



Intellectual
Property
Office

The Patent Office Annual Report and Accounts

2021/22



The Patent Office Annual Report and Accounts 2021/22

The Patent Office

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2021/22 Annual Report & Accounts

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

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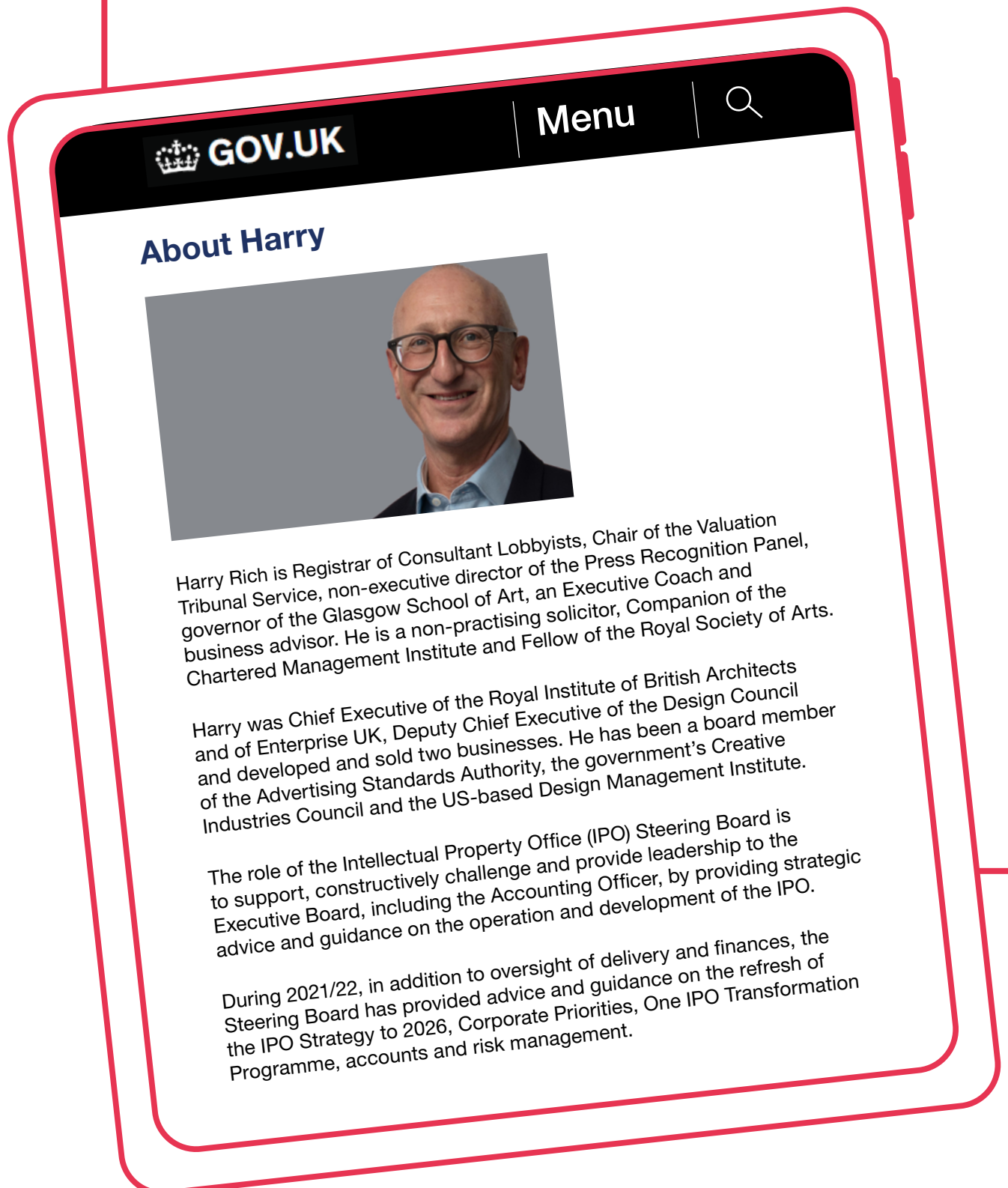
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Chair's Statement



The image shows a screenshot of the GOV.UK website. At the top, there is a black navigation bar with the GOV.UK logo on the left, the word 'Menu' in the center, and a search icon on the right. Below the navigation bar, the page title 'About Harry' is displayed in a bold, dark blue font. Underneath the title is a portrait of Harry Rich, a man with glasses and a light blue shirt. Below the portrait, there are three paragraphs of text describing his background and role. The text is presented in a clean, sans-serif font.

GOV.UK | Menu | 🔍

About Harry



Harry Rich is Registrar of Consultant Lobbyists, Chair of the Valuation Tribunal Service, non-executive director of the Press Recognition Panel, governor of the Glasgow School of Art, an Executive Coach and business advisor. He is a non-practising solicitor, Companion of the Chartered Management Institute and Fellow of the Royal Society of Arts.

Harry was Chief Executive of the Royal Institute of British Architects and of Enterprise UK, Deputy Chief Executive of the Design Council and developed and sold two businesses. He has been a board member of the Advertising Standards Authority, the government's Creative Industries Council and the US-based Design Management Institute.

The role of the Intellectual Property Office (IPO) Steering Board is to support, constructively challenge and provide leadership to the Executive Board, including the Accounting Officer, by providing strategic advice and guidance on the operation and development of the IPO.

During 2021/22, in addition to oversight of delivery and finances, the Steering Board has provided advice and guidance on the refresh of the IPO Strategy to 2026, Corporate Priorities, One IPO Transformation Programme, accounts and risk management.

I was appointed as Chair of the IPO from 1 October 2021 and have been impressed by the quality, skill and commitment of the IPO's executive and non-executive leadership. I want to express my thanks to Kevin Orford for his stewardship of the IPO Steering Board as Interim Chair.

Over the past year the Covid-19 pandemic presented unprecedented challenges to the IPO, to our people and to our customers. Our teams across the organisation worked with immense professionalism, commitment, and flexibility to ensure that we continued to meet our customers' needs and develop the IPO for the future.

I am pleased to report that we met all our Ministerial targets and made considerable progress in delivering the IPO's Strategy. Launched in 2018, our strategy sets out how we will support the Government's ambition of making the UK the most innovative country and the best place to start and grow a business. We aim to support this by making life better through intellectual property (IP) and our ambition of being the best intellectual property office, by delivering excellent IP services, by creating a world leading IP environment and by making the IPO a brilliant place to work.

Over the past year we have seen unprecedented demand across our rights areas. We have made significant progress in reducing our patent backlog and have seen a significant increase in demand for both trade marks and designs. Our overall customer satisfaction score demonstrates that we have continued to provide excellent customer service across all registered rights. Our people have continued to deliver for our customers in extremely difficult circumstances, adapting to changing customer needs and continuing to put our customers at the heart of everything we do. Our people are our greatest asset and are at the forefront of our continued success. The annual IPO People Survey showed that we maintained our overall engagement score and we remain a Civil Service High Performer for employee engagement. A GIAA audit of our culture took place in 2021 and we received excellent feedback about how we have informed and connected with our people during the pandemic. We continued to support remote working and have invested significantly in adapting our offices to support hybrid working.

We move into 2022/23 with huge ambition to deliver the key priorities of our new strategy to 2026 and to play a fundamental role in ensuring the UK becomes the most innovative and creative country in the world. As well as further improving and delivering our core services, we will embark on the next phase of our One IPO Transformation Programme, which will align the IPO's services to an increasingly digital environment, ensuring a continued focus on our customers and on our support of our people.

I would like to personally thank the whole IPO team for their professionalism and dedication over another challenging year and for working together to deliver the achievements set out in this annual report.





Chief Executive's Introduction



I am delighted to introduce the Annual Report and Accounts for 2021/22

Our Corporate Plan 2021/22 was the fourth and final year under our Intellectual Property Office Strategy 2018/2021. Although the Covid-19 pandemic presented challenges for us, we delivered significant achievements over the year including:

- excellent customer satisfaction, reducing our patent backlog by 98% and registered record levels of trade marks and designs;
- completing all the foundation work necessary to ensure we can deliver Transformation successfully and making significant progress toward completing the work to design our new services based on copious customer research;
- submitting policy proposals to Ministers to meet the future challenges and opportunities of Artificial Intelligence (AI);
- developing key strategic aims within Europe and agreeing to establish an IP attaché post in Brussels to maximise the impact of our new relationships with EU partners;
- successfully launching the Counter-Infringement Strategy to address IP crime and infringement over the next five years; and
- remaining a high performing organisation in the Civil Service People Survey.

Intellectual
Property
Office

The IPO Strategy
2018



It has been a successful year.

This report sets out the detail of our achievements this year and I am pleased to provide my perspective on our performance over 2021/22.

Like all organisations the IPO continued to be affected by the Covid-19 pandemic and throughout the year a high percentage of our workforce worked remotely. As we began to emerge out of the Covid-19 pandemic with the easing of restrictions during 2021/22, our teams worked brilliantly to support our workforce to move to a hybrid working model and we invested further in upgrading our infrastructure to support this.

Delivering IP for our customers remains central to what we do at the IPO and we have continued to provide excellent customer services, achieving a customer satisfaction score of 88% in quarter 4 and exceeding our target of 85%. This is despite seeing increased demand of 2.4% for patent searches, 8.5% for examination requests, 16.1% for trade





marks and 71.8% for designs. In dealing with this record level of workload we recruited additional staff and continued to monitor demand to ensure we have the right resource in place to support our services and our customers.

This year we delivered the next steps of our customer strategy, implementing our 'closing the loop' framework to help us resolve customer experience issues and updated our quarterly customer satisfaction survey to improve our understanding of the needs of our changing customer base post-Brexit. We also supported businesses to recover from the impact of the Covid-19 pandemic by launching our new financial support scheme for innovative, high-growth potential Small and Medium-Sized Enterprises (SMEs).

We are consistently ranked as having one of the best IP regimes in international indices¹ and most recently this was confirmed in the US Chamber 2022 International IP Index where we were ranked second.

To understand how Artificial Intelligence (AI) impacts the IP framework and to meet future challenges and opportunities, we took forward 11 actions over the course of the year and further developed our understanding of the interaction between AI and IP. We carried out a further Call for Views on AI and IP and have submitted policy proposals to Ministers, ready to deliver new legislation as part of the Retained EU Law Bill.

We are consistently ranked as having one of the best IP regimes

As part of the EU-UK Trade and Cooperation Agreement, we held our first IP Specialised Committee (IPSC) with the Commission and its Member States covering a range

1

[GIPC_IPIndex2022_ExecSummary_v4.pdf \(theglobalipcenter.com\)](#)

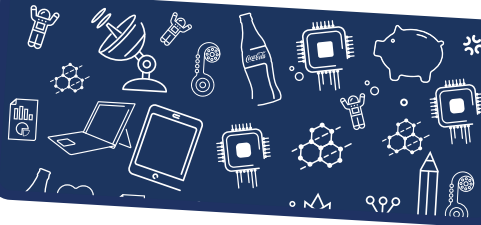


IP Tutor Plus

IP for Universities

Intellectual Property Office

Business Lifecycle Framework IP at every stage



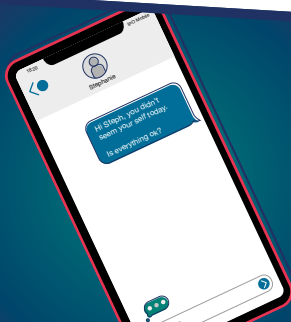
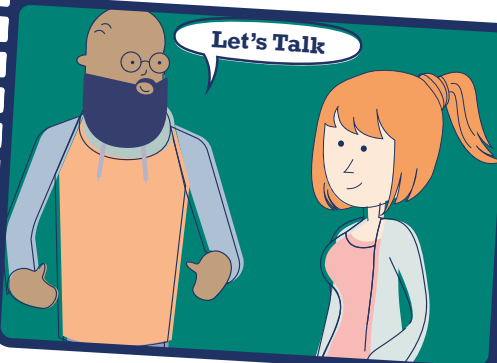
People Survey have your say

28 September –
3 November



IPO | Making the IPO a brilliant place to work

Let's Talk



of IP matters including legislation and policy developments. During the year we developed our key strategic aims within Europe and held several bilateral meetings with European countries to set the foundations for the IPO to strengthen relationships and enhance our cooperation across leading countries in support of IPO interests. To further support our objectives in Europe and the EU, the IPO Board approved the recruitment of a European IP attaché based in Brussels and during the year we also continued to increase the UK's influence at the World Intellectual Property Organisation (WIPO).

We continued to reach out to educate businesses, young people, and universities about the importance of IP by publishing a Business Lifecycle framework, implementing our cross-government IP Capability strategy, launching an IP in Education framework; and we extended our flagship IP for Research Education programme.

Reducing IP crime and infringement remained a key priority this year and we published our Counter-Infringement Strategy 2022 to 2027. We significantly strengthened our Intelligence Hub and made headway in reducing crime and infringement, with highlights including our support to a multi-agency investigation led by the North West Police Intellectual Property Crime Unit into the use of self-storage facilities by organised crime groups in the Manchester area. Approximately 55 storage units were searched, and over 200 tonnes of counterfeit goods were recovered, with an estimated value of over £500 million.

The IPO is already a great place to work and we are committed to making it a brilliant place to work. We maintained our engagement score in the Civil Service People Survey, and we remain a Civil Service High Performer. A Government Internal Audit Agency (GIAA) audit of our culture took place in 2021 and focused predominately on our engagement response to the Covid-19 pandemic. The findings were hugely positive and showed how we have informed and connected our people during the Covid-19 pandemic, leaving them feeling supported, valued, and included.

Left: Photographs of the meeting between the UK Intellectual Property Office and the Swiss Federal Institute of Intellectual Property October 2021.



The physical and mental health of our employees is paramount and many of the employee initiatives we put in place at the start of the Covid-19 pandemic have remained. We have continued to invest significantly to allow our people to move to a hybrid working model, and to provide a welcoming and safe return to the office for those who wish to work on-site.

Looking Forward

Our ambition is to be the best IP office in the world and going forward our 2022/23 Corporate Priorities build on this and support the UK's ambition to be the most innovative and creative country in the world. Our focus over the next year will be continuing to deliver our core IP services alongside our Transformation programme, which will transform our services to our customers by making better use of modern digital technology. We will also further develop the IP Framework to keep pace with societal change; and continue to create an environment where our people can thrive through our 'One IPO' approach. We will work to build upon our culture to ensure our people are supported, focusing on our organisational needs, including leadership development, hybrid working and organisational design.

The achievements and successes through this year demonstrate our ability to address challenges and our commitment to making life better through IP. This has only been possible through the incredible dedication and hard work of everyone at the IPO. I have recently announced that after 5 years as CEO of this amazing organisation I will be moving on at the end of August. The team at the IPO have delivered so much in that time, through Brexit and Covid, and have a real focus on serving the customer and supporting each other. They are a fantastic staff group and I am immensely proud to be their CEO and thank them for their great work.

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

Tim Moss CBE

Chief Executive and Accounting Officer

14 July 2022



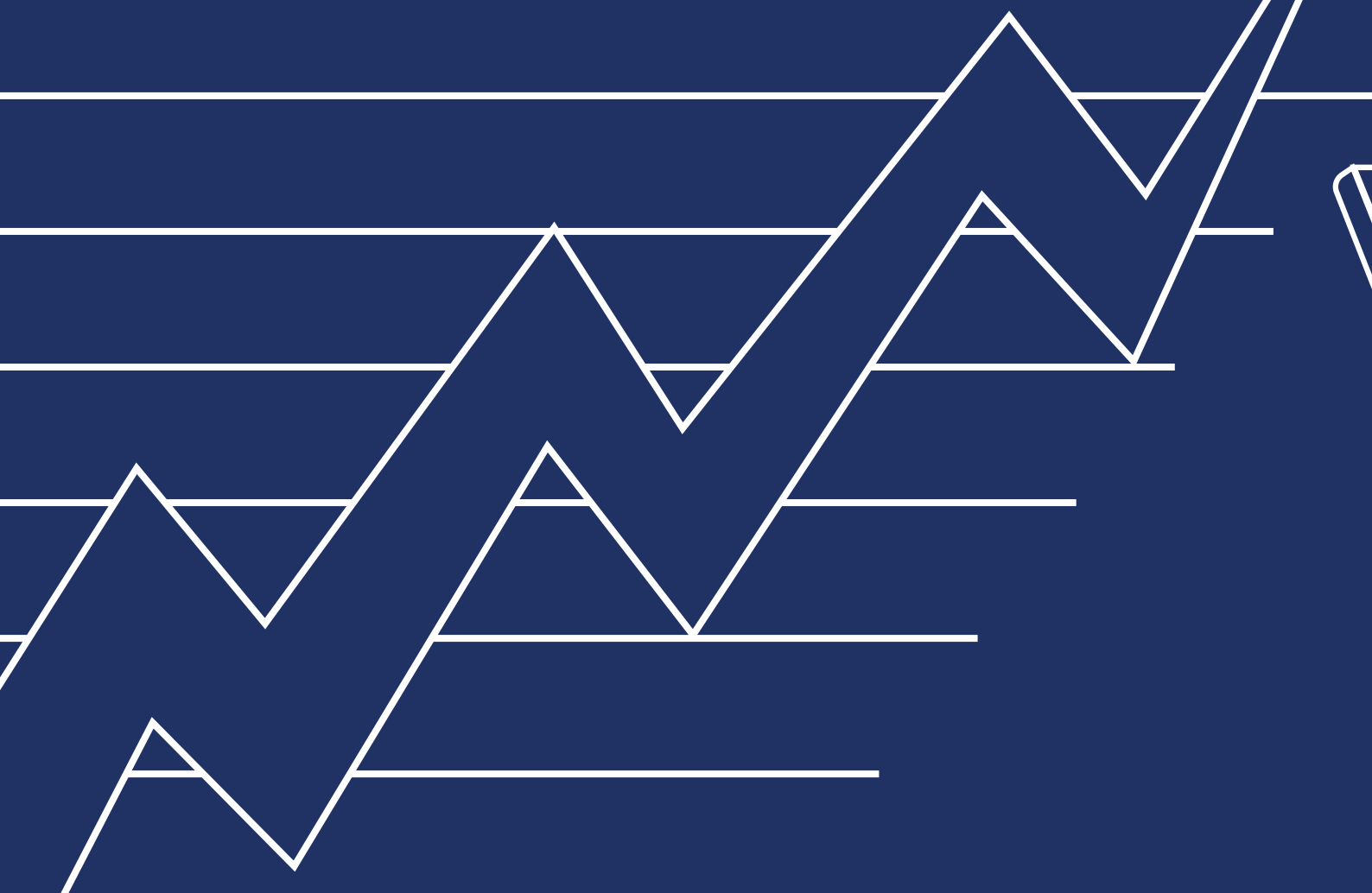
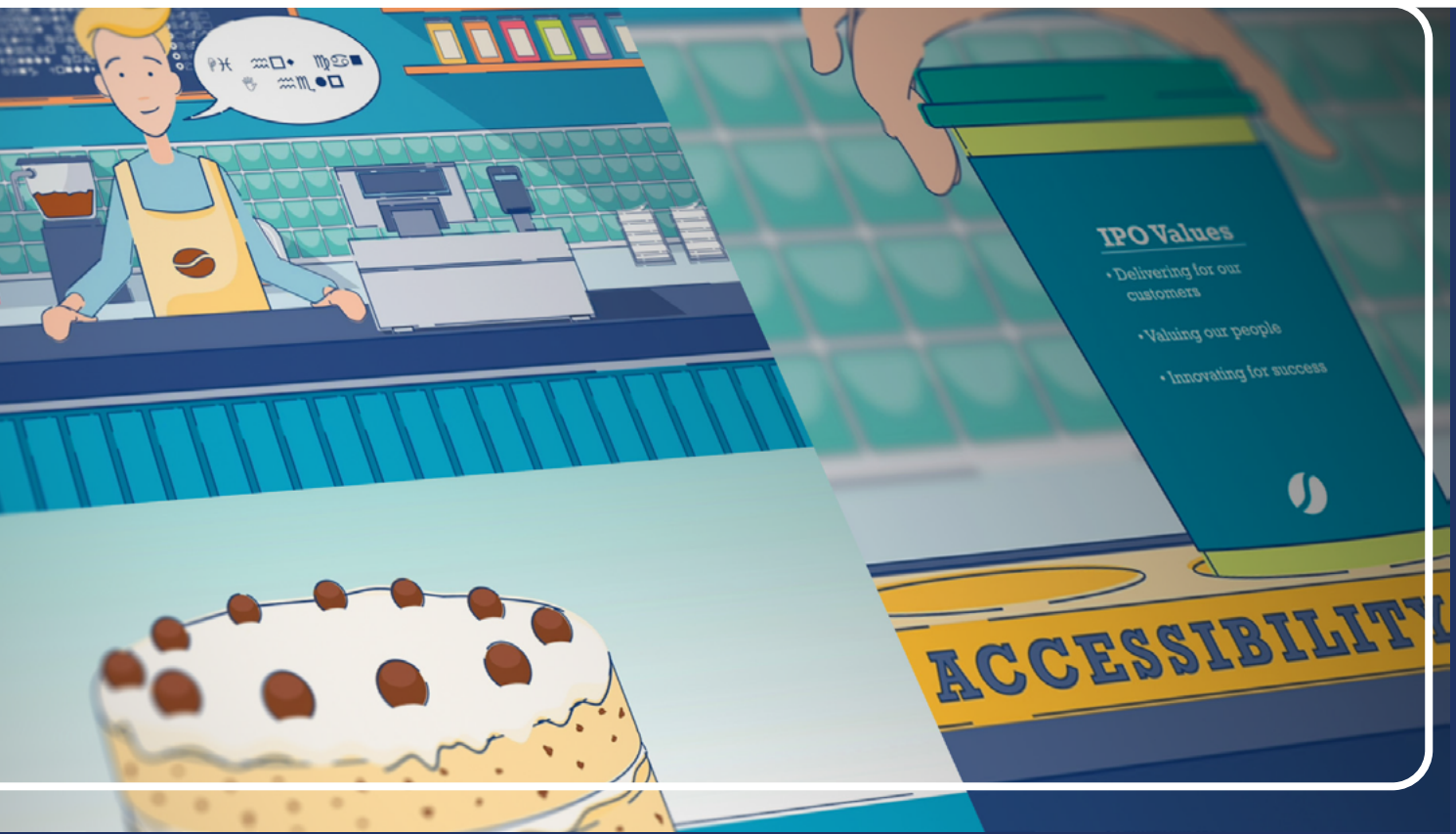
About Tim



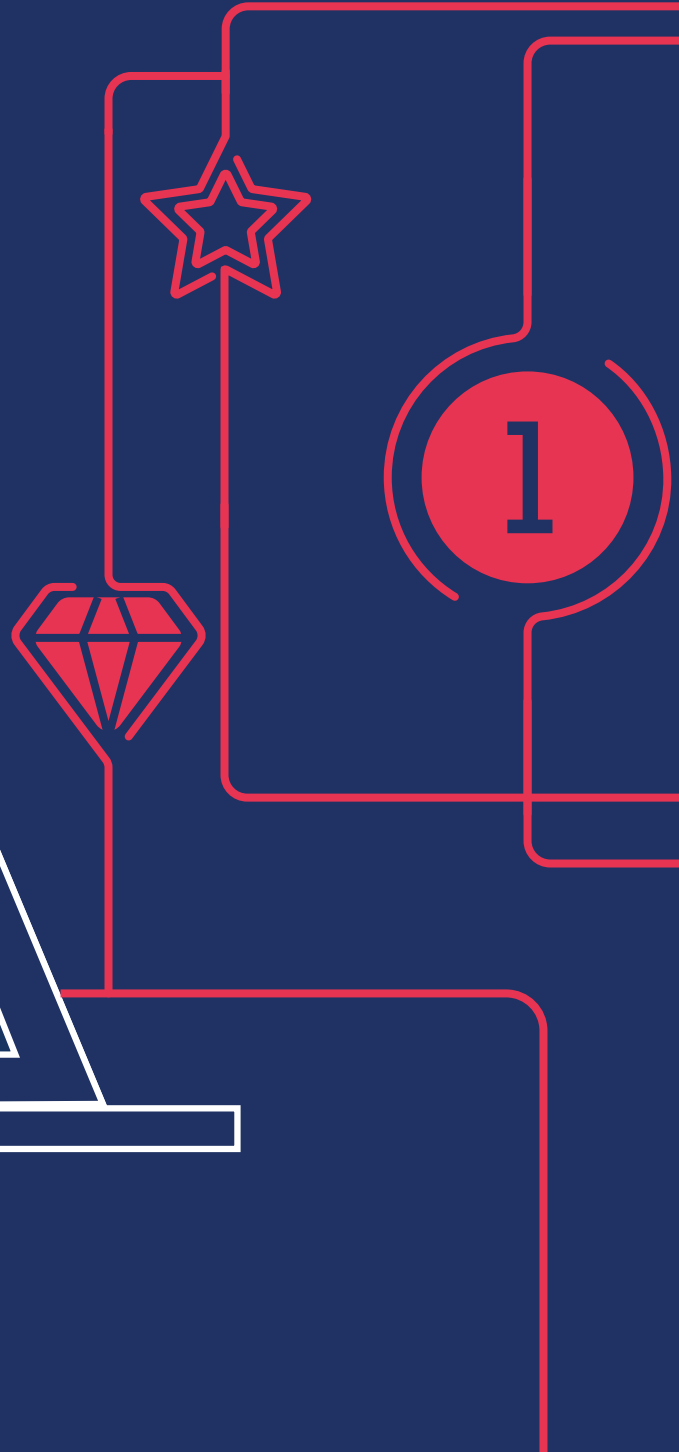
Tim took up post as Chief Executive Officer and Comptroller General of the UK's Intellectual Property Office on 1 May 2017. As CEO of the IPO Tim is responsible for advising Ministers on all IP policy matters, the delivery of IP services to customers and for the operation of the Office.

Tim came to the IPO from Companies House where he was the Registrar of Companies for England and Wales and Chief Executive (March 2012 - April 2017). Tim also held the position of president of the Corporate Registers Forum (an association of over 60 registries worldwide) from 2013 to 2017.

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



Performance Report



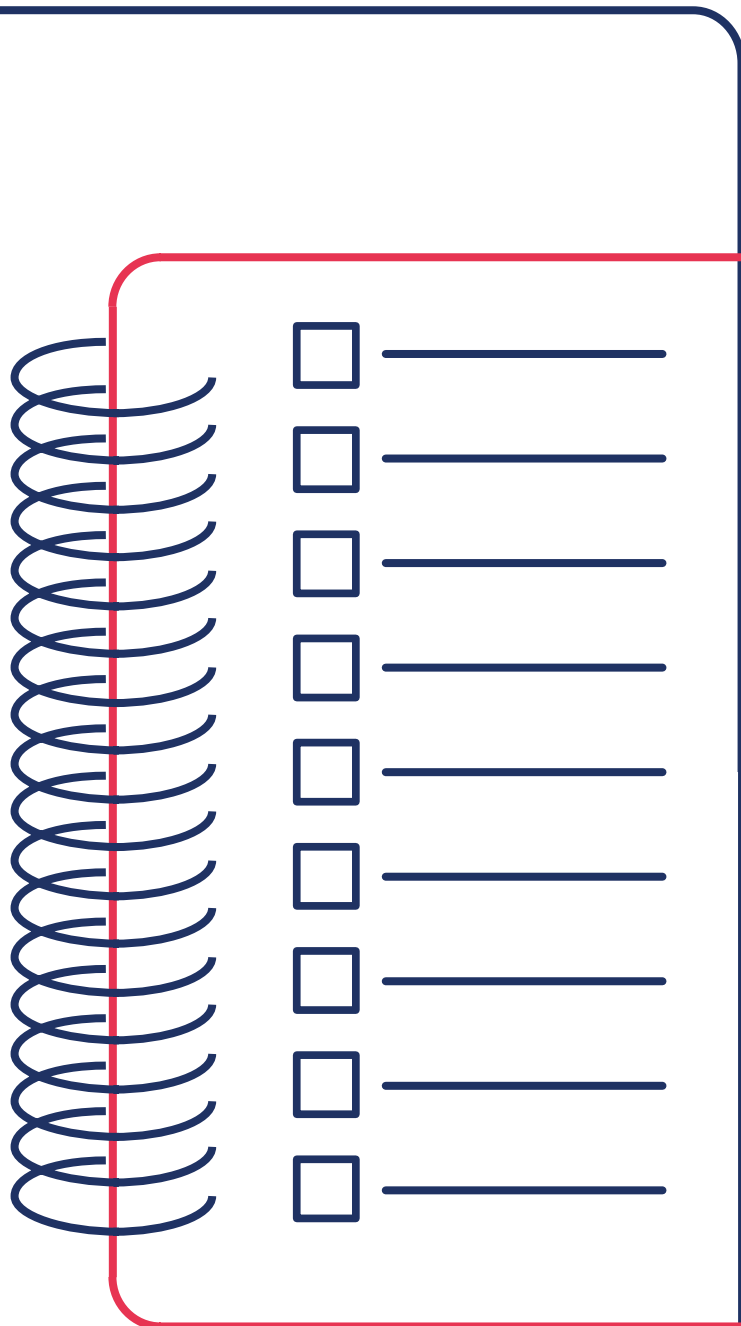
Part 1: Overview

As the UK government body responsible for IP, the IPO's purpose is 'Making life better through IP'. IP underpins our economy, drives innovation and investment is vital to tackling the world's largest challenges. We must support those who research, create, and invent, strengthening the UK's position as a global science superpower and an innovation nation. We want the UK to be the best place in the world for inventors, creators, and innovators to build on their ideas and find success; IP is fundamental in achieving these ambitions.

Our organisation is led by the Chief Executive and Accounting Officer, Tim Moss. The IPO has seven directorates each headed by a director. The IPO corporate governance structure comprises of the Executive Board (IPOB), supported by three sub-committees and a Transformation programme board, the Steering Board and the Audit and Risk Committee, each with complementary functions. Our non-executives provide advice and an external perspective to the organisation and further details of our corporate governance structure is described in our Framework Document² and in our Governance Statement.

Our Strategy³ sets out a framework for how we will support the UK to be the most innovative and creative country in the world. To help deliver the ambition set out in our strategy, we develop and agree an annual corporate plan, setting out our key priorities for the year and how we plan to achieve them. The IPO's performance is measured against key targets, including those which are set annually by the Minister, following consultation with the Chief Executive and the Steering Board.

This section of the Annual Report and Accounts reflects the performance of the organisation against our Ministerial Targets and Corporate Priorities set out in the 2021/22 Corporate Plan, providing a view of progress, and outlining future plans to support achievement of our strategic objectives. Details of the key risks faced during the year can be found in the Governance Statement.



² Our governance - Intellectual Property Office - GOV.UK (www.gov.uk)
³ IPO Strategy 2018 to 2021 - GOV.UK (www.gov.uk)

IPO Strategy:

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

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

Deliver Excellent IP Services

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

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



1

Create a World-Leading IP Environment

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

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

Make the IPO a Brilliant Place to Work

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

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

Our awards



INVESTORS IN PEOPLE™
We invest in people Gold

Performance Summary

We have achieved our Ministerial targets and have made significant progress against our Corporate Priorities. Key highlights from 2021/22 include:

- exceeding a challenging customer satisfaction target of 85% with an average customer satisfaction score of 88% (Ministerial target);
- processing a record number of trade marks (16.1% increase) and designs (71.8% increase);
- reducing our backlog of overdue examination requests by 98% from 6,007 at the start of the year to 141 at the end of the year;
- issuing 97% of Tribunal decisions within our key timeliness target of 90%;
- opening our new digital renewals service, that reduces renewal time for IP rights from 5 days to 5 minutes, for all customers;
- concluded a major three-year project with the Brazilian IP office to dramatically improve IP services, supporting domestic innovators as well as UK exporters and investors;
- recruited a new IP attaché based in the Gulf Cooperation Council, delivering IPO objectives in a significant region for UK trade and investment;
- played a central role in bilateral and multilateral trade negotiations supporting UK interests in free trade agreements and ongoing discussions on IP and health;
- submitting policy proposals to Ministers following the analysis of the Call for Views on Artificial Intelligence and Intellectual Property, which were formally agreed (Ministerial target);
- completing a Call for Views to better understand how the current framework for Standard Essential Patents is functioning to support innovation and to establish whether change is needed;
- delivering a new Counter-Infringement Strategy that sets the vision to ensure the UK stays at the forefront of this work, setting up an IP intelligence centre of excellence and the right structures and processes to deliver a step change on IP infringement at home and internationally;
- receiving the Gold Workplace Wellbeing award from mental health charity, Mind, and being ranked fifth in the UK;
- achieving an efficiency outturn of 17.1% (Ministerial target);
- retaining our Silver Fairplay Employer award, showing our commitment to making the IPO a fair place for everyone;
- maintaining our overall engagement score of 73% in our Annual People survey, the highest level of engagement since the current Civil Service People Survey was launched in 2009, and remaining a Civil Service High Performer for employee engagement; and
- adapting our workspaces and investing in infrastructure to ensure that we could support a hybrid model of working, both now and in the future.

Part 2: Performance Analysis: Review of IPO Business 2021/22

Financial Summary

The financial performance and position for 2021/22 reflects an unusual but successful year for the IPO.

Despite the ongoing uncertainties associated with Covid-19 and the UK's departure from the EU, we have proactively anticipated and delivered the increased and unprecedented levels of demand these have generated.

During this time, we have also significantly increased output to successfully tackle and clear backlogs of fee bearing work. As a result, we have recorded a record high operating income figure of £164 million (£122 million in 2020/21).

In order to meet demand, we have scaled up our frontline and support services with a mix of permanent and temporary staff which accounts for the majority of our increase in spend. Overall, costs were £137 million for the year (£122 million in 2020/21); the net impact is an unusually high retained surplus of £27 million for the year (£53 thousand deficit in 2020/21).

The retained surplus has been added to our general reserve which stands at £113 million at the end of the reporting year (£87 million at the end of 2020/21), with cash and cash equivalents increasing to £111 million (£99 million at the end of 2020/21).

This level of reserve will cover known liabilities, including funds held on behalf of deposit account customers and the EPO, planned transformation and other investment related activity and, given our self-funded status, working capital.

Looking forward to 2022/23, our working assumptions and Corporate Plan budget demonstrate a more stable position in terms of demand for our services and a closer alignment of operating capacity and costs. A reduction in reserves to normal working capital levels is expected in the medium term as our investment in transforming our services continues.

We have also begun scoping work for a potential review of our fees, to ensure these are aligned with volume and cost predictions as we transform our services.

Ministerial Targets

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

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

Our targets for 2021/22 and performance against these are set out below:

Customer

- Average overall customer satisfaction with the IPO of 85% or more in Quarter 4 2021/22.

Target exceeded: 88%

Future proofing the IP Framework:

- Consult on changes to patent and copyright law to meet the future challenges and opportunities of artificial intelligence, and present recommendations to Ministers by Quarter 4.

Target met and work delivered in full: Policy proposals were presented to Ministers and formally agreed.

Efficiency:

- Delivering our services efficiently through continuously improving our systems, processes, and ways of working to make things better for our customers and our people. Our target is to achieve efficiencies worth at least 3.5% of our core operating costs.
- During the year we achieved £1.8m in savings from our commercial activity, process efficiencies in our policy and support areas worth £250k, and an increase in outputs in our rights granting that secured £16m net additional income. This included processing 59% more trade marks and 133% more designs than the previous year.

Target exceeded: 17.1%

- We recognise that net additional income - increased income off-set by marginal cost increases - is not a direct measure of efficiency, however this has been used as a proxy indicator in this calculation for many years. Given the exceptional result this year due to the high volume of additional trade mark applications received and the significant backlog cleared, we are developing alternative measurements of our efficiency for future years.

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

Target exceeded: 28.2%

- This target has also been affected by the exceptional conditions this year, with the high volume of additional trade mark applications received and the significant backlog cleared creating a higher return. ROCE is expected to return to normal levels in future years.

Corporate Priorities 2021/22





Delivering Excellent IP Services

We are committed to putting our customers at the heart of the IPO and this is reflected in our efforts to deliver excellent IP services.

During 2021/22 we experienced unprecedented demand, and this impacted our ability to meet some of our customer service standards. However, we made concerted efforts across our operational teams to recruit and train new staff, and improve processes, all of which enabled us to improve our performance throughout the year. These improvements have been appreciated by customers who continued to rate our services highly; this year we exceeded a challenging customer satisfaction target score of 85% with a result of 88% in quarter four. We have also increased transparency around our performance by publishing our customer service standards⁴ online.

This year we continued implementing our 'closing the loop' framework to help us resolve long-running customer experience issues by using our customer experience dashboard as a basis for our work. As of March 2022, we made progress on 95% of issues with 36% fully resolved, resulting in improved customer experience, further removal of delays and barriers and increased efficiency of our internal processes. We expanded our communications regarding how we 'close the loop' on customer feedback, both internally and externally, through the IPO Blog and our social media videos. Close monitoring of customer feedback and contact with our Information Centre allowed us to respond rapidly to emerging issues.

Understanding our customers is crucial to delivering excellent IP services. We updated our quarterly customer satisfaction survey to help us understand the needs of our changing customer base post-Brexit, and commissioned research to understand if timeliness targets for patents services are fit for purpose.

The IPO webpages⁵ are a valuable resource for our customers and are often the first place people go to find out more about IP. This year a cross-IPO project, in collaboration with

⁴ [IPO customer service standards - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/ip-customer-service-standards)
⁵ [Intellectual Property Office - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/organisations/intellectual-property-office)

trade mark

every 10 years.

the 6 months before it expires and up to 6

our trade mark expired more than 6 months
e to [restore your trade](#)

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**During the year we
captured
approximately**



**10,000 pieces of
customer feedback**

an external research partner and the Government Digital Service, has reviewed our online 'pre-apply' guidance to ensure it can be found and understood. We began to implement some beneficial changes, and plans are in place to make further improvements over the next financial year.

Customer relationships are key to understanding business, inventor, and creator needs. We reviewed our approach to managing our relationships with customers, to ensure we take a strategic approach in line with our customer strategy. This work included benchmarking with other IP offices and Government departments and our new customer relationship framework will be implemented in 2022/23.

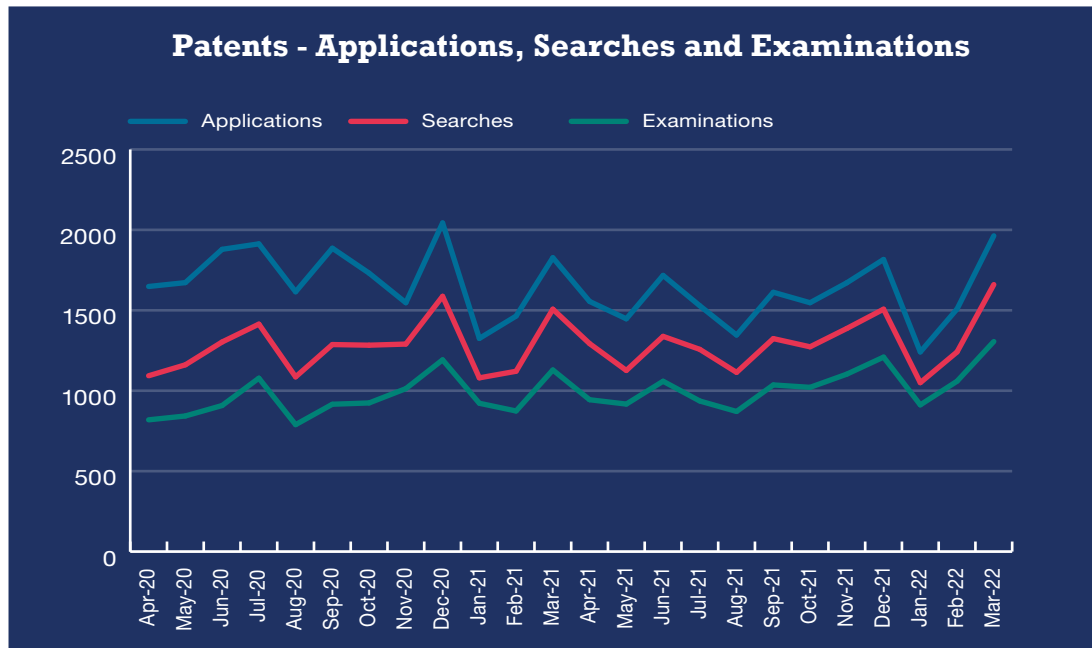
During the year we received 262 complaints and captured approximately 10,000 pieces of customer feedback. The IPO Customer Charter⁶ and complaints procedure⁷ can be found on our website. This valuable insight from our customers informed the areas of focus set out above, including improving the timeliness of our services and our efforts to close the loop on customer issues.

To support businesses to recover from the impact of the Covid-19 pandemic, we launched our new financial support scheme for innovative, high-growth-potential Small and Medium-Sized Enterprises (SMEs) and received 301 applications for funding support, exceeding our target of 285. The estimated value of the scheme was £1.33 million.

We have also reached a record number of businesses through our IP Audits scheme, which provides part-funding towards a specialised service carried out by an IP professional to support businesses to identify, manage and protect their IP assets so they can maximise their value.

Timely, Reliable and Quality Services

We have continued to ensure high quality rights granting, rights management and tribunal services for patent, trade mark and design customers and we continued to see an overall growth in demand for our services. We have made significant progress clearing our backlogs of cases and the following graphs and commentary provide more detail for patents, trade marks and designs:



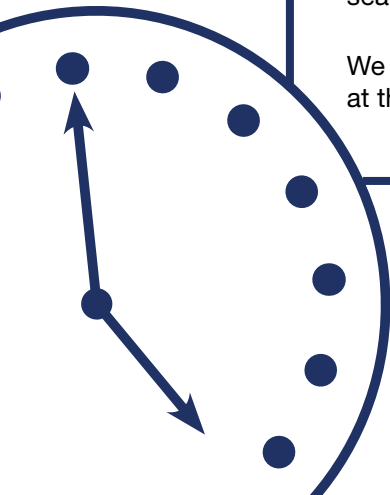
We received 19,000 patent application requests in 2021/22, a decrease of 7.8% compared with 2020/21.

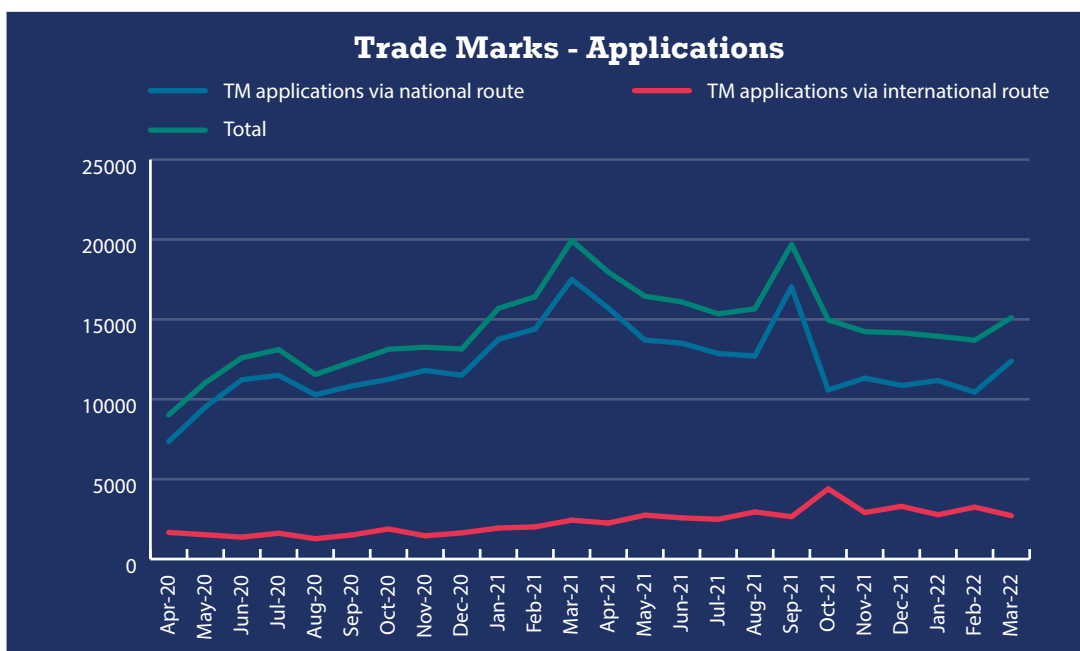
There were 15,600 requests for searches made in 2021/22, a 2.4% increase compared with 2020/21. We also received 12,400 examination requests, an 8.5% increase on the previous financial year.

We delivered 96.9% of requests for an accelerated two-month turnaround for search, publication, and examination against a target of 90%.

We maintained our turnaround for searches done in-house at six months, with only 859 searches over six months old remaining to be done at the end of the year.

We nearly eliminated our backlog of overdue examination requests, which stood at 6,007 at the start of the year, reducing it to 141 at the end of the year.





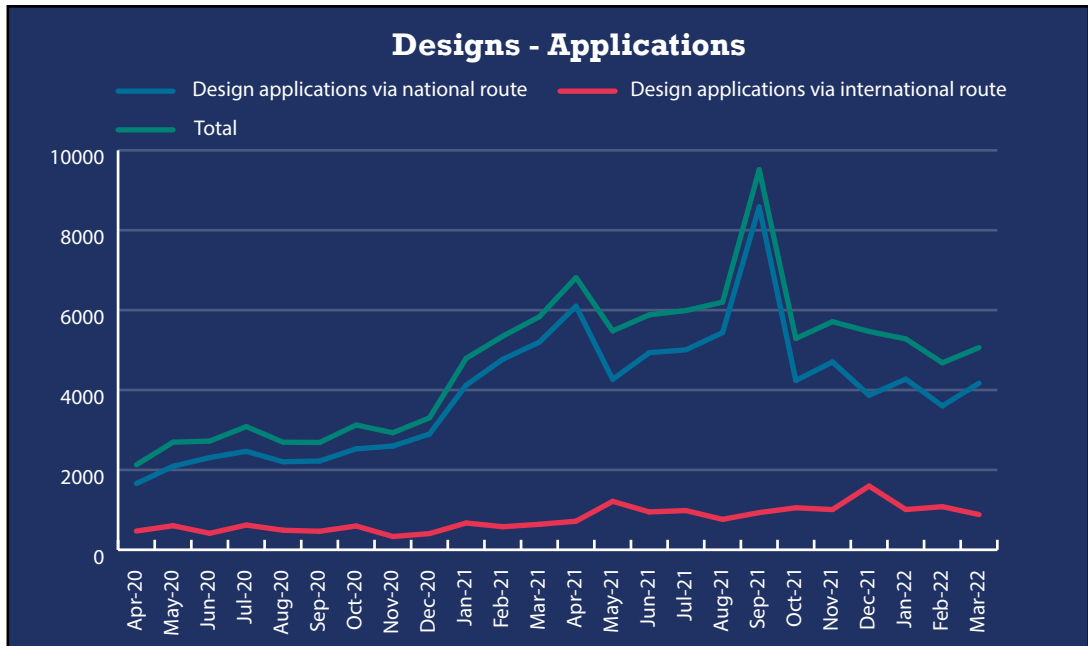
We received a record level of 187,000 trade mark applications in 2021/22, an increase of 16.1% over 2020/21.

This was made up of 152,000 national trade mark applications in 2021/22, an increase of 8% compared with 2020/21.

There were 35,000 international trade mark applications, an increase of 72.3% compared with 2020/21.

The World Intellectual Property Office (WIPO) saw a 71% increase in UK designations in Q4, 2021/22 compared to the previous year, and these will flow through to us in 2022/23.

Although our input has increased significantly this year, we have reduced our backlog to return to our normal customer service standards which has improved our customer satisfaction for our trade mark services. At the beginning of the year, it took around 3 months to examine a trade mark, this has now returned to our previous standards of 5-15 days. We will monitor demand to ensure we have appropriate resource to continue to support our services and achieve our high level of customer satisfaction going forward.



We received a record level of 71,200 design applications an increase of 71.8% over 2021/22.

This was made up of 59,000 national design applications in 2021/22, an increase of 68.6% compared to 2020/21.

There were 12,200 international applications received in 2021/22, an increase of 93.9% compared to 2020/21.

As a result of our record levels of input, our time to examine a design application increased to around 8 weeks during the first part of the year, however since the start of 2022 we have returned to our normal customer service standards of 5-15 days to examine an application. This has been reflected in improved

levels of customer satisfaction for our designs service.

We will monitor demand to ensure we have appropriate resource to continue to support our services across trade marks and designs and achieve our high level of customer satisfaction going forward.

For trade mark and design ex parte hearings⁸, we met our target to issue reports within 10 working days of a hearing.

Our Tribunal service issued 97% of decisions within 12 weeks of a hearing or within 12 weeks of all submissions being filed or the deadline date.

⁸ <https://www.gov.uk/government/publications/ex-parte-hearing-procedures>

Designs

We received **71,000** design applications in 2021/22

Patents

We received **19,000** patent applications in 2021/22



Trademarks

We received **187,000** trademark applications in 2021/22

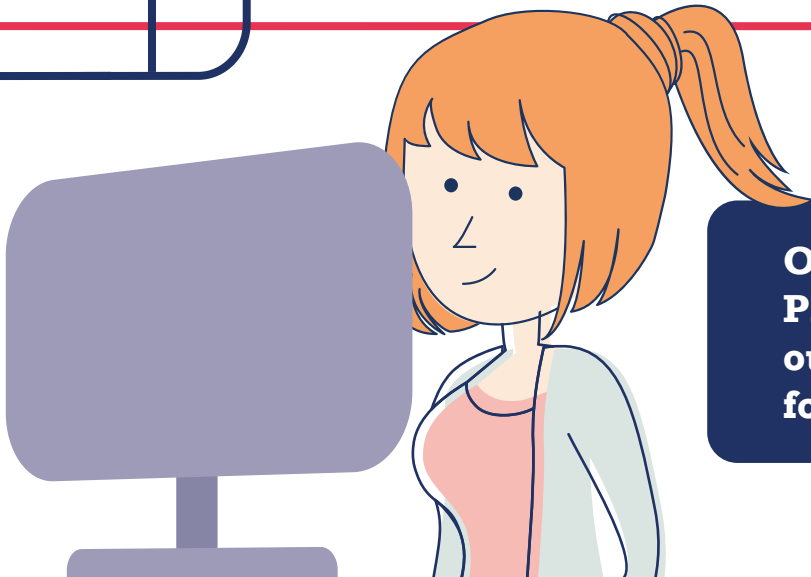
Applications received by IPO 2021/22



End to End Digital & Data

This has been an unprecedented year as we emerged further out of the Covid-19 pandemic and moved increasingly to a hybrid working model. We continued to support services and staff remotely, as well as a growing number of people returning to our offices. We developed our hybrid working model with the introduction, in our offices, of collaboration technologies, the piloting of a digital desk-booking system and improvements to the remote management of devices. Furthermore, we onboarded a significant number of new starters to the IPO, representing a 30% increase in our workforce. Despite this, the overall availability of our business-critical internal systems remained above our 99% target, at 99.9%. However, for our customer-facing systems we fell just below our 99.5% availability target, with a result of 99.4%, largely attributed to the age and legacy nature of our current systems, and increased demand.

Our One IPO Transformation Programme will deliver outstanding customer-focused services, fit for the 21st century and we made significant progress over the last year. As set out in our 2021/22 Corporate Plan, the priority for this year was to move into the delivery phase and start building our new services.



Our One IPO Transformation Programme will deliver outstanding customer focused services

Over the last year we have:

- opened the new digital renewals service, that reduces renewal time for IP rights from 5 days to 5 minutes, for all customers;
- talked to over 100 customers to understand what they need from our new digital services and test and refine our initial thinking;
- developed prototypes of the new IPO customer accounts, as part of the Manage IP service;
- completed initial research to understand what customers need from the Secure IP service;
- started initial research to understand what customers need from our Research IP service, which will allow customers to search and analyse UK IP rights;
- built a Business Change team and a network of change agents across the business;
- engaged and communicated with our people every step of the way to ensure they can be part of the change and help shape the benefits Transformation will bring; and
- worked closely with the Government Digital Service (GDS) to ensure our plans align with their requirements.



12:31

To support our commitment of being a data-led organisation and the need to have data at the heart of our transformational thinking, we unified our IT and Data teams into a single department. Our Data team matured significantly under the guidance of our interim Chief Data Officer and published an agreed Governance Roadmap and appointed Data Governors and IPO home-grown Stewards to support our Data Owners. Our Centre of Excellence was further strengthened by the implementation of a Data Sharing Office, to manage the sharing of IPO data with both public and private organisations.

Our Data Strategy is integral to our 'One IPO' Transformation Programme, with a new workstream created to introduce a strategic Data Tool and deliver against best practice plans for migration, cleansing, storage, and processing of data. The workstream will also drive the quality rules to be implemented and enforced, to deliver a consistent, compliant data access layer. This will provide trusted accessible data for our future IT services, for longer term exploitation.

Transformation is a strategic priority for the IPO, and we have made significant progress over the last year, through the building of common technology components that will underpin our new Digital Services. The common components will enable a building block approach that allows easy configuration of new services and the ability to flex and adapt to meet future needs. These have been built on Cloud technologies, creating truly scalable and highly available platforms to support the ever-increasing demand for our IPO services now and in the future.



1

Creating a World Leading IP Environment

Developing the Legislative and Policy Framework

Our focus this year has been to work across government and with key stakeholders to ensure that IP plays a key role in unleashing innovation, and making sure the IP framework is fit for the future by building in agility, so that it is responsive to the changing needs of innovators, creators, businesses and consumers.

To align with the government's ambitions on Artificial Intelligence (AI) technology and following the publication of the Call for Views on AI and IP⁹, we took forward 11 actions over the course of the year and further developed our understanding of the interaction of AI and IP by:

- completing two studies, one on AI and enforcement and the other on the impact of IP on investment in AI;
- holding a series of university-led seminars, each focusing on a different aspect of AI and IP;
- working with domestic partners and internationally in a range of forums;
- developing guidelines on patent exclusion practice for AI inventions;
- consulting further on AI authorship, inventorship, and text and data mining; and
- considering further uses of AI technology in the IPO's operations.

Following the Call for Views, we submitted policy proposals to Ministers which were formally agreed, meeting our Ministerial target.

To understand the most appropriate exhaustion of rights regime for the UK, the government launched a twelve-week public consultation beginning in June 2021 and closing on 31 August 2021. Over 150 responses were received from a range of sectors including health, retail, and the creative industries. In January 2022 the Government published a 'Summary of Responses'¹⁰ to the consultation which set out an overview of the range of views received. However, the Government also announced that an initial analysis of consultation responses had indicated that there was insufficient quantitative data to understand the economic impact of alternatives to the UK's current exhaustion regime. As such, the Government elected to maintain the existing exhaustion regime and reconsider the evidence before it comes to a decision in 2022. Despite this, we continued to liaise closely with key departments and engage key stakeholders to discuss next steps and provided further advice to the Minister on ways to capture views on the UK's future regime.

During the year we worked closely with government partners to negotiate modern and ambitious IP elements within the new trade agreements with Australia and New Zealand. We engaged successfully with the Crown Dependencies and Overseas Territories to extend international treaties, and to allow them to trade and engage within the international IP ecosystem. We successfully extended The Treaty of Rome, The WIPO Copyright Treaty and The WIPO Performances and Phonograms Treaty to Gibraltar.

9
10

Government response to call for views on artificial intelligence and intellectual property - GOV.UK (www.gov.uk)
UK's future exhaustion of intellectual property rights regime: Summary of responses to the consultation - GOV.UK (www.gov.uk)

In October 2021, as part of EU-UK Trade and Cooperation Agreement, we held our first IP Specialised Committee (IPSC) with the Commission and its Member States. The meeting covered a range of IP matters including legislation and policy developments and featured positive and open discussions, resulting in working level meetings with the Commission across several policy areas.

During the last year we developed and mapped out our key strategic aims within Europe and set these out in the new International Strategy. We held several bilateral meetings with European countries which set the foundations for the IPO to strengthen relationships and enhance our cooperation across leading countries in support of IPO interests. A key achievement was affirming our relationship with Switzerland and signing a Declaration of Intent in February 2022 which formalised our future engagement and set out a range of commitments from both Offices to collaborate on areas of mutual interest. To further support our objectives in Europe and the EU, the IPO Board approved the recruitment of a European IP attaché based in Brussels and we expect to fill this post by the end of quarter two, 2022/23.

Ensuring the copyright framework remains balanced and fit for purpose, whilst encouraging creativity, innovation and fair outcomes for all users, continued to be a key priority this year. Our teams worked with colleagues across government to consider issues in the music streaming industry and commissioned research on equitable remuneration, contractual adjustment mechanisms, and reversion of copyright. We began engaging with music industry representatives via a music industry Contact Group and ran technical working groups on streaming metadata and contract transparency. In preparation to join the Beijing Treaty on Audiovisual Performances, we ran a Call for Views

seeking stakeholder input on how the UK should implement the Treaty.

We have also carried out a post-implementation review of changes made in 2016 to Section 72 of the Copyright, Designs and Patents Act 1988. The review¹¹ was published online in February 2022, and recommended that the existing legislation should be retained, with the government to provide further guidance in this area.

In line with the government's commitment to 'levelling up all areas of the UK', we developed our new IPO Places Strategy which sets out how we will move to a places-focused approach across all our activities over the next three years and how we will support the aims of the recently published Levelling Up White paper¹². As part of our Places Strategy, we continued to develop our regional policy posts, with three advisors based in the West Midlands, Greater Manchester and West of England who work with our regional partners, including Local Enterprise Partnerships, Growth Hubs and Combined Authorities. We expanded the remit of these posts to support knowledge exchange and provide guidance on international markets. We have developed new strategies to reflect our expanded work, along with a revised framework to set out clear objectives for the roles. Our advisors continued to build capability and capacity within their regions and worked successfully with local policy makers to influence the inclusion of IP in regional support. This includes funding and support programmes for SMEs with ambitions to innovate and grow, and targeted IP training to empower local advisors. These activities worked to encourage behavioural change in decision makers, local advisors and innovators through raising the importance of IP as an asset within the innovation journey.

11 [Post implementation review of The Copyright \(free public showing or playing\) \(Amendment\) Regulations 2016 – Call for views - GOV.UK \(www.gov.uk\)](#)

12 [Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](#)



Increasing IP's Impact Through Awareness and Education

So that businesses have the right information, guidance, and support at the right time to make informed decisions about their IP assets, we developed and published a Business Lifecycle framework and shared it with our partner organisations. The framework uses questions to help businesses identify what they need to know and how to find guidance and support. Furthermore, the framework helps businesses make informed decisions about strategic use of their IP assets so they can be confident when investing time, energy, and money in innovation.

Over the last year we implemented our Cross-Government IP Capability Strategy to ensure civil and crown servants recognise and reflect IP in their policy making, identify and effectively manage IP, and make informed decisions involving IP. We helped develop guidance on knowledge asset management in government and developed and delivered IP training sessions to Civil Service professionals across government to support management of knowledge assets. We also piloted the Cross-Government IP Capability educational materials across government to thoroughly test them, and we are developing them into digital resources to provide a tailored, interactive learning experience to meet the needs of Civil Service professionals across government. Our IP training approach will also help to support the network of IP experts across the Civil Service, to improve cross-government IP capability.

We want young people from primary, to higher education to understand IP and how it supports innovation, enterprise, and creativity. Learning about IP will help prepare young people for employment, develop

responsible digital citizens, support levelling up across the UK, and inspire the next generation of innovators and entrepreneurs. We developed and launched an IP Education Framework following extensive review with a diverse range of stakeholders. Designed to support teachers and educators to introduce IP concepts, so young people can identify, protect, and effectively use IP, and respect others' IP, the framework takes a structured approach from primary to university level and will continue to support the delivery of the IP Education Framework through the provision of free online resources for teachers and educators.

Understanding the role of IP in research collaboration, commercialisation, and career development is critical to IP being viewed as an asset. We increased IP capability in the Higher Education sector by extending our flagship IP for Research education programme, reaching over 70 Higher Education Institutions across the UK and sponsored institutions to develop and deliver their own events.

We want innovative, IP intensive businesses to be able to use their IP as an asset to gain access to the right type of funding, at the right time, so that they can grow. We developed our IP in Finance strategy to build on our work to date and support wider government strategies, including the UK Innovation Strategy¹³. We worked with partners to enhance our understanding of the IP knowledge and skills that investors, lenders and businesses need to unlock finance for IP-intensive businesses. We also commenced work to broaden our knowledge of other countries' approaches to IP-backed financing to help us understand what works.

Reducing IP Crime and Infringement

In February of this year, we published the revised Enforcement Strategy, now rebranded the Counter-Infringement Strategy¹⁴. As the culmination of several years' work, gathering evidence, building proposals, and engaging with experts in the field, the strategy marks a step change for the ambition of the IPO in this area. The new strategy focuses on getting the right structures and processes in place to allow us to work more effectively on IP infringement at home and internationally, making UK IP rights, and those owned by UK businesses overseas the best protected in the world.

The foundation of our new strategy relies initially on developing a better strategic understanding of the threat and over the past year, the IPO's intelligence resource has undergone significant transformation. Starting the year as an 'Intelligence Hub' with eleven staff, the team expanded to a total of twenty-seven staff, including a team of seven intelligence analysts, an augmented financial intelligence team, and a new team of seven intelligence development and research officers. Recruiting and embedding such a significant number of new staff whilst working remotely was extremely challenging and only possible through the support of all our original team members. The team are continuing to conduct a review of their processes and procedures, and a project is underway to gain access to intelligence systems, tools, and databases to ensure we can effectively support our partners across Law Enforcement, Industry and Government to tackle serious IP crime and infringement.

In addition to the expanded intelligence team, we recruited specialist liaison posts within trading standards regional teams, additional support posts for UK Border Force and several additional posts internally to the team to support delivery of the Counter-Infringement Strategy; support for the revised IP Crime Group; delivery of a new cross-Whitehall forum and to bolster our resources working on trade. While this expansion was underway, the team also maintained a busy output of business-as-usual activities including policy development, outreach, capacity building and providing operational support for our partners in tackling IP crime.

Our teams provided intelligence and research to support Operation Monty, a National Market Group operation targeting the sale of counterfeit goods on Instagram, with the aim of removing online sellers. Over 400 online traders were reported to Instagram for removal and take-down.

We completed the first phase of our project looking at the use of self-storage businesses to facilitate IP crime. Work on self-regulation in partnership with the Self-Storage Association has been encouraging and we continue to work closely with National Trading Standards to support enforcement action.

14

[IP Counter-Infringement Strategy 2022 to 2027 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Tick Box

Keep it **real**. Keep it **legal**.

A partnership scheme for the self storage industry and trading standards

In association with



Tick all the right boxes

At various times in our lives we all need more space, but we don't necessarily want to own it. That's when self storage facilities can really help. By offering cost-effective, easily-accessible and flexible solutions for temporary and long-term storage, these units are an attractive option for individuals and businesses in the UK.

No room for crime

Unfortunately, the very benefits that self storage facilities offer, in terms of ease of rental and ready access, can make them attractive to criminals who want to operate 'below the radar' and store illicit goods, including counterfeit goods and unsafe consumer products.

Figures from enforcement agencies show that increasing quantities of counterfeit goods are being seized in, or on route to, self storage facilities. Good storage locations can make life easier for criminals to conduct their activities which harm communities and the economy. Storage facility owners or staff who are found to be turning a blind-eye to criminal activity can face serious consequences such as prosecution. Even if illegal activity takes place on the premises without the owners' knowledge, it can lead to business disruption, negative media coverage and loss of reputation.



There is a solution

Trading Standards are working with the IPO and the Self Storage Association UK (SSA UK) to encourage the highest standards and best practice across the industry. The Tick Box: Keep it Real Keep it Legal scheme helps self storage facilities to prevent criminals from using their facilities.

The initiative is focused on facilitating stronger working relationships between self storage facility owners and their local Trading Standards service. By working together, businesses and Trading Standards can present a united force against criminal activity and can assist each other with information and support.

This partnership is in addition to existing enforcement activity undertaken by enforcement agency partners such as HM Revenue and Customs (HMRC), UK Border Agency (UKBA) and the Police.



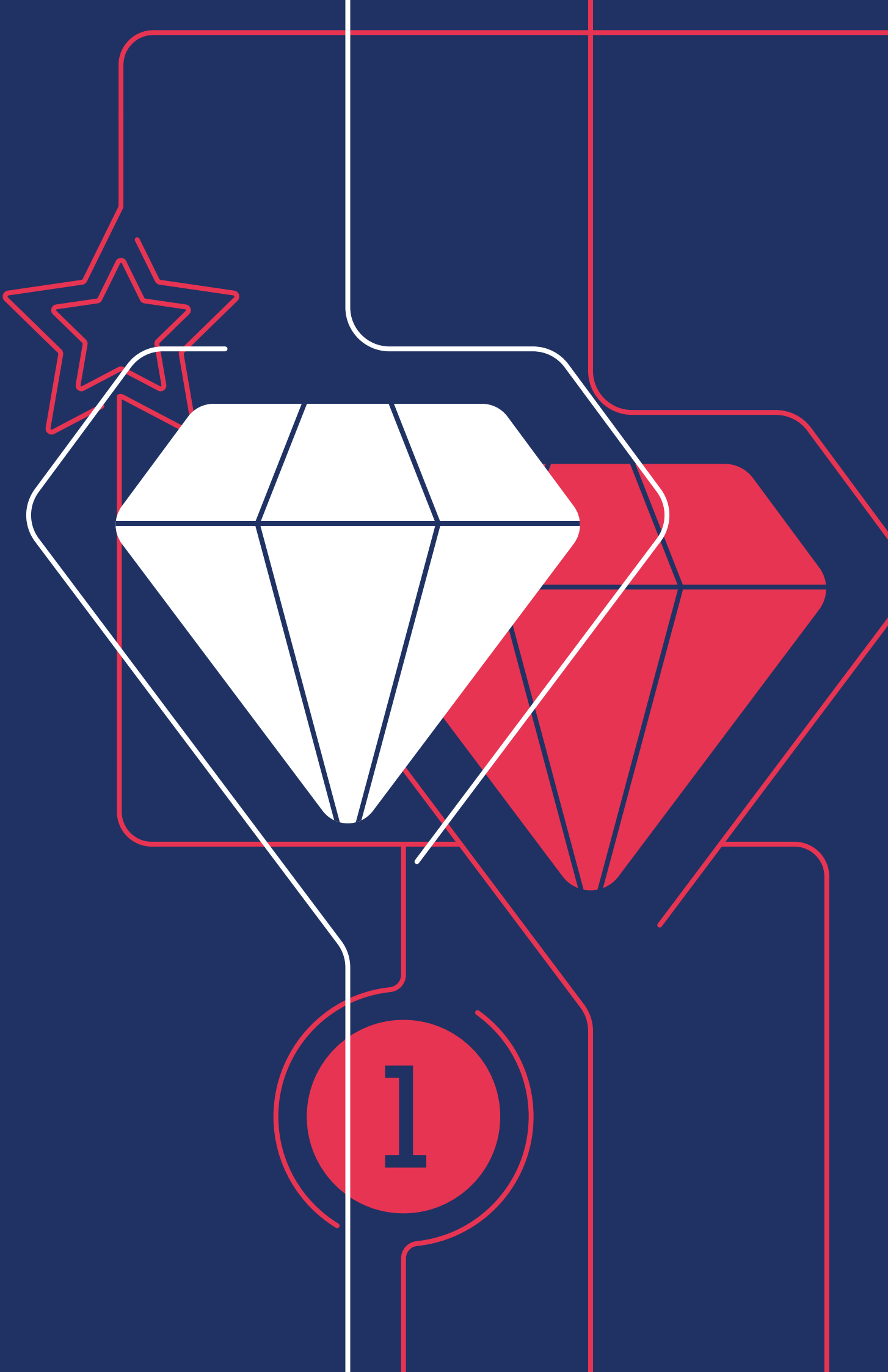
In September of this year, we supported a multi-agency investigation led by the North West Police Intellectual Property Crime Unit into the use of self-storage facilities by organised crime groups in the Manchester area. Approximately 55 storage units were searched, and over 200 tonnes of counterfeit goods were recovered, with an estimated value of over £500 million. A significant amount of cash, and the manufacturing equipment required to make counterfeit perfume, including white spirit and screen-wash, were also seized.

During the year we established UK multi-agency steering groups to engage with a range of overseas law enforcement projects including European initiatives with relevance to UK interests. As a consequence, representatives from the IPO funded Police Intellectual Property Crime Unit (PIPCU), Police Service Northern Ireland (PSNI), National Trading Standards, Office Product Safety and Standards, National Food Crime Unit, Border Force, Her Majesty's Revenue and Customs, Medicines and Healthcare Products Regulatory Agency and the IPO had direct involvement with these important international projects. Work on third party threats

to the IP system under Project Ultra also continued, looking at false invoices, misuse of the IPO logo and suspect trade mark registrations.

We remained committed to making infringement activity socially unacceptable, and as part of a wide range of research to support enforcement policy development, we commissioned behavioural change research which will inform our plan to run a pilot awareness campaign in summer 2022. The pilot campaign will focus on the beauty and hygiene sectors, but it is anticipated that the insights gained will support future activity across a wide range of sectors.

To further support trading standards officers, we continued our training and capacity building work, with a key element being a project with the Chartered Trading Standards Institute to develop a comprehensive training package. We hope that this work will soon lead to the reintroduction of an intellectual property module to the formal qualifications on offer for trading standards officers, embedding expertise in IP at the very heart of this key enforcement agency.





Making the IPO a Brilliant Place to Work

Solid Foundations

As a growing organisation we face some exciting challenges and opportunities to make sure IP and the IPO plays a full part in making the UK the most innovative and creative country in the world. We reviewed our ambition and activity in the people space, re-setting our Brilliant Place to Work focus and priorities for the next five years. We scanned the external and internal context for opportunities and challenges, such as: economic recovery; hybrid working; the competition for talent, especially in digital; the pace of change generally and the increasingly complex role of leaders. We also recognised our strengths: we have talented, engaged people, and want to build on strong cultural foundations underpinned by shared values and principles (the Deal) and our people feeling supported, valued, and included to enable their best work. We identified four key people outcomes:

- Being more future-focused in our thinking and planning so we are ready and able to adapt and respond to change – driving activity like enhanced workforce planning; strategic resourcing; horizon-scanning; building in flexibility in systems, processes and our organisation design.
- Supporting our people to thrive in a less certain work context – paying attention to mental, physical, and social wellbeing; effective leadership; a flexible hybrid working model; and constant underpinning of our culture of trust, inclusion, and the Deal.
- Skills, capability, and career development that sets us up for the future.
- One IPO approach (corporate first, functional second) underpins all that we do.

We have incorporated these people outcomes into the IPO Strategy refresh and the 2022/23 IPO corporate plan priorities.

With increased customer demand and Transformation, recruitment activity has been significant during this past year with a high influx of vacancies, particularly in rights granting and IT, with digital resourcing particularly challenging. We ran 260 advertised recruitment campaigns, appointed 229 new members of staff including Patent Examiners, Policy Advisors, IT Specialists and science, technology, engineering, and mathematics (STEM) Returners. To bridge the skills gap in IT, we adopted a 'Grow Your Own' strategy to develop and train existing staff, as well as recruiting new staff at a junior level with the aim to coach and nurture them to gain the relevant skills. A great example of this

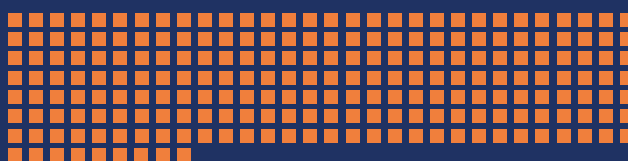
is our Future Steps initiative which recognises the internal potential and development of existing staff to ensure our people remain our greatest asset. To support increased recruitment activity, we appointed an HR Resourcing Manager, Talent Acquisition Specialist, IT Recruitment Officer, and an Onboarding Lead who began to focus on implementing inclusive initiatives and enhancing the retention of our people by creating a memorable experience and great first impression for new starters.

We retained our strong commitment to embracing diversity and promoting equal opportunities and launched several schemes and initiatives across the IPO. We also extended some existing initiatives, for example, investing into another STEM Returner scheme, placing four people in Patents for seven months. We also implemented some new schemes, the investment into Code First Girls (CFG), a Not-for-Profit Social Enterprise that trains women and non-binary individuals in IT skills, with a view to securing five skilled professionals in an IT role in September 2022. We entered new territory this year with the innovative Life Chances schemes, supporting the Civil Service ambition to be the most inclusive employer in the UK and become a role model for other public and private sector organisations, and potentially opening up social mobility opportunities for citizens.

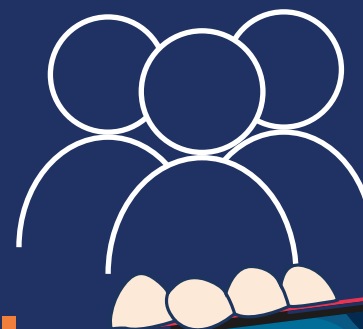
We reviewed our recruitment processes, making many changes to how we advertise and communicate with prospective candidates, ensuring a consistent approach and enhancing our ability to target a more diverse audience. We have revamped our Diversity Dashboard to include equality data from recruitment statistics so we can track the diversity of our candidates.

To ensure we are fit for purpose for the future, our IPO Board (IPOB) undertook a review of our organisation design to ensure that we are set up as effectively as possible to deliver our strategy. We agreed a new target operating model, aligning our functions around Strategy, Policy, and Services. Based on that model we have agreed a new design that will be implemented in 2022/23.

We ran
260 recruitment campaigns
 appointing
229
 new members of staff



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



Culture: One IPO

Building upon and strengthening our One IPO culture is a real team effort, and to know if we are heading in the right direction, we need to be able to demonstrate our progress. We developed our culture matrix as a tool to articulate and measure the One IPO culture through 2021/22. We further developed our original prototype this year by understanding the data that sits behind the matrix and by improving the user experience through a clear and accessible interface. These changes allowed us to highlight and track culture change and, in time, we will be able to use this tool to understand what decisions or actions influence culture at the IPO.

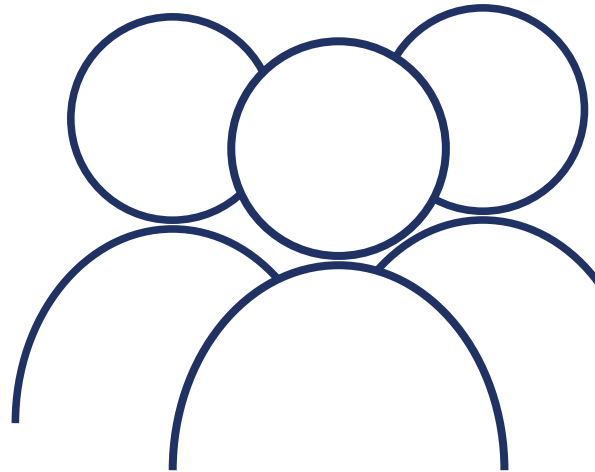
A Government Internal Audit Agency (GIAA) audit of our culture took place in 2021 and focused predominately on our engagement response to the pandemic. The findings were very positive, and we received great feedback about how we informed and connected our people during the pandemic, leaving them feeling supported, valued, and included. Our annual People Survey results showed that we maintained our overall engagement score of 73% from 2020, the highest level of engagement since the current Civil Service People Survey was launched in 2009, and we remain a Civil Service High Performer for employee engagement. Scores across all key drivers remained similar to last year, and so our areas for corporate action remain the same and align with our work on Transformation, organisational design, and our continued hybrid working journey.



These are:

- leadership and managing change - continued focus on trusted, visible, and capable leadership;
- organisational culture and behaviours - a focus on understanding the impact of hybrid working on our working relationships and on our part in the wider IPO community; and
- workload and how we work - developing our understanding of the logistics of hybrid working including articulating what that means for our space, technology, people policies, and our customers.

To ensure we have the right skills in place for current and future challenges we focused this year on developing the capability of our leaders. The ability to have the best conversations remains a key part of our programme, and we supported our leaders to adapt their skills, so they remain relevant in our changing environment. Our peer-agreed leadership behaviours provide us with the foundation for an upcoming programme of development for our IPO Board and leaders at all levels. Our core leadership and management package has been nominated for several Investors in People and Civil Service Awards, commending our focus on developing our people.



We worked with senior leaders to support them in demonstrating their commitment to inclusion and used our well-known cultural principles to create a meaningful, action-focused inclusive leadership commitment.

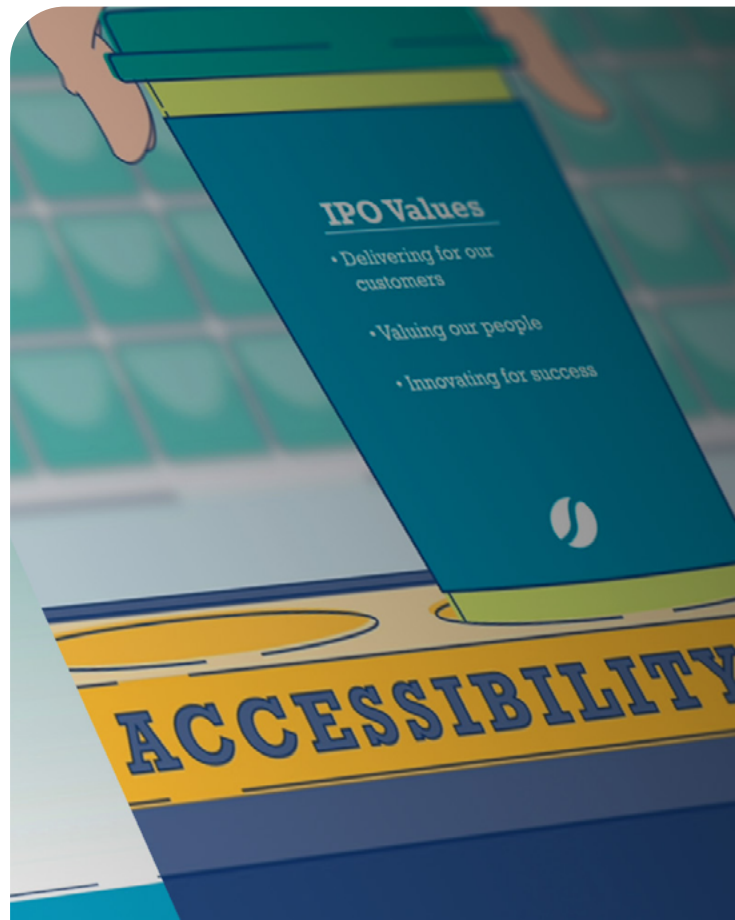
We ran a campaign around the importance of diversity data declaration which led to increased declaration rates across all protected characteristics. Questions about socio-economic background will be included on our HR system soon so we can also track social mobility within the IPO. We also recruited and trained 46 'Accessibility Champions' who are passionate about embedding an 'Accessibility First' mindset into our culture. Our Creative and Print team have developed a series of training resources supporting everyone to make our internal and external digital content accessible.

The Gender Inclusive Language project sets out how we can be as inclusive as possible in the language we use for our people and customers. During the year, we began identifying a list of documents where we currently use gendered language and soon, we will use the expertise of our people to crowd-source recommendations that can be implemented in the present, as well as those that will influence the future services we deliver to customers as part of Transformation.

Externally, we are still well-regarded for our inclusive approach, retaining our Silver award in the Chwarae Teg Fairplay employer index and Disability Confident Leader status. We were also nominated by Chwarae Teg for the Fair Employer of the year award, where we were shortlisted as a finalist.

Our inclusion plan, and accompanying actions cover 7 key priority areas:

- striving for an inclusive and diverse workforce;
- promoting an Inclusive IPO;
- improving our data and statistics;
- social mobility;
- development and talent pipelines;
- respect at work; and
- decision-making, policies, and procedures.



As part of our work for this year we have continued our focus on enhancing our interventions to increase the representation of women in our STEM roles. Although women make up nearly half of our workforce, the majority of them are in non-specialist roles. Our patent examining roles attract higher salaries due to their specialism, however, only 23% of these are taken up by women (a 1% improvement on our 2020 figures).

Although this issue is not exclusive to the IPO, we need to address any perceived barriers that are preventing women from pursuing a career in STEM. Our Gender Pay Gap¹⁵ (our last published figures, 31 March 2021) was as follows:

- mean pay gap: 18% in favour of men; and
- median pay gap: 30% in favour of men.

The comparison of mean and median pay in the IPO shows a gap in favour of men which is higher than the national pay gap of 15.4% (median), and not dissimilar to the gender gap in the field of STEM where women are consistently under-represented. According to estimates based on the Office of National Statistics' Labour Force Survey and

compiled by the WISE Campaign (2019), women make up only 24% of the UK core-STEM workforce. A high proportion of women are part-time and employed at lower grading levels in support roles (corporate and operational) which skews the average. 69% of our part-time workers are women. We recognise that the significantly higher proportion of men within our more highly paid technical specialist cadre, results in a material gender pay gap based on the required reporting methodology. We also recognise that the greater proportion of men in our highest grades is also reflected in the gender pay gap analysis.

Whilst the overall mean and median gender pay is still significant at 18% and 30%, we are pleased to report a reduction in our mean over the last three years from 20% in 2018/19, 19% in 2019/20 and 18% in 2020/21. The IPO is committed to fair pay irrespective of gender and this is echoed in our annual inclusion and diversity report. It is something that we, as an organisation, take very seriously and reducing our gender pay gap will continue to be a priority focus for our brilliant place to work strand in 2022/23.

15 IPO gender pay gap 2021 - GOV.UK (www.gov.uk)

Intellectual Property Office

“I’m really excited about continuing in a STEM job, I felt I’d been away from science for so long that this would not have been an option. I’m delighted the IPO has given me this opportunity.”

Margaret Bonham

IPO | Making life better through IP

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

- we invested in a further STEM Returner scheme this year which places qualified and experienced people in STEM roles for seven months to bridge the gap in their CV following a period out of the STEM environment. The scheme has proven an excellent way to encourage underrepresented groups into STEM areas;
- we invested in structured training programmes with Code First Girls, whose aim is to increase the number of Women and Non-Binary people in the tech sector. Our collaboration has seen people of all ages and backgrounds trained and prepared for a career in the tech environment and will see an increase of women and non-binary people in the tech workforce throughout the UK;
- we continue to review and reshape our recruitment practices to ensure we attract more diverse talent, using recruitment data from every stage of our process to understand where we need to improve; and
- we have worked with women in our organisation to understand barriers to progression and promotion. As a result, we've developed a parents' network to ensure everyone has practical and effective mentoring when returning from long-term leave and have increased our support around barriers such as Grief, Menopause, Mental Burden, and Imposter Syndrome.

We are committed to a zero-tolerance approach to bullying and harassment and the 2021 People Survey results highlighted a reduction in people experiencing bullying, harassment, or discrimination within the IPO. Although slightly lower than levels elsewhere in the Civil Service, we are clear that our people should not be subjected to bullying and harassment. To support our efforts, we held training sessions around a board game designed to encourage debate and discussion on difficult scenarios and received excellent feedback on this approach.

Our Respect at Work campaign continues, and we launched an informal reporting tool to capture unacceptable experiences throughout the organisation in real time. The reports helped us respond to issues with training, team workshops and office-wide communications such as our Just Because campaign, which challenges misconceptions and disrespectful behaviour. We continue to develop bite-size videos which are shaped from feedback in the business; our videos on delivering and receiving feedback have had excellent responses with 81% of respondents saying the videos helped them evaluate their own behavior, 88% saying the videos helped them evaluate other people's behavior and 83% saying the videos helped them clarify what unacceptable behavior is.

Healthy People, Healthy Environment

The Covid-19 pandemic placed requirements upon us and our people to develop and adapt the ways in which we work, both now and in the future. During the year we provided a range of support services for both home and office-based colleagues. The Resilience Workstream, which was set up as part of our initial Covid-19 response, continued to meet on a regular basis to co-ordinate our wellbeing programme. Many of the initiatives implemented at the start of the pandemic remain in place, including regular mental health first aid sessions, manager workshops, and office funded licenses for the 'Headspace' mindfulness app. We also continued our virtual relaxation sessions and brought in expert speakers on a range of wellbeing subjects.



Throughout the year we regularly asked our people how they are feeling and what additional support they needed. In response to these surveys, we implemented further support including, i-Act mental health training for managers, suicide prevention day awareness, stress awareness, mental health first aider bereavement training, grief café, time to talk, and sessions covering financial wellbeing, sepsis awareness, and Marie Curie awareness (grief and loss support). While many of our initiatives are office-wide, we also supported our directorates, who experienced their own challenges, and worked with senior teams to implement tailored approaches for our people.

To make our workplaces welcoming, convenient and somewhere where people can socialise with colleagues and improve their physical health, we revamped the wellbeing facilities at our Concept House main office. We also upgraded the shower and changing facilities and have provided new cycle storage areas, along with a range of IPO bikes that our people can borrow. We have officially opened our new gym, iMove, and will also soon be unveiling an improved wellbeing suite where people can connect with colleagues.

During the year we doubled the number of London based staff and implemented a booking app so that people working at 10 Victoria Street can check availability and book a desk as needed. The onsite booking app for our Newport site will be made available to all staff in early summer 2022. We invested in our sites to enhance our hybrid working capability and have five surface hubs available to use in Concept House and approximately 32 meeting rooms will be fully equipped for hybrid meetings.

Discussions have taken place during the year on how to meet the requirement to transfer our property freehold into central Government ownership; further work is needed to resolve some outstanding issues associated with the transfer mechanism, ongoing funding arrangements and occupancy agreement. We are working closely with Government Property Agency (GPA) and other stakeholders on these matters and expect to conclude this work later in 2022/23.

Corporate and Social Responsibility

As an organisation we allow up to six days a year where our people can get involved in community activities which are outside of their usual field of expertise. The Covid-19 pandemic continued to impact our Corporate Social Responsibility programme with many organisations still unable to restart their volunteering activities. Despite this disruption, we have been successful in securing some volunteering opportunities for our people. We have recruited heavily, and our teams remained keen to make a difference to the community, while at the same time making connections with new colleagues.

Some of our people were keen to work in their local communities and we arranged a number of litter picking sessions during the year. We worked with the Brecon Beacons National Park and provided an IPO team to help with removal of Himalayan Balsam. We also took part in a virtual volunteering project with Bristol Zoo.

As we adapted our office space for hybrid working, we were left with stocks of unwanted furniture, and we were able to provide some of this to the Sea Cadets and a number of services within the Aneurin Bevan University Health Board who were very grateful for our help.



Sustainability Report

Introduction

The pandemic has continued to affect our environmental performance over the past year. While the majority of our people have continued to work from home, we have seen a steady stream of people return to our sites too.

We set up a Hybrid Working Steering Group to provide people with the support, clarity and tools to work in a hybrid way. We have had to adapt our site and ways of working to enable this, but this has also given us opportunities to improve. We have taken the opportunity to help our people to travel sustainably whilst at the same time improving their physical wellbeing. We also continued to improve the energy efficiency of our buildings by starting a project to replace all our lighting with LEDs.

We started our Net Zero journey this year and this will be our focus going forward. We've set ourselves a corporate target for the next financial year to agree a plan on how and when we will achieve Net Zero and to complete any year one actions identified.

Carbon Emissions from Offices

To start our Net Zero journey, we commissioned independent experts to baseline our performance and to provide recommendations on how and when we can achieve Net Zero for our Newport estate. That work will continue in the coming year as we work towards our corporate target.

Electricity usage increased slightly compared to last year to reflect the increase in recruitment and on-site working. Although there are still fewer staff in our buildings since before the pandemic, the IT servers, which are one of our biggest users of electricity, have been working to full capacity.

Gas has shown a significant increase compared to previous years. Following the replacement of the gas metering equipment last year to correct longstanding metering problems, we have been able to more accurately monitor our gas usage (costs were previously accrued to reflect a more accurate charge). We changed gas supplier at the beginning of the 2022/23 financial year and will resolve any invoicing/accrual queries once we receive our final bill from our previous supplier. We believe the final costs to be relatively low value and finalised within the next financial year.

		2017/18	2018/19	2019/20	2020/21	2021/22
Tonnes CO2	Gas	206	171	241	182	687
	Electricity	1,279	855	635	453	393
Related Energy Consumption (kwh)	Gas	1,120,473	928,975	1,313,780	2,432,439	3,750,278
	Electricity	2,846,408	2,782,104	2,289,060	1,634,765	1,700,877
Financial Implications (£)	Gas	117,319	124,462	89,902	98,478	98,147
	Electricity	421,863	464,231	391,058	285,832	299,802
	CRC Efficiency Scheme	28,603	19,672	n/a	n/a	n/a

Carbon Emissions from Travel

Very little business travel took place during the year although air and rail travel have now resumed. With many meetings now routinely held virtually we are hopeful that the impact of travel on our environmental performance will remain at significantly lower levels for the foreseeable future.

We have continued to deliver additional kit and furniture to make it easier for people to work from home. In addition, we have started a large-scale programme to replace our legacy homeworking kit. This means that our van usage has shown an increase in mileage compared to last year. We have mitigated the impact of this by replacing our leased diesel van with two plug in hybrid models.

Government Fleet Electric Vehicles

During the year we replaced our leased diesel van with two plug in hybrid models meaning that 100% of our fleet are Ultra Low Emissions Vehicles (ULEV) in line with the Government Fleet Commitment. We will now start planning for the next phase of the Commitment which involves the future replacement of these to Zero Emission Vehicles (ZEV) to meet the 2027 deadline.

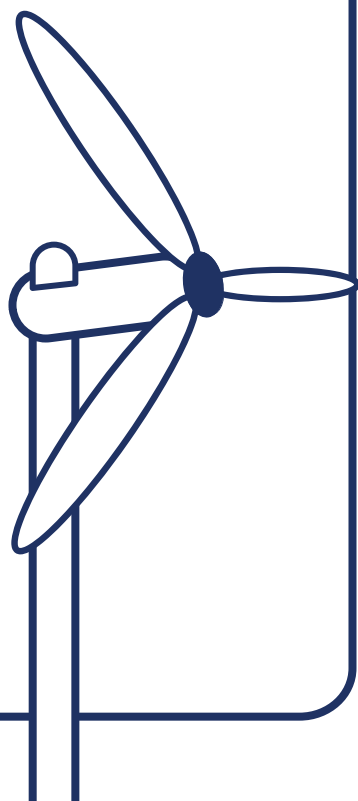
As people return to our offices, we want to encourage them to travel sustainably. During the year we invested in this area by:

- providing new loan bikes to help people who may be considering cycling;
- implementing a new cycle to work scheme with a higher spend limit;
- improving our changing and showering facilities; and
- providing a more secure and improved area for bike storage.

		2017/18	2018/19	2019/20	2020/21	2021/22
Non-Financial Indicators (kg CO2)	IPO Owned Vehicles	3,220	3,210	2,603	2,690	3,259
	Air Travel*	125,335	132,743	142,919	-	9,829
	Rail Travel	32,890	43,370	26,890	-	3,650
	Road Travel	50,480	47,590	44,170	621	3,185
	Taxis	1,760	1,800	1,880	2,356	1,270
Financial Implications (£)	Travel Expenditure (UK)	675,526	811,359	661,178	32,887	90,588
	Travel Expenditure (Overseas)	358,850	305,995	352,905	4,063**	16,691

* Air travel now includes long haul, short haul and domestic flight data

** Non-refundable travel costs and credit in relation to travel that was unable to take place



Use of Finite Resources (Water and Paper)

Water usage has shown an increase on last year. This is entirely due to a major water leak on our Newport site which meant that our usage for two months was significantly above normal levels. That has now been rectified and our current water usage is at similar levels to the previous year.

Paper has increased slightly as on-site activities continue to grow. Alongside this our agenda to transform our services means that we are unlikely to see the levels of printing experienced before the pandemic.

		2017/18	2018/19	2019/20	2020/21	2021/22
Non-Financial-Indicators	Water Consumptions (m3)	5,055	5,406	4,951	2,928	6,129
	Paper Consumptions (A4 Reams Equivalent)	7,500	6,650	6,118	880	1,300
Financial Implications (£)	Water Consumptions Costs	19,426	19,474	21,891	7,483	10,917
	Paper Costs	22,445	29,672	24,285	4,918	7,762



Waste

Waste has shown a slight decrease compared to last year. We are continuing to reduce the levels of waste that we send to landfill and are hopeful that this will be eliminated by the end of the next financial year, with all waste either recycled or used for energy recovery.

Consumer Single Use Plastics

We've made good progress in removing Consumer Single Use Plastics (CSUPs) from our estate. Prior to the pandemic we worked with our site neighbours ONS to remove all CSUPs from the on-site catering outlets. The on-site facilities processes are proving more of a challenge and we are currently working with the Facilities and Print Teams and our stationery supplier to see how we can remove or re-use the single use plastics that they use. This commitment will form part of our Sustainability Strategy due to be launched in 2022/23.

As we adapt our office space for hybrid working, we have continued to donate surplus furniture and equipment to local organisations. This year two local schools, the NHS, and Newport Sea Cadets have all benefitted from our donations.

	2017/18	2018/19	2019/20	2020/21	2021/22	
Non-Financial Indicators (Tonnes)	Total Waste	393	204	301	203	174
	Waste recycled with energy recovery	60	70	71	44	30
	Waste recycled without energy recovery	-	-	-	-	-
	Re-used/Recycled	263	104	188	112	104
	ICT Recycled and Reused	2	1	15	18	15
	Waste Composted	4	4	4	-	-
	Landfill	64	25	23	29	25
	% Recycled	67%	53%	68%	64%	68%
Financial Implications (Disposal Costs (£))	Total Waste	40,880	37,664	39,128	40,374	44,757
	Waste recycled with energy recovery	n/a	n/a	n/a	n/a	11,336
	Waste recycled without energy recovery	-	-	-	-	-
	Re-used/Recycled	26,566	27,257	35,734	20,932	23,227
	ICT Recycled and Reused	n/a	n/a	n/a	n/a	4,212
	Waste Composted	-	-	-	-	-
	Landfill	14,314	10,407	3,394	19,442	5,983

Information and Cyber Security

Our security and privacy strategy detail our approach to information handling across the organisation, including cyber security, and we continued to follow central guidance on the Government security approach. This year we redrafted the IPO Security strategy and policy to account for the release of the Government Security Standard 007 (GovS 007), the National Cyber Security Strategy and NCSC's Cyber Assurance Framework (CAF). The IPO continues to be certified against ISO 27001:2013 and has successfully verified its PCI DSS compliance.

This year saw unprecedented global cyber security events that interrupted many organisations. The IPO responded confidently to what was a dynamic threat landscape throughout the year and kept all services operational. We invested in dedicated incident and vulnerability managers, as well as a dedicated personnel security role. We concentrated on further developing the security culture within the IPO through the roll out of an interactive security training platform to further help detect and appropriately handle security matters.

A number (64) of physical security breaches and incidents were reported during the year by end users and our Security Operations Centre (SOC) expanded the number of security events subject to central inspection. The SOC team expanded data loss prevention and insider risk capabilities to great success. Specific training relating to Phishing and the Safe Use of Web-Browsers was delivered to all staff, in addition to the standard in-year and onboarding security-related education, awareness and training.

We continued to brief relevant committees monthly, with a quarterly deep dive into security incidents and breaches. We also shared this report with all our Directors and Directorate Senior Leadership Teams.

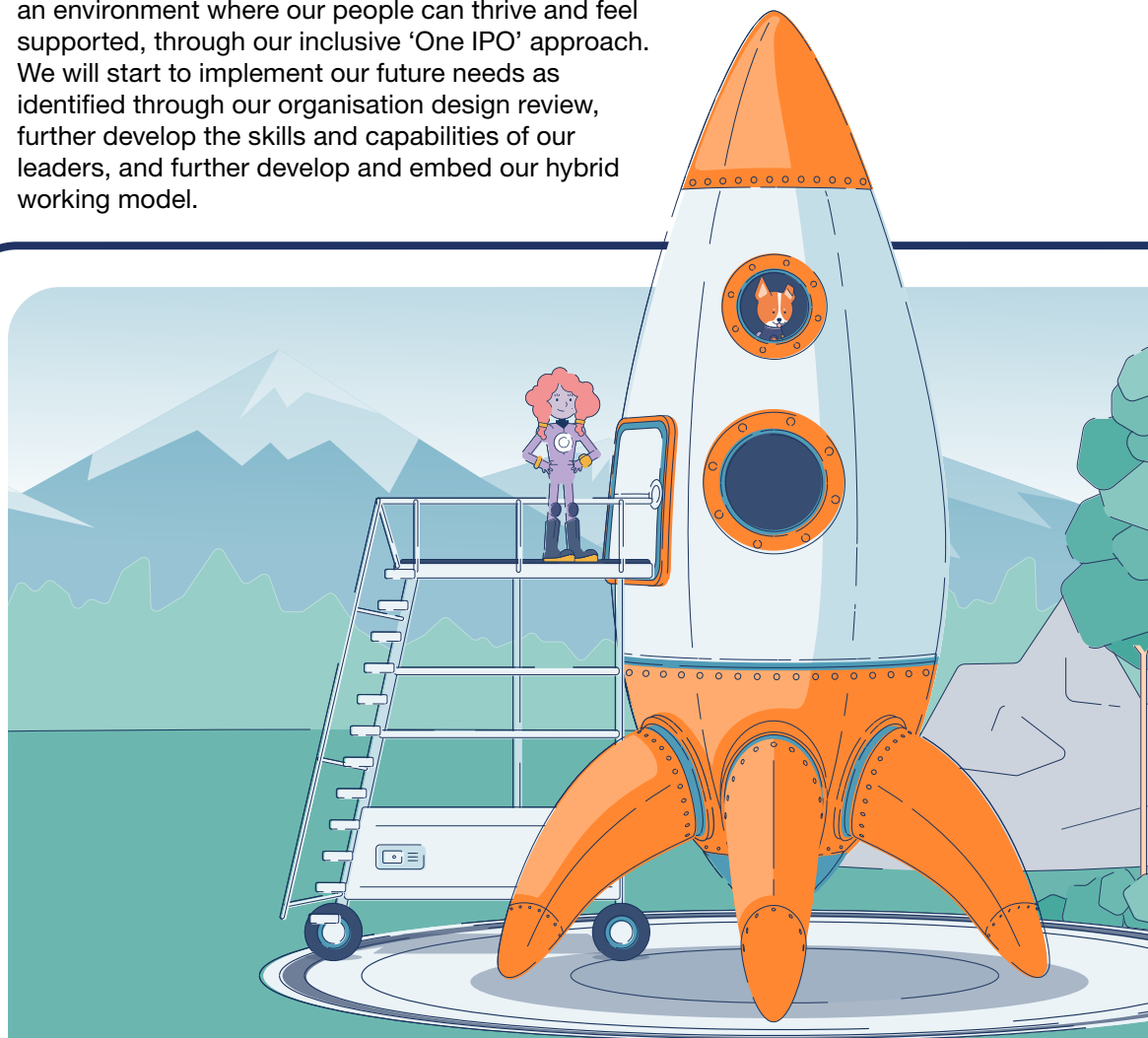
The Knowledge and Information Management (KIM) team continued to mature and expand with great success. The project for re-platforming the primary electronic document management system continued to be on track with business areas reporting positively in relation to the increased capabilities. Future focus remains on the installation of retention and disposal with automation capabilities, as well as the continued expansion of data loss prevention technologies.

The IPO remained committed to data privacy and released three data privacy training modules for all staff. We responded to 100% of data subject requests within the legislated timeframe and had two complaints escalated to the Information Commissioners Office (ICO) who took no further action. We continued to meet our statutory obligations in responding to Freedom of Information requests. In the 2021 calendar year a total of 112 requests were received, compared to 122 in 2020; 85% of all requests were answered within the statutory 20 working day deadline, compared to 91% in 2020 and as a result, we are increasing our resource in this area.

Our Plans for 2022/23

Our Corporate Priorities 2022/23 document details what we want to deliver for the year to progress our strategic aims of: delivering excellent IP services; creating a world leading IP environment; and making the IPO a brilliant place to work. We have identified the following key priority areas that are essential for us to deliver on during the year:

- to deliver excellent IP services we will: deliver our core rights services and achieve our customer service standards. We will continue to develop workload forecasting to ensure we have the right people in the right place to deliver our services; and we will deliver our Transformation programme achieving our phase one milestones;
- to create a world leading IP environment, we will: ensure that the IP system fully supports and inspires innovators and creators by further developing the IP framework to keep pace with societal change. We will continue to make the most of opportunities that defend the UK's world class IP system, reform, and reimagine our European engagement and continue to support businesses in relation to protecting their IP overseas. Through our new Counter-Infringement Strategy, we will focus on building and embedding a new strategic approach with our partners to tackling IP crime and infringement; and
- to make the IPO a brilliant place to work we will: create an environment where our people can thrive and feel supported, through our inclusive 'One IPO' approach. We will start to implement our future needs as identified through our organisation design review, further develop the skills and capabilities of our leaders, and further develop and embed our hybrid working model.



- **2022/23 Ministerial Targets**

We have agreed with our Minister four performance targets for 2022/23, which are focused on the delivery of our key priorities:

Core Services:

- Customer: Achieve an average overall customer satisfaction of 85% or more in quarter four 2022/23; and
- Efficiency: Achieve efficiencies worth at least 3.5% of our core operating costs.

Counter-Infringement Strategy:

- IP Crime and Infringement: Produce a strategic threat and harm intelligence assessment of IP rights infringement by November 2022.

Transformation:

- By the end of March 2023, the service design, business processes and technical requirements for all six transformation projects (Manage, Secure, Challenge, Registers, Search, and IP Journals) will be fully defined and documented.

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

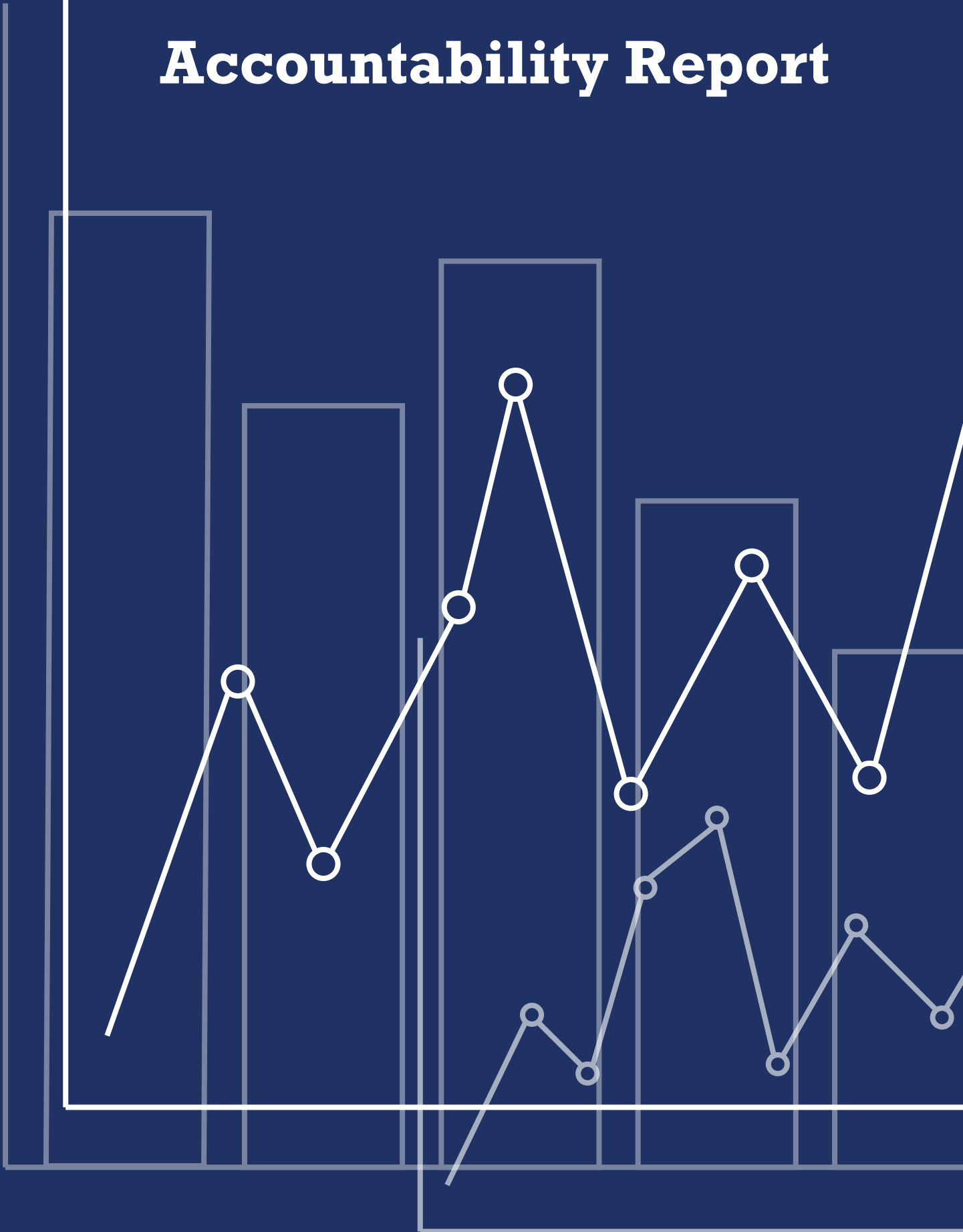


Tim Moss CBE

Chief Executive and Accounting Officer

14 July 2022

Accountability Report



Corporate Governance Report

This report and its subheadings are presented as required by the 2021/22 Government Financial Reporting Manual (FReM) issued by HM Treasury.

Directors' Report

Our corporate governance structure is described in our Framework Document¹⁶. Ministers responsible for the IPO during the year as Minister for Science, Research and Innovation were, Amanda Solloway MP (until 16 September 2021) and George Freeman MP who was appointed on the 17 September 2021. For details of our Boards and Committees please refer to the Governance Statement.

Statement of Accounting Officer's Responsibilities

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and to disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

Accounting Officer's Confirmation

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

Governance Statement 2021/22

Scope of Responsibility

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

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

Purpose of this Statement

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

The Governance Framework of the IPO

The IPO corporate governance structure comprises of the Executive Board (IPOB) supported by three sub-committees, Delivering Excellent IP Services Committee, Creating a World Leading IP Environment Committee and Making the IPO a Brilliant Place to Work Committee. There is also the Transformation Programme Board, the Audit and Risk Committee and the Steering Board, each with complementary functions. The governance framework is explained in our Framework Document which sets out the policy, planning, accountability and delegations within which the IPO operates.

IPOB is chaired by me and usually meets informally on a weekly basis and formally twice every month. IPOB has collective responsibility for the leadership and strategic management of the Office, in line with ministerial priorities and our corporate plan. During 2021/22 the Executive Board have worked collaboratively to deliver our objectives and develop our priorities for 2022/23 against each of these goals:

To deliver excellent IP services our priorities are to:

- deliver our core IP rights services achieving our customer service standards; and
- deliver our Transformation programme achieving our phase one milestones.

To create a world leading IP environment our priorities are to:

- develop the IP Framework to keep pace with the societal changes in technology, the environment, culture and the economy;
- increasing IP's impact through awareness and education;
- embed the approach set out in our new Counter-Infringement Strategy, delivering our strategic threat assessment, and developing our intelligence centre of excellence; and
- strengthen our international approach by maintaining and developing high IP standards through free trade agreements, reforming our European engagement, and improving and promoting our international IP business support service.

To make the IPO a brilliant place to work our priorities are to:

- enable our people to thrive, ensuring we can deliver today and are ready for future challenges; and
- agree a Carbon Net Zero Strategy for IPO and deliver year one commitments.

Member Attendance at IPOB meetings held during April 2021 – March 2022

Members	Meetings Attended (23 in year)
Tim Moss (Accounting Officer/Chief Executive Officer and Chair of Executive Board)	21
David Holdsworth (Deputy Chief Executive Officer and Director of Operational Delivery)	23
Adam Williams (Director of International Policy)	22
Pippa Hall¹⁷ (Director of Innovation and Chief Economist)	15
Chris Mills (Director of Copyright and IP Enforcement)	22
Neil Hartley (Director of Finance)	22
Mike Fishwick¹⁸ (Chief Technology Officer)	8
Dominic Houlihan¹⁹ (Director of People, Places and Services)	7
Paula Brooks²⁰ (Head of HR and Organisational Development)	16
Sian-Nia Davies²¹ (Interim Chief Technology Officer)	13
Guy Robinson²² (Divisional Director Innovation)	7

17 Agreed absences throughout the year

18 Absent from September 2021

19 Left July 2021

20 Provided cover as required from October 2020

21 From September 2021

22 Alternate for Pippa Hall as required throughout the year

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

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

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

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

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

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

The **Intellectual Property Office Steering Board** has an independent non-executive chair and six further non-executive directors as members. A designated deputy from BEIS attends for the Director General of Industrial Strategy, Science and Innovation. I am also a member, along with the Deputy Chief Executive Officer and Director of Operational Delivery. The role of the Steering Board is to advise Ministers on the IPO's strategies and performance (including targets) as set out in the IPO Corporate Plan. It also provides guidance, drawing on the experience of the non-executive directors, on our operation and development across a range of issues. The Steering Board met six times which included an away-day meeting in September.

Member Attendance at Steering Board meetings held during April 2021 to March 2022

Members	Meetings Attended (6 in year)
Harry Rich²³ Non-Executive Director and Chair of Steering Board Chair of Valuation Tribunal Service	3
Andrew Lawrence Non-Executive Director and Chair of Audit and Risk Committee Chair of Bron Afon Community Housing	6
Kevin Orford²⁴ Non-Executive Director and Interim Chair of Steering Board Managing Director of Kevin Orford and Associates Ltd Non-Executive Director of Northern Devon Healthcare NHS Trust	6
Lopa Patel Non-Executive Director Founder and Chair of Diversity UK	6
Laurie Benson Non-Executive Director Chair of Audit Committee at Christie Group plc	6
Hilary Newiss²⁵ Non-Executive Director Trustee of the Natural History Museum	2
Harriet Kelsall²⁶ Non-Executive Director Deputy Chair, National Association of Jewellers	3
Tim Moss Accounting Officer/Chief Executive Officer	6
David Holdsworth Deputy Chief Executive Officer and Director of Operational Delivery	5
David Rawlins & Felicity Howe²⁷ BEIS Sponsors of the Intellectual Property Office and designated deputies of the Director General, Industrial Strategy, Science and Innovation, BEIS	4
Shahid Omer²⁸ Deputy Director Innovation Strategy, BEIS, and designated deputy of the Director General, Industrial Strategy, Science and Innovation, BEIS	2
Ada Jabaru²⁹ Non-Executive Director as part of Board Apprentice Scheme	3

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

23 Appointed October 2021
24 Interim Chair from April 2021 to September 2021
25 From October 2021
26 From October 2021
27 Left September 2021
28 From October 2021
29 Left January 2022

The Audit and Risk Committee is a sub-committee of the Steering Board, advising on risk, control, governance, and associated issues. The Committee comprises a non-executive chair, two further non-executive members of the Steering Board and one independent member from another government department. I am an obligatory attendee, along with the Deputy Chief Executive Officer and Director of Operational Delivery, and the Director of Finance. There are additional attendees by invitation. In addition to providing me with assurance over the preparation and signing of the IPO's accounts for 2021/22, the committee considered the findings of ten audit reports. These reports covered a range of governance and risk management areas, including an audit of the delivery phase readiness of our Transformation Programme, and IPO Culture - People Interactions and the delivery of Key Management Controls. The Audit and Risk Committee met five times this year.

Member Attendance at Audit and Risk Committee meetings held during April 2021 – March 2022

Members	Meetings Attended (5 in year)
Andrew Lawrence (Non-Executive Director and Chair of Audit and Risk Committee)	5
Lopa Patel (Non-Executive Director)	5
Kevin Orford (Non-Executive Director)	5
Chris Pleass (Independent member from other government department)	3

Obligatory Attendees of Audit and Risk Committee

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

Attendees of Audit and Risk Committee by Invitation

Attendees

Karen Powell

Acting Deputy Director of Strategy, Governance and Assurance

Julie Griffiths

Acting Head of Governance, Risk and Assurance

James Meager

Head of Internal Audit (Government Internal Audit Agency)

David Legg

BEIS Representative

Incumbent

External Auditors from National Audit Office

Incumbent

Representatives of External Auditors (KPMG)

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

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

The IPO Board completed a self-review and, as a result, changed the meeting structure and the way it operated, embedding catch up, engagement, strategy and governance meetings spread out across the month. The Board members view is that this new meeting structure works well, enabling focused discussions and effective decision making.

The Risk and Internal Control Framework

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

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of our aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they materialise, and to manage them effectively and economically. The system has been in place throughout 2021/22.

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

Risk Management

The Board Risk Register records all significant risks to the achievement of the IPO's aims and objectives. It is reviewed by IPOB and Audit and Risk Committee on a regular basis. This is further supported by internal audit reviews and assurance reporting. IPOB carry out regular risk horizon scanning discussions to identify possible risks to achieving our ministerial targets and strategic goals, also any external factors, for example the impact of the proposed Trade Related Aspects of Intellectual Property Rights (TRIPS) waiver. This year there has been continued focus on effectively managing the risks around the global pandemic, particularly the impact on IP, the increased threat of cyber-attacks, ensuring we are involved in all key discussions and decision making across government on all areas of IP, and risks to delivering our transformation

programme. There have also been risks identified relating to the crisis in Ukraine. We have been taking steps to ensure we are implementing the sanctions regime correctly and that we are monitoring the Russian expropriation and treatment of IP assets. These risks are being managed at the appropriate sub committees. An annual review of the IPO Risk Appetite Statement is also carried out. Along with the Board Risk Register a Risk Exposure Diagram is reviewed at every Board, Audit and Risk Committee and Steering Board meeting. This document highlights the status of all Board, Committee and Transformation risks.

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. Blank page risk identification exercises have been completed with International Policy; Innovation; Information Technology; People, Places and Services; Copyright and Enforcement; and Patent, Designs and Trade Marks Directorates. Monthly meetings chaired by the Risk and Assurance Officer take place bringing risk representatives together to share best practice, clarify areas of the policy and guidance, and raise any issues or concerns.

The Greening Government Commitments require organisations to develop an organisational Climate Change Adaptation Strategy across estates and operations by 2025. By the end of 2022/23, we have committed to conduct a Climate Change Risk Assessment to better understand the risk and to target areas that need greater resilience. This will then lead into a Climate Change Adaptation Action Plan which will include our response to the risks identified.

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

The IPO Head of Governance and Risk Management is a member of the BEIS Risk Management Network which continues to meet virtually with the aim of sharing best practice and implementing a more consistent approach to risk management across the BEIS family where practical.

Risk Training

Internal risk training delivered by the Senior Risk Manager restarted in 2021 after being postponed for most of the previous year whilst it was adapted to accommodate remote learning. This is available monthly for all staff.

Management of Risk training is provided by an external training provider for all directorate Risk Representatives and relevant members of staff, as and when required.

Risk Workshops

A risk horizon scanning session was undertaken with the Brilliant Place to Work Committee in April 2021 and the World Leading Environment Committee in October 2021 to ensure that risk management is clearly linked to the aims and objectives of the IPO.

A risk pre-mortem exercise with the Transformation Board concluded in April 2021 which resulted in programme level risks to delivery being identified, captured and prioritised.

Maintaining and improving effective governance within the IPO remains a key priority. A comprehensive internal audit programme is agreed each year with the resulting reports and recommendations acted upon. This year, the Head of Internal Audit's annual report and opinion presented a Moderate assurance over the effectiveness of governance, risk management and control activities. That opinion was formed as a result of attendance at boards and committees, regular conversations with management,

reviewing the output of other assurance providers, and the delivery of an audit programme that included ten audit assignments, themed around key risk areas such as transformation, culture and people, knowledge management and financial controls. The results of work delivered by the internal audit team resulting in one 'substantial' opinion, six 'moderate' opinions and three 'limited' opinions. The main areas of concern regarding the 'limited' opinions included: defining the formal relationship between Transformation and Technology/Data, along with clarifying key reporting deliverables; aligning the IT strategy with the Transformation Programme to ensure objectives are dovetailed; and embedding change control procedures for changes to the income forecasting models. These actions have all been agreed and mitigating actions have been successfully implemented.

The Head of Internal Audit confirmed the overall opinion reflected the proactive approach in identifying areas of control weakness and engaging with internal audit to support the identification of root causes and the delivery of improvement activities.

Government Functional Standards

A thorough review of compliance against the new Government Functional Standards has been completed across the office. Functional Leads have been identified who cross-referenced the Functional Standard with the associated IPO working practices. Regular updates regarding progress were provided to the Brilliant Place to Work Committee, with final reporting to the Chief Executive Officer and the Audit and Risk Committee. Plans for Continuous Improvement against the Standards have been created and will continue to be monitored.

During 2021/22 we have been working to ensure continued compliance with the Government Functional Standard on

Counter Fraud. The Senior Risk and Counter Fraud Manager has been working with all business areas to ensure that there is accurate and timely reporting of all instances of potential fraud and official error. A report is presented at every Audit and Risk Committee meeting. This shows trends and easily displays both actual fraud and error and prevented fraud and error figures for comparison each quarter. Fraud and error figures are also reported to BEIS and the Cabinet Office on a quarterly basis. The IPO fraud risk assessment is reviewed, and updated where necessary, twice yearly by all business areas to ensure that there are no changes to our existing fraud risks and that any new fraud risks are captured. Any new and emerging fraud risks are reviewed more regularly whilst processes and procedures are developed/updated to ensure robust mitigation. Internal Counter Fraud and Official Error Loss Prevention training sessions are now delivered remotely after being postponed last year and are available to all staff on a monthly basis. Targeted Counter Fraud training has also been completed with Payroll, Finance Operations, and Recruitment teams. The Commercial team is scheduled for quarter one in 2022. In August 2021, the Civil Service Learning Counter Fraud e-learning was added to the IPO's required learning list. This has had a positive impact and has increased the number of staff who complete counter fraud training. We continue to attend BEIS Family Counter Fraud Network meetings and Cabinet Office Fraud Champions Network meetings remotely, where best practice is shared.

Due to all the effective controls embedded throughout the IPO, and the monitoring and reporting activities that take place throughout the year, there have been no serious cases of fraudulent behaviour identified.

Whistle-Blowing

Our whistle-blowing policy is available for all our people to access on our intranet site. No whistle-blowing cases have arisen this year. In addition to whistle-blowing the IPO have multiple other reporting routes, some of which are anonymous, for people to raise any concerns (for example Ask the Office, Ask the Board Live, People Survey, regular Pulse Surveys).

Business Continuity

The Business Continuity Manager leads the IPO's business continuity response and is responsible for three key decision-making bodies:

The Business Continuity Advisory Board (BCAB), meets quarterly, is chaired by the Business Continuity Manager and is responsible for providing assurance to IPOB on our business continuity planning.

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

The Hybrid Working Steering Group (HWSG) (formerly Business Continuity Continuation Team) monitors and responds to the ongoing Government guidance changes. It is focused on providing people with the support, clarity, and the tools to work in a hybrid way that enables the best outcomes for individuals, teams and our customers. It is chaired by the Head of Services, meets every two weeks, and reports into the Brilliant Place to Work Committee on a monthly basis.

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

Our Business Continuity Plan is updated every six months. The dedicated Business Continuity Officer is responsible for updating and testing our plans and training our people, working closely with business areas. In August 2021 there was a planned power-down on site to test systems, and an unplanned power outage that affected most of Wales. Following the incident review session, the procedures were updated, introducing an earlier point of contact between IT and Facilities Management. In February 2022 Storm Eunice resulted in a red weather warning for the first time, indicating risk to life. The BCMT convened to discuss impact to business and staff, and IPO tenants and neighbouring businesses were contacted to ensure details were up to date in case events escalated. All staff communications were

issued and the incident control team and BCMT members remained on standby to respond to any incidents. This incident highlighted that our BCP was robust with only minimal changes required, the BCMT was convened quickly, and office wide comms issued the same day.

Disaster Recovery

Disaster recovery (DR) is a key element of business continuity and the BCP team works closely with the Disaster Recovery Project team who are updating our core infrastructure. There has been a re-focus on disaster recovery for the IT component of Business Continuity and a network recovery test was performed in February 2022. Further testing is planned to ensure IT changes over the past two years are fully integrated into DR plans and going forward all future system changes through Transformation are also integrated into DR plans. A ransomware threat scenario took place in March, and following the test IT, network recovery is now part of the IT business as usual work. During the sessions leading up to and during the scenario test, IT identified what the effect would be if our network was offline, what capability we will retain and what scale of recovery time objective (RTO) would be expected. Alongside the DR team they are now working to achieve a realistic RTO. This work is ongoing.

Security

The IPO has seen a fundamental shift in the central standards it needs to comply with following the release of the Cabinet Office Government Standard 007 (Security), the National Cyber Security Strategy and the National Cyber Security Centre's (NCSC's) Cyber Assurance Framework (CAF). All have been adopted through the IPO's Security Strategy and ISO 27001 certification. The IPO has also begun to mature Physical Security through remediations required to meet the Government Minimum Physical Security Standard, and Personnel Security continues to mature with vetting operations having recently been brought in-house.

The IPO Secure team continue to utilise a risk management approach to security and is compliant with ISO/IEC 27005 (Security Risk Management) and ISO 31000 (Corporate Risk Management).

The IPO continues to monitor security incidents and is happy to note the continuing trend of increased security reporting and decreasing incident response times.

The Alexander Review of the tax arrangements of public sector appointees published in May 2012 made a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of public sector appointees. The IPO has procedures in place to ensure we comply with the recommendations of the report. All board members and those with significant financial responsibility have been on the IPO payroll during the year. Although there has been an increase in the use of interim roles not on the IPO payroll to support our Transformation Programme and to provide difficult to recruit skills, the majority are on PAYE schemes through umbrella companies. Only two engagements were out of scope of IR35.

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

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

Significant Risks and Control Issues

Throughout the year resourcing and recruitment issues have been a challenge, especially in the digital and technical specialism space. Task forces have been set up to provide a focus in this area.

Hybrid working has also been a challenge. Workstreams were put in place to look at ways of working and guidance; trials for adapting space and collaboration; and improving IT infrastructure to support hybrid working. There have been regular all staff communications, training, and all staff talks specifically on hybrid working, and a flexible and pragmatic approach was taken.

The Transformation Programme is the largest programme to be undertaken by the IPO. During this period, we appointed a strategic delivery partner and undertook a technical architecture review. This resulted in a change to our architectural approach which required some replanning but will make it easier to deliver the programme and facilitate future improvements to our services. This change in approach resulted in a constructive loss of £3,341k. Details of this loss can be found in the Losses section in the [Parliamentary Accountability Audit Report found on page 81 of this document](#) and also in Note 9. Whilst no control issues were identified we have performed a Lessons Learnt exercise resulting in recommendations to strengthen the technical approach. The programme remains on track and within budget.

Some issues were highlighted with our designs systems in November 2021 which stemmed from the introduction of the designs IT system in 2016. There are around 13,000 incorrect filing dates and some issues with the quality of data on our register, including missing dates and images. Following the UK leaving the EU design system, legal representatives have started using our system more and have fed back issues to us, and we have also reviewed the system. There is a small financial risk to the IPO in terms of customers requesting compensation. There have been no complaints following sending out letters to around 3,000 of the 13,000 customers with incorrect filing dates, and we plan to contact the remaining 10,000 within 12 weeks. We have already solved a number of the issues around missing data and regularising our opening hours. We have a project team delivering a programme of work to resolve the other issues. We have embedded legal resource in our Transformation programme to ensure these types of issue are not repeated.

Going forward into 2022/23 we will be monitoring closely:

- the proposed transfer of our Newport site to the Government Property Agency (GPA) and will continue to mitigate any associated risks as they are identified;
- the implementation of the recent organisational design review which will give us greater assurance for the future and stronger organisational governance and control;
- the continuing challenges around embedding hybrid working; and
- pay guidance and cost of living issues which could further increase resourcing and recruitment issues in the coming year.

Review of effectiveness

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

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

I have considered the evidence provided to support this Governance Statement and sought relevant Audit and Risk Committee assurance. Overall, I conclude that the IPO has maintained a sound system of governance, risk management and internal control during the financial year 2021/22.



Tim Moss CBE

Chief Executive Officer and Accounting Officer
14 July 2022



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 (the Review Body).

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 IPO are determined by analogy with the SCS in BEIS.

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

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

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

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

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

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

The committee met on 17 May 2021 to moderate the 2021 award. The Chief Executive's performance was moderated by the Director General, Industrial Strategy, Science and Innovation.

Service Contracts

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

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

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

Remuneration (including Salary) and Pension Entitlements

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

Remuneration of Board Members - Audited

Single total figure of remuneration

	Salary		Bonus		Non-Cash Benefits		Pension Benefits		Total Remuneration	
	21/22	20/21	21/22	20/21	21/22	20/21	21/22	20/21	21/22	20/21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tim Moss³⁰ Chief Executive from 1 May 2017	105-110	105-110	0-5	0-5	-	-	29	46	135-140	150-155
David Holdsworth³⁰ Deputy CEO and Director from 10 June 2019	95-100	95-100	5-10	0-5	-	-	29	51	135-140	150-155
Dominic Houlihan³⁰ Director from 18 September 2017 to 30 July 2021	30-35 (FYE 75-80)	75-80	5-10	5-10	-	-	10	29	45-50	110-115
Neil Hartley³⁰ Director from 1 April 2015	80-85	80-85	0-5	0-5	-	-	14	39	90-95	115-120
Mike Fishwick³⁰ Director from 7 September 2015	115-120	115-120	0-5	0-5	-	-	46	46	160-165	165-170
Adam Williams³⁰ Director from 19 September 2016	75-80	75-80	5-10	5-10	-	-	29	29	110-115	110-115
Pippa Hall³⁰ Director from 31 August 2016	75-80	75-80	5-10	0-5	-	-	29	29	110-115	100-105
Paula Brooks³¹ Director from 19 October 2020	70-75	30-35 (FYE 70-75)	0-5	-	-	-	23	12	95-100	40-45
Chris Mills³⁰ Director from 12 April 2021	70-75 (FYE 75-80)	-	0-5	-	-	-	30	-	105-110	-
Sian-Nia Davies³² Director from 24 September 2021	55-60 (FYE 75-80)	-	0-5	-	-	-	15	-	75-80	-
Guy Robinson³³ Director from 1 May 2021	75-80 (FYE 75-80)	-	0-5	-	1.0	-	35	-	110-115	-
Ros Lynch³⁰ Director from 27 February 2014 to 15 November 2020	-	50-55 (FYE 70-75)	-	0-5	-	-	-	15	-	70-75

³⁰ is a member of the Senior Civil Service

³¹ provided cover for Dominic Houlihan. Salary includes additional payments for substitution days.

³² provided cover for Mike Fishwick. Salary is substantive grade and does not include additional SCS payments due in 2022-23 for November 2021 to March 2022.

³³ substitute for Pippa Hall in May and September 2021 and February and March 2022. Salary includes additional payments for substitution days

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

Salary

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

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the IPO and treated by HM Treasury as a taxable emolument. A £10 reward voucher was paid to all staff in December 2021. All serving board members at that time received this payment except for the Chief Executive. Guy Robinson received £1,000 of childcare vouchers in 2021/22, which is the value of benefits received over the monthly exempt limit to the nearest £100.

Bonuses

Performance bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2021/22 relate to performance in 2020/21 and the comparative bonuses reported for 2020/21 relate to the performance in 2019/20. Directors and all other staff, apart from the Chief Executive, are eligible for a standard share of the overall office bonus.

Pension Benefits – Audited

	Accrued pension at pension age as of 31/3/22 and related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV ³⁴ at 31/3/22 or leaving office	CETV ³⁴ at 31/3/21 or taking/ leaving office	Real Increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
Tim Moss Chief Executive from 1 May 2017	30 -35 plus a lump sum of 45 -50	0 - 2.5 plus a lump sum of 0	584	537	14
David Holdsworth Deputy CEO and Director from 10 June 2019	25 - 30 plus a lump sum of 40 - 45	0 - 2.5 plus a lump sum of 0	349	320	8
Dominic Houlihan Director from 18 September 2017 to 30 July 2021	15 - 20	0 - 2.5	151	139 ³⁵	3
Neil Hartley Director from 1 April 2015	45 - 50	0 - 2.5	762	719	3
Mike Fishwick Director from 7 September 2015	15 - 20	2.5 - 5	291	243	34
Adam Williams Director from 19 September 2016	15 - 20	0 - 2.5	261	232	16
Pippa Hall Director from 31 August 2016	15 - 20	0 - 2.5	168	150	9
Paula Brooks Director from 19 October 2020	20 -25	0 - 2.5	390	356 ³⁵	12
Chris Mills Director from 12 April 2021	10-15	0 - 2.5	111	92	10
Sian-Nia Davies Director from 24 September 2021	0-5	0 - 2.5	18	7	9
Guy Robinson Director from 1 May 2021	20 - 25 plus a lump sum of 40 - 45	0 - 2.5 plus a lump sum of 0 - 2.5	365	325	18
Ros Lynch Director from 27 February 2014 to 15 November 2020	-	-	-	517	-

³⁴ Cash Equivalent Transfer Values (CETV)

³⁵ The opening balance at the start of the default period scheme year does not agree with the closing balance in the previous year because of a retrospective update to salary data.

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

All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable

on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash Equivalent Transfer Values (CETV)

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

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

Real Increase in CETV

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

Fair Pay Disclosures – Audited

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

	2021/22	2020/21
Band of highest paid director total remuneration³⁷ excluding pension increase (£000)	115-120	120-125
Number of persons receiving remuneration in excess of highest paid director³⁶	10	10
Remuneration range for employees excluding highest paid director (£000)	18-330	19-320

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.

	2021/22		2020/21	
	Salary and Allowances	Performance pay and bonuses payable	Salary and Allowances	Performance pay and bonuses payable
Percentage change in the remuneration of the highest paid director³⁷	0%	(73%)	0%	21%
Average Percentage change in the remuneration of the employees of the entity as a whole	2%	4%	(1%)	(9%)

36 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 2021/22 or 2020/21.

37 The percentage decrease in the performance pay and bonuses payable of the highest paid director is due to a non-consolidated performance-related bonus payment in 2021/22 of £0-5k (2020/21: £0-5k).

	25th Percentile pay ratio		Median pay ratio		75th Percentile pay ratio	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Total pay and benefits (£)	25,441	24,242	34,534	33,408	51,849	54,309
Salary component of total pay and benefits (£)	24,717	23,501	32,240	31,477	43,225	46,561
Pay Ratio	4.6	5.1	3.4	3.7	2.3	2.3

The median ratio and total remuneration (£) for 2020/21 have been recalculated in line with the updated requirements for 2021/22. All allowances have now been included resulting in a slight change to the results disclosed in 2020/21. The results previously published were: median ratio of 3.9 and median total remuneration of £31,664.

The 25th percentile pay ratio decreased by 0.5 percentage points and the median pay ratio decreased by 0.3 percentage points. The Spending Review 2020 announced a temporary pause on pay rises for most public sector workforces in 2021/22, including the Civil Service. To protect the lower paid staff those on full time equivalent base pay of under £24,000pa, excluding overtime and allowances, received a consolidated increase of £250. The percentage decrease in the performance pay and bonuses payable of the highest paid director is due to a non-consolidated performance-related bonus payment in 2021/22 of £0-5k (2020/21: £0-5k). There was no change to the 75th percentile pay ratio. The proportion of the workforce not employed by the entity under contracts of service decreased from 5.4% to 3.1%.

Steering Board Members – Audited

The Independent Board members and their remuneration are:

	2021/22 Remuneration £000	2020/21 Remuneration £000
Harry Rich - Chair Appointed from 1 October 2021 to 30 September 2024	5-10 (FYE 10-15)	-
Andrew Lawrence Appointed from 31 July 2018 to 30 July 2022	10-15	10-15
Lopa Patel Reappointed from 31 July 2021 to 30 July 2024	5-10	5-10
Kevin Orford Reappointed from 28 November 2021 to 27 November 2022 (Interim Chair from 1 April to 30 September 2021)	10-15	5-10
Laurie Benson Appointed from 1 January 2020 to 31 December 2022	5-10	5-10
Hilary Newiss Appointed from 1 October 2021 to 30 September 2024	0-5 (FYE 5-10)	-
Harriet Kelsall Appointed from 1 October 2021 to 30 September 2024	0-5 (FYE 5-10)	-
Tim Suter Chair Reappointed from 30 September 2019 to 31 March 2021	-	10-15
Mandy Haberman Reappointed from 2 November 2018 to 1 November 2020	-	0-5 (FYE 5-10)

The Steering Board members did not receive any bonuses, benefits in kind, or pension benefits in 2021/22 (2020/21: Nil).

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

The Director General is a member of the Steering Board and is represented by David Rawlins, Felicity Howe and Shahid Omer as the BEIS representatives.

David Rawlins, Felicity Howe and Shahid Omer are civil servants and were not remunerated by the IPO for serving on the Steering Board.

Chris Pleass served as an Independent Member on the Audit and Risk Committee. Chris Pleass is a civil servant and not remunerated by the IPO for serving on the Committee.

Ada Jabaru served as Non-Executive Director as part of the Future Boards Scheme and left in January 2022. No replacement has been made. Ada Jabaru was not remunerated by the IPO for serving on the Steering Board.

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

Staff Report

Staff Costs – Audited

	Permanently employed staff	Short-term employment contract and agency staff	2021/22 Total	2020/21 Total
	£000	£000	£000	£000
Wages and Salaries	63,352	9,195	72,547	61,041
Social Security costs	6,978	-	6,978	6,025
Other pension costs	16,380	-	16,380	14,188
Sub total	86,710	9,195	95,905	81,254
Capitalised staff costs included in above	(2,259)	(1,628)	(3,887)	(2,053)
Total net costs	84,451	7,567	92,018	79,201

Off-Payroll Engagements

Highly paid off-payroll appointments as of 31 March, for more than £245 per Day³⁸ or greater

	2021/22	2020/21
No. of existing engagements as of 31 March	47	29
Of which:		
Number that have existed for less than one year at the time of reporting	33	15
Number that have existed for between one and two years at time of reporting	8	8
Number that have existed for between two and three years at time of reporting	1	6
Number that have existed for between three and four years at time of reporting	5	-
Number that have existed for between four or more years at time of reporting	-	-

Highly paid off-payroll appointments as of 31 March, for more than £245 per Day³⁹ or greater.

	2021/22	2020/21
Number of temporary off-payroll workers ⁴⁰ engaged during the year ending 31 March	83	42
Of which:		
Not subject to off-payroll legislation	78	41
Subject to off-payroll legislation and determined as in-scope of IR35	3	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	2	1
Number of engagements reassessed for compliance or assurance purposes during the year	-	-
Of which:		
Number of engagements that saw a change to IR35 status following review	-	-

Consultancy and the use of Contingent Labour

	2021/22	2020/21
	£000	£000
Consultancy expenditure	198	29
Contingent labour expenditure	7,567	4,261

³⁹ The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

⁴⁰ A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the Department must undertake an assessment to determine whether that worker is in scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes.

Off-Payroll Engagements of Board Members, and/or Senior Officials with Significant Financial Responsibility, between 1 April 2021 and 31 March 2022

	2021/22	2020/21
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-
Total number of individuals on payroll and off-payroll that have been deemed "Board members, and/or, senior officials with significant financial responsibility", during the financial year	11	9

Post-Employment Benefits

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

The Scheme Actuary valued the PCSPS at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at:

<https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

For 2021/22, employer contributions of £16,597,934 were payable to the PCSPS and CSOPS (2020/21: £13,972,596) at one of the four rates in the range 26.6% to 30.3% of pensionable earnings (2020/21: 26.6% to 30.3%), based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021/22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £94,945 (2020/21: £86,256) were paid to one or more of the panels of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2,505, 0.5% (2020/21: £3,040, 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting date were £8,736 (2020/21: £6,384). There were no prepayments at the reporting date.

III-Health Retirement

One individual retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £Nil.

Average Number of Persons Employed - Audited

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

	2021/22 (FTE)	2020/21 (FTE)
Directors	10	8
Staff	1,560	1,316
Seconded In Staff	11	3
Seconded out Staff	0	4
Total	1,581	1,331
Agency/contract staff	158	104

At the reporting date there were no members of seconded out staff due to COVID-19 (2020/21: 1).

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

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The total cost of exit packages agreed and accounted for in 2021/22 were £Nil (2020/21 £Nil). Exit costs of £Nil were paid in 2021/22, the year of departure (2020/21 £Nil).

Staff Composition

The staff composition as at 31 March was as follows:

	2022 Male	2022 Female	2021 Male	2021 Female
Total staff	52.2%	47.8%	53.2%	46.8%
Directors	66.7%	33.3%	75.0%	25.0%
Senior Civil Servants	80.0%	20.0%	80.0%	20.0%
All other staff	51.8%	48.2%	52.8%	47.2%

SCS band	2021/22	2020/21
Band 2	2	2
Band 1	23	23
Total	25	25

Sickness Absence Data

During 2021/22, we averaged 7.1 (2020/21: 4.6) working days lost per person against our internal target of an average of 6.5 working days lost per person. The number of days reported includes COVID-19 related absences.

Staff Turnover

The staff turnover percentage for 2021/22 is 4.4% (2020/21 2.8%). The staff turnover figure is calculated as the number of leavers within the financial year divided by the average number of staff in post over the financial year. Leavers reported are aligned to the Cabinet Office guidelines; therefore include retirements and resignations, however, do not include transfers to another department.

Staff Policies

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

Staff policies were applied during the year:

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

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

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

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

Trade Union Facility Time

Relevant Union Officials

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

	2021/22	2020/21
Number of employees who were relevant officials during the financial year	26.0	25.0
FTE number	24.0	23.5

Percent of Time Spent on Facility Time

	2021/22	2020/21
0%	3.0	5.0
1%-50%	23.0	20.0
51%-99%	-	-
100%	-	-

Percent of Paybill Spent on Facility Time

	2021/22	2020/21
	£000	£000
Total cost of facility time	53	56
Total paybill	84,451	74,939
Percentage of total paybill spent on facility time	0.06%	0.07%

Paybill costs relate to permanent members of staff only during the accounting period.

Paid Trade Union Activities

	2021/22 (%)	2020/21 (%)
Time spent on paid trade union activities as a percentage of total paid facility time hours	9.14	8.96

Parliamentary Accountability and Audit Report

Regularity of Expenditure - Audited

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

Losses and Special Payments - Audited

Cash losses or special payments were below the reporting threshold of £300k (cumulative)

Constructive Loss

The IPO's Common Technology Components (CTC) programme was started in April 2020 (prior to Transformation) with the aim of delivering a foundational set of components upon which our new digital services would be assembled.

By November 2021 the CTC programme had delivered a set of baseline platforms and common components, it was at this time that the IPO's Transformation Programme conducted a detailed architecture assessment. The findings concluded that a simpler architecture approach and workflows would provide the IPO with less delivery risk, be easier and cheaper to maintain and result in an overall saving compared with continued development of the existing platform.

It was determined that some elements of common technology components already developed (or partially developed) could be used or re-worked to operate on the new platform, the resulting in-year financial impact is a partial (£3,341k) impairment of an asset under construction and the recognition of a constructive loss.

The original approach and costs incurred were determined to be correct and necessary at the time of development and were subject to the appropriate level of controls around procurement and delegated levels of authority. A full lessons learned exercise has been completed around this this work and change of approach.

Fees and Charges - Audited

The IPO provides statutory services registering or granting rights for patents, trade marks and designs. In common with all major rights granting organisations throughout the world, costs are recovered across the life of the rights. To encourage economic growth and innovation, access to the IP system includes low initial fees that are not a significant

barrier to entry, with renewal fees covering the majority of our costs. This also acts as an incentive to maintain only valuable rights.

When fees are set, they are designed to avoid any cross subsidy between rights. On average the fees paid across each class of rights are intended to be equal to the average costs of the service provided. 2021/22 represents a successful year for the IPO as we have responded to unprecedented levels of demand and cleared backlogs of fee bearing work, the financial outcome is an unusually high retained surplus of £27m (£53 thousand deficit in 2020/21). We do not anticipate returning such a high level of surplus in 2022/23, with financial plans and forecasting reflecting a more stable position in terms of demand for our services and a closer alignment of operating capacity and costs. We have initiated a fees review, which will include HM Treasury consultation in the coming year, to ensure our fees match the cost of services provided and reflect the changes in volumes in recent years, the changes to our cost base (including our transformation programme) and the impact of Government headcount plans.

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

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

2021/22	Patents	Trade Marks	Designs	Publications	Commercial	Grant Income	Total
	£000	£000	£000	£000	£000	£000	£000
Income	80,568	73,392	7,789	56	2,248	100	164,153
Expenditure	(78,109)	(48,144)	(3,951)	(298)	(977)	(43)	(131,522)
Subtotal	2,459	25,248	3,838	(242)	1,271	57	32,631
Financial Income	23	20	2	-	1	-	46
Dividend	(885)	(806)	(86)	(1)	(25)	(1)	(1,804)
Additional Dividend	(1,993)	(1,815)	(193)	(1)	(56)	(2)	(4,060)
Retained (deficit)/ surplus	(396)	22,647	3,561	(244)	1,191	54	26,813

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

Remote Contingent Liabilities - Audited

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



Tim Moss CBE

Chief Executive and Accounting Officer

14 July 2022

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

Opinion on financial statements

I certify that I have audited the financial statements of the Intellectual Property Office (the Patent Office) for the year ended 31 March 2022 under the Government Trading Funds Act 1973.

The financial statements comprise the Patent Office's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Patent Office's affairs as at 31 March 2022 and its retained surplus for the year then ended; and
- 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 for opinions

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

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

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

Conclusions relating to going concern

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

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

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

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Trading Funds Act 1973.

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Patent Office and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Patent Office 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Patent Office's accounting policies;
- Inquiring of management, the Patent Office's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Patent Office's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Patent Office's controls relating to the

Patent Office's compliance with the Government Trading Funds Act 1973 and Managing Public Money;

- discussing among the engagement team and involving relevant internal and external specialists, including property valuation and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Patent Office for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and deferral of trademark income. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Patent Office's framework of authority as well as other legal and regulatory frameworks in which the Patent Office operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Patent Office. The key laws and regulations I considered in this context included the Government Trading Funds Act 1973, Managing Public Money, employment law, and other statutory instruments which relate to the delivery of services.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

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

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

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

Other auditor's responsibilities

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

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

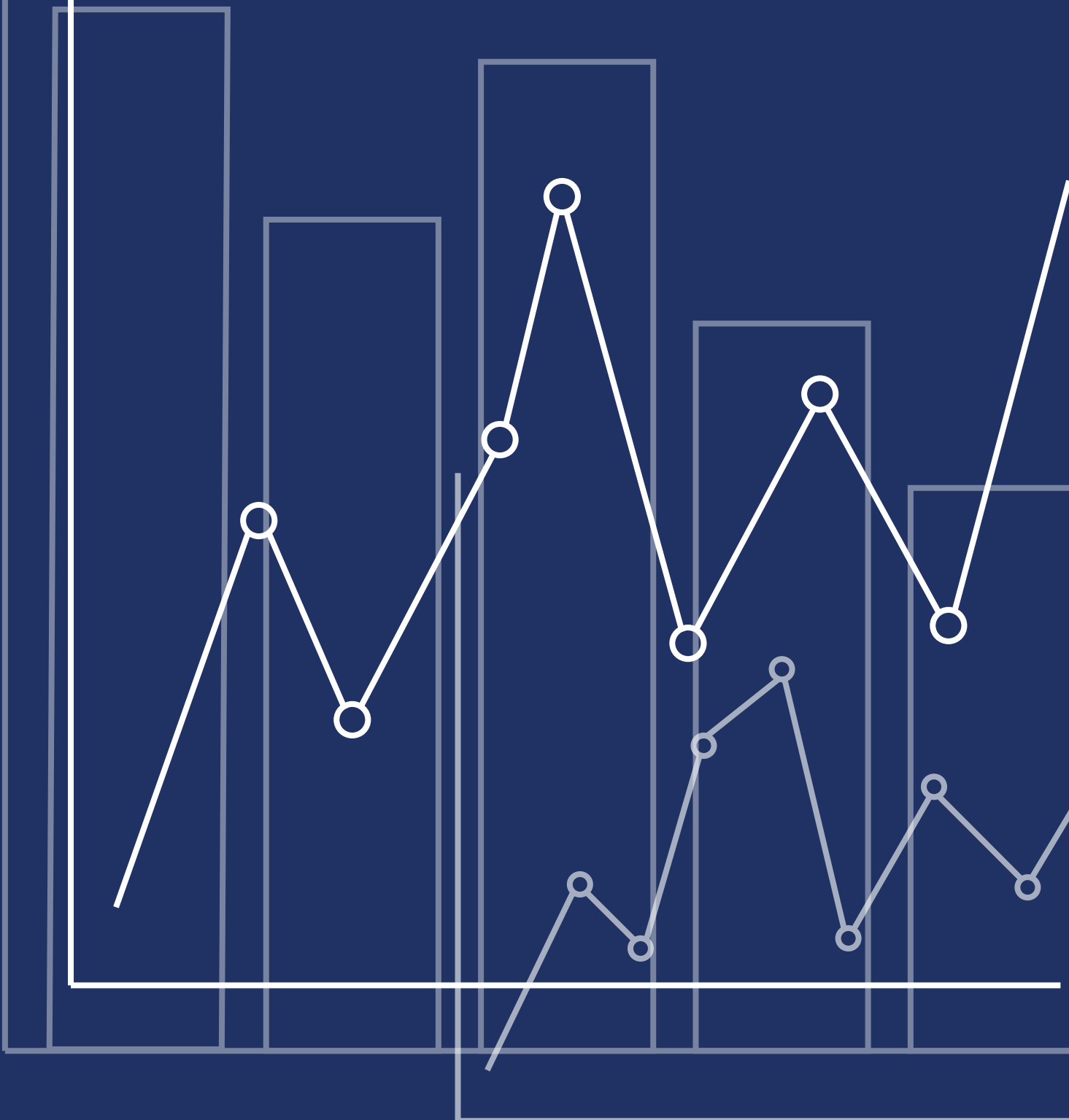
Report

I have no observations to make on these financial statements.

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

Date: 15 July 2022

Financial Statements to 31 March 2022



Statement of Comprehensive Income

For the Year Ended 31 March

		2022	2021
	Notes	£000	£000
Revenue from contracts with customers	3(a)	161,749	119,949
Other operating income	3(b)	2,404	2,433
Total operating income		164,153	122,382
Staff costs	4	(92,018)	(79,201)
Other operating costs	5	(32,866)	(33,168)
Depreciation and amortisation	5	(2,690)	(2,704)
Impairments & losses on disposal of property, plant and equipment	5 & 9	(3,948)	-
Operating surplus before financing and dividend		32,631	7,309
Financial income	6	46	21
Operating surplus on ordinary activities		32,677	7,330
Dividend	7	(4,060)	(3,561)
Surplus before additional dividend		28,617	3,769
Additional dividend	7	(1,804)	(3,822)
Retained surplus/(deficit) for the year		26,813	(53)
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment	8	303	(788)
Net (loss)/gain on revaluation of intangible assets	9	(210)	113
Total comprehensive income		26,906	(728)

Statement of Financial Position

At 31 March

		2022	2021
	Notes	£000	£000
Non-current assets			
Property, plant & equipment	8	22,445	20,533
Intangible assets	9	22,705	16,582
Trade and other receivables	10	1,936	2,160
Total non-current assets		47,086	39,275
Current assets			
Trade and other receivables	11	13,810	11,147
Cash and cash equivalents	12	111,442	99,332
Total current assets		125,252	110,479
Total assets		172,338	149,754
Current liabilities			
Trade and other payables	13	(24,028)	(23,536)
Other liabilities	13	(25,477)	(30,291)
Total current liabilities		(49,505)	(53,827)
Total assets less current liabilities		122,833	95,927
Total non-current liabilities		-	-
Total assets less total liabilities		122,833	95,927
Capital and Reserves			
Public dividend capital		6,325	6,325
Revaluation reserve		3,094	3,046
General reserve		113,414	86,556
Total equity		122,833	95,927



Tim Moss CBE

Chief Executive and Accounting Officer

14 July 2022

Statement of Cash Flows

For the year ended 31 March

		2022	2021
	Notes	£000	£000
Net cash inflow from operating activities			
Net operating surplus		32,677	7,330
Adjustment for non-cash Items	5	6,638	2,704
(Increase) / Decrease in trade and other receivables	10 & 11	(2,439)	4,192
(Decrease) / Increase in trade payables	13	(4,322)	10,951
Movements relating to items not passing through the SOCI	7	(499)	(55)
Use of provisions	14	-	(195)
Dividends paid	7	(5,365)	(7,328)
Net cash inflow from operating activities		26,690	17,599
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,512)	(1,000)
Purchase of intangible assets	9	(12,068)	(7,769)
Net cash outflow from investing activities		(14,580)	(8,769)
Cash flows from financing activities			
		-	-
Net increase in cash and cash equivalents in year		12,110	8,830
Cash and cash equivalents at the beginning of the year	12	99,332	90,502
Cash and cash equivalents at the end of the year	12	111,442	99,332

Statement of Changes in Taxpayers' Equity

	Notes	PDC £000	Revaluation Reserve £000	General Reserve £000	Total Capital & Reserves £000
Balance at 31 March 2020		6,325	3,738	86,592	96,655
Changes in Capital and Reserves for 2020/21					
Net gain / (loss) on revaluation of property, plant and equipment	8		(788)		(788)
Net gain / (loss) on revaluation of intangible assets	9		113		113
Transfer of (excess) / realised depreciation between reserves			(17)	17	-
Retained loss				(53)	(53)
At 31 March 2021		6,325	3,046	86,556	95,927
Changes in Capital and Reserves for 2021/22					
Net gain / (loss) on revaluation of property, plant and equipment	8		303		303
Net gain / (loss) on revaluation of intangible assets	9		(210)		(210)
Transfer of (excess) / realised depreciation between reserves			(45)	45	-
Retained surplus				26,813	26,813
At 31 March 2022		6,325	3,094	113,414	112,833

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

Notes to the Accounts

1. Accounting Policies

1.a. Statement of Accounting Policies

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards. 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 IPO for the purpose of giving a true and fair view has been selected. The particular policies adopted by the IPO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.b. Accounting Convention, Significant Judgements and Estimates

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

The preparation of financial statements in conformity with IFRS 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 estimates and judgements in management's view are asset valuation and income recognition (contract liabilities). A significant judgement has been made during 2021/22 regarding the estimation and disclosure of a Constructive Loss. This is further explained in the Parliamentary Accountability and Audit Report.

1.c. Capitalisation Recognition and Threshold

Property, plant and equipment is capitalised where:

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

Where a large asset, for example a building, or plant and equipment, includes a number of components with significantly

different asset lives then these components are treated as separate assets and depreciated over their own useful lives.

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

Assets are depreciated to estimated residual values on a straight-line basis over their estimated useful lives.

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

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

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

A professional revaluation of our property portfolio is undertaken on 31 March each financial year in accordance with the requirements of the FReM.

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

The last land and building valuation was performed on 31 March 2022 on an existing value in use basis. Surpluses and deficits arising on revaluation are charged to the Revaluation Reserve. Where it is not possible for any such deficit to be offset by previous surpluses in the Revaluation Reserve, it is charged to revenue as permanent diminutions in the value of the fixed assets. We continue to review

our Non-Current Assets and report in line with our accounting policy. Sensitivity analysis has shown that the valuation would have to increase/decrease by 11.94% before there was a material financial reporting impact on our financial statements. We conclude our property valuations and assets values remain applicable as reported in note 8.

1.e. Non-Current Assets: Intangible Assets

Intangible assets consist of specialist software developed for the IPO.

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

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

Any assets under construction held at the reporting date are reviewed against the criteria set out in IAS 38 - Intangible Assets to ensure they are correctly categorised. At the point the asset is capable of operating as intended, and economic benefit flows from the asset, it will be classified as being in use and depreciation / amortisation will commence.

1.f. Depreciation and Amortisation

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

- Information technology: 5 years
- Plant and machinery: 5 years

Depreciation is charged from the date of acquisition.

The estimated remaining life of the building and car park on 31 March 2022 is 50 years.

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

- Major software developments: 10 years
- Other software 5 years:

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

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

1.g. Impairment of PPE and intangible non-current assets

IPO reviews carrying amounts at each reporting date. If an indicator for impairment occurs then the recoverable amount of the asset (the higher of fair value less costs to sell and value in use) is estimated and an impairment loss recognised to the extent that it is lower than the carrying amount. Losses arising from a clear consumption of economic benefit are charged to Net expenditure for the year. Losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that a revaluation reserve exists for the impaired asset; otherwise to Net expenditure for the year.

1.h. Income

IPO adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018. This standard has been adapted by the FReM to include revenue from fees and charges arising from legislation within the definition of a contract with customers. Income from fees and charges, including statutory fees is now classified as income from contracts with customers. Income outside the scope of IFRS 15 is classified

as income from other operating activities. Liabilities arising as a result of customers paying in advance of delivery of service are now reported as contract liabilities, previously reported as deferred income.

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

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

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

Patents

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

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

- Application - the customer receives a filing date and preliminary report, typically within two weeks,
- Search - a report is issued within 6 months, with publication completing 12 months later,
- Rights granting - the final stage is upwards of four years from the initial contact point and completes with the right being either granted and republished or refused.

Further details on patent application timings⁴¹

The fees applicable to each stage⁴²

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

Trade Marks and Designs

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

This is an area where judgement is applied over the transaction price due to one fee being charged at the start of the transaction to cover both obligation points. These estimates consider the average time and effort relating to the satisfaction of each performance obligation. The detailed review at the end of the 2019/20 financial year prompted an audited and approved change to the percentage applied in the deferral calculation for trade mark transactions, in line with performance obligations being met. Evidence supported a change to the percentage split which was accepted and applied to the year-end deferred income calculation in March 2020 and a further detailed review this year has substantiated our previous assumptions, meaning our deferral rate is unchanged in 2021/22: 80% of income is recognised at the first performance obligation (examination) and 20% recognised at the final performance obligation (rights granting or refusal).

Detailed sensitivity analysis has shown that the deferral rate can move 16 percentage points before causing a material difference. It is again worth noting that the deferral rate does not apply to the full population of deferred transactions, since a significant proportion are deferred at 100% (application received, not yet started).

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

Trade marks;

- Examination – examination reports will be provided within one month before moving into publication for up to three months. Although at the start of 2021/22 time to examine applications increased to up to 3 months, as a result of the significant increase in trade mark applications, our customer service standard of 5-15 days has been achieved during the second half of the year.
- Rights granting – providing no opposition has been made, the trademark will be registered typically within two weeks.

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

Designs;

Examination – feedback will be provided within 10 days.

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

[Further details on trade mark application timings](#)⁴³

[Details on trade mark fees](#)⁴⁴

[Further details on design application timings](#)⁴⁵

[Details on design fees](#)⁴⁶

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

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

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

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

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

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

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

Other transactions

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

1.i. Contract Liabilities (Deferred income)

In many instances the IPO collects fees and charges for services before those services are performed. In line with IFRS 15 Revenue from Contracts with Customers, income from fees and charges is recognised as a contract with customers with income paid in advance of services being performed being reported as contract liabilities, previously reported as deferred income. Income relating to those services is recorded as contract liabilities (see note 13) and recognised in the Statement of Comprehensive Income in line with IFRS 15: Revenue from Contracts with Customers, as and when the performance obligations have been met. For patent transactions we identify the obligation points as application, search, and rights granting stage; and for trade marks and designs we identify the obligations as the completion of examination, and rights granting stage. This remains an area in which judgment is applied and is monitored and reviewed annually. (see note 1.h.)

1.j. Grant Income

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

1.k. Taxation

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

1.l. Foreign Exchange

Monetary assets and liabilities, denominated in foreign currencies, are translated at the rate of exchange ruling at the reporting 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.m. 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.n. Financial Instruments

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

1.o. Provisions

All provisions where the time value of money is significant are discounted using a nominal rate and an inflation rate outlined in guidance issued by HM Treasury.

1.p. Dividends

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

1.q. Pension Costs

Present and past employees are covered by the provisions of PCSPS and the CSOPS scheme known as 'alpha', which is described in the Remuneration Report. These are multi-employer defined benefit schemes where we are unable to identify our share of the underlying assets and liabilities. In accordance with IAS 19, we do not recognise liabilities associated with these schemes, though information on the schemes in total is available in the Civil Superannuation accounts. We recognise the expected cost of providing pensions on a systematic and rational basis, over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and alpha. In respect of the defined contribution schemes, we recognise the contributions payable for the year.

1.r. Cash and Cash equivalents

Cash and cash equivalents comprise cash balances in government and commercial bank accounts. Cash not required for short-term operational needs is deposited with National Loans Fund (NFL). They are carried in the Statement of Financial Position at face value (see note 12). The IPO does not have any bank overdrafts. The NFL was unavailable during the pandemic and reopened in March 2022. No deposit was made with NFL at the reporting date however this will recommence for future periods.

1.s. Adoption of New and Revised Standards

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

IFRS 16 'Leases'

IFRS 16 'Leases' supersedes IAS 17 'Leases' and is generally effective for periods beginning on or after 1 January 2019. Implementation of IFRS 16 in the public sector has been delayed, Government departments are required to adopt IFRS 16 from 1 April 2022 in accordance with the FReM. IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model.

IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and short-term leases, i.e., those with lease terms of less than 12 months.

This will result in the recognition of a right of use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position (SoFP). After initial recognition, right-of-use assets will be amortised on a straight-line basis and interest will be recognised on the liabilities.

IPO are adopting IFRS 16 on the cumulative catch-up basis as mandated in the FReM, and therefore the cumulative impact on previous years' results will be recognised within equity at the beginning of the period. As such, the prior year comparative information will not be restated. Under Financial Statements 145, the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16, a right of use asset and lease liability will be recognised for all relevant leases not previously recognised as finance leases for accounting purposes under IAS 17.

Impact of the new standard

IPO has assessed the impact of IFRS 16 is not material and so full disclosure of the impact on each primary statement is not required.

The estimated value of leases that have commenced as at 31 March 2022, with residual asset values and lease periods at that date, are shown below:

- Property £1,574k
- Non-property £125k

These values will be the expected opening balances for the RoU Assets and Lease liabilities, which will be the same.

The impact on the SoCI will vary due to the diminishing discount rate over the life of the lease.

IFRS 17 Accounting for Insurance Contracts

This standard replaces IFRS 4 and was due to impact accounting periods starting on or after 1 January 2023. However, a decision has been made by the Financial Reporting Advisory Board (FRAB) to delay the mandatory adoption of this standard until 2025-26. An insurance contract under IFRS 17 is: “A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.” The accounting treatment for insurance contracts is based on a risk-adjusted probability-weighted estimate of discounted future cash flows. Insurance contracts are grouped according to the nature of their risks and their start date, and the cash flows and risk adjustment are determined for each group as a whole.

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

2. Segmental Reporting

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

3. Income

Analysis of operating income by classification and activity.

3.a. Revenue from Contracts with Customers

For the year ended 31 March	2022	2021
	£000	£000
Patents		
Application, search and examination fees	4,766	4,887
Renewals for UK patents	13,266	12,770
Renewals for European patents designating the UK	60,620	57,720
Other	1,916	1,522
	80,568	76,899
Trade Marks		
Application fees	49,774	29,579
Renewal fees	20,876	10,141
Other	2,742	1,455
	73,392	41,175
Designs		
Application fees	1,221	405
Renewal fees	6,259	1,365
Other	309	105
	7,789	1,875
Total Revenue from Contracts with Customers	161,749	119,949

3.b. Other Operating Income

	2022	2021
	£000	£000
Publications	56	54
Commercial services	2,248	2,335
Grant income	100	44
Total other operating income	2,404	2,433
Total turnover	164,153	122,382

Note 3(a) Individual Application lines include revenue relating to contract liabilities movement (note 13) over the reporting period. This was also the case in 2020/21.

	2022	2021
	£000	£000
Patents	415	618
Trade Marks	4,857	(7,027)
Designs	106	(142)
	5,378	(6,551)

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

4. Staff Costs

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

	2022	2021
	£000	£000
Salaries and wages	63,352	55,942
Social security costs	6,978	6,025
Pension costs	16,380	14,188
Agency/contract Staff	9,195	5,099
Capitalised staff costs included above	(3,887)	(2,053)
	92,018	79,201

5. Other Non-Staff Costs

	2022	2021
	£000	£000
IT and telecoms	11,306	11,714
European Patent Office costs	4,505	2,631
Accommodation ex leases	4,201	6,027
Access to online IP databases	2,634	2,757
Innovation support	1,453	2,702
Banking and card commissions	1,448	549
Research co-operation and seminars	1,279	460
Training	1,183	1,121
Subscriptions to international bodies	970	913
Legal and hearings	805	819
Office supplies and equipment inc postage	738	519
Other admin costs	729	494
Recruitment and other staffing costs	616	436
Outreach and marketing	334	183
Property lease costs	317	1,233
Hire of office machinery	135	144
Travel	107	37
Departmental overheads	100	83
Audit fee ⁴⁷	63	48
External programme assurance	-	235
Exchange rate (gains)/ losses	(57)	63
Total	32,866	33,168
Non cash items		
Amortisation	1,787	1,929
Depreciation	903	775
Impairments & losses on disposal of property, plant and equipment	3,948	-
Total non cash	6,638	2,704
Total cash and non cash	39,504	35,872

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

6. Financial Income

	2022	2021
	£000	£000
Short term deposits - operating activities	46	21

The interest derives from deposits with the Government Banking Service.

7. Dividends

	2022	2021
	£000	£000
Dividend	4,060	3,561
Additional dividend	1,804	3,822
	5,864	7,383

A dividend of £4,060k is due to BEIS for 2021/22 (2020/21: £3,561k) in line with our Trading Fund financial objective (see note 1.p).

BEIS is able to utilise IPO surpluses through taking additional dividends and currently does so to fund other IP related initiatives, specifically the funding of the Police Intellectual Property Crime Unit (PIPCU); the amount of £1,804k paid in 2021/22 covers PIPCU's costs (on an actuals basis) since the last additional dividend of £3,822k in 2020/21.

The cashflow statement reflects payments made in 2021/22 being the 2020/21 dividend of £3,561k, plus the additional dividend of £1,804k (2020/21: 2019/20 dividend of £3,506k plus additional dividend of £3,822k).

8. Property, Plant and Equipment

2021/22	Land	Buildings	Assets under construction	Plant and machinery	Information technology	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2021	3,400	15,765	704	2,167	3,986	26,022
Additions				1,799	713	2,512
Reclassifications		(315)	(704)	704		(315)
Revaluation						-
Disposals		-				-
At 31 March 2022	3,400	15,450	-	4,670	4,699	28,219
Depreciation						
At 1 April 2021	-	315	-	1,958	3,216	5,489
Provided during the year		303		197	403	903
Reclassifications		(315)				(315)
Surplus on revaluation		(303)				(303)
Disposals						-
At 31 March 2022	-	-	-	2,155	3,619	5,774
Net Book value at 31 March 2022	3,400	15,450	-	2,515	1,080	22,445
2020/21						
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2020	3,570	16,383	-	2,097	3,918	25,968
Additions	-	-	704	70	226	1,000
Revaluation	(170)	(618)	-	-	-	(788)
Disposals	-	-	-	-	(158)	(158)
At 31 March 2021	3,400	15,765	704	2,167	3,986	26,022
Depreciation						
At 1 April 2020	-	-	-	1,843	3,029	4,872
Provided during the year	-	315	-	115	345	775
Revaluation						-
Disposals	-	-	-	-	(158)	(158)
At 31 March 2021	-	315	-	1,958	3,216	5,489
Net book value at 31 March 2021	3,400	15,450	704	209	770	20,533

The land and buildings referred to above are freehold and were revalued at £18.85 million by the Valuation Office Agency, Newport, South Wales on 31 March 2022 on the basis of existing use (2020/21 £18.85 million). The valuation method adopted this year follows a consistent approach to prior years, however, we challenge the method for appropriateness each year. Following discussion with our professional valuer we are satisfied the valuation method applied in 2021/22 is appropriate for our specific circumstance, based on both professional guidance and available market information.

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

9. Intangible Assets

2021/22	Software in Use	Software Under Construction	Software Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2021	23,204	5,104	28,308
Additions		12,068	12,068
Reclassifications			-
Revaluation	(210)		(210)
Impairment loss recognised during the financial year		(3,341)	(3,341)
Disposals	(607)		(607)
At 31 March 2022	22,387	13,831	36,218
Amortisation			
At 1 April 2021	11,726	-	11,726
Provided during the year	2,394		2,394
Revaluation			
Disposals	(607)		(607)
At 31 March 2022	13,513	-	13,513
Net Book Value at 31 March 2022	8,874	13,831	22,705
2020/21	Software in Use	Software under Construction	Software Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2020	18,837	1,589	20,426
Additions	2,665	5,104	7,769
Reclassifications	1,589	(1,589)	-
Revaluation	113	-	113
Disposals	-	-	-
At 31 March 2021	23,204	5,104	28,308
Amortisation			
At 1 April 2020	9,797	-	9,797
Provided during the year	1,929	-	1,929
Revaluation			
Disposals			
At 31 March 2021	11,726	-	11,726
Net Book Value at 31 March 2021	11,478	5,104	16,582

All software is internally generated.

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

Software under construction comprises one project with a carrying value of £13,831k (2021: £5,104k three projects). It is expected that this project will go live in September 2023 and will have a useful economic life of 13 years.

An impairment of £3,341k has been identified in 2021/22 and classified as a constructive loss. Further details can be found in the Losses section in the Parliamentary Accountability and Audit Report [found on page 81 of this document](#).

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

Software in Use as at 31/3/2022	Carrying value	Useful economic life	Grant carrying value	
	£000		£000	
TM10	2,757	2 years and 9 months		
AI	2,613	8 years and 7 months	849	Grant to be released over remaining UEL of asset
Renewals	2,307	7 years and 6 months		
Designs	655	4 years and 9 months		

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

10. Non-Current Trade Receivables

	2022	2021
	£000	£000
Prepayments and accrued income	1,936	2,160
	1,936	2,160

11. Current Trade Receivables

	2022	2021
	£000	£000
Trade receivables	6,683	6,201
Other receivables	-	-
Prepayments and accrued income	7,127	4,946
	13,810	11,147

12. Cash and Cash Equivalents

	2022	2021
	£000	£000
Balance at 1 April	99,332	90,502
Net change in cash and cash equivalent balances	12,110	8,830
Balance at 31 March	111,442	99,332
The following balances at 31 March were held at:		
Government banking service	110,668	96,127
Commercial banks and cash in hand	774	3,205
	111,442	99,332

13. Current Liabilities

	2022	2021
	£000	£000
Trade and other payables		
User deposit accounts	8,208	7,423
Trade payables	15,820	16,113
	24,028	23,536
Other Liabilities		
Contract liabilities - prepayment	5,948	11,325
Contract liabilities - grant income	849	949
Taxation and social security	1,919	1,543
Superannuation	1,728	1,530
Other liabilities	96	168
Dividend payable	4,060	3,561
Additional dividend payable	1,804	3,822
Untaken annual leave owed	3,658	3,392
Accruals	5,415	4,001
	25,477	30,291

Our contract liabilities – prepayment, have reduced significantly this year reflecting the considerable reduction in the backlog during 2021/22. Our contract liability for trade marks at 31 March 2022 was £4.03m (2020/21 £8.89m) No changes have been made to either accounting estimates or judgements in 2021/22. A further breakdown is included in Note 3.

14. Provision for Liabilities and Charges

Dilapidations

	2022	2021
	£000	£000
At 1 April	-	195
Provision made in year	-	-
Provisions not required written back	-	(110)
Payments offset against the provision	-	(85)
At 31 March	-	-
Less amount payable within one year (Included in current liabilities - see note 13)	-	-
Amount Payable After One Year	-	-

No provisions are required for 2021/22.

15. Commitments Under Leases

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

	2022	2022	2021	2021
	Buildings	Other	Buildings	Other
	£000	£000	£000	£000
Leases falling due:				
Within 1 year	458	166	458	148
Between 1 and 5 years	1,353	21	1,676	142
After 5 years	114	-	279	-
	1,925	187	2,413	290

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

16. Future Income Due Under Non-Cancellable Operating Leases

There are no non-cancellable operating leases at 31 March 2022 (2020/21: Nil).

17. Contingent Liabilities

The IPO has no contingent liabilities at 31 March 2022 (2020/21: Nil).

18. Related Party Transactions

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

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

19. Financial Instruments

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

Liquidity Risk

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

Market Risk

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

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

Credit Risk

There is no material credit risk to the IPO.

Exchange Risk

We do not believe we have a foreign exchange rate risk as all material assets and liabilities are denominated in sterling, therefore reducing our exposure to any significant currency risk.

20. Events after the Reporting Period

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

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

The Accounting Officer authorised these financial statements for issue on 14 July 2022.

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

HM TREASURY

18 March 2021

2021/22

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