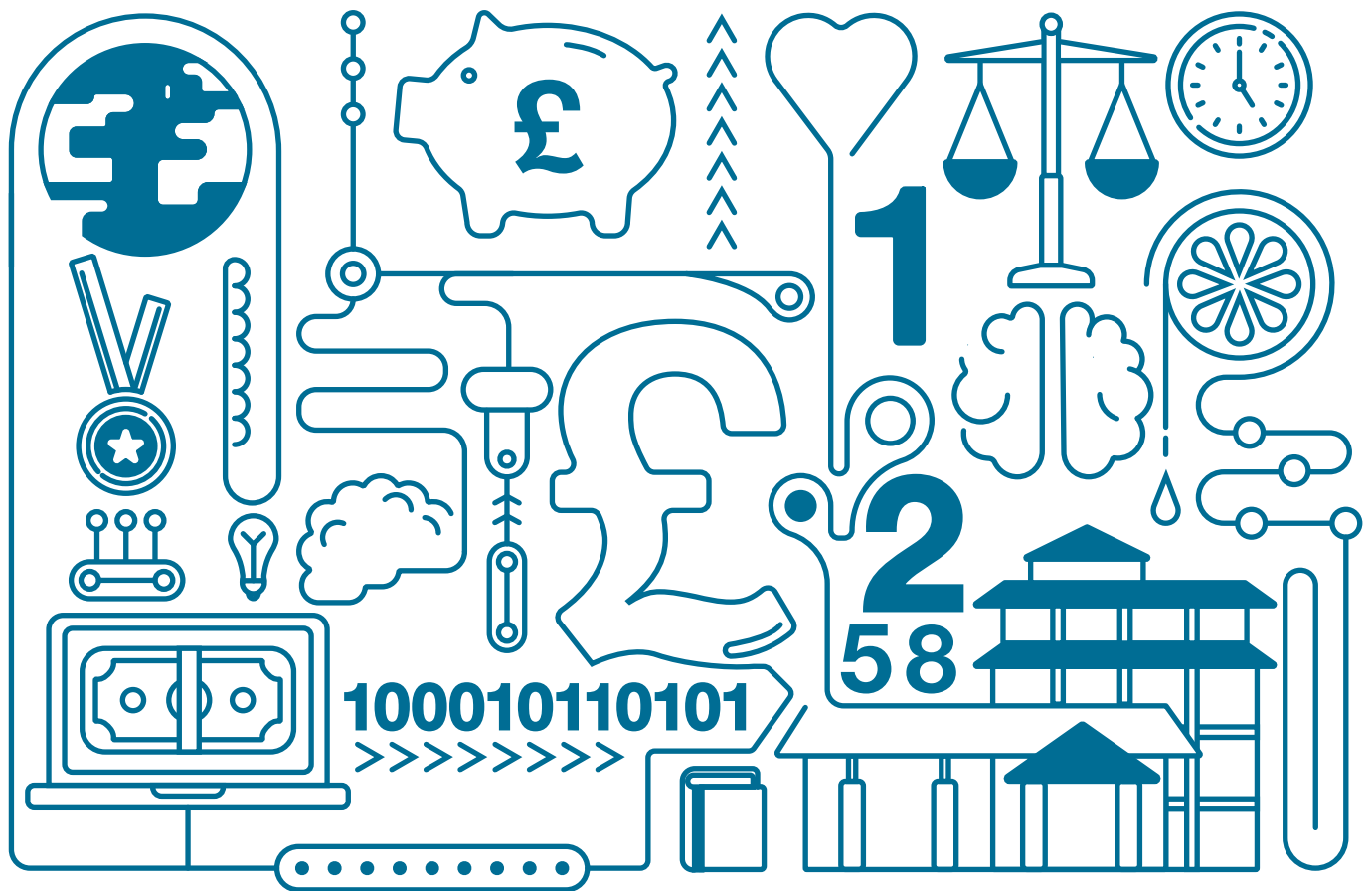




Intellectual
Property
Office

The Patent Office Annual Report and Accounts

2018/19



IPO | Making life better through IP

Intellectual Property Office is an operating name of the Patent Office

HC 2630

The Patent Office

Annual Report and Accounts

2018/19

The Patent Office

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2018/19 Annual Report & Accounts

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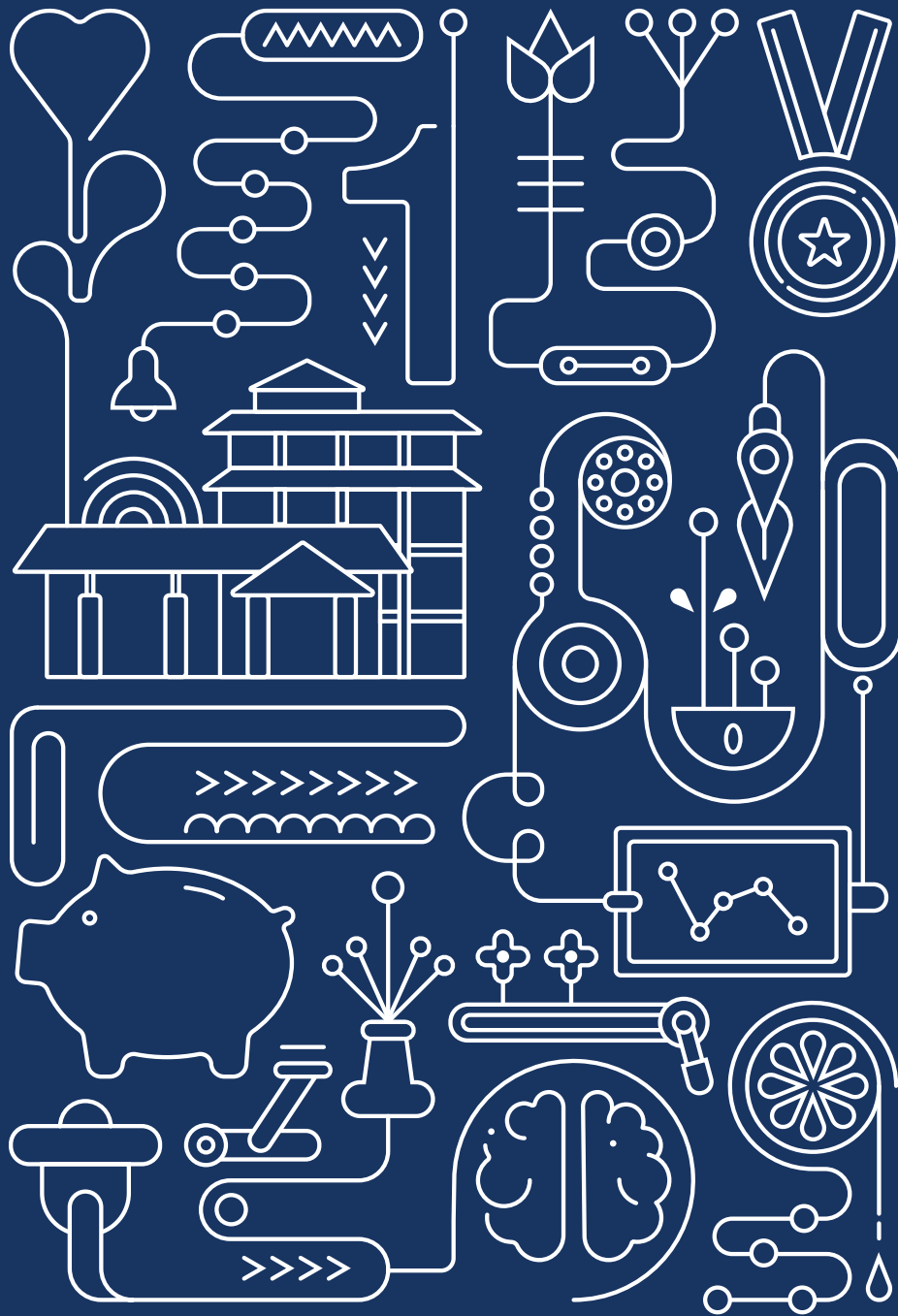
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The Patent Office
Annual Report and Accounts

Chair's Statement

Following almost six years as Non-Executive Director at the Intellectual Property Office (IPO), this interesting, eventful and very successful year has been my first as Chair of the IPO's Steering Board.

As we continued to prepare for the UK's departure from the European Union (EU), I have been impressed with the organisation's ability to respond to the uncertainty, and plan for a range of scenarios so that we will be able to deliver the best possible outcomes on intellectual property (IP), whatever the final settlement turns out to be. The key focus has been on delivering the policy and legal framework to ensure continuity of rights in a no deal scenario and preparing our IT systems to support the UK's exit from the EU.

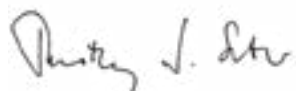
Alongside our EU preparation, we once again met all of our Ministerial Targets and made considerable progress in delivering the IPO's strategy. Launched in 2018, this supports the delivery of the Government's Industrial Strategy, through being the best IP office, delivering excellent IP services, creating a world leading IP environment and being a brilliant place to work.

During the year, we have seen record levels of trade mark and design applications, but we were still able to deliver IP rights on time and to a high quality, achieving an excellent customer satisfaction rating for the year. We have continued to deliver on key policy initiatives, such as the EU Trade Mark Directive, and have helped businesses understand the importance of IP and how to manage it.

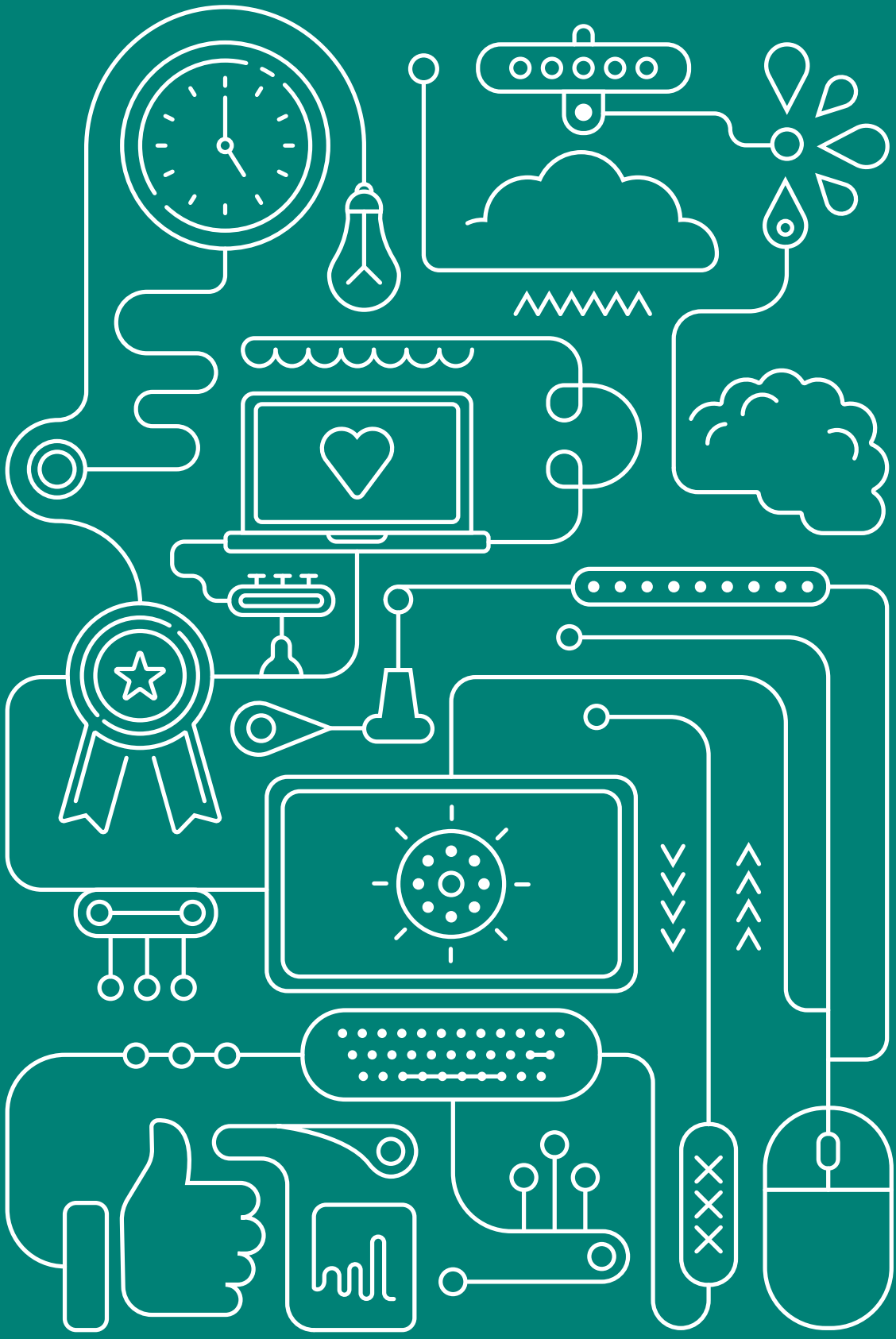
We have further developed our international role, working with IP offices in China, Latin America, India and South East Asia to create a better environment for UK companies. I am pleased to note the important role played by the IPO in establishing the first IP crime forum in Brazil and supporting changes to Hong Kong's IP court system, all of which allows UK businesses to protect and enforce their IP rights abroad.

The dedication and skill of our people are core to our continued success. Our commitment to valuing our people means that the organisation continues to be a great place to work. This is demonstrated by our People Survey engagement score, which puts us within the Civil Service high performance bracket, and we have once again been named one of the most inclusive employers in Britain by LGBT equality charity Stonewall in its Top 100 Employers list for 2019.

We have an ambitious year ahead where we intend to make significant progress with our digital transformation programme, while we continue to respond to the challenges and opportunities of EU Exit. We see our people as fundamental to achieving all of our goals and I would like to thank all our employees for their contribution over the past year. I look forward to working with you over the next 12 months.



Tim Suter
Chair



Chief Executive's Introduction

I am delighted to introduce the Annual Report and Accounts for 2018/19.

Our Corporate Plan 2018/19 was the first step in delivering against our refreshed strategy, and we had a busy, yet very successful year. The uncertainty around the UK's exit from the EU has proved challenging and we have had to plan for a range of scenarios which has made a significant impact on our activity and workload. Against this backdrop we were able to meet all our targets set by the Minister and have made excellent progress in achieving our strategic goals in delivering excellent IP services, creating a world leading IP environment and making the IPO a brilliant place to work.

This report sets out the detail of our achievements this year and I am pleased to provide my perspective on our performance over 2018/19, with notable achievements including:

Delivering Excellent IP Services

Delivering for our customers is central to what we do at the IPO and we continued to provide excellent customer service, achieving a customer satisfaction rating of 87.5%. We saw an increase of 11% in trade mark applications and 15% in design applications, and still achieved all of our targets around timeliness. In patents, we turned over 95% of requests for accelerated processing of patents within two months and continued to reduce our search backlog by 85%, eliminating it in most technical fields.

We are committed to developing our service for customers and during the year have adapted our trade mark and design IT systems in preparation for the UK's exit from the EU and could have delivered the changes required if the UK left the EU without a deal on 29 March. We have also set the preparatory work for the transformation of our digital services over the next three years and have developed clear milestones of what we want to achieve.

Creating a World-Leading IP Environment

We are consistently ranked as having one of the top regimes in international indices, including the Taylor Wessing Global IP Index and US Chambers of Commerce International IP Index. We have maintained this world leading approach by ensuring we can deliver a strong IP framework when the UK exits from the EU, increased our understanding on the future challenges for IP around advances in technology and have continued to reach out and educate businesses, young people and universities about the importance of IP. During the year, we engaged with more than 90,000 businesses on IP and more than 80% of them felt able to make an informed decision about managing their IP. Our support to businesses is not just confined to the UK and our attachés across South East Asia, India, China, Brazil and Europe have reached more than 4,000 businesses looking to trade and invest overseas.

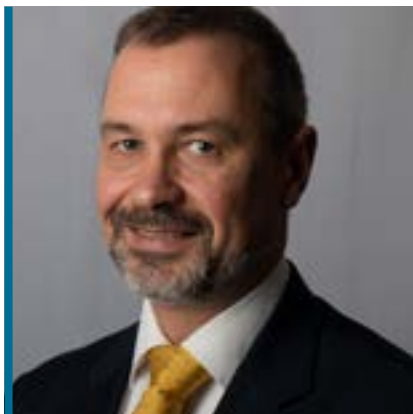
Making the IPO a Brilliant Place to Work

The IPO is already a great place to work. We had an engagement score of 68% in the Civil Service People Survey, were placed 13th in the Top 100 Employers list for 2019 by LGBT equality charity Stonewall and were accredited Gold in Mind's Workplace Wellbeing Index 2018/19. This is a testament to all of our hard work during the year to making the IPO a brilliant place to work, where everyone is confident to be themselves and to do their best work. Shared values and behaviours, resulting in a respect for difference and common purpose, will help us thrive. We have developed a set of mutual expectations between the IPO and our people, demonstrated our commitment to a zero-tolerance approach to bullying and harassment and developed our mental health support offering.

“We were able to meet all our targets set by the Minister and have made excellent progress in achieving our strategic goals.”

Looking forward, we will continue to work towards our ambition of being the best IP office and through supporting the government's Industrial Strategy, helping the UK become the most innovative and creative country in the world. The IPO has a vital role to play in developing the right IP framework and infrastructure and creating the environment that supports innovation and creativity. That is why an important step next year, in addition to responding to the challenges and demands of EU Exit, will be the transformation of the way we deliver our services. 2019/20 will be the first year in the programme to provide truly modern IP services to our customers, where the channel of choice is digital.

The achievements and successes throughout the year demonstrate our ability to address these challenges and demonstrate our commitment to our role of making life better through IP. None of this would be possible without the dedication and hard work of the fantastic team at the IPO, thank you.



A handwritten signature in black ink, appearing to be 'Tim Moss'.

Tim Moss CBE
Chief Executive and Accounting Officer
2nd July 2019

Performance Report

Overview

This overview is to aid understanding of the organisation, its purpose, key risks, and performance over the past year.

The IPO is the official UK government body responsible for IP rights including patents, designs, trade marks and copyright. The IPO is a Trading Fund and an Executive Agency of the Department for Business, Energy and Industrial Strategy (BEIS).

Our organisation is led by the Chief Executive and Accounting Officer. The IPO has seven directorates each headed by a Director. Our non-executives provide advice and an external perspective to the organisation.

Our corporate governance structure is described in our Framework Document¹.

Our financial statements are prepared on the going concern basis as outlined in the Governance Statement and in Note one to the accounts.

The IPO's overall performance is measured against key performance targets which are reviewed and set annually by the Minister, in the context of agreeing the Corporate and Business Plans, following consultation with the Chief Executive and the Steering Board.

Our Chief Executive, Tim Moss, joined the IPO in May 2017 and conducted a refresh of our strategy, purpose and goals to ensure they met the ever-changing business, technical, economic and political environments.

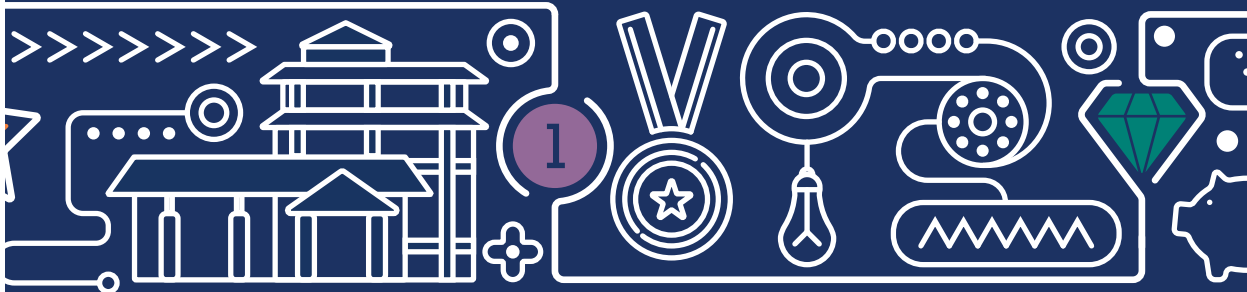
Following this review, we launched our new IPO Strategy in April 2018 and have aligned our targets and priorities to our revised strategic pillars of: delivering excellent IP services; creating a world-leading IP environment, and making the IPO a brilliant place to work. Our Corporate Plan 2018/19 was the first step in delivering against our refreshed strategy.

This section of the Annual Report and Accounts reflects the performance of the organisation against our Ministerial Targets and Corporate Priorities, providing a balanced view of progress and outlining future plans to support achievement of our strategic objectives.

¹ <https://www.gov.uk/government/organisations/intellectual-property-office/about/our-governance>

Corporate Strategy:

Our role: Making life better through IP
Our Ambition: To be the best IP office



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

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

Deliver Excellent IP Services

Delivering IP services for our customers is central to the IPO. To be the best, we will build on our strengths in rights granting and related services, provide timely, reliable and quality services, develop end to end digital services and improve our data services.

Create a World-Leading IP Environment

The UK has a world class IP system, but this is only part of the picture. We want the whole IP environment, from the legal and policy framework, to the level of IP knowledge and the ability to protect rights to be world leading, and provide incentives to be creative and innovative. We will achieve this through developing the legislative and policy framework; increasing IP's impact through awareness and education; and reducing IP crime and infringement.

Make the IPO a Brilliant Place to Work

The IPO is already a great place to work, and we want to make it a brilliant place to work, where everyone is dedicated to providing the best services for our customers. Our three key focus areas are: having solid foundations to retain and attract the right people; having a great culture, with shared values and behaviours, a respect of difference and a common purpose; and having healthy people working in a healthy environment.

Performance summary

We have delivered a strong performance, as demonstrated by the achievement of our Ministerial Targets (see page 9), and have completed or made significant progress against our Corporate Priorities (see page 11). Key highlights from 2018/19 include:

- achieving a customer satisfaction rating of 87.5%;
- processing record levels of trade marks and design applications;
- successfully implementing the EU Trade Mark Directive, the Portability Regulation, and the Marrakesh Treaty, amongst other key policy work;
- setting out a new international strategy and working with IP offices worldwide, including establishing the first IP crime forum in Brazil;
- engaging with more than 90,000 businesses on IP and more than 80% of them felt able to make an informed decision about their IP;
- delivering our most successful awareness campaign to date, focused on counterfeit poppy merchandise;
- achieving first place in the Civil Service People Survey Learning and Development category;
- being named one of the most inclusive employers in Britain by LGBT equality charity Stonewall in the Top 100 Employers list for 2019.

These are just a selection of the large number of successes over the past year.

Looking forward and key risks

Looking forward, we have agreed new Ministerial Targets and corporate priorities for the financial year 2019/20 (see page 29). The key risk that could affect our achievement of these objectives is the significant increase in demand for our services and the change in customer base as a result of the UK's exit from the EU, which could impact our ability to deliver high quality customer service. The ongoing uncertainty around EU Exit impacts our ability to deliver our strategy. Other key risks include ensuring we have the skills and capabilities to deliver the broad spectrum of our work; and maintaining relationships with our stakeholders during our work to deliver the best possible outcomes on IP throughout the UK's exit from the EU.

We will continue to manage these risks and uncertainties, but expect to be able to deliver the key performance indicators.

Performance Analysis: Review of IPO Business 2018/19

Ministerial Targets

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

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

Our targets for 2018/19 and performance against these is set out below:



Delivering excellent IP services

- At least 85% of our customers will rate us 8/10 or higher for overall satisfaction.

Target met: 87.5%

- We will offer faster handling of patent applications, by providing an examination report with a search report when both are requested at the application date, and meeting at least 90% of requests for an accelerated two-month turnaround for search, publication and examination.

Target met: 96%

- We will have prepared the systems supporting our trade marks service for the UK's exit from the EU and the implementation of the EU Trade Marks Directive.

Target met: Legislatively we are entirely ready for the UK's exit from the EU, and we are in a position to deliver the supporting IT change, so stakeholders can litigate and manage their rights upon Exit.



Creating a world leading IP environment

- We will ensure that all of the IPO's Statutory Instruments relating to EU Exit are drafted and ready for laying as required by the legislative authorities.
Target met: All Statutory Instruments relating to EU Exit have been laid, debated and approved in Parliament by the deadlines required.
- 60% of the businesses we reach and survey will confirm that they have made an informed decision on their IP.
Target met: 80%
- We will deliver our part of the Creative Industries Sector Deal and alongside industry, develop appropriate voluntary measures targeting online market places, social media and digital advertising.
Target met: We have held formal round tables and bi-lateral engagement on all three workstreams.



Making the IPO a brilliant place to work

- We will achieve a Return on Capital Employed (ROCE) of at least 4%.
Target Met: We achieved a ROCE of 6.2%. The Treasury Minute at Appendix A requires the Office to achieve for the period from 1 April 2014 to 31 March 2019 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 period 1 April 2014 to 31 March 2019 was 7.2% with the capital averaged using the mean of each year.
- We will demonstrate an efficiency gain of at least 3.5%.
Target met: We achieved efficiencies equivalent to 5.2% of our baseline costs.

- We will develop and launch 'The Deal', clarifying the mutual expectations between IPO and our employees.

Target met: We have successfully articulated and published 'The Deal', including the five principles: respectful; accountable; confident; reasonable; and pragmatic.

- We will externally validate and benchmark our provision for the mental health of our people.

Target met: We achieved a Gold Award in the Mind Workplace Wellbeing Index 2018/19.

Corporate Priorities 2018/2019



Delivering excellent IP services

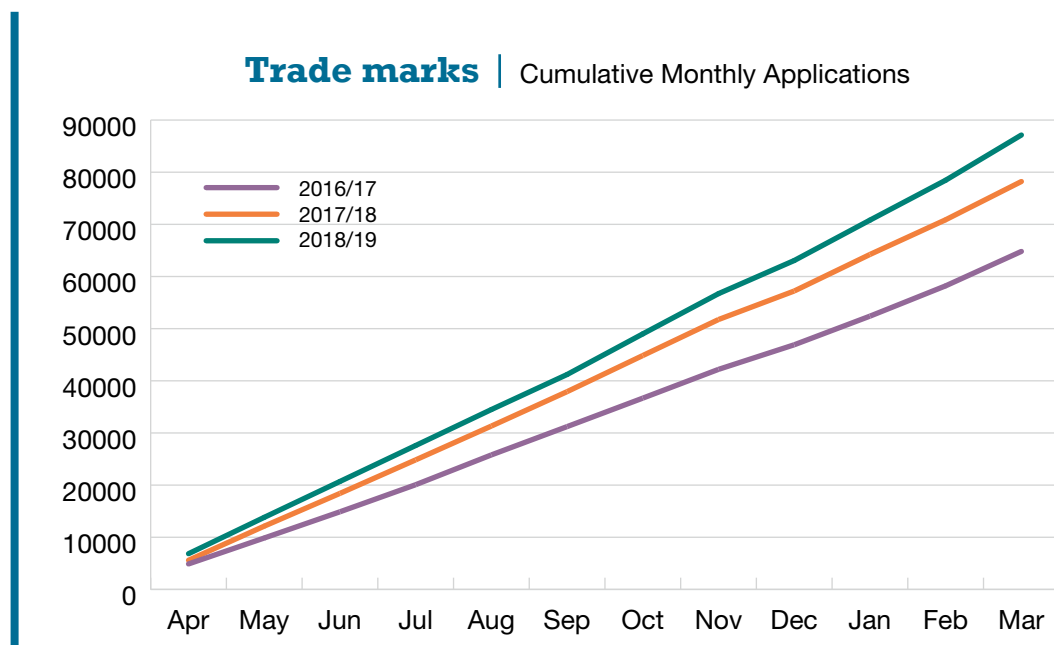
Delivering IP services for our customers is central to the IPO. To be the best we will build on our strengths in rights granting and related services, and improve our digital services and data. We are focusing on three areas: timely, reliable and quality services; end-to-end digital; and improving data services and sharing knowledge. We aim to offer our customers the services that they need in the way that they need them.

Our customer survey has shown that our **overall customer satisfaction is 87.5%** against a target of 80%. We have worked to develop our **understanding of our customers**, their needs and what they value. As part of this we have developed a fresh segmentation of our customers drawing on benchmarking work with other IP offices and data to help define and distinguish the segments. We have also devised a new approach to customer focus groups which was tested at an all-day event supporting six different service development projects and drawing insight from a mix of IP professionals.

Timely, reliable and quality services

We have continued to ensure **high quality and timely rights granting, rights management and tribunal services** for patent, trade mark and design customers, meeting many of our internal timeliness targets. We have implemented new processes to maintain and improve the **quality of our rights**, and in February, we obtained a single ISO 9001:2015 certificate for the granting and registration of IP rights.

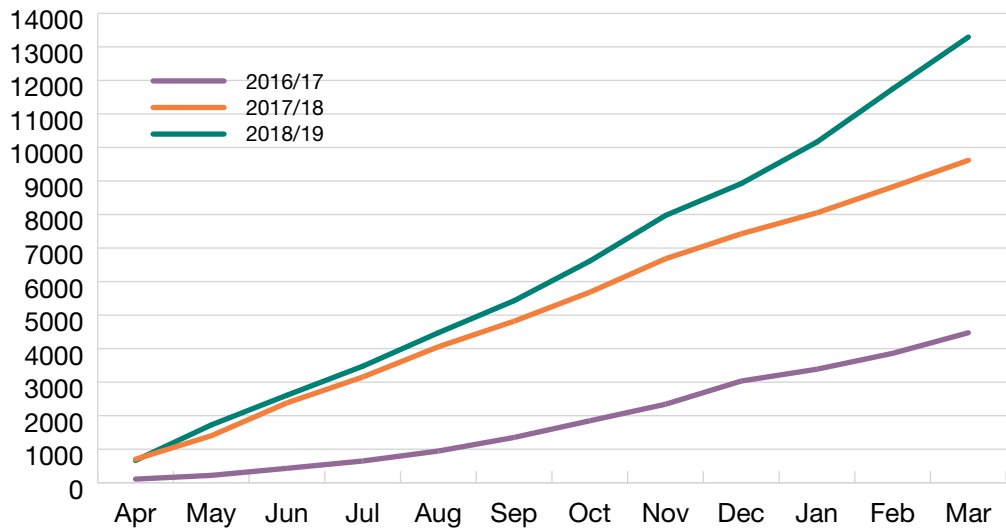
We have seen significant growth in demand for our trade mark and design services, but had a dip in patent demand. The following graphs show the cumulative monthly filings of trade mark, design and patent requests:



During 2018/19, 87,133 national trade mark applications were received, 11.4% higher than the 78,216 we received in 2017/18. This is still above the historical trend, despite being just over half of the growth in 2017/18 (21%). Much of the growth from 2018/19 came from overseas filings, which showed a near 50% increase, with over a third of these overseas applications coming from China, and applications from EU Member States also increasing, likely in preparation for the UK's exit from the EU. As this has happened, domestic growth has slowed, affecting the balance of UK/non-UK filings at about 75%/25% in 2018/19, versus 90%/10% in 2015/16. We have managed to maintain our time from receipt of application to first examination at five working days despite the significant increase in demand. This is an internal target which forms part of our business plan, and was achieved through careful management of workloads and hiring of additional examiners throughout 2018/19. There is no legal timeframe for domestic application examination times.

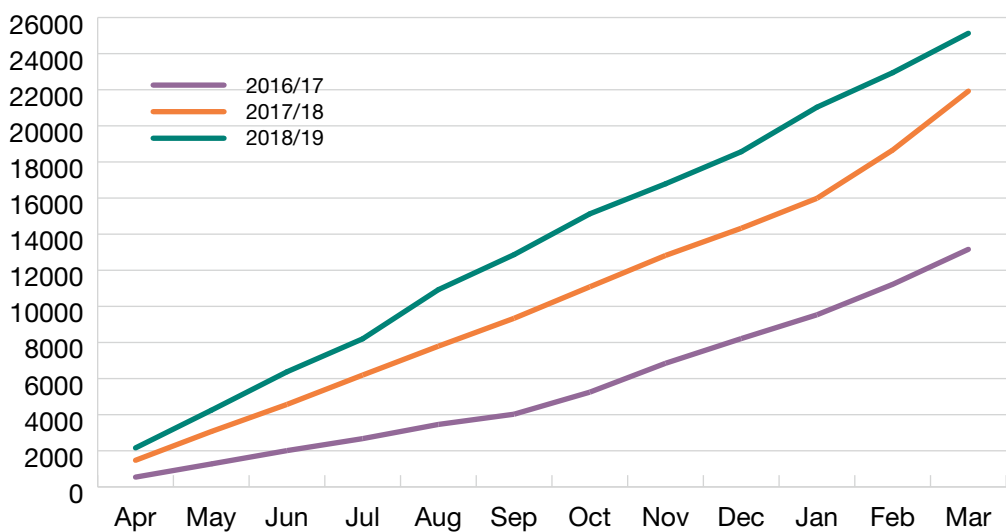
We published 96% of successful applications for national trade marks for opposition within 90 days of filing against a target of 90%.

Trade marks | Cumulative Monthly International Registrations Designating UK



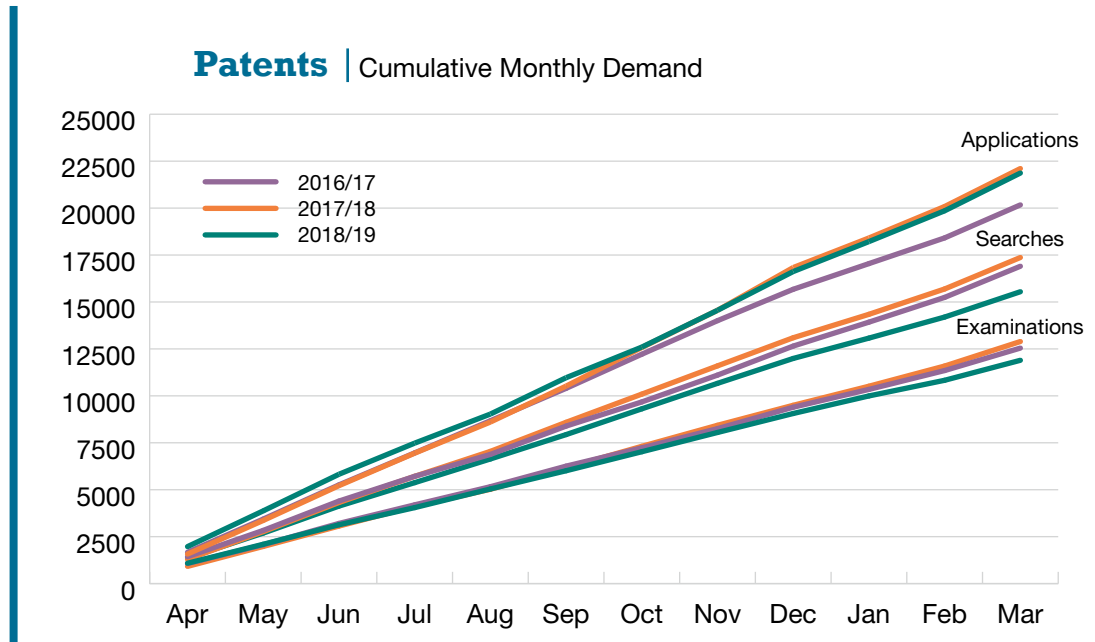
The shift towards gaining a specific UK registration, rather than covering the UK through the EU, is also being seen in international designations through the Madrid System administered by WIPO. We received 13,294 trade marks designating the UK, an increase of 38.2% on the previous financial year. Time from receipt of application to first examination is at 12 working days for International Registrations. This is an internal target only. We are obliged to inform WIPO of objections within 18 months of receipt as part of the Madrid Protocol.

Designs | Cumulative Monthly Demand



There were 25,131 design applications received in 2018/19, against 21,924 received in 2017/18, an increase of 14.6%. We received 99% of applications digitally, and of the digitally-filed design applications with no deficiencies, we registered 99% within 10 working days, against a target of 95%. We maintained a time to examination of four working days.

We have been accepting international design applications since June 2018 and have received 520 cases since introduction.



We received 20,171 patent application requests in 2018/19, a decrease from the 22,108 requests received in 2017/18.

There were 15,546 requests for searches, against 17,369 received in 2017/18, and there were 11,894 examination requests, against 12,893 in 2017/18.

We offer faster handling of patent applications by providing an examination report with a search report when both are requested at the application date, and met 96% of requests for an accelerated two month turnaround for search, publication and examination against a target of 90%.

We delivered 87% of patent searches within six months, against a target of 90%. This is because we put a focus on clearing some technology areas with a larger number of late searches. We have addressed areas with particularly high numbers of searches by collaborating with the EPO to complete searches for these technology areas. This has put us in a very strong position for the coming year, with late searches expected to be eliminated by the end of the first quarter of 2019/20.

We made progress in reducing our patent backlog, completing 92% of examinations less than 48 months from the request, against a target of 95%. We focused on timely delivery of searches, in line with customer priorities, leaving insufficient capacity to hit the 95% target in this area.

The Tribunal service has seen increased demand for its service over the past year, but has exceeded the target to issue a final decision in 80% of contested patent, trade mark and design proceedings within 12 months, and 87% within 15 months of the proceedings being joined, achieving 88% and 97% respectively.

Overall our income has grown from £95.8m to £99.4m, an increase of 3.6%, showing the ongoing increased demand for our services. It should be noted that the changes in demand volume of patent, trade mark and design requests does not directly align with the changes in income received from each of the three rights. This is partly due to a change in fee structure. A full income breakdown is in note three of our accounts.

End to end digital

In preparation for the UK's exit from the EU we identified the need to **adapt the systems supporting our trade marks service** to cope with the large increase in trade mark application volume. We initially planned to re-platform the service, TM10, onto the Digital Delivery Platform, but mid-year we made the key decision to instead strengthen the current system to ensure we were able to deliver the necessary changes in time for the EU Trade Mark Directive, on 14 January and the requirements if the UK left the EU without a deal, on 29 March. We have made significant changes to TM10 to enhance its resilience and ensure it will continue to function after Exit. Furthermore, we have successfully adapted our IT systems to be able to account for the policy changes that arise from implementation of the EU Trade Mark Directive, and we can now accept new trade marks in a wider range of electronic formats making it easier for customer to file trade marks made up of movements and sounds.

The need to reprioritise and focus resource on the TM10 service and other IT changes relating to EU Exit has delayed our progression on other transformation projects. Comprehensive transformation of the way we deliver our services will be the IPO's number one priority over the next three years. During the year, we have continued to develop our plan, setting out how we will transform the IPO, striking an appropriate balance between our ambition to do this as quickly and efficiently as possible and our delivery capability. We also made great progress in developing a new digital renewals service common across patents, trade marks and designs. The renewals service will be our first enterprise wide system to be launched on the Digital Delivery Platform in July 2019.

We have initiated a project to enhance our **digital payment options** to facilitate our digital service provision. This will include enhancing the functionality of our existing online deposit account service and reviewing the increasing number of commercial digital payment options to assess their suitability for IPO customers. We continue to improve our IT Finance systems to move away from legacy systems and radically re-think our business processes related to financial transactions.

We have agreed the **end to end service** design for transformation of the IPO, and have connected our **IT enabled change plan** to ensure it is integrated with our vision for the future.

Data: Improving services and sharing knowledge

We are a knowledge and data driven organisation, and the quality of our data is integral to the quality of our services. As part of our commitment to improving how we manage, curate and exploit our data, we have defined our data principles and have begun **implementation of our data strategy**.

Data principles

- Understand our data and how it helps us meet our objectives
- Manage our data according to agreed policies
- Our data will be captured and maintained to ensure its quality
- Data will be held according to consistent recognised standards
- Enable the use of our data to build knowledge through research and to improve services for customers
- Make our data available to the public unless there is a good reason not to
- Customers can access and maintain information about themselves

To ensure we **collect, store, access, protect and dispose of our data** appropriately, we have revised our policies and procedures to ensure they meet the regulatory requirements of the General Data Protection Regulation (GDPR). Developments continue to enhance our level of compliance and we tested the breadth and pace of our work through an independent third-party assessment.

We have taken steps to review our approach to information and records management, and identified options to improve. We have produced a set of information management principles and during 2019/20 will focus on improving our records and information management practice and educating the office.

We developed our approach to **managing Application Programming Interfaces (APIs)** to enable our business and software components to talk to each other. Our APIs define how we present and access data within and outside of the IPO and are crucial to ensure seamless service delivery in an efficient way. We have continued engagement with WIPO through taskforces surrounding APIs and have engaged with other IP offices to review their use of future technology, such as blockchain and AI in carrying out operational tasks.



Creating a world leading IP environment

The UK has a world class IP system but this is only part of the picture. We want the whole IP environment, from the legal and policy framework, to the level of IP knowledge and the ability to protect rights to be world leading, and provide incentives to invest in innovation. Our strategic approach is across three areas: developing the legislative and policy framework; increasing IP's impact through awareness and education; and reducing IP crime and infringement.

Developing the legislative and policy framework

To ensure we **deliver the best possible outcomes on IP** throughout the UK's exit from the EU, we contributed to the withdrawal negotiations on IP issues and provided expertise for the transitioning arrangements for existing EU free trade agreements, which has helped to ensure trade agreement continuity around IP. All of the IPO **Statutory Instruments** relating to the UK's exit from the EU were prepared by the deadlines required by the legislative authorities, and ensures that, in any scenario, there will be no loss of protection as a result of EU Exit. We have prepared guidance for our customers to ensure certainty and clarity to help them prepare for any changes.

In addition to our preparations for the UK's exit from the EU, we have worked hard to **develop our IP policy and legal framework** and some of our achievements include:

- Establishment of the Futures Programme Board, which focuses on understanding the **challenges and opportunities of future technology** for IP. We have discussed matters such as artificial intelligence, blockchain, and 3D printing and held a pilot '**IP Futures**' research workshop group at Cardiff University in March for academia, industry and the legal profession. This looked at identifying some of the key research questions around how IP impacts upon innovation and the development of future technologies. We will continue to work with stakeholders during next year and in June 2019, we held a conference with WIPO, which considered the questions that AI raises for IP.
- We completed a **targeted review of IP law** to identify barriers to digital transformation within the prescriptive procedures. Interim findings were delivered along with recommended next steps to tackle the barriers.
- In a world dominated by EU Exit, we have also continued our work to deliver and **improve European IP frameworks** and specifically:
 - › We ratified the Unified Patent Court agreement in April and are continuing implementation work, whilst we wait for news from the German Constitutional Court.
 - › We continued to deliver on policy including implementing the EU Trade Mark Directive, Portability Regulation and Marrakesh Treaty, which provides a copyright exception for the visually impaired.

- › We worked with the EU on the Directive on Copyright in the Digital Single Market, which was agreed in trilogue in February 2019, and was approved by the EU Parliament on 26 March. The Directive is an important modernisation of the copyright framework for the digital age, and will help to ensure that creators are more fairly rewarded for the use of their works online. The Directive contains a 24-month transposition period, and the UK's ability to implement it will depend on EU Exit timing.
 - › We launched a call for evidence as part of a Post Implementation Review to check the operation of regulation changes to the copyright framework which were made in 2014. These included: amendments to some existing copyright exceptions (e.g. education, preservation by archives); some new copyright exceptions (e.g. text and data mining); and changes to the licensing framework (extended collective licensing and orphan works). The data received from the call for evidence will be analysed to compile a review document which will be published in September.
 - › We secured funding from the Regulators Pioneer Fund competition to explore the use of artificial intelligence to support the rights application process.
- Our Economics, Research and Evidence team published a number of research reports² informing the development of our policies across all IP rights. These include:
 - › 3D Printing and IP Futures;
 - › Research into attitudes and behaviour of design rights owners towards infringement;
 - › Online Copyright Infringement Tracker (Eighth Wave), covering behaviour and attitudes, both lawful and unlawful online use of copyright material; and
 - › IP Trends 1995-2017, a long-term data set of IP activity in the office, allowing us to reduce the number of Freedom of Information (FOI) requests for this historical data on patent, trade mark and design applications.

As a globally focused IP office, we set a new international strategy in July 2018, and reviewed our international engagement priorities and resourcing of our international presence. We increased the size of our team in China and have agreed a new attaché post in Washington D.C., and a second post in South East Asia. Our international work focuses on supporting UK businesses to export, collaborate and invest more internationally, and on promoting the development of effective IP environments across the globe. Our **international achievements** include:

- We worked to use the UK government's Prosperity Fund to boost enforcement capacity across Association of South East Asian Nations (ASEAN) and commence a £3 million project to restructure the Brazil IP office to improve rights granting quality and timescales; benefitting UK export and investment interests in both markets.

² <https://www.gov.uk/government/organisations/intellectual-property-office/about/research>

- In February, we undertook a joint visit to India along with Foreign & Commonwealth Office (FCO) colleagues, funded by the FCO's Global Trade Programme; a multi-million-pound, three-year programme aimed at reducing poverty and increasing trade in middle-income countries around the world. The purpose of this visit was to identify potential IP related projects which could be funded under the FCO's programme. Over 20 potential IP projects were identified, which now need to be critically reviewed and prioritised over the next few months.
- We attended the WIPO General Assemblies in early October, and made a national statement underlining our commitment to WIPO and our intention to ensure continuity of IP rights as we leave the EU.
- We reached over 5,000 UK businesses looking to export overseas and provided one-to-one support to almost 500 companies with IP issues in key markets.

Increasing IP's impact through awareness and education

Having excellent IP services and a world leading IP framework is not beneficial if people do not understand how to access and use them. During the year, we have worked hard to ensure businesses, universities and young people have an understanding of IP, engaging with more than 90,000 businesses on IP, and 80% of businesses we reached and surveyed confirmed that they have made an informed decision on their IP, against a target of 60%. We held 70 events from large exhibitions, to bespoke workshops at Growth Hubs and held 10 IP Masterclasses, reaching more than 5,000 people face to face and more than 100,000 people overall.

We have undertaken analysis of our interventions, campaigns and tools, looking particularly at who the audience is and what we want to achieve. We have developed a **segmentation and channel strategy for IP messaging**, creating and delivering bespoke events based on specific needs to key stakeholders. We have re-platformed our business and education tools to provide a better service for our stakeholders. We have also begun a benchmarking exercise to identify and better understand comparable work by a range of IP offices.

We commissioned independent research to **review our tools and services in the education space**. Once the review is complete and gap analysis has been undertaken to identify future opportunities for impact, we will use the results to develop **a clear policy on IP education**. We had hoped to deliver a new education policy within this financial year but our change of direction and decision to use an external researcher has delayed the process. However, we are confident that this was the right choice as we will have robust analysis to base the new IP education policy upon.

We have seen evidence that there is a barrier to IP-rich firms using their intangible assets to access funding, and over the past year we have worked with the British Business Bank (BBB), HM Treasury, BEIS and industry to **strengthen IP's role as an asset to unlock investment**. Our work has included holding roundtable discussions to improve our understanding of the issues and publishing a joint paper with the BBB, which examines the challenges facing Small and Medium Enterprises in using IP to access growth funding. We will continue our work and during 2019/20 will develop the evidence base and identify the data needed to influence lenders to consider IP as collateral in debt lending.

Reducing IP crime and infringement

IP crime can cause significant harm; businesses lose sales and individuals are at risk from poor quality products. To create a world leading IP environment, we know we must reduce IP crime and infringement. We have a well-resourced **enforcement team** who are motivated to deliver the remaining elements of the government's enforcement strategy, and we are in the process of recruiting a Head of Intelligence.

As part of the enforcement strategy³, we commissioned work for the second phase of the **Enforcement Framework Review**, to help our understanding as to whether the legal framework is effective, consistent and proportionate across all IP rights. There were issues with the first report received, and low response to a tender for the second part of the review. We reassessed and reduced the scope of the project and revised the tender to focus on a case study-based approach which will report in 2019/20. This is a significant project area spanning across all IP rights and as such, this work will continue into next year.

We have also worked with other government departments to drive forward enforcement work. During the year, we worked with Department for Digital, Culture, Media and Sport (DCMS) to deliver our part of the **Creative Industries Sector Deal**, helping to develop appropriate voluntary measures around online market places, social media, and digital advertising by holding formal round tables and further bi-lateral engagement. An awareness raising session is planned for 2019/20 to help educate businesses about protecting their rights on Alibaba, with other sessions likely to be taken up by other online market place platforms.

A key aspect of reducing IP infringement is securing cultural change where respecting IP is seen as the right thing to do. During the year we have delivered successful campaigns on the dangers of counterfeit goods, including our work with the Royal British Legion to raise awareness on fake poppies and our partnership with key players from the automotive industry to campaign around fake car parts.

However, to really make infringement of IP socially unacceptable, we need evidence to better understand consumer attitudes to IP crime, and develop **a clear segmentation and channel strategy for messaging to reduce IP infringement**. We have begun research to build our understanding around what type of messaging works in changing behaviour with different cohorts of the population. This includes questionnaires for the Online Copyright Infringement and Counterfeit Goods surveys, and work by Organisation for Economic Co-operation and Development (OECD), European Union Intellectual Property Office (EUIPO) and industry and we will continue this work into next year.

3 <https://www.gov.uk/government/publications/protecting-creativity-supporting-innovation-ip-enforcement-2020>



Making the IPO a brilliant place to work

The IPO is already a great place to work, we want to make it a brilliant place to work, where everyone can bring their whole selves to work, not having to change who they are to fit in, and are dedicated to providing the best services for our customers. This means ensuring we focus on the following areas: solid foundations; a culture of One IPO; and healthy people, healthy environment.

Solid foundations

The amount of change, new pressures and challenges we are facing makes it more important than ever that we have a strong base to the organisation. We must make sure that we bring in the right skills, at the right time, for the right cost.

We have developed an **integrated workforce planning** approach to identify and inform resource and change management requirements. We have analysed trends over the past year and have provided a forecast for the current year and subsequent two years, which we will update every four months. We are working to integrate the transformation workforce plan and embed workforce planning processes in each directorate, to ensure consistent data.

Recruiting the best talent is important to us and we developed a **recruitment toolkit**, implemented the new Civil Service-wide recruitment changes (Success Profiles) and developed specific interview training aligned with this. We also took the opportunity to review our approach to identify specific resourcing issues.

We set ourselves targets to push for **efficiency and continuous improvement** to make sure we are using our resources in the best way. Over the past year, we successfully embedded continuous improvement in 10 teams making a total of 32 teams embedded, and trialled a new approach with six additional teams. We focused on the growth mindset rather than on specific tools and techniques. We progressed our Benefits Portal to ensure all continuous improvement benefits can be captured and shared. In 2018/19, we captured 221 benefits, saving 709 working days and £129,275.

We **achieved efficiencies** equivalent to 5.2% of our baseline costs. This comes from two main types of efficiency: commercial benefits through improved supplier contracts and spending reductions, and increased productivity supported by our systems developments and continuous improvement activity. Commercial benefits totalled £0.6 million this year and included improved commercial outcomes around our facilities management and travel arrangements. Increased productivity included significant growth in the number of trade marks registered, which provided an additional £4.1 million income for a relatively small increase in costs of £0.4 million.

Culture: One IPO

Being the best IP office requires shared values and behaviours, a respect for difference and a common purpose.

Communicating our strategy is a central part of building a strong culture. In 2018, we launched our **refreshed IPO strategy**, and through talking about the strategy, we gave our people a clearer understanding of IPO's purpose, aims and their role in achieving it. Alongside sharing our strategy, we launched our 'IP Matters' campaign, using personal stories about how IP benefits lives. We hosted a series of seminars on developing technologies and the future of IP and an exhibition under the theme 'Best of British IP'. Our overall engagement score increased by 2% in our People Survey 2018 to 68%, putting us within the Civil Service high performance bracket.

We developed and **launched 'The Deal'** to clarify the mutual expectations between the IPO and its employees, focusing on behaviours and underpinning the cultural aspects of the strategy. Through consultation and discussion, we have identified five mutual expectations, around our values and behaviours, which will guide us in our interactions with each other and the organisation, forming a framework for our culture.

Our mutual expectations

- **Respectful** – we are mindful of how we act towards others, considering our personal impact. We treat others as we expect to be treated ourselves.
- **Accountable** - we take responsibility for our actions, and those of our teams; we own our own performance; we do what we say we are going to do.
- **Confident** – we ask the questions that help us continually improve; are open to change and are prepared to take calculated risks; we have the courage to ask for support where we need it; to challenge those who do not meet our values and principles, and to own our mistakes and learn from the process.
- **Reasonable** – we consider the appropriateness of a given action or decision in light of individual circumstance and impacts; we are prepared to compromise where appropriate; we consider carefully alternate views and opinions.
- **Pragmatic** – we focus on the wider impact of our actions and decisions, looking at the overall impact on the office; we rely on principles, as well as rules; we consider fairness as well as equality and always seek to represent the IPO in the best light.

We unified our **branding** to support our 'One IPO' approach, to help articulate who we are, and to give consistency across the office.

We are clear that nobody should be subjected to **bullying and harassment** and we have taken a zero tolerance approach. In the 2017 People Survey, 9% of respondents stated that they had suffered bullying and harassment at work. We took action to understand what lies behind these figures and eradicate incidences of bullying and harassment. We completed neutral assessments using an external assessor to investigate the root behaviours, and we worked to increase our people's awareness of what constitutes bullying and harassment, and how to report it. We set up a 'Respect at Work Task Force' to develop guidance and a toolkit for managers, and we held an exhibition to bring the issue to the forefront of peoples' minds. The number of people experiencing bullying and harassment has remained unchanged at 9% in the 2018 results, but we are pleased to have seen an improvement in more people being confident to report and challenge bad behaviour in our People Survey 2018. In this area, there was an increase of 10% of people who reported, and a 7% increase in those who felt it was resolved.

Healthy people, healthy environment

We have great provisions of support for the mental health of our people, including a network of mental health advocates, a mental health toolkit, and a mental health champion. This year we have taken the step to **externally validate and benchmark our provision for the mental health of our people**. We worked with the charity 'Mind' to identify where we are doing well and where there are gaps in our current provision, and are developing an action plan for improvements to make. We received the Gold award in the Mind Workplace Wellbeing Index, showing that we are achieving excellence, and were ranked 5th out of 105 in the Employer Assessment.

It is important that we have a **strategy for our future accommodation needs**. We have identified an appropriate base for the relocation of our London accommodation. We have reviewed our Newport and Nine Mile Point estate requirements and have worked with our site neighbours in Newport to agree the joint development of our shared facilities.

The development of our **smart working approach** has continued. We have rolled out mobile working devices to all our people and communicated our smart working and associated policies to everyone. This has given everyone the capability to work flexibly on site and to work remotely when needed.

Sustainability and our **impact on the environment** is very important to us. Over the past year, we have achieved an 11% reduction in our paper usage against a target of 5%. We have also increased awareness of our environmental standards, water usage reduction, and sustainable travel schemes. In March, we took part in 'Cycle to Work Week', encouraging involvement in the nationwide 'Love to Ride' campaign.

Corporate and social responsibility

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

As an organisation, we allow up to six days a year where our people can partake in community activities such as School Governors or volunteering. In addition to this we run CSR events our people can join, including mock interviews with students and reading and numeracy programmes at local primary schools.

We organise corporate events where teams complete projects and tasks for the community for which other resource is unavailable. In the past year, this has included decorating and gardening for local schools and taking part in litter picks and beach cleans.

We have established relationships with a number of local organisations and provide support for them on a regular basis. This includes the National Trust, a local food bank, a sheltered housing complex and a charity which helps women and young people facing homelessness.

As part of our Business Class programme we support a local comprehensive school, St Julian's. This year, we hosted a Global Conference event to help support students in their Welsh Baccalaureate studies. Other successful events saw our Science, Technology, Engineering and Mathematics (STEM) Ambassadors run a 'Girls into Science' event, which gave a group of St Julian's students an insight into the type of careers they can follow in the STEM area. The Ambassadors also organised a 'Green Power Challenge', where young people use STEM subjects in a unique challenge to design, build and race an electric car.

We are aware of our responsibility to combat modern slavery and have made a risk-based assessment of our supplier chain. No areas of high risk were identified.

We are committed to operating a framework for the prevention and detection of fraud, bribery and corruption, and any suspected cases will be thoroughly investigated and may result in appropriate disciplinary action or referral to police where substantiated.

Environmental matters

Our environmental management system is now firmly established under the ISO 14001:2015 standard and we are seeing the benefits in how this controls environmental performance and enables us to make improvements.

We continue to work towards the Greening Government targets and our performance is included within that of our parent department, BEIS. Any progress we make towards sustainable development or climate change adaption is reflected in the BEIS target reports.

A key aspect of ISO 14001 is collaboration with stakeholders. During the year we have extended our work with external parties in several areas. We have worked closely with our neighbours, the Office for National Statistics, in our attempts to reduce single-use plastics and have shared our good practice with other BEIS and wider government organisations.

In addition, we have started to integrate our work to protect the environment with wider sustainability activities. During the year, we provided teams of IPO volunteers to help tackle the problem of invasive non-native plants, such as Himalayan balsam, within the Brecon Beacons National Park and a National Trust property which neighbours our Newport site.

Carbon emissions from offices

A number of projects to improve the energy efficiency of our office estate were implemented during the year. Electricity consumption has reduced by 2.3% and gas consumption by an excellent 17.1% as a result of our energy efficiency projects over the past year. Carbon emissions from gas have reduced by a corresponding 17%, and emissions from electricity are down 33% compared to the previous year.

We have now completed the project to improve the heating system in Concept House and are now seeing the full effect of the upgrade to our emission and consumption figures. New radiators provide a more comfortable and controllable working environment for our people, as well as a more efficient way of heating the office. We have also improved the efficiency of our heating pumps, and replaced the outside lights of Concept House with more efficient LED lighting.

Concept House is one of our biggest users of electricity and we have seen a corresponding reduction in electricity usage following the improvements. Further work will be completed in the next financial year with a view to controlling the flow of water sufficiently to allow us to move to a biomass heating solution.

While these projects are relatively limited in their impact on climate change, over the coming year we will commission an independent review into green energy solutions for Concept House. Any projects we implement will be long term, robust and have clear environmental benefits.

		2014/15	2015/16	2016/17	2017/18	2018/19
Tonnes CO₂	Gas	286	182	131	206	171
	Electricity	1,542	1,445	1,297	1,279	855
Related Energy Consumption (kwh)	Gas	1,548,489	989,052	715,249	1,120,473	928,975
	Electricity	2,868,412	2,891,936	2,886,723	2,846,408	2,782,104
Financial Implications (£)	Gas	50,310	128,058	66,800	117,319	124,462
	Electricity	374,095	379,934	420,783	421,863	464,231
	CRC Efficiency Scheme	27,438	29,864	29,614	28,603	19,672

Carbon emissions from travel

For the first time, we ran an IPO sustainable travel event. Organised by our Stepping into Leadership Team, this interactive event provided information on IPO green travel initiatives alongside information stands from local bus companies, cycling scheme providers and Sustrans, a UK sustainable transport charity. The team also encouraged people to sign up to a sustainable travel challenge and to change to a form of green travel for a period of four days in a month.

During the year, we installed two electric car charging points at our Concept House site, which are available for use by all IPO people, visitors and tenants. We view these very much as a start in our efforts to support electric car users. Over the coming months, we will assess the scheme and install further points as necessary.

Our car share scheme, although popular, has always been limited in that only IPO people and tenants were able to use it. We have investigated ways in which we could extend it and are about to launch a new scheme which can be used alongside that of our neighbours, the Office for National Statistics. We have set ourselves a target to improve take up and are confident that we will help reduce the amount of single use cars travelling to our Newport site.

Carbon emissions from rail travel have increased significantly, by 31.9%, since 2017/18. This number fluctuates quite significantly year by year, and the reason for this year's increase is likely to be in part due to the increased number of policy and EU Exit related meetings requiring travel to London.

		2014/15	2015/16	2016/17	2017/18	2018/19
Non-financial indicators (kg CO₂)	IPO owned vehicles	3,738	3,410	3,320	3,220	3,210
	Air travel	20,817	4,580	10,000	5,130	5,390
	Rail travel	54,406	44,100	39,830	32,890	43,370
	Road travel	97,329	65,220	41,550	50,480	47,590
	Taxis	3,614	3,290	2,430	1,760	1,800
Financial implications (£)	Expenditure on accredited offsets (GCOFII)	n/a	n/a	n/a	n/a	n/a
	Travel expenditure (UK)	728,163	723,354	650,930	675,526	811,359
	Travel expenditure (overseas)	461,118	439,902	361,453	358,850	305,995

Use of finite resources (water and paper)

Water usage has, this year, returned to normal levels, following the water leak last year. There has been a small increase on last year due to an increase in headcount but it remains within acceptable levels, at the rate of 5m³ per FTE.

This year, we set a corporate target to reduce paper usage by 5%. At the end of the year, we achieved an impressive 11% reduction, which builds on the 6% we achieved in the previous financial year. While the introduction of new mobile working devices has undoubtedly contributed, we have also had a positive reaction from IPO people to the various awareness campaigns that we ran.

		2014/15	2015/16	2016/17	2017/18	2018/19
Non-financial indicators	Water consumptions (m ³)	4,115	5,208	8,574	5,055	5,406
Financial Implications (£)	Water consumptions costs	23,109	24,522	25,730	19,426	19,474
Non-financial indicators	Paper consumptions (A4 reams equivalent)	9,820	8,270	8,005	7,500	6,650
Financial Implications (£)	Paper costs	26,790	21,365	20,804	22,445	29,672

Waste

We have seen a significant reduction in our total waste from 2017/18. This is largely the result of the completion of our heating system upgrade project, which generated a lot of waste during 2017/18.

Additionally, we have worked closely with the Office for National Statistics to work towards the total removal of single-use plastics from shared areas on our Newport site. We started with disposable coffee cups and arranged an awareness campaign to coincide with World Environment Day in June. We received huge support from IPO people with the result that all catering outlets no longer use disposable coffee cups. Since then, we have removed single-use plastic cutlery, straws and soup bowls and have agreed an action plan to remove remaining single-use plastics from catering outlets and IPO office facilities.

	2014/15	2015/16	2016/17	2017/18	2018/19	
Non-financial indicators (tonnes)	Total waste	204	149	185	393	204
	Waste to energy				60	70
	Re-used/recycled	129	79	120	263	104
	ICT recycled & reused	1	1	2	2	1
	Waste Composted	4	4	4	4	4
	Landfill	75	70	65	64	25
	% recycled	63%	53%	65%	67%	53%
Financial implications (disposal costs (£))	Total waste	17,561	23,037.82	23,152	40,880	37,664
	Re-used/recycled	9,349	12,639.71	10,709	26,566	27,257
	Landfill	8,212	10,398.11	12,443	14,314	10,407

Looking forward to 2019/20

The Corporate Plan 2019/20 details what we want to deliver for the year to progress our strategic aims of: delivering excellent IP services; creating a world leading IP environment; and making the IPO a brilliant place to work. Whilst we will continue to deliver the core activities which drive forward our organisation, there are three strands of work which will significantly influence the activities which are taking place:

- Responding to the challenges and demands of EU Exit. We continue to regard this as our number one priority and preparation and scenario planning for the various eventualities spans across the whole organisation.
- Delivering our transformation programme. We want to transform the way we provide our IP services to our customers, providing truly modern IP services, where the channel of choice is digital. This is a longer term programme of work and 2019/20 is the first year in a three year programme. Our focus includes providing our first enterprise service, a single unified digital service for renewals and continuing work to refine our organisational structure, so that it is best suited to the way we will deliver our future services.
- Developing our shared values and behaviours that underpin the organisation we want the IPO to be. To do so, we will develop a modern approach to performance management, supported by a more tailored and timely reward and recognition system.

2019/20 Ministerial Targets

We have agreed with our Minister four performance targets for 2019/20. Three of these are around our relationship with customers and businesses, as this is what drives us to deliver excellent IP services and for our IP environment to be world leading. The fourth focuses on the efficiency of the way we work, as we know we cannot deliver for our customers and improve businesses awareness without being a brilliant place to work. The targets are:

- At least 85% of our customers to rate us 8/10 for overall satisfaction.

This target is repeated from 2017/18, but we have changed our method of measuring customer satisfaction and will be surveying a far larger number of our customers to give a deeper understanding of how they are experiencing our services.

- By the end of March 2020, we want 90% of renewals to be conducted via the new enterprise-wide digital renewals service.

This is a new target to show our commitment to our transformation programme.

- 75% of the businesses we reach confirm that they are able to make informed decisions about their IP.

This is a similar target to one in 2017/18 but has been made more ambitious this year, increasing from 60% to 75%. This is based on our achievement over the past year with more businesses making informed decisions. We want to continue to stretch ourselves and ensure that we are having quality conversations with businesses.

- Deliver our services efficiently through continuously improving our systems, processes, and ways of working to make things better for our customers and our people, reduce costs and improve the value for money we provide. Our target is to achieve efficiencies worth at least 3.5% of our core operating costs. This is the same efficiency target as the previous year.

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



Tim Moss CBE

Chief Executive and Accounting Officer

2nd July 2019

Accountability Report

Corporate Governance Report

This report and its subheadings are presented as required by the 2018/19 Government Financial Reporting Manual (FRoM) issued by HM Treasury.

Directors' report

Customers

We have a strong focus on delivering high quality and timely services for our customers, which is reflected in our overall customer satisfaction of 87.5% against a target of 85%. We captured 4,196 pieces of customer feedback during 2018/19, an increase of 12% on last year. Of those customer feedback pieces, 147 were complaints, which is down 10% compared with last year's figure of 164.

We maintained our 100% score for the Customer Service Excellence (CSE) Award, an annual independent review of our customer service operations and processes. We achieved "Compliance Plus" status in five areas of exemplary performance and were praised for our delivery of continuous improvement and comprehensive use and analysis of data from feedback.

We ran a series of six joint IPO/European Patent Office (EPO) online services workshops, which provided customers with an update on recent developments with our respective online services. These events were valuable opportunities to get hands-on users of our services to sign up to testing the concepts and prototypes for new online services that we are building. In total, over 80 customers attended the workshops, which targeted service users from paralegal, formalities and records staff in IP firms and in-house IP teams.

Our Customer Information Centre answered 9,725 emails and handled 59,447 calls in 2018/19, a reduction of 6% compared to the 63,244 calls received in 2017/18. We answered 78% of calls within 20 seconds. We continue to ensure avoidable contact is minimised and our website is user friendly, and we recently received a 100% accessibility score in a survey of world IPO websites carried out by World Trademark Review. We were the only organisation to achieve a perfect score. During the financial year, we had over one million unique hits to our home page.

We are active through a number of social media channels. We have 53,700 direct Twitter followers and in the last year our reach was 3.8 million. On Facebook, we have a reach of 900,000, with 11,244 followers and 10,469 likes. In October, our Fake Poppy campaign reached 74,616 people on Twitter, from only four tweets and 212,283 people on Facebook, from three posts. We have increased our YouTube subscriber numbers to 1,721 and had 70,000 channel views for 2018/19, of which 37,000 were on the IP Basics series. All videos have call to action links and feed into business campaigns. On LinkedIn, we have a reach of 340,000, with 6,037 followers, an increase of 45.5% on last year's figure. We continue to grow our engagement on Instagram, with 400 followers, but have a monthly average reach of 4,000.

People

In order to continue to meet the needs of our customers, we are working to ensure our people are led, developed and supported appropriately.

Headcount: Our overall headcount was 1,283 as at 31 March 2019 (1,219 average FTE). During the financial year, we had 130 joiners and 77 leavers. We recruited in key areas to meet specific skill and capacity requirements, including trade mark examiners, patent examiners, and IT.

Attendance management: We have an internal target of 6.5 average working days lost per person, and this year lost an average of 6.0 working days, maintaining the figure from last year. We completed 96% of return to work interviews with those who were absent against an internal target of 90%. This is an improvement on the 93% of interviews completed last year. During the financial year, we took part in a Civil Service pilot based on day one support measures for mental health and musculoskeletal disorder absences. The pilot was to establish if proactive management support and early occupational health intervention could reduce these absences and their impact on business delivery, as they are the leading causes of ill health in the Civil Service. Following a review of the pilot, we have decided to adopt the day one support measures as business as usual given the positive impact. We will review the process to ensure it is clear how the policy should be applied, and ensure it is aligned to the key principles of 'The Deal'.

People Survey: This year was the 10th anniversary of the current format for the People Survey. Our overall engagement score for the 2018 Civil Service People Survey increased by 2% to 68%, demonstrating that we continue to ensure we have an engaged and talented workforce. We remain in the Civil Service high performance bracket, and we are top for Learning and Development.

Learning and Development: We continue to run Transformational Leadership and Transformational Conversation training, aimed at senior leaders across the organisation, and 61% of senior leaders completed the training during the year. We have also introduced a suite of pilot workshops aimed at administration grades and new managers. The sessions encourage delegates to focus on their personal development and how their skills could be developed for future business requirements. The first cohort of the Stepping into Leadership programme, focused on accelerating the development of leadership potential in middle management, completed the programme in September 2019. We have provided opportunities for people to study for an accredited qualification with the Institute of Leadership and Management.

Apprentices and internships: In October we welcomed our fifth cohort of apprentices with 20 individuals being placed across business admin, IT, and the data team. On a different scheme, we welcomed two policy apprentices into the IPO. This is significant in that the policy profession has never had an apprenticeship stream before, and the IPO is among the first departments in government taking policy apprentices. During the summer we piloted several internship schemes with universities and Change 100 as part of our approach to attracting students to careers in IP and supporting diversity.

Diversity & Inclusion: We deliver our Equality, Diversity and Respect Strategy with support from our Diversity and Inclusion Steering Group, which provides strategic challenge to support the IPO becoming a brilliant place to work. We also have a series of networks and allies as follows: iThink (Neurodiversity network); iCAN (Capability network); Black, Asian and Minority Ethnic (BAME) Network; iPRIDE (LGBT+ Allies Network); Women's Inclusive Network (WIN); Caring for Carers Network. Each network is sponsored by one of our Executive Directors. Our commitment to diversity and inclusion has been recognised through a number of awards: we were placed 13th in the Top 100 Employers list for the Stonewall Workplace Equality List, an increase of 80 places on last year; we were once again in the top 10 in the Working Families Top Employers Benchmark Index; we achieved a silver accreditation in the Business Disability Forum Display Standard; and were awarded a gold standard in the Mind Workplace Wellbeing Index.

Charity of Choice: Over £10,500 was raised for St David's Hospice Care in the 2018 Charity of Choice campaign, where we worked together to raise money for a charity chosen by our people. We held a number of events including a 'new to you' clothing sale, bake sales, and an auction of promises. In July, 43 IPO people, including a number of our Executive Directors, completed the Welsh Three Peaks Challenge, and raised £5,950 in sponsorship for the challenge. At the end of 2018, we presented St David's Hospice Care with the money raised. For the 2019 calendar year, our Charities of Choice are 'Mind' and 'Newport Mind', and we will focus on both fundraising and awareness-raising of the important work of these charities in the mental health sphere.

Information Security

Our Information Security policy, which is approved and owned by our Executive Directors, sets out our approach to the management of information across the organisation. Her Majesty's Government (HMG) Security Policy Framework outlines how we manage information to minimise the impact of incidents and ensures the focus on business continuity. Our IT Services area is certified to ISO 22013. During the year, we have aligned our policies and procedures to the General Data Protection Regulation (GDPR) to ensure all personal data is processed, stored and used in line with its principles.

We manage any security incidents and ensure continuous improvement following these. If minor breaches occur a root cause analysis is performed and further safeguards are implemented to prevent reoccurrence. No serious breaches of security have occurred due to malicious activity during the year.

We have recorded 17 personal data breaches, largely down to human error, but none of which were judged to have resulted in a risk to the rights and freedoms of the data subject, so have not been reported to the Information Commissioners Office.

The IPO Secure Team maintains responsibility for information security on behalf of the office working to support the Accounting Officer through the IPO Boards Security Advocate and Finance Director. Annual information security training is mandatory for all our people, including our Executive and Non-Executive Directors.

Corporate Governance

Our corporate governance structure is described in our Framework Document.

Ministers responsible as Minister of State for University, Science, Research and Innovation during the financial year were Sam Gyimah MP until November 2018 and Chris Skidmore MP from December 2018.

Intellectual Property Office Steering Board

The Steering Board uses its collective external experience to advise and challenge our Executive Board on issues relating to corporate governance; strategic and operational leadership and management, including strategic and annual planning and target setting; risk management; financial management, and financial and performance monitoring and reporting. It serves to keep the Secretary of State and Ministers informed of issues through BEIS representation on the Board. Steering Board meetings are chaired by a Non-Executive Director and held five times per year.

The following members have served during 2018/19:

Tim Suter	Non-Executive Director (Chair) Managing Director of Perspective Associates
Gary Austin	Non-Executive Director Chief Executive of a2om International (left the Board July 2018)
Iain Maclean	Non-Executive Director Co-founder and partner of The Maclean Partnership (left the Board July 2018)
Andrew Mackintosh	Non-Executive Director Chair of Sphere Fluidics Ltd (left the Board November 2018)
Nora Nanayakkara	Non-Executive Director Chair of Audit and Risk Committee, Office for National Statistics
Mandy Haberman	Non-Executive Director Founder and Creative Director of Haberman Products
Andrew Lawrence	Non-Executive Director Chair of Bron Afon Community Housing (joined the Board July 2018)
Lopa Patel	Non-Executive Director Founder and Chief Executive Officer of Diversity UK (joined the Board July 2018)
Kevin Orford	Non-Executive Director Managing Director of Kevin Orford & Associates Ltd (joined the Board November 2018)
Sheila Chapman*	Non-Executive Director (Future Boards Scheme) Senior Legal Consultant for Peerpoint (left the Board January 2019)

Gareth Davies BEIS Director General, Business, Science & Innovation
(The DG sends a designated deputy, Paul Hadley until September 2018, David Rawlins from November 2018)

Tim Moss Chief Executive and Accounting Officer

Obligatory attendees

Steve Rowan Director of Registered Rights
From May 2018 to December 2018

Those who attend by invitation

Julyan Elbro Divisional Director of Patents

Mike Fishwick Chief Technology Officer

Pippa Hall Chief Economist and Director of Innovation

Neil Hartley Director of Finance

Dominic Houlihan Director of People, Places and Services

Ros Lynch Director of Copyright and Enforcement

Adam Williams Director of International Policy

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

* We are part of the Future Boards Scheme, which gives women from a range of backgrounds the opportunity to spend 12 months with boards in a development capacity. Sheila Chapman joined our Steering Board in November 2017 as part of this scheme.

Intellectual Property Office Executive Board

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

The Executive Board is chaired by the Chief Executive and attended by all Executive Directors. Meetings are held monthly and membership during 2018/19 is set out below:

Tim Moss	Chief Executive and Accounting Officer
Julyan Elbro	Divisional Director of Patents
Mike Fishwick	Chief Technology Officer
Pippa Hall	Chief Economist and Director of Innovation
Neil Hartley	Director of Finance
Dominic Houlihan	Director of People, Places and Services
Ros Lynch	Director of Copyright and Enforcement
Adam Williams	Director of International Policy
Steve Rowan	Divisional Director of Trade Marks and Designs (to May 2018) Director of Registered Rights (from May 2018 to December 2018)

During the financial year Steve Rowan changed roles from Divisional Director of Trade Marks and Designs to become Directors of Registered Rights in May 2018. Steve Rowan then left the IPO in December 2018 to join the EPO.

Audit and Risk Committee

The Audit and Risk Committee is a sub-committee of the Steering Board, advising on risk, control, governance and associated issues, focusing on process and providing guidance. It comprises a Non-Executive Chair and Non-Executive Members from the Steering Board and an Independent Member. The Chief Executive and Finance Director are obligatory attendees. There are additional attendees, by invitation only, from the IPO, Internal Audit and the National Audit Office.

The Committee meets four times a year, and attendees are:

Andrew Lawrence Non-Executive Director (Chair)

Nora Nanayakkara Non-Executive Director

Lopa Patel Non-Executive Director (joined July 2018)

Kevin Orford Non-Executive Director (joined November 2018)

Paul Coombs Independent member Crown Commercial Service

Obligatory attendees

Tim Moss Chief Executive and Accounting Officer

Neil Hartley Director of Finance

Those who attend by invitation

Steve Rowan Director of Registered Rights from May 2018 to December 2018

Karen Powell Head of Governance and Risk Management

Incumbent Head of Internal Audit

Incumbent External Auditors from National Audit Office

Incumbent Representative of External Auditors (KPMG from February 2019)

Incumbent BEIS representative

Statement of Accounting Officer's Responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed the Patent Office to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Patent Office and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by 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.

The Treasury has appointed the Chief Executive as the Accounting Officer for the Patent Office Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Patent Office's assets, are set out in Managing Public Money published by HM Treasury.

Accounting Officer's Confirmation

As Accounting Officer, as far as I am aware there is no relevant audit information of which the auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information. The annual report and accounts as a whole are fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that they are fair, balanced and understandable.

Governance Statement

2018/19

Scope of responsibility

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

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

Purpose of this statement

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

The Governance Framework of the Office

The Office corporate governance structure comprises of the Executive Board, the Steering Board and the Audit and Risk Committee, each with complementary functions and supported by the Operations, Policy, Change and Data Committees. The governance framework is explained in our Framework Document, which sets out the policy, planning, accountability and delegations within which the Office operates.

The Executive Board is chaired by myself and meets informally on a weekly basis and formally every month. During 2018/19, it comprised of: The Chief Executive Officer; Chief Technology Officer; Director of International Policy; Director of People, Places and Services; Director of Copyright and Enforcement; Director of Finance; Chief Economist and Director of Innovation; Director of Registered Rights; and, Divisional Director of Patents. It has collective responsibility for the leadership and strategic management of the Office, in line with ministerial priorities and our corporate plan. During 2018/19, the Executive Board have worked collaboratively with other leaders across the Office to develop our priorities and objectives for 2019/20, which will help us deliver against our three-year strategic goals as set out in the IPO Strategy.

I am also a member of the **Steering Board**, which has an independent Non-Executive Chair and six Non-Executive Directors as members, together with David Rawlins, Business, Energy and Industrial Strategy (BEIS) Sponsor of the Met Office, IPO and National Physical Laboratory. Directors of the Office attend but are not Steering Board members. The role of the Steering Board is to advise Ministers on the Office's strategies and performance (including targets) as set out in the Office's Corporate Plan.

It also provides guidance, drawing on the experience of the Non-Executive Directors, on our operation and development across a range of issues. During the last 12 months, the Steering Board has provided advice and guidance on a wide range of topics, such as our corporate plan and transformation programme. The Steering Board meets six times a year which includes one away-day.

The Audit and Risk Committee is a sub-committee of the Steering Board, advising on risk, control, governance and associated issues. The Committee comprises a Non-Executive Chair, three Non-Executive members of the Steering Board and one independent member from another government department. The Director of Finance and I are obligatory attendees. There are additional attendees by invitation from the Office, Government Internal Audit Agency, BEIS, the National Audit Office and KPMG. In addition to providing me with assurance over the preparation and signing of the Office's accounts for 2017/18, the committee considered the findings of 13 audit reports. These reports covered a range of governance and risk management areas, including an assessment of our assurance mapping framework and an audit of our new procurement system. The Audit and Risk Committee meets four times a year.

The Operations Committee is a sub-committee of the Executive Board and is chaired by the Director of Finance. It has representatives from Finance; Patents, Trade Marks and Designs; International Policy; Copyright and Enforcement; IT; Human Resources; Office Services; and Strategic Communications. It fulfils the Executive Team's responsibility to lead the development, delivery and implementation of cross-organisational initiatives including; operational processes and policies, and is responsible for reviewing the Office's corporate finance and performance reports. Matters with external, reputational, strategic or departmental impact or where the Chief Executive should explicitly consent should be referred to the Executive Board. The Operations Committee meets monthly.

The Policy Committee is a sub-committee of the Executive Board. It is chaired by the Director of Copyright and Enforcement and includes representatives from relevant directorates across the Office. The purpose of the Policy Committee is to ensure a strategic and co-ordinated approach to IP policy making and to provide a challenge function for the policy making process. It takes decisions on issues of policy not meriting full Executive Board discussion. Formal meetings are held monthly.

The Change Committee is a sub-committee of the Executive Board. It is chaired by me and members include the Chief Technology Officer; Divisional Director of Patents; Divisional Director of Tribunals, Trade Marks and Designs; Chief Economist and Director of Innovation; and, Director of People, Places and Services. It has responsibility for overseeing the Office's change agenda, which includes approving and allocating resources for the startup of new change work ensuring it fits with our strategy and corporate plans. It also ensures that dependencies and interrelationship of projects are effectively managed and holds Senior Responsible Owners (SRO's) to account for delivery of projects and programmes. The Change Committee meets monthly.

The Data Committee is also a sub-committee of the Executive Board and has oversight of how we store, access and make the best use of our data (internally and externally). I chair the Data Committee and members include the Chief Data Officer; Chief Security Officer; Chief Technology Officer; Chief Economist and Director of Innovation; Director of People, Places and Services; and the Director of Finance. The Data Committee meets every six weeks.

Member attendance at Steering Board meetings held during
April 2018 – March 2019

Members	Meetings Attended (4 in year)
Tim Moss (Accounting Officer/Chief Executive Officer)	4
Tim Suter (Non-Executive Director & Chair of Steering Board)	4
Gary Austin ¹ (Non-Executive Director & Chair of Audit and Risk Committee)	2
Andrew Lawrence ² (Non-Executive Director & Chair of Audit and Risk Committee)	3
Iain Maclean ³ (Non-Executive Director)	2
Andrew Mackintosh ⁴ (Non-Executive Director)	2
Nora Nanayakkara (Non-Executive Director)	3
Mandy Haberman (Non-Executive Director)	3
Sheila Chapman ⁵ (Non-Executive Director as part of the Future Boards Scheme)	2
Lopa Patel ⁶ (Non-Executive Director)	3
Kevin Orford ⁷ (Non-Executive Director)	2
Paul Hadley ⁸ (Deputy Director, International Science and Innovation, BEIS)	2
David Rawlins ⁹ (Deputy Director, International Science and Innovation, BEIS)	2

1 Left July 2018

2 From July 2018

3 Left July 2018

4 Left November 2018

5 Left January 2019

6 From July 2018

7 From November 2018

8 Left September 2018

9 From November 2018

Member attendance at Audit and Risk Committee meetings held during April 2018 – March 2019

Members	Meetings Attended (4 in year)
Gary Austin ¹⁰ (Non-Executive Director & Chair of Audit and Risk Committee)	2
Andrew Lawrence ¹¹ (Non-Executive Director & Chair of Audit and Risk Committee)	2
Nora Nanayakkara (Non-Executive Director)	3
Lopa Patel ¹² (Non-Executive Director)	2
Kevin Orford ¹³ (Non-Executive Director)	1
Paul Coombs (Independent member from other government department)	3

¹⁰ Left July 2018

¹¹ From July 2018

¹² From July 2018

¹³ From November 2018

Member attendance at Executive Board meetings held during
April 2018 – March 2019

Members	Meetings Attended (12 in year)
Tim Moss (Accounting Officer/Chief Executive Officer)	12
Steve Rowan ¹⁴ (Director of Registered Rights)	5
Adam Williams (Director of International Policy)	12
Pippa Hall (Chief Economist & Director of Innovation)	12
Ros Lynch (Director of Copyright and IP Enforcement)	12
Neil Hartley (Director of Finance)	11
Mike Fishwick (Chief Technology Officer)	11
Dominic Houlihan (Director of People, Places & Services)	12
Julyan Elbro (Divisional Director of Patents)	12

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

- The Secretariat and I regularly review the Executive Board's work programme ensuring that it addresses the requirements of the Office and BEIS.
- The Steering Board carries out an annual effectiveness review.
- Non-Executive Board members are reviewed individually on an annual basis and appointed for up to three years at a time.
- The Audit and Risk Committee undertakes an annual self-assessment which makes recommendations for change.
- Mid-year and end-year directorate performance reviews are held with each Director and their senior team to assess performance against targets and the Corporate Plan.
- An external effectiveness review of the Steering Board is conducted every three years. The latest one was concluded in November 2017. The feedback was positive with only a few minor actions to complete.

The Risk and Internal Control Framework

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of our aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them effectively and economically. The system has been in place throughout 2018/19.

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

This year, the Head of Governance, Planning and Strategy has worked with our Executive Board to conduct a review of the Office's monthly corporate performance report. The review has identified areas for improvement and a new streamlined report will be introduced during 2019/20.

The Board Risk Register records all significant risks to the achievement of the Office's aims and objectives. It is reviewed by the Executive Board and the Audit and Risk Committee on a regular basis. This is further supported by internal audit reviews and assurance reporting. The IPO Risk Appetite Statement was reviewed by Audit and Risk Committee in February 2019. The committee were content with the statement and no revisions were required.

The facilitation of risk management for the Executive Board is undertaken by the Head of Governance and Risk Management. This year, to further strengthen the management of risk, the Executive Board have been reviewing a risk exposure diagram, which summarises not only the strategic risks but those at each committee level. The Central Risk Team have continued to deliver risk identification workshops for projects and the Senior Risk Manager has delivered risk training to 77 of our people over nine training sessions. In addition, 12 people have successfully gained foundation level qualifications in Management of Risk (M_o_R®).

Each Directorate maintains its own prioritised risk register and has their own named individual (Risk Representative) who is responsible for ensuring that a sound risk management culture is promoted within their area.

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

Financial accounting remains sound; a history of unqualified audit opinion of our accounts attests to this.

During 2018/19, we have continued to improve our **counter fraud response**. The Senior Risk and Assurance Manager has been working with all business areas to ensure that there is accurate and timely reporting of all instances of potential fraud and **official error**. The organisational wide fraud risk assessment has been updated with all business areas and a quarterly review has been built in, to make sure all fraud risks are captured and regularly reviewed. The IPO Counter Fraud, Bribery and Corruption Strategy has been reviewed in line with the Government Functional Standard on Counter Fraud and was signed off by the Executive Board in March 2019. Counter Fraud and Official Error Loss Prevention training sessions, suitable for all our people, have continued throughout the financial year and feedback has been very positive. We continue to attend quarterly BEIS Family Counter Fraud Network meetings, where best practice is shared, and a fraud report is sent to every Audit and Risk Committee meeting.

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

Our **whistle-blowing policy** is available to all staff on our intranet site; no whistle-blowing cases have arisen this year.

The **Business Continuity Plan (BCP)** is updated every six months. Throughout the year we have worked closely with external companies such as Costain to best manage the effects of recent major roadworks near our Newport site. The BCP Team have worked alongside the Disaster Recovery (DR) Project Team, who are reviewing our DR facilities and improving our corporate resilience. A number of improvements have been made to the BCP as a result of this collaboration. The BCP and DR Teams have planned a series of scenario-based table top exercises to test our business continuity and disaster recovery capabilities, but these are not expected to take place until early in the new financial year. Due to changes with our Counter Terrorism Security Advisor (CTSA), the planned terrorist attack scenario exercise has been delayed, however, a scenario-based simulation, tailored directly for our site, is being planned for 2019/20.

Security operations have continued to remain compliant with all relevant standards, with a series of external audits verifying this assessment. Technical security operations are maturing following the introduction of new **cyber security capabilities** leading to a reduction of technical threats executing in the IPO network. Decision making is now intelligence based since the delivery of these capabilities.

Data protection has been an area of concentration for the IPO Secure Team throughout this period. With the benefit of a clearly defined benchmark of what constitutes an incident, breach and privacy breach, some systems were identified to fall foul of the expectations of the EU General Data Protection Regulation (GDPR). This has been mitigated and the Data Committee have addressed the related policy issues to ensure these weaknesses do not reoccur. The team also identified weaknesses in the incident reporting methodology, which has been rectified by the introduction of a security incident reporting tool. The tool automates the process of reporting an incident, encouraging timely reporting by staff. Privacy by default and design has been a core theme dominating discussions, which has led to many improvements being made in this area.

A strategic change to our penetration testing methodology has resulted in advancements in our assurance of systems and maintenance. We have moved from an annual testing cycle to a monthly cycle which has reduced the number of negative findings and the time taken for remediation. IT's proactive approach to this new testing methodology has been a great success. It has refined the issues identified in previous years to a single network segment, which the planned obsolescence project will address.

The service provider used for vetting by the IPO Secure team has now transitioned from BEIS to Cluster Security Unit 1 (HM Revenue and Customs). IPO knowledge and information management has been identified as an area for improvement and work is ongoing to address this.

The Office continues to monitor security incidents on a regular basis. **There have been no breaches leading to information loss (due to malicious action) to report.** The Office has had 17 personal information breaches that have all been analysed and in large have been down to human error. In conjunction with BEIS, which acts as the data controller on these matters, we concluded that there was a low risk of adversely affecting the rights and freedoms of any of individuals concerned, therefore none have been reported to the Information Commissioner's Office (ICO).

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

The **review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson** and published by HM Treasury in March 2013 made several recommendations for government departments and their arm's length bodies. The Office has reviewed its use of analytical modelling and concluded that there are no business models used within the Office that could be classed as business critical. We will review this regularly and ensure if any business critical models are identified, that an appropriate quality assurance framework is put in place which adheres to the principles outlined in the HM Treasury guidance on producing quality analysis for government (The Aqua Book).

Guidance from HM Treasury, Cabinet Office and BEIS is regularly reviewed and used to drive change, so that governance practice is consistent with central Government and departmental policy. A comprehensive review of governance, risk and internal control has provided me, the Executive Board and the Audit and Risk Committee with assurance that the Office has complied with the 'Corporate Governance in Central Government Departments: Code of Good Practice' throughout the year, where applicable.

Significant Risks and Control Issues

The Office is a moderately complex organisation covering policy work, rights granting, business support and enforcement. We are responsible for ensuring that the IP system supports innovation and economic growth. We work in an international framework, and retaining a global outlook is important.

One of our top risks this year was ensuring that UK IP rights continued to function smoothly whilst redirecting resources to prepare for exiting the EU. An internal audit in August 2018, to provide independent and objective assurance on the delivery of the IPO's EU Exit policy work streams, provided a substantial assurance opinion, concluding that the framework of governance, risk management and control was adequate and effective. As a result of strong programme management and effective prioritisation, we have laid multiple pieces of secondary legislation and adapted our IT systems to be able to accept and process the new IP rights that occur as a result of EU Exit. We have also been able to make the legislative and IP changes necessary to successfully implement the EU Trade Mark Directive. Throughout this period, we have maintained the level of quality expected by our customers and have processed record levels of trade mark and design applications.

An area of concern highlighted this year was the quality assurance of our projects. An internal audit report in December 2018 gave an unsatisfactory opinion, stating that there were fundamental weaknesses in the framework of governance. The report found that roles were not clearly defined or understood; there was inadequate capacity and capability within project teams; internal governance mechanisms were not as robust as expected and the approved suite of project documentation was not consistently adhered to. The audit did recognise that many of the required changes were already in progress and we have committed to all recommendations being completed by June 2019.

Our customers expect quality digital channels, but we are behind the best with our current service fragmented between the different IP rights granting services. The transformation of our digital services has progressed but at a slower pace as resources have been focused on ensuring our systems are prepared for exiting the EU. We have a clear plan for the programme of work we will follow over the next three years and have broken the programme into clear and achievable milestones. During 2019/20 we will focus on two key areas identified as most important to our customers, providing a single unified digital service for renewals and a system to enable customers to change their details.

Review of effectiveness

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

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

I have considered the evidence provided to support this Governance Statement and sought relevant Audit and Risk Committee assurance. Overall, I conclude that the Office has maintained a sound system of governance, risk management and internal control during the financial year 2018/19.



Tim Moss CBE

Chief Executive and Accounting Officer

2nd July 2019

Remuneration and Staff Report

Remuneration Policy

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

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

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

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

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

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

Performance is assessed by line management into tranches. Individuals are allocated according to the guidelines that are in place for the relevant performance year. For the 2018/19 year individuals should be allocated in the following way: 25% of individuals to be in performance group one, 65% in group two and 10% in group three.

The percentage of staff that can be accepted in each category is established centrally by Cabinet Office. Performance pay of up to 3.3% 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 BEIS SCS and the outcome moderated by the BEIS pay committee.

The Office's performance awards for the year were compliant with this arrangement.

For SCS analogues, the Chief Executive and Director of People, Places and Services formed a remuneration committee and moderated the final performance distribution.

The committee met on 16 June 2018 to moderate the 2018/19 award. The Chief Executive's performance was moderated by the Director General of Business & Science.

Service Contracts

The Constitutional Reform and Governance Act 2010, requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles, published by the Civil Service Commission, specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommission.org.uk

Remuneration (including salary) and pension entitlements

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

Remuneration of Board members - audited

Single total figure of remuneration

	Salary		Bonus		Pension Benefits		Total Remuneration	
	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18
	£000	£000	£000	£000	£000	£000	£000	£000
Tim Moss ¹⁵ – Chief Executive From 1 May 2017	100-105	90-95 (FYE 100-105)	-	-	38	69	140-145	160-165 (FYE 165-170)
Sean Dennehey ^{16 17} Director from 1 May 2017 to 2nd April 2018 Acting Chief Executive from 10 August 2016 to 30 April 2017	0-5 (FYE 120-125)	120-125	0-5	0-5	-	n/a ¹⁷	0-5 (FYE 120-125)	120-125
Dominic Houilhan ¹⁵ Director from 18 September 2017	70-75	35-40 (FYE 65-70)	0-5	0-5	28	14	95-100	50-55 (FYE 80-85)
Ros Lynch ¹⁵ Director from 27 February 2014	70-75	65-70	5-10	5-10	21	15	100-105	90-95
Neil Hartley ¹⁵ Director from 1 April 2015	75-80	50-55	0-5	0-5	34	6	110-115	55-60
Mike Fishwick ¹⁵ Director from 7 September 2015	115-120	115-120	0-5	0-5	46	46	160-165	165-170
Adam Williams ¹⁵ Director from 19 September 2016	70-75	70-75	10-15	0-5	28	27	105-110	100-105
Pippa Hall ¹⁵ Director from 31 August 2016	70-75	70-75	0-5	0-5	28	27	95-100	90-95
Julyan Elbro ¹⁶ Director from 10 August 2016	70-75	70-75	0-5	5-10	25	27	95-100	105-110
Steve Rowan ¹⁵ Director from 10 August 2016 to 31 December 2018	70-75 (FYE 90-95)	70-75	5-10	5-10	108	24	190-195 (FYE 110-115)	105-110
Louise Smyth ¹⁵ Director until 15 September 2017	-	40-45 (FYE 85-90)	-	0-5	-	2	-	40-45 (FYE 90-95)

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. The total remuneration bands have been calculated using actual figures.

¹⁵ is a member of the Senior Civil Service.

¹⁶ is a member of the Senior Civil Service by analogy.

¹⁷ Sean Dennehey was not covered by the Civil Service pension arrangement in the year.

During 2017/18, Neil Hartley had a dual role where 50% of time was with the Office and 50% of the time was with Companies House. He was employed by Companies House and the Office charged for work undertaken on its behalf. This dual role ceased from 1st January 2018, when Neil joined the Office full time and was therefore paid directly. The total remuneration package reflects the payments by the Office for his role throughout the year. It is not possible to determine what portion of the pension entitlement or CETV relates to the Office or Companies House.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private Office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Office and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind cover any benefits provided by the Office and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind in 2018/19 or 2017/18.

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 2018/19, relate to performance in 2017/18 and the comparative bonuses reported for 2017/18, relate to the performance in 2016/17. Directors and all other staff, apart from the Chief Executive, are eligible for an equal share of the overall Office bonus.

Pension Benefits - audited

	Accrued pension at pension age as at 31/3/19 and re-lated lump sum	Real increase / (decrease) in pension and related lump sum at pension age	CETV at 31/3/19 or leaving office	CETV at 31/3/18 or taking office	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
Tim Moss CEO from 1 May 2017	20-25 plus a lump sum of 45-50	0-2.5	438	366	21
Dominic Houlihan Director from 18 September 2017	10-15	0-2.5	92	64	8
Ros Lynch Director from 27 February 2014	15-20 plus a lump sum of 55-60	0-2.5 plus a lump sum of 2.5-5	451	387	21
Neil Hartley Director from 1 April 2015	35-40	0-2.5	617	523	19
Mike Fishwick Director from 7 September 2015	10-15	2.5-5	145	96	31
Adam Williams Director from 19 September 2016	10-15	0-2.5	174	135	14
Pippa Hall Director from 31 August 2016	10-15	0-2.5	119	87	8
Julyan Elbro Director from 10 August 2016	25-30 plus lump sum of 55-60	0-2.5 plus a lump sum of 0-2.5	445	376	10
Steve Rowan Director from 10 August 2016	35-40 plus a lump sum of 90-95	5 - 7.5 plus a lump sum of 10 - 12.5	688	537	85

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015.

Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum, **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on 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 the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product, chosen by the employee from a panel of 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme, if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Values

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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member, as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Median staff pay multiples - audited

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation, and the median remuneration of the organisation's workforce.

	2018/19	2017/18
Band of highest paid director total remuneration (£000)	115-120	120-125
Median total remuneration (£)	30,138	29,248
Ratios	3.9	4.2
Number of persons receiving remuneration in excess of highest paid director ¹⁸	10	3
Remuneration range for employees excluding highest paid director (£000)	17-206	16-210

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

¹⁸ This refers to temporary appointments, who on an annualised basis, receive remuneration in excess of the highest paid director. No permanent employees received remuneration in excess of the highest paid director for either 2018/19 or 2017/18

Steering Board Members - audited

Gareth Davies was Director General within BEIS with responsibility for the Office throughout the year.

The Director General is a member of the Steering Board and appoints independent Board members for a fixed term, which may be renewed. David Rawlins is the BEIS representative.

The Independent Board members and their remuneration are:

	2018/19 Remuneration	2017/18 Remuneration
	£000	£000
Tim Suter Reappointed from 31 September 2019 to 31 March 2021	5-10 (FYE 5-10)	5-10
Andrew Lawrence Appointed from 31 July 2018 to 30 July 2021	0-5 (FYE 5-10)	-
Lopa Patel Appointed from 31 July 2018 to 30 July 2021	0-5 (FYE 5-10)	-
Kevin Orford Appointed from 28 November 2018 to 27 November 2021	0-5 (FYE 5-10)	-
Nora Nanayakkara Reappointed from 6 November 2016 to 5 November 2019	5-10	5-10
Mandy Haberman Reappointed from 2 November 2018 to 1 November 2021	5-10	5-10
Gary Austin Reappointed from 15 July 2015 to 15 July 2018	0-5 (FYE 5-10)	5-10
Iain MacLean Reappointed from 16 July 2015 to 15 July 2018	0-5 (FYE 5-10)	5-10
Andrew Mackintosh Appointed from 2 November 2015 to 1 November 2018	0-5 (FYE 5-10)	5-10
Bob Gilbert Reappointed from 6 February 2017 to 31 March 2018	-	10-15

Paul Hadley and David Rawlins are civil servants and are not remunerated by the Office for serving on the Steering Board.

Paul Layland was an independent member of the Audit and Risk Committee, until he left his role as Director for the Office for National Statistics in July 2017. Paul Coombs, Director of Finance, Planning and Performance at Crown Commercial Service was recruited as Independent Member from October 2017. Both are or were Civil Servants and were not remunerated by the Office.

Sheila Chapman was a Non-Executive Director as part of the Future Boards Scheme until January 2019 and was not remunerated by the Office for serving on the Steering Board.

Staff Report

Staff costs - audited

Staff costs and average number of persons employed during the year

	Permanently employed staff	Short-term employment contract and agency staff	2018/19 £000 Total	2017/18 £000 Total
Wages and salaries	43,209	3,282	46,491	43,177
Social security costs	4,775	-	4,775	4,541
Other pension costs	8,888	-	8,888	8,372
Sub total	56,872	3,282	60,154	56,090
Capitalised staff costs included above	(562)	(152)	(714)	(100)
Total net costs	56,310	3,130	59,440	55,990

Off-payroll engagements

Off-payroll appointments as of 31 March, for more than £245 per day and that last longer than six months are shown below:

	2018/19	2017/18
No. of existing engagements as of 31 March 2019	13	10
Of which...		
No. that have existed for less than one year at time of reporting.	9	7
No. that have existed for between one and two years at time of reporting.	3	-
No. that have existed for between two and three years at time of reporting.	-	1
No. that have existed for between three and four years at time of reporting.	1	-
No. that have existed for between four or more years at time of reporting.	-	2

For all new off-payroll appointments, or all those that reach six months in duration, between 1 April and 31 March for more than £245 per day and will last for longer than six months:

	2018/19	2017/18
No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	16	18
Of which...		
No. assessed as caught by IR35	16	18
No. assessed as not caught by IR35	-	-
No. engaged directly (via PSC contracted to department) and are on the departmental payroll		
	-	-
No. of engagements reassessed for consistency / assurance purposes during the year.		
	-	-
No. of engagements that saw a change to IR35 status following the consistency review.		
	-	-

All these contractors were deemed inside IR35 and arrangements made with the suppliers to deduct tax.

Consultancy and the use of contingent labour

	2018/19 £000	2017/18 £000
Consultancy expenditure	-	-
Contingent labour expenditure	1,548	2,446

Off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

	2018/19	2017/18
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-	-
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year.	9	11

Post employment benefits

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha”- are unfunded multi-employer defined benefit schemes but the Office is unable to identify its share of underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2018/19, employer contributions of £8,837,531 were payable to the PCSPS (2017/18, £8,348,027) at one of the four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands.

The 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 2018/19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The rates are unchanged for 2018/19.

New Career Average pension arrangements were introduced from 1 April 2015 and the majority of classic, classic plus and nuvos members have joined the scheme.

Further details of this new scheme are available at:

www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha

Average number of persons employed

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

	2018/19 (FTE)	2017/18 (FTE)
Directors	8	10
Staff	1,134	1,074
Seconded in staff	5	7
Agency/contract staff	52	49
Seconded out staff	20	21
Total	1,219	1,161

Reporting of Civil Service and other compensation schemes – exit packages - audited

There have been no compensation or exit schemes in either 2018/19 or 2017/18

Staff Composition

The staff composition as at 31 March was as follows:

	2019 Male	2019 Female	2018 Male	2018 Female
Total Staff	54.6%	45.4%	56.4%	43.6%
Clerical Staff	37.7%	62.3%	38.5%	61.5%
Management Staff	57.5%	42.5%	59.3%	40.7%
Senior Civil Servants	72.2%	27.8%	75.0%	25.0%
Board	71.4%	28.6%	80.0%	20.0%

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

SCS band	2018/19	2017/18
Band 2	2	2
Band 1	22	24
Total	24	26

Sickness Absence Data

During 2018/19, we averaged 6.0 working days lost per person against our internal target of an average of 6.5 working days lost per person. Last year, we had achieved an overall 6.0 average working days lost per person.

Staff Policies

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

Staff policies were applied during the year:

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

Trade Union facility time

Relevant union officials

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

	2018/19	2017/18
Number of employees who were relevant officials during the financial year	24	25
Full time equivalent employee number	22.4	23.5

Percent of time spent on facility time

	2018/19	2017/18
0%	-	3
1%-50%	24	22
51%-99%	-	-
100%	-	-

Percent of pay bill spent on facility time

	2018/19 (£)	2017/18 (£)
Total cost of facility time	70,706	50,631
Total pay bill	56,710,144	52,525,485
Percentage of total pay bill spent on facility time	0.12%	0.09%

Paid trade union activities

	2018/19 (%)	2017/18 (%)
Time spent on paid trade union activities as a percentage of total paid facility time hours	16.70	7.17

Parliamentary Accountability and Audit Report

(This section is subject to audit)

Regularity of expenditure

All expenditure is spent in line with the Trading Fund order.

Losses and special payments

There were no losses or special payments to report.

Fees and Charges

(This section is subject to audit)

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

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

Fees for each right are set to avoid any cross subsidy between rights. On average the fees paid across each class of rights are equal to the average costs of the service provided.

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

From April 2018, some patent fees were increased. As a result of these increases, a significant amount of additional income was received in late 2017/18, relating to early renewals. During 2018/19 patent income has been steady, which accounts for the patent deficit, while trade mark demand is rising.

2018/19	Patents	Trade Marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	65,362	31,523	643	116	1,726	99,370
Expenditure	(66,442)	(24,773)	(593)	(176)	(951)	(92,935)
Subtotal	(1,080)	6,750	50	(60)	775	6,435
Financial Income	330	159	3	1	9	502
Financial Expenditure	-	-	-	-	-	-
Additional Dividend	(805)	(389)	(8)	(1)	(21)	(1,224)
Dividend	(2,539)	(1,225)	(25)	(5)	(67)	(3,861)
Retained surplus	(4,094)	5,295	20	(65)	696	1,852

2017/18	Patents	Trade Marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	65,818	28,736	757	79	379	95,769
Expenditure	(61,202)	(23,255)	(1,008)	(69)	(359)	(85,893)
Subtotal	4,616	5,481	(251)	10	20	9,876
Financial Income	147	64	2	-	1	214
Financial Expenditure	(6)	(2)	-	-	-	(8)
Additional Dividend	-	-	-	-	-	-
Dividend	(2,422)	(1,057)	(28)	(3)	(14)	(3,524)
Retained surplus	2,335	4,486	(277)	7	7	6,558

Remote Contingent Liabilities

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

Long Term Expenditure Trends

The Office continues to face high demand and as such has recruited significant numbers of staff, particularly patent and trade mark examiners over the last few years. This has driven the trend to significantly higher staff costs in the last few years together with increases in national insurance contributions and the introduction of the apprenticeship levy, which cannot be offset against training in Wales, where the majority of staff are based.

The Office also continues to invest heavily in infrastructure, both in refurbishing buildings and the move to fully digitise all IT services. This has meant increased IT costs and depreciation. The Office has also taken on additional leased space in London to provide a location for the Unified Patent Court (UPC), which has significantly increased accommodation costs.



Tim Moss CBE

Chief Executive and Accounting Officer

2nd July 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of the Patent Office for the year ended 31 March 2019 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Patent Office as at 31 March 2019 and of its net operating 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Patent Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Patent Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Patent Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 9 July 2019**

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

2018/19

Statement of Comprehensive Income

For the year ended 31 March 2019

		2019	2018
	Notes	£000	£000
Revenue from contracts with customers	3(a)	97,528	95,311
Other operating income	3(b)	1,842	458
Total operating income		99,370	95,769
Staff costs	4	(59,440)	(55,990)
Depreciation and amortisation	5	(1,991)	(3,006)
Other operating charges	5	(31,504)	(26,897)
Operating surplus before financing and dividend		6,435	9,876
Financial Income	6	502	214
Operating surplus on ordinary activities		6,937	10,090
Financial Expenditure	7	-	(8)
Net operating surplus		6,937	10,082
Dividend	8	(3,861)	(3,524)
Surplus before additional dividend		3,076	6,558
Additional Dividend Paid During Year	8	(1,224)	-
Retained surplus for the year		1,852	6,558
All of the operations are classed as continuing.			
Other comprehensive income			
Net gain on revaluation of plant, property and equipment	9	227	37
Net gain on revaluation of intangible assets	10	169	167
Total comprehensive Income		2,248	6,762

The notes on pages 77 to 91 form part of these accounts.

Statement of Financial Position

As at 31 March 2019

		2019	2018
	Notes	£000	£000
Non-current assets			
Property, plant and equipment	9	20,944	21,213
Intangible assets	10	7,872	5,690
Trade and other receivables	11	512	341
		29,328	27,244
Current assets			
Trade and other receivables	12	11,097	5,673
Cash and cash equivalents	13	92,946	101,501
		104,043	107,174
Total assets		133,371	134,418
Current liabilities			
Trade and other payables	14	(19,750)	(24,479)
Other liabilities	14	(19,674)	(18,240)
Total current liabilities		(39,424)	(42,719)
Non-current assets plus net current assets		93,947	91,699
Net Assets		93,947	91,699
Financed by:			
Capital and reserves			
Public dividend capital		6,325	6,325
Revaluation reserve		3,366	3,219
General reserve		84,256	82,155
Total financing		93,947	91,699



Tim Moss CBE

Chief Executive and Accounting Officer

2nd July 2019

The notes on pages 77 to 91 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2019

		2019	2018
	Notes	£000	£000
Net cash inflow from operating activities			
Net operating surplus		6,937	10,082
Adjustment for non-cash items		1,991	3,156
Increase in trade and other receivables	11/12	(5,595)	(618)
(Decrease)/Increase in trade payables	14	(3,295)	4,123
Movements in payables relating to items not passing through the operating statement (capital and dividend accruals and short term provision movement)		(299)	-
Use of provisions	15	(38)	(112)
Dividends paid	8	(4,748)	(3,400)
Net cash inflow from operating activities		(5,047)	13,231
Cash flows from investing activities			
Purchase of property plant and equipment		(338)	(1,263)
Purchase of intangible assets		(3,170)	(834)
Net cash outflow from investing activities		(3,508)	(2,097)
Cash flows from financing activities			
Repayment of loans		-	(166)
Net (Decrease)/Increase in cash and cash equivalents in year		(8,555)	10,968
Cash and cash equivalents at the beginning of the year	13	101,501	90,533
Cash and cash equivalents at the end of the year	13	92,946	101,501

The notes on pages 77 to 91 form part of these accounts.

Statement of Changes in Taxpayers' Equity

		PDC	Revaluation Reserve	General Reserve	Total Capital & Reserves
		£000	£000	£000	£000
	Notes				
Balance at 31 March 2017		6,325	3,285	75,327	84,937
Changes in capital and reserves for 2017/18					
Net gain on revaluation of property, plant and equipment	10	-	37	-	37
Net gain on revaluation of intangible assets	11	-	167	-	167
Transfer of (excess) / realised depreciation between reserves		-	(270)	270	-
Retained surplus		-	-	6,558	6,558
At 31 March 2018		6,325	3,219	82,155	91,699
Changes in capital and reserves for 2018/19					
Net gain on revaluation of property, plant and equipment	10	-	227	-	227
Net gain on revaluation of intangible assets	11	-	169	-	169
Transfer of (excess) / realised depreciation between reserves		-	(249)	249	-
Retained surplus		-	-	1,852	1,852
At 31 March 2019		6,325	3,366	84,256	93,947

The notes on pages 77 to 91 form part of these accounts.

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 Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the 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 under the going concern assumption and in accordance with historic cost convention with the historical cost convention modified to include revaluation of property, plant and equipment and intangible assets, in a form determined by the Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973.

The 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 management's view are asset valuation and income recognition (deferred income).

1(c) Property, plant and equipment valuation

Land and buildings are valued on the basis of existing use. A full valuation of our estate is carried out annually by an independent professional valuer. The last valuation was performed on the 31 March 2019 by DVS Property Specialists for the Public Sector, an operating arm of the Valuation Office Agency (VOA).

Where assets are revalued, the depreciation charge is based on the the revised value over the remaining life of the asset.

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

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:

Information technology	5 years
Plant and machinery	5 years

Depreciation is charged from the date of acquisition.

The estimated remaining life of the building and car park on the 31 March 2019 is 53 years.

1(e) Capitalisation threshold

All land and buildings owned by the Office and all other assets costing more than £3,000 excluding VAT are capitalised. Software development costs are capitalised, excluding any costs incurred in the planning and design stages of the project, which are clearly defined and separate from the build of a project. New expenditure on IT systems development is written off in the period in which it is incurred, unless a beneficial relationship to a future period can be established with reasonable certainty, in which case the charge is capitalised. All threshold limits quoted are VAT exclusive. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Office operations.

1(f) Intangible assets

Intangible assets consists of specialist software developed for the Office.

Software development expenditure (covering the costs of third party work and the direct costs of in house IT staff effort) is capitalised when incurred on projects which will deliver economic benefits over a number of years. Software is revalued using an appropriate index.

1(g) 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

Amortisation is charged from the date the asset is brought into use.

1(h) Income

Income, which is exclusive of VAT, comprises fees earned from the grant of patents, trade marks and designs, sales of the Office publications and fees earned from other commercial services. IFRS 15: Revenue from Contracts with Customers introduces a new five-step model for revenue recognition:

- 1) Identify the contract(s) with a customer;
- 2) Identify the performance obligation in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

We have reviewed our income streams assessing each one against the five-step model. We concluded there will not be a material change in the revenue recognised within the SOCI as we are already aligned with the recognition requirements specified in IFRS 15 in that we recognise income upon completion of the performance obligation.

For patent transactions we identified the obligation points as Application, Search and Rights granting stage, for trade marks we identify the obligations as the completion examination and rights granting stage.

1(i) Deferred income (prepayment)

In many instances the 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 14) and recognised in the statement of comprehensive income in line with IFRS 15: Revenue from Contracts with Customers, as and when the performance obligations have been met.

1(j) Taxation

As a Trading fund we are not liable to pay Corporation Tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets. Expenditure is otherwise shown net of VAT. The Office is not registered separately for VAT, but falls within the Department for Business, Energy and Industrial Strategy (BEIS) registration.

1(k) Foreign exchange

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

1(l) Operating lease rentals

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

1(m) Financial instruments

The 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. IFRS 9: Financial Instruments replaces IAS 39. The most significant changes are as follows:

- › **New classifications for financial assets with different measurement requirements based on the business model in which assets are managed and on their cash flow characteristics.** IFRS 9 supersedes the present categories of IAS 39 for financial assets ('held to maturity', 'loans and receivables', 'available for sale' and 'held for trading'), by the measurement categories, 'at amortised cost', 'at fair value through profit or loss FVTPL' and 'at fair value through other comprehensive income'.
- › **Recognition of credit loss allowances on an expected loss rather than an incurred loss basis.** Where objective evidence exists we will recognise an allowance, however, we consider IFRS 9 to have an immaterial impact as the expected credit losses (ECL) on the financial assets are assessed as negligible as the counterparties are other government bodies or in respect of trade receivables, paid for either in advance or at the point of providing the service.
- › **New principles based approach to hedge accounting.** We consider this to have no impact as we do not have any hedge accounting arrangements.

1(n) Provisions

All provisions where the time value of money is significant are discounted at the Treasury approved rate (see note 15).

1(o) Dividends

Under Section 4(1) of the Government Trading Funds Act the Office may be set further financial objectives which impact on plans and charges. The current financial objective and performance is shown in the Performance Report. This objective is in part to reflect the cost of capital utilised by the Office and fees and charges are set to recover costs and meet this further financial objective. This cost of capital is then paid as a dividend.

1(p) 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. The 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 Office recognises the contributions payable for the year.

1(q) Adoption of new and revised standards

The Office provides disclosure where it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that the initial application of a new standard would have on financial statements. The following new standards have been adopted by the 2018/19 FReM:

IFRS 9: Financial Instruments has been interpreted by the FReM. Following assessment and with reference to Financial Instrument policy 1(m) this standard has nil impact on our 2018/19 accounts.

IFRS 15: Revenue from Contracts with Customers has been interpreted by the FReM. Income recognition has been reviewed and recognised as stated in notes 1(h) and 1(i). Following this review this standard has nil impact on our 2018/19 accounts.

IFRS 16: Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value.

We will adopt IFRS 16 in the financial year commencing 1 April 2020 in line with FReM requirements. IFRS 16 will be implemented using the cumulative catch-up method; as a result comparatives will not be restated and the measurement of the asset and liability balances recognised with effect from 1 April 2020 will reflect our intentions as at that date. Leases currently classified as operating leases will be assessed and recognised in the Statement of financial position in accordance with IFRS 16 criteria, increasing the value of property, plant and equipment assets and the value of lease liabilities. Assessments will take place in the coming year in preparation of the adoption of this standard.

2 Segmental reporting

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

3 Income

Analysis of operating income by classification and activity

For the year ended 31 March		2019	2018
		£000	£000
3(a)	Revenue from contract with customers		
	Patents		
	Application, search and examination fees	4,246	3,601
	Renewals for UK Patents	11,757	12,635
	Renewals for European patents designating the UK	48,381	49,131
	Other	978	451
		65,362	65,818
	Trade Marks		
	Application fees	23,316	20,194
	Renewal fees	6,854	8,310
	Other	1,353	232
		31,523	28,736
	Designs		
	Application fees	311	298
	Renewal Fees	293	406
	Other	39	53
		643	757
	Total revenue from contract with customers	97,528	95,311
3(b)	Other operating income		
	Publications	116	79
	Commercial services	1,726	379
	Total other operating income	1,842	458
	Total Turnover	99,370	95,769

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

4 Staff costs

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

	2019	2018
	£000	£000
Salaries and wages	43,209	40,695
Social security costs	4,775	4,541
Pension costs	8,888	8,372
Agency/Contract staff	3,282	2,482
Capitalised staff costs included above	(714)	(100)
	59,440	55,990

5 Other non staff costs

	2019	2018
	£000	£000
IT and Telecoms	13,008	8,240
Accommodation (ex leases)	4,951	5,513
Access to online IP databases	2,755	2,724
Property lease costs	1,496	1,891
Innovation support	1,439	1,453
Training	1,142	1,059
Travel	1,095	996
Subscriptions to international bodies	856	910
Office supplies and equipment inc postage	717	753
Recruitment and other staffing costs	961	699
Other admin costs	556	665
Research co-operation and seminars	569	685
Legal and hearings	1,139	288
Outreach and marketing	210	201
Enforcement support	60	189
Hire of office machinery	135	186
Banking and Card Commissions	267	170
Departmental overheads	77	69
Audit fee ¹	42	40
Exchange rate losses	29	16
Total	31,504	26,747

¹ This represents the cost for audit services. There has been no charge for non-audit services.

5 Other non staff costs continued

	2019	2018
	£000	£000
Non cash items		
Amortisation	1,157	1,836
Depreciation	834	1,170
Loss on disposal of assets	-	150
Total non cash	1,991	3,156
Total cash and non cash	33,495	29,903

6 Financial Income

	2019	2018
	£000	£000
Short term deposits - operating activities	502	214

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

7 Financial expenditure

	2019	2018
	£000	£000
Interest on loans	-	8
Unwinding of discount on early retirement provision (see note 15)	-	-
	-	8

8 Dividends

The dividend of £3,523,819 proposed in the 2017/18 statements was paid in July 2018. The dividend of £3,860,689 proposed in the 2018/19 statements will be paid in July 2019. In 2018/19 an additional dividend of £1,224,000 was paid to BEIS from accumulated reserves to fund other IP projects.

9 Property, plant and equipment

2018/19	Land	Buildings	Plant and machinery	Information Technology	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 31 March 2018	3,570	16,383	2,188	6,712	28,853
Additions	-	76	194	68	338
Revaluation	-	(76)	-	-	(76)
Disposals	-	-	-	-	-
At 31 March 2019	3,570	16,383	2,382	6,780	29,115
Depreciation					
At 31 March 2018	-	-	1,948	5,692	7,640
Provided during the year	-	303	133	398	834
Surplus on revaluation	-	(303)	-	-	(303)
Disposals	-	-	-	-	-
At 31 March 2019	-	-	2,081	6,090	8,171
Net book value at 31 March 2019	3,570	16,383	301	690	20,944

2017/18	Land	Buildings	Plant and machinery	Information Technology	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 31 March 2017	3,570	15,833	2,171	6,266	27,840
Additions	-	817	17	446	1,280
Revaluation	-	(267)	-	-	(267)
Disposals	-	-	-	-	-
At 31 March 2018	3,570	16,383	2,188	6,712	28,853
Depreciation					
At 31 March 2017	-	-	1,753	5,021	6,774
Provided during the year	-	304	195	671	1,170
Surplus on revaluation	-	(304)	-	-	(304)
Disposals	-	-	-	-	-
At 31 March 2018	-	-	1,948	5,692	7,640
Net book value at 31 March 2018	3,570	16,383	240	1,020	21,213

The land and buildings referred to above are freehold and were revalued at £19.953 million by the District Valuer Services (DVS), Newport, South Wales on 31 March 2019 on the basis of existing use.

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

All assets are owned by the Office.

10 Intangible Assets

2018/19	Software in use	Software under construction	Software total
	£000	£000	£000
Cost or valuation			
At 1 April 2018	12,128	608	12,736
Additions	-	3,170	3,170
Reclassifications	2,680	(2,680)	-
Revaluation	169	-	169
Disposals	-	-	-
At 31 March 2019	14,977	1,098	16,075
Amortisation			
At 1 April 2018	7,046	-	7,046
Provided during the year	1,157	-	1,157
Surplus on revaluation	-	-	-
Disposals	-	-	-
At 31 March 2019	8,203	-	8,203
Net Book value at 31 March 2019	6,774	1,098	7,872
2017/18	Software in use	Software under construction	Software total
	£000	£000	£000
Cost or valuation			
At 1 April 2017	11,631	149	11,780
Additions	-	939	939
Reclassifications	330	(330)	-
Revaluation	167	-	167
Disposals	-	(150)	(150)
At 31 March 2018	12,128	608	12,736
Amortisation			
At 1 April 2017	5,210	-	5,210
Provided during the year	1,836	-	1,836
Surplus on revaluation	-	-	-
Disposals	-	-	-
At 31 March 2018	7,046	-	7,046
Net Book value at 31 March 2018	5,082	608	5,690

All software is internally generated.

Additions represent developments in producing software under the TRIPOD major change programme.

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

We have undertaken a major project delivering significant changes to the trade mark service (£2.7m), in part to cope with predicted EU Exit volumes. As well as capitalising these costs, the estimated useful life has been extended from 31 March 2019 to 31 March 2023 in line with EU Exit assumptions (possible transitional period to December 2020) and our transformation plans (all services replaced by 2023/24).

11 Non-current trade receivables

	2019	2018
	£000	£000
Prepayments and accrued income	512	341
	512	341

12 Current trade receivables

	2019	2018
	£000	£000
Trade receivables	3,680	2,083
Other receivables	(2)	50
Prepayments and accrued income	7,419	3,540
	11,097	5,673

13 Cash and cash equivalents

	2019	2018
	£000	£000
Balance at 1 April	101,501	90,533
Net change in cash and cash equivalent balances	(8,555)	10,968
Balance at 31 March ²	92,946	101,501
Government Banking Service	31,987	40,262
Commercial Banks and cash in hand	959	1,239
Short term investments with National Loans Fund	60,000	60,000
	92,946	101,501

² This includes the user deposit account funds of £6,778,000 shown in note 14

14 Current liabilities

	2019	2018
	£000	£000
User deposit accounts	6,778	8,995
Trade payables	12,972	15,484
	19,750	24,479
Deferred income- prepayment	6,701	6,175
Early retirement provision (see note 15)	-	38
Taxation and social security	1,224	1,116
Superannuation	990	926
Other liabilities	65	36
Dividend payable	3,861	3,524
Untaken annual leave owed	1,912	2,146
Accruals	4,921	4,279
	19,674	18,240

15 Provision for liabilities and charges

Early Retirement and Severance

Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early departure decisions are made. The Statement of Comprehensive Income is charged with the full liability of new decisions taken and a provision made in the Statement of Financial Position, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2018 and 2019.

	2019	2018
	£000	£000
At 1 April	38	150
Provision made in year	-	-
Unwinding of discount on provision	-	-
Payments offset against the provision	(38)	(112)
At 31 March	-	38
Less amount payable within one year (included in current liabilities - see note 14)	-	(38)
Amount payable after one year	-	-

16 Commitments under leases

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

	2019		2018	
	Buildings	Other	Buildings	Other
	£000	£000	£000	£000
Leases falling due:				
within 1 year	2,129	70	2,226	125
between 1 and 5 years	1,826	36	3,222	106
after 5 years	491	-	-	-
	4,446	106	5,448	231

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

17 Future income due under non-cancellable operating leases

	2019	2018
	£000	£000
Land and buildings:		
Receivable within 1 year	1,248	-
Receivable within 2-5 years	1,352	-
Total	2,600	-

The Office has a Memorandum of Terms of Occupation (MOTO) to lease part of Aldgate Tower. The MOTO is a rolling 12 months contract from 1 May 2018 to 31 April 2021. The contract provides a possible cancellation with 12 months' notice.

Total rent due from the MOTO in 2018/19, and recognized as commercial services income in note 3(b), is £1.144 million.

18 Contingent liabilities

The Office has no contingent liabilities at 31 March 2019. (2017/18 :Nil)

19 Related party transactions

The Office is an executive agency of the Department for Business, Energy and Industrial Strategy. The Department is regarded as a related party. During the year, the Office had various material transactions with the Department. These were the dividend, loans payments and some payments for central services provided by the Department. In addition, the Office had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions were with the Statistics Authority, HM Treasury, the Cabinet Office, Crown Commercial Service and UK SBS 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. Both the IPO and the Copyright Hub share a director. There have been £50,000 of transactions occurring in the year which relate to payments between the IPO and the Copyright Hub.

20 Financial instruments

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

Liquidity risk

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

Market Risk

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

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

Credit risk

There is no material credit risk to the Office.

21 Events after the reporting period

There have been no events since the balance sheet date that impact on the understanding of these financial statements.

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

Appendix A

Treasury Minute for the Patent Office Trading Fund

The Patent Office Trading Fund:

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to the fund it shall be his duty:
 - (a) to manage the funded operations so that the revenue of the fund:
 - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
 - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
 - (b) to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund known as The Patent Office was established on 1 October 1991 in pursuance of The Patent Office Trading Fund Order 1991 (S.1 1991 No. 1796).
3. The First Secretary of State, Secretary of State for Business, Innovation and Skills, 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 2014 to 31 March 2019 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 23 June 2009.
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

19 May 2014

2018/19

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CUSTOMER
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