



Intellectual
Property
Office

2022/23

The Patent Office Annual Report and Accounts



IPO | Making life better through IP

Intellectual Property Office is an operating name of the Patent Office

The Patent Office

Annual Report and Accounts

2022/23

The Patent Office

For the period 1 April 2022 to 31 March 2023

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The Patent Office is an Executive Agency of the Department for Science, Innovation and Technology (DSIT).

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Chair's Statement

The Intellectual Property Office (IPO) is responsible for the UK's Intellectual Property (IP) policy, educating businesses and consumers about IP, supporting IP enforcement, granting UK patents, and registering trade mark and design rights. Our work supports innovation and helps our economy and society to benefit from knowledge and ideas.

The IPO Strategy supports the Government's goal of making the UK a global hub for innovation by 2035. We do this by working to give researchers, inventors, creators, businesses, and organisations the confidence to invest their time, energy, and money, being innovative and creative.

This is my second report as IPO Chair, and I am pleased to report that in 2022/23 we met all our Ministerial targets and delivered strongly against our strategic priorities for the year.

We practically eliminated our historic patent backlog in April 2022 and continue to

put customers at the heart of everything we do by providing excellent customer service. During the year we supported our people by developing and investing in our hybrid working approach. We are ensuring continued excellence as we develop and implement the One IPO Transformation Programme.

Tim Moss left the IPO in September 2022 after five successful years as Chief Executive and I thank him for his leadership, innovation, and commitment. It has been a pleasure to welcome Adam Williams as Chief Executive and Comptroller General. He brings broad leadership experience and deep knowledge of the IPO and is already leading the impressive IPO team with clarity and ambition.

The IPO Steering Board works closely with the Executive Directors to provide advice, guidance and constructive challenge on the strategy, operation, and development of the IPO. During the year, in addition

to oversight of delivery and finances, accounts and risk management, the Steering Board focussed on the refresh of the Corporate Priorities and delivery of the One IPO Transformation Programme.

Our priorities for 2023/24 are our core IP rights granting services, the next phase of the One IPO Transformation Programme, benefiting the UK economy through our work on Retained EU Law and trade negotiations, strategic workforce planning, our culture and developing the next phase of the IPO strategy.

I am grateful to the whole IPO team who have continued to deliver and adapt to serve our customers and develop the IPO for the future. Our people are our greatest asset and are at the forefront of our continued success. I want to thank my non-executive and executive director colleagues for their professionalism, skill, and commitment over another busy year and for working together to deliver the achievements set out in this annual report.



About Harry

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

Harry was previously 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.

Chief Executive's Introduction

About Adam

Adam took up post as Chief Executive and Comptroller General of the UK's Intellectual Property Office on 12 December 2022.

As CEO of the IPO, Adam is responsible for advising Ministers on all IP policy matters, the delivery of IP services to customers and for the efficient and effective operation of the Office.

Adam joined the Intellectual Property Office in late 2009 as Head of International Coordination in the Copyright and Enforcement Directorate.

He then took up the role of Deputy Director International Policy in July 2013 and the role of Director in September 2017 where he was responsible for the Office's international activities, trade negotiations, support to UK business and academia as well as bolstering the IP ecosystem in the UK.

Adam has previously worked in the UK Government on Defence policy matters and has extensive experience dealing with policy issues in the EU, UN and NATO as well as undertaking bilateral negotiations.

Adam also held a voluntary Non-Executive Director role for the Welsh Rugby Players' Association between 2019 and 2021.

Adam has a Bachelor of Sciences degree and a Master's degree in Business Administration.

In his personal time, Adam enjoys cooking, international travel and watching Rugby Union.







I am delighted to introduce the Annual Report and Accounts for 2022/23

Our Corporate Priorities 2022/23 were delivered as a continuation of our strategy to be the best at what we do. The IPO plays a fundamental role in ensuring the UK becomes the most innovative and creative country in the world and we have had another successful year delivering many significant achievements including:

Excellent customer satisfaction – exceeding our customer service target, achieving a customer satisfaction score of 87%.

Practically eliminating our patent backlog that has been in existence for many years.

Providing circa £1.5 million in funding to high growth potential, innovative businesses allowing them to make good decisions on their IP assets. We have delivered this funding through partners across the UK to ensure a geographical spread and it is our intention that as a result of these interventions UK businesses are able to demonstrate tangible growth, in turn benefitting the UK economy.



“ We have continued our effective partnership with the City of London Police, delivered consumer facing campaigns and developed policy interventions with other government departments, with industry and with other national governments. ”

Continuing to deliver on our One IPO Transformation Programme - laying the foundations for an important milestone in Autumn 2023 when we will launch our Patents ‘Private Beta’ service to a selected group of customers.

Signing a co-operation agreement with the World Intellectual Property Organization (WIPO) to add around 3 million UK trade marks to the Global Brands database enabling UK businesses to grow their brand with confidence and reassuring them that their trade mark is less likely to be inadvertently infringed.





Following the launch of our new Counter Infringement Strategy, we have produced a strategic threat assessment, upgraded our intelligence capabilities, and expanded our reach through seconded posts into other enforcement organisations. We have continued our effective partnership with the City of London Police, delivered consumer facing campaigns and developed policy interventions with other government departments, with industry and with other national governments.

It has been another successful year, and one that has occurred in the context of the handover from Tim Moss, my predecessor to myself as CEO, potential restrictions on headcount set out by Central Government and re-focus of policy development resource to manage our contribution to the Retained EU Law programme.

In February 2023 we became a part of the newly formed Department for Science, Innovation and Technology (DSIT). I am pleased that we have developed strong

relationships with our new colleagues there and we have an exciting opportunity to emphasise the critical role IP plays in growing the economy and contributing to the UK's ambition to be a science and innovation superpower.

This report sets out the detail of our achievements this year and I am pleased to provide my perspective on our performance over 2022/23.

Like most organisations we continued to adapt our ways of working and throughout the year we made further progress to develop our hybrid-working model, setting out our aim of supporting our people to be successful at work whilst developing a balance between remote and office working. Our teams worked brilliantly to support our workforce and to ensure our people have the opportunities, skills, and infrastructure they need to work in a hybrid way. We continue to refine our understanding of the needs of the organisation in this new phase of work and a comprehensive review of our arrangements in early 2023 will help guide us further.



“ Despite post-pandemic restrictions, the IPO continued to share its expertise and learn from others’ best practice via a series of global interactions. ”

our customers that our ways of working are in line with our customer needs – we exceeded the standard required.

We are consistently ranked as having one of the best IP regimes in international indices¹ and I was pleased that this assessment was most recently confirmed in the US Chamber 2023 International IP Index where we were ranked second globally.

Despite post-pandemic restrictions, the IPO continued to share its expertise and learn from others’ best practice via a series of global interactions. We appointed a dedicated IP attaché to the UK Mission in Brussels, led discussions in WIPO on Artificial Intelligence (AI) and IP and finance initiatives. In Brazil, our attaché continued to link law enforcement and IP infringement efforts to tackle online piracy and we built our knowledge of modern IP Office customer assistance techniques in interactions with Australia and Canada.

The IPO also continued its fast-paced and detailed support to the Department for International Trade’s (now the Department for Business and Trade) programme of Free Trade Agreements. Providing expert advice to negotiators, the IPO was

Demand for patents increased by 3.7% over the year, Trade marks decreased by 16.6% and Designs increased by 0.6%. Despite the input in some areas reducing this year, demand remained higher than pre-pandemic levels and we continued to maintain our customer service standards throughout the year.

Providing a quality and timely rights-granting service for our customers remains at the core of what we do at the IPO, and we continued to provide excellent customer services, achieving a customer satisfaction score of 87% in quarter 4 and exceeding our target of 85%. Our customer centric approach was validated as we completed our annual Customer Service Excellence assessment 2022. This is an internationally recognised and trusted mark which demonstrates to both us and

¹ [GIPC_IPIndex2023_ExecSummary_final.pdf \(uschamber.com\)](#)



instrumental in helping the UK agree the programme of Free Trade Agreements throughout the year.

At a domestic level, to support the Government's ambition for the UK to be a science and technology superpower and innovation hub by 2035 and to help us understand whether the Standard Essential Patents (SEPs) ecosystem is functioning correctly, we published the summary of responses to the call for views on SEPs and Innovation. We also agreed a stakeholder-led approach to tackle IP issues identified in the music streaming environment and agreed an approach to provide clarity on the interaction of generative-AI and IP.

“ This is an internationally recognised and trusted mark which demonstrates to both us and our customers that our ways of working are in line with our customer needs – we exceeded the standard required. ”

The ambition to review Retained EU Law (REUL) across the whole of government presented us with a significant challenge as the decision to end the special status of REUL by the end of 2023 represents complexities for IP. We stepped up to this challenge and have worked at pace since the Autumn to identify 85 pieces of legislation that are IP related. We have carried out excellent stakeholder engagement, have set up new workstreams to understand our operational impact and we are confident of a good outcome.

Looking Forward

Our 2023/24 Corporate Priorities are aligned to our focus for the next year of continuing to provide our core IP services alongside delivering the next major milestones within our One IPO Transformation Programme. We will also further develop the IP Framework to keep pace with societal change; and continue to create a working environment in which our people can thrive.

As part of continued improvement, tackling ever-evolving policy challenges, continuing to understand the new approach to work that the pandemic has generated, and recognising the challenging economic environment, we will review and define our strategy for the next period. This will be done with a view to setting a clear focus and provide the clarity to enable us to prioritise effectively as we continue to deliver our priorities.

The achievements and successes through the year demonstrate our ability to address challenges and our commitment to making life better through IP. This has only been possible through the dedication and incredible hard work of everyone at the IPO and I am incredibly proud to lead the organisation through its next exciting chapter.

Adam Williams

Chief Executive and Accounting Officer
06 July 2023

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 and 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 Officer, Adam Williams. 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 annual Corporate Priorities 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 2022/23 Corporate Priorities, 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 \(www.gov.uk\)](https://www.gov.uk/government/publications/intellectual-property-office-strategy-to-2026)

³ <https://www.gov.uk/government/publications/intellectual-property-office-strategy-to-2026>

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 being innovative and creative – 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:

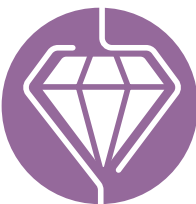
- deliver our core IP rights services achieving our customer service standards⁴
- deliver our Transformation Programme achieving our phase one milestones



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:

- develop the IP Framework to keep pace with societal changes in technology, the environment, culture, and economy
- increase 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
- 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



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 key focus areas are:

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

⁴ <https://www.gov.uk/government/publications/ipo-customer-service-standards>

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.

Strategic Goal		Target Type	Target	Result
Deliver Excellent IP Services	Successfully completing the prototype stages for Manage, Secure, Challenge and Research IP, defining the service designs, business processes and technical requirements for One IPO	Ministerial	By 31 March 2023	Met
	Exceeding a challenging customer satisfaction target of 85% with an average customer satisfaction score of 87%	Ministerial	85%	Met
Create a World Leading IP Environment	Developed a Strategic Threat Assessment of IP Crime and Infringement to build our understanding of the full threat and impact of IP crime and Infringement	Ministerial	By 31 March 2023	Met
Make the IPO a Brilliant Place to Work	Achieving an efficiency outturn of 5.7% against our 3.5% target	Ministerial	3.5%	Met



Key highlights from 2022/23 include:

Deliver Excellent IP Services	<p>Processing 19.6k patent application requests, an increase of 3.7% compared with 2021/22</p>
	<p>Issuing 93.4% of Tribunal decisions within our key 12-week timeliness target</p>
	<p>Reducing the time we take to examine domestic and international trade marks and registered design cases to under 10 days</p>
	<p>Continued to mature our approach to monitoring our services through improved ownership and achieved a 99.9% availability score for our business-critical internal systems, against a 99% target</p>
	<p>Availability of our customer-facing systems exceeded our 99.5% target, despite the age and legacy nature of our current systems, and increased demand</p>
Create a World Leading IP Environment	<p>Published a summary of responses to our Call for Views on Standard Essential Patents (SEPs) and continued our engagement with a range of stakeholders</p>
	<p>Identified approximately 85 pieces of REUL that fall within the IPO's policy responsibility and working through the implications for the IP Framework</p>
	<p>Submitted a policy proposal to the Minister for decision following comprehensive policy development to understand the most appropriate exhaustion of rights regime for the UK</p>
	<p>Enhanced our offer of support to UK businesses in protecting IP overseas through our International IP service</p>
Make the IPO a Brilliant Place to Work	<p>Going live with our new functional operating model, realigning our functions around Strategy, Policy, and Services to help improve coordination and prioritisation of work across the IPO</p>
	<p>Providing additional collaboration spaces to optimise the hybrid working experience for our people</p>
	<p>Launching The Learning Hub to give our people easy access to learning and development tools</p>
	<p>Launching our new gym, cycling facilities and wellbeing suite</p>
	<p>Reforming our programme of health checks for our people and providing over 250 flu vaccinations at Concept House</p>

Part 2: Performance

Analysis: Review of IPO Business 2022/23

Financial Summary

Over the past few years, the IPO has experienced significant growth in demand for our services, including the impact of Covid-19 and the UK's departure from the EU. During this time, we have responded well to this challenge and period of uncertainty, successfully dealing with increased workloads, clearing backlogs, and delivering a high standard of customer service.

In 2022/23 we generated £156m of income (£164m in 2021/22), the reduction between this year and last was expected. Although our income has reduced, demand volumes for the previous year represented a record high, which included EU transitional cases which would not be repeated this year. Other factors which have impacted on demand included fewer Covid19/pandemic influenced applications, plus the general downturn in the global economy. Our demand, though, is still higher than pre-pandemic levels.

As anticipated, we have now started to see a levelling out in demand for our services which we currently believe will remain relatively stable for the foreseeable future.

Operating costs have increased as we have grown the organisation to meet demand, total expenditure for 2022/23 was £146m (£137m in 2021/22). This was slightly lower than budgeted and mainly due to the implementation of a restricted recruitment process (June 2022 - November 2022) which was put in place in immediate response to central government's announcement on planned efficiency savings across the civil service. As a result, we did increase our headcount within the year but at a lower rate than originally planned.

Our retained surplus for the year is £10m (£27m in 2021/22), this surplus is slightly higher than originally planned with the last two years representing a transitional period as we have grown the organisation to effectively meet the significant rise in demand.



During the year we have also made good progress with our One IPO Transformation Programme, this ambitious capital investment programme of work is ongoing and on track to deliver within the agreed timeline. As planned, this investment is funded by cash reserves which have been accumulated in previous years and earmarked to fund this activity.

As at the end of 2022/23 our cash and cash equivalents reduced to £102m (£111m at the end of 2021/22). This balance is fully allocated to cover known liabilities, including funds held on behalf of deposit account customers and the EPO, planned completion of our Transformation Programme, and given our Trading Fund status, working capital exposure.

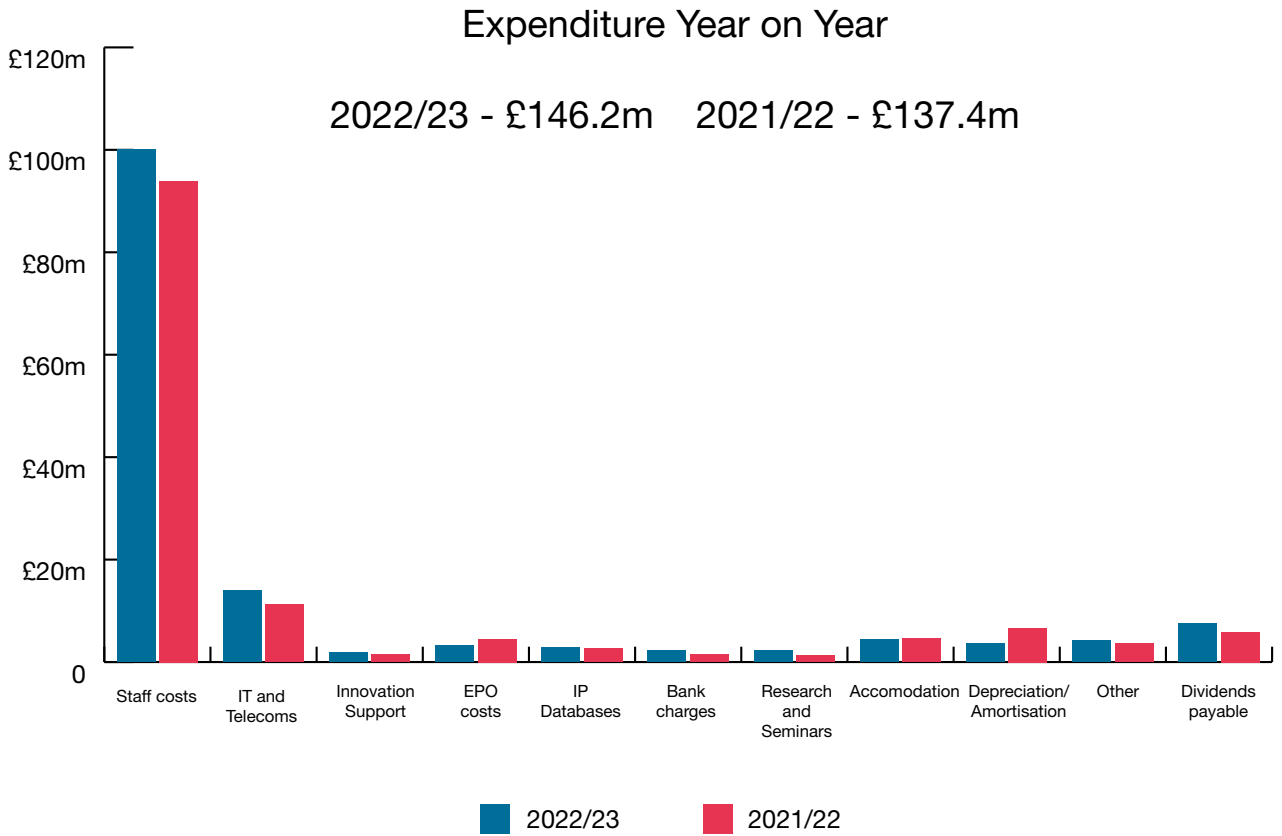
As we look forward to 2023/24 and beyond, we are confident that fees currently remain at the correct level to fund planned activity, with income and operating costs now closely aligned within our approved Corporate Plan budget. This position will be monitored closely, and we will take the necessary steps to formally adjust our statutory fees under the right circumstances (i.e., if material surpluses or deficits are forecast).

Fee and other income received:

Income Year on Year:



How we spent our money:





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, 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 2022/23 and performance against these are set out below:

Strategic Goal	Ministerial Target	Target	Achieved	Result
Deliver Excellent IP Services	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.	By 31 March 2023	March 2023	Met
	Achieve an average overall customer satisfaction of 85% or more.	85%	87%	Met
Create a World Leading IP Environment	Produce a strategic threat and harm intelligence assessment of intellectual property rights infringement	By 31 March 2023	March 2023	Met
Make the IPO a Brilliant Place to Work	To achieve efficiencies worth at least 3.5% of our core operating costs	3.5%	5.7%	Met

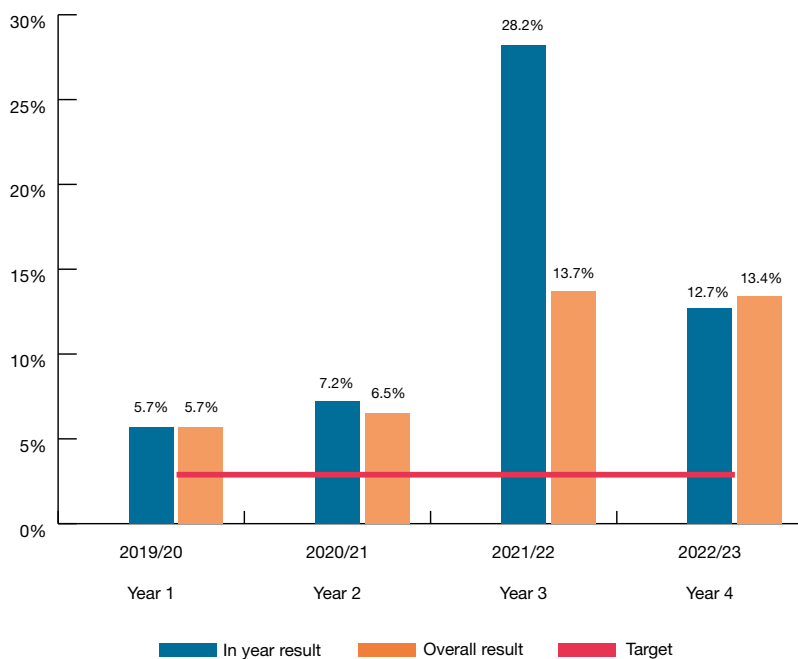


As a Trading Fund, we are required by HM Treasury to achieve a Return on Capital Employed (ROCE) over a five-year period. (1 April 2019 to 31 March 2024).

Further details can be found in Appendix A

HM Treasury ROCE	Achieve a ROCE of at least 3.5% over a five-year period.	3.5%	12.7%	Met
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ROCE April 2019 to March 2023



We achieved a high result in 2021/22 due to an exceptional increase in trade mark applications received, and the significant backlog being cleared.

Corporate

Priorities 2022/23

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.

This year our services continued to be valued by our customers and we achieved an average overall customer satisfaction score of 87%, exceeding our ministerial target level of 85% in all four quarters of the year.

We have maintained high performance levels against stretching customer service standards this year. Against a backdrop of a steadier level of applications, we have been able to reduce the time we take to examine domestic, and international trade marks and registered design cases to under 10 days. We have delivered patent searches, examination, and acceleration requests within our published standards. In addition, we answered over 90% of phone calls to our Info Centre in less than 60 seconds. We ensure transparency around our performance by publishing our customer service standards⁵ online.

5 [IPO customer service standards - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

This year we have retained our ISO 9001:2015 Quality certification. We demonstrated that our processes are robust, and staff are engaged.

We implemented the recommendations of our Quality Review and are currently embedding them across teams. The teams are now able to measure the quality more consistently of the work we are producing for our customers which ensures we deliver excellent IP rights for our customers. We are now working to produce a quality-based Customer Service Standard to measure our quality performance across all rights in the next financial year.

During the year we received 275 complaints and over 1,800 compliments among nearly 6,000 pieces of customer feedback captured. The IPO Customer Charter and complaints procedure can be found on our website. Customer issues and suggestions logged in our feedback system also fuel the continuous improvement work we tackle through our 'Closing the Loop' framework.

Our 'Closing the Loop' work has gone from strength to strength over the last year, tackling a wide range of customer frustrations with our services, processes, policies, forms, correspondence, online tools, or guidance. By the end of March 2023, we had either fully resolved or implemented changes to address three quarters of the customer experience issues identified over the year. Furthermore, we had devised changes that were ready to implement for an additional 12%.

Examples of improvements we worked on this year for trade mark customers are: an overhaul of our series guidance; a rewrite of the letter we send applicants to notify them of an opposition to their application; resolution of a long-standing problem uploading images as part of an application and a new declaration page in the online application service that addresses a key recommendation in Sir Robin Jacob's tribunal review.

“ We have delivered patent searches, examination, and acceleration requests within our published standards. ”



In the first quarter of 2022/23 we completed an exercise to improve IPO content on the GOV.UK website. We have reorganised and simplified the menus customers most commonly choose from the IPO home page. This has made it easier for customers to find the guidance they are looking for. We have also replaced seven overlapping old application guides with a family of three streamlined and up to date guides. The new guides are designed to help customers understand whether and how to apply for a patent, trade mark or registered design.

How we communicate and interact with our customers is key to delivering excellent IP services and during the year we have worked hard to improve this. Working with a communication specialist, we have developed the ‘Speak our Customers Language’ communication style and delivered training across the Services teams. We have created a style guide and set of principles to help us respond to customer feedback in language that is clear and accessible to all. Its aim is to give customers a clear, informative response that resolves the issue first time and prevents the customer from having to come back for more information or to clarify their understanding.

We also took steps to develop our knowledge in interacting with our more vulnerable customers and a clear policy; we will launch a set of principles and guidance to support our staff in Summer 2023.

The relationships we hold with our customers are vital to ensuring we maintain a customer-centric approach. During 2022/23 we successfully implemented our new customer relationship framework ensuring a strategic approach to our engagement programme. We have increased our number of Customer Care Managers who are responsible for directly engaging and supporting our customers. We have refreshed our communication style when engaging with them and increased awareness of User Research opportunities. Through the Customer Visit programme, we have been able to share important IPO updates with our customers as well as gain their valuable feedback on both our current services and our Transformation Programme. We were able to meet with 15 customers and we were invited to speak at 7 customer hosted events.

Work to build customer understanding in 2022/23 included a research exercise to study the awareness, understanding and use of IP among UK small and medium enterprises (SMEs). Working with an external research agency we secured 1,081 responses to a survey which has revealed high levels of awareness of Intellectual Property, coupled with lower levels of understanding of specific IP rights.

“ Through the Customer visit programme, we have been able to share important IPO updates with our customers as well as gain their valuable feedback on both our current services and our Transformation Programme. ”

This was our first IP awareness survey of businesses since 2015. Findings will inform our targeting of business education, outreach, and support activity.

We continued to provide financial support to innovative SMEs to help them maximise the value of their IP. Working with our partner organisations, we delivered our two funding schemes: IP Audits and IP Access. We approved 475 applications for IP Audits to support businesses to identify their IP assets and understand how to leverage value from them.

We continued our IP Access funding scheme, which provides follow-on funding for businesses to implement recommendations in their audit report, to support businesses to recover from the impact of the pandemic. We have approved 502 IP Access applications since we launched the scheme in August 2021, exceeding our aim of reaching 500 businesses, which equates to an estimated value of £2.3m.

We have developed an evaluation framework to better understand the impact of our funding schemes. Our evaluation is focussed on qualitative information, including surveys with funding recipients. Initial evaluation of IP Access has shown that 99% of survey respondents were very satisfied or satisfied with the funding scheme, and only 3% of businesses did not know or were not expecting an impact against the range of business indicators, such as turnover and sales. In addition, data analysis has shown



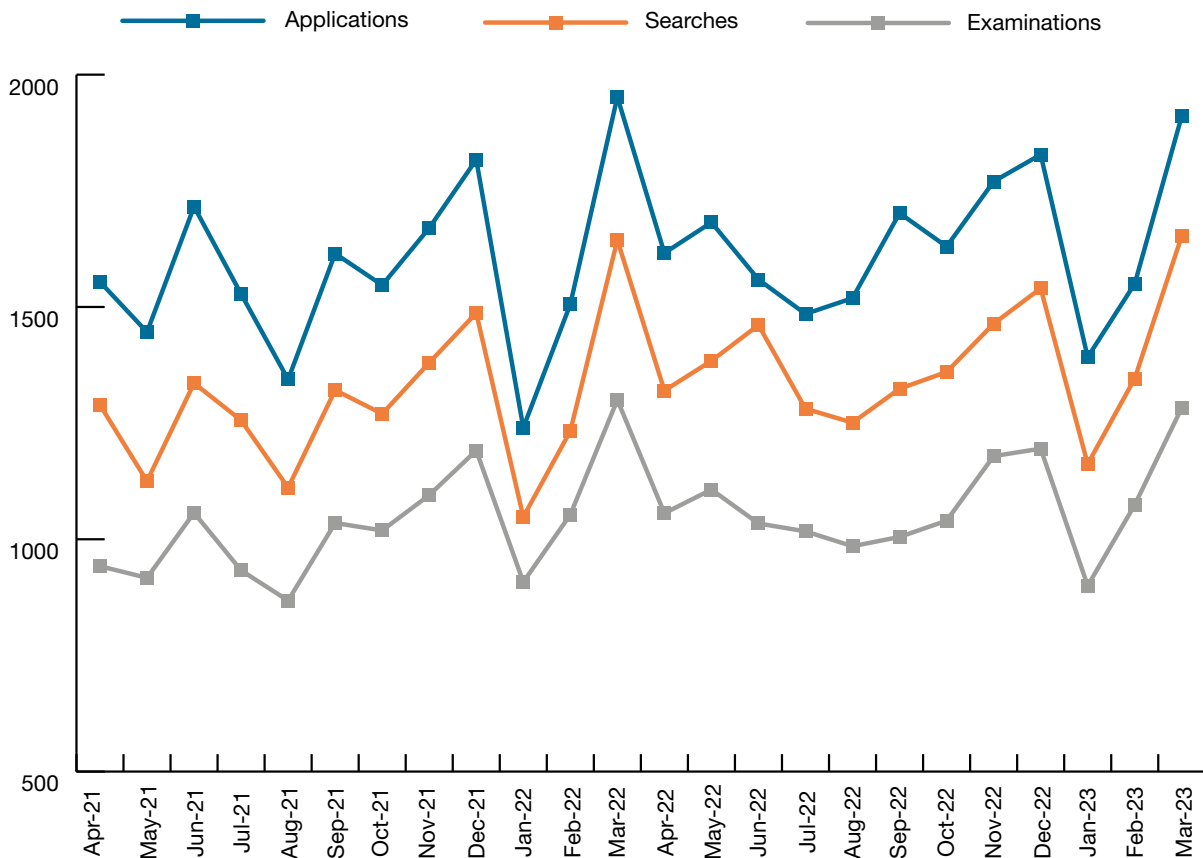
that 40% of businesses who received IP Access funding during the first year then applied to register an IP right (as of 30 September 2022). We will continue to evaluate the schemes to understand how our funding schemes support SMEs.

“ Working with a communication specialist, we have developed the ‘Speak our Customers Language’ communication style and delivered training across the Services teams. ”



Timely, Reliable and Quality Services

Patents - Applications, Searches and Exams



Patents	2022/23	2021/22	Year on Year Percentage movement
Applications Received	19,644	18,935	3.7%
Searches	16,546	15,500	6.7%
Examination Requests	12,875	12,318	4.5%

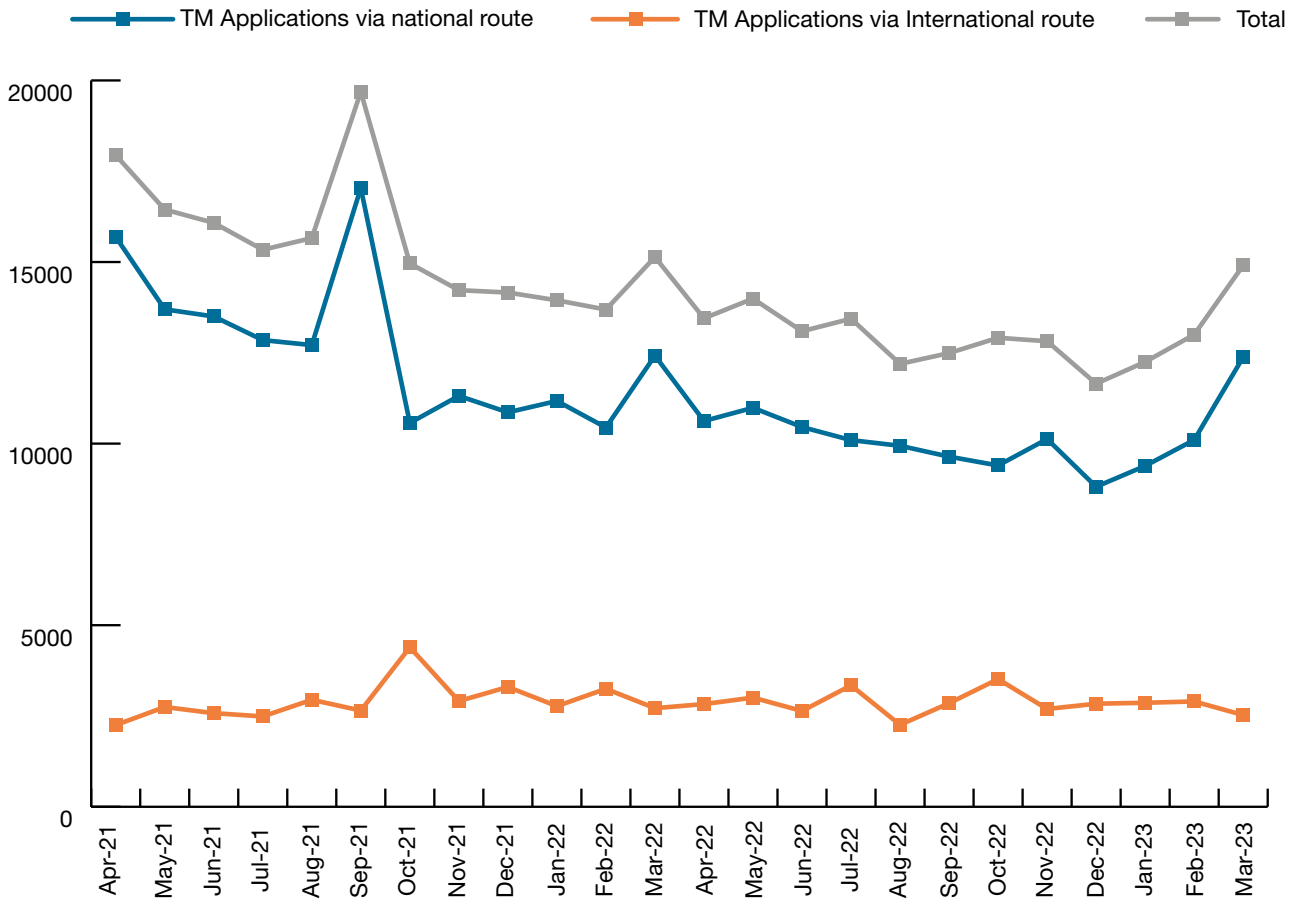
We delivered 95.6% of requests for an accelerated two-month turnaround for search, publication, and examination against a target of 90%.

Against our 6-month turnaround target for search requests, by the end of the financial year only 45 searches were left in excess of this target. This represented a 94.8% reduction on last year's year-end figure of 859.

In April 2022, 95% of searches were completed within 9 Months and 12 days; for March 2023, this was down

to 6 months and 1 day. Against our 42-month from initial priority date target for first examinations (outside combined search and examination, and including international applications), by the end of the financial year 173 were left in excess of this target, compared to 141 at the end of last year. The oldest exam at the end of 22/23 was 49 months and four days, compared to 56 months and 12 days at the end of FY 21/22. In April 2022, 95% of examinations were completed at 57 months and three days; for March 2023, this was down to 46 months and 17 days.

Trade Mark Applications

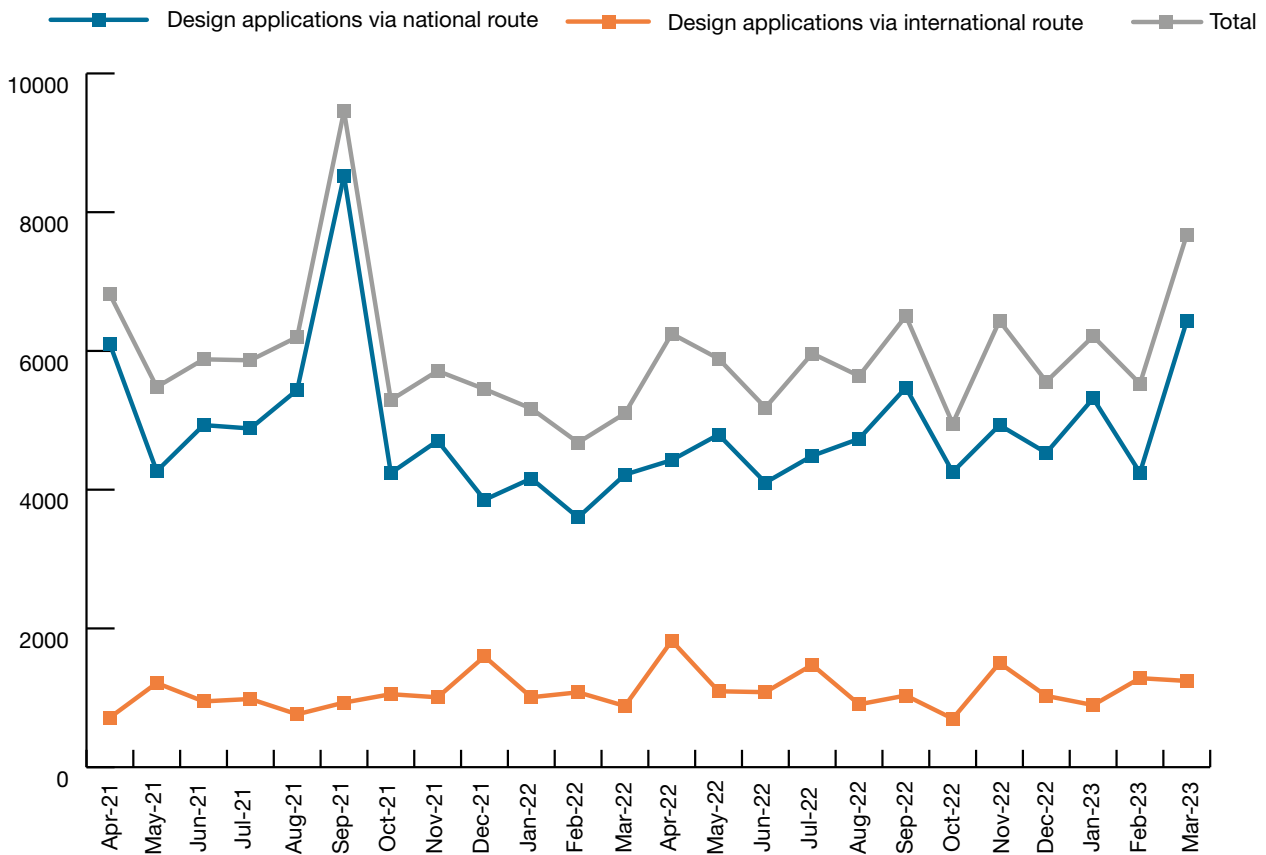


Trade mark Applications	2022/23	2021/22	Year on Year Percentage movement
Received	156,206	187,269	-16.6%
National	121,945	152,273	-19.9%
International	34,261	34,996	-2.1%

Although our input has reduced this year, demand volumes for the previous year represented a record high, because of the addition of the EU transitional cases. Other factors which will have impacted on demand will have included fewer Covid 19/pandemic influenced cases, plus the general downturn in the economy. Our demand, though, is still higher than pre-pandemic levels. We have maintained our customer service standards throughout the year. We continuously monitor demand against output capability to

ensure we have the relevant resource to deliver our services and to continue providing our high level of customer satisfaction.

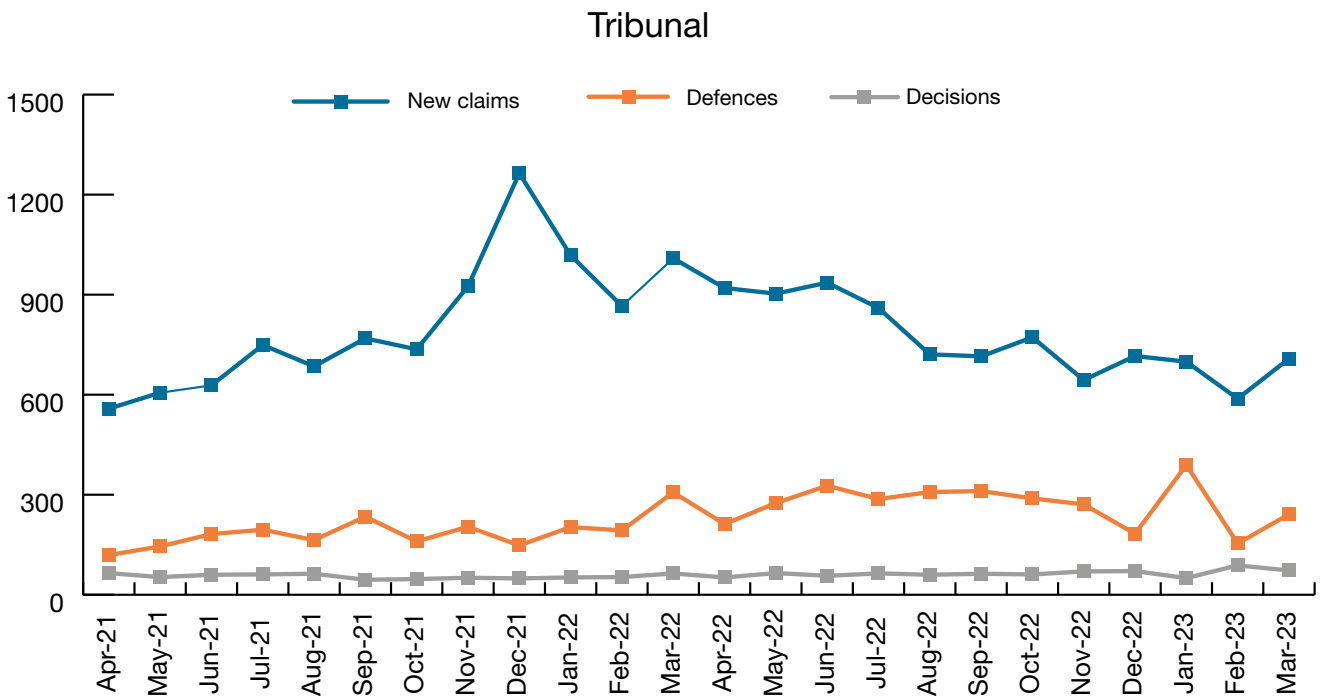
Designs Applications



Design Applications	2022/23	2021/22	Year on Year Percentage movement
Received	71,782	71,095	1.0%
National	57,722	58,918	-2.0%
International	14,060	12,177	15.5%

Overall demand for designs has remained stable and whilst there has been a small decrease in input for domestic designs, (the previous year’s volumes included EU transitional cases), we have continued to see steady growth from our international filings. Since November 2022, we have returned to our customer service standards and managed to maintain this position. We continuously monitor demand against output capability to ensure we have the relevant resource to

deliver our services and to continue providing our high level of customer satisfaction.



Tribunals	2022/23	2021/22	Year on Year Percentage movement
Trade mark claims (including oppositions and cancellations)	9,128	9,813	-7%
Defences	3,247	2,254	44%
Decisions	774	663	17%
Live cases at 31 March	7,329	6,995	5%

Trade mark and Designs ex-parte hearings

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

Overall, the Tribunal experienced its busiest period ever. A ‘wave’ of work was created following significantly increased

trade mark examination in 2021/22 combined with the impact of the EU transitional cases arising from the UK exiting the EU. During this financial year, this wave of work went through the claims stage, onto the defences and, by the end of the current financial year, has reached the hearings and decisions stages. Despite the volume of work, the Tribunal has exceeded its key timeliness target.

Target		
Issue cases within 12 weeks of the hearing date or the case otherwise being ready	93.4%	97%

Transformation

Our One IPO Transformation Programme will deliver outstanding customer-focused services, fit for the 21st century. As set out in our 2022/23 Corporate Priorities, the priority for this year was to continue developing our new digital services and have detailed plans in place for how they will be delivered.

Over the last year we have:

- successfully completed the prototype stages for Manage, Secure, Challenge and Research IP, defining the service designs, business processes and technical requirements for One IPO
- started to build the new customer account and the new services for Manage, Secure and Research, reaching a stage where we are testing these new systems to make sure what we are building works for us and our customers. This includes the account dashboard, the application service, the transfer of owner service and our new patents search service
- developed the process and systems for verifying customer accounts and started migrating some test data onto our new systems
- built the first version of the Master Data Store that will hold all data on IP rights and started to populate it with customer data
- defined new ways of working for the new patents service
- developed a plan for bringing customers on to the new patents service
- completed Business Change Impact Assessments for all teams that will be affected as we move to the new patents service
- completed a consultation and received 87 responses on proposed legislative changes to help us deliver new digital services and do things more flexibly
- started our Management Information and Business Intelligence (MIBI) project. This will look to make our data more accessible to help support our internal decision-making processes

These developments have set us up well for the next financial year, where we will start delivering our new services to customers. We are currently on track to deliver Transformation on time.

“ There were 16.5 thousand requests for searches made in 2022/23, a 6.7% increase compared with 2021/22. We also received 12.9 thousand examination requests, an 4.5% increase on the previous financial year. ”





Creating a World Leading IP Environment

Developing the IP 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.

Our ambition is to ensure that the IP system supports and inspires innovators and creators so they, and society get the most out of their ideas both in the UK and internationally. We conducted work throughout the year to deliver on the commitments made in the Government's response to the DCMS Select Committee report on the economics of music streaming. The draft industry agreements to improve metadata and transparency, developed by industry experts in IPO-chaired working groups, are approaching completion. The metadata agreement text was finalised with industry in April 2023, and we hope to publish the agreement in May to formally establish ongoing industry led working groups on metadata education and technical solutions. The transparency code is undergoing final technical discussions.

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To understand the most appropriate exhaustion of rights regime for the UK we engaged with industry representatives and undertook comprehensive policy development and analysis which will inform advice to ministers in 2023.

On Standard Essential Patents (SEPs), our objective is to produce a world leading IP environment that will promote innovation and creativity, both now and in the future. In August 2022, we published a summary of responses to our Call for Views, after which we have continued engagement with a range of stakeholders.

We have been working through the implications of the Retained EU Law Bill for the Intellectual Property framework, proactively engaging our stakeholders throughout. Having conducted our legal triage we have identified approximately 85 pieces of legislation that fall within the IPO's policy responsibility of which seven will be repealed as they are inoperable or no longer needed. We reviewed these to understand their role in the framework and ministers decided that these should continue in their central policy intent to underpin the certainty and legal clarity of the existing UK Intellectual Property framework, given its highly internationalised nature. We will use the Retained EU Law (Revocation and Reform) Bill powers to provide legal certainty including to preserve most of the legislation to achieve this and sunset REUL where it is inoperable or is no longer required. This will seek to simplify

the statute book for Intellectual property. We will also be seeking to implement some limited technical reforms before June 2026 related to auditing requirements for smaller collecting societies.

We have continued to enhance our capability for, and embedding of, futures thinking. This capability enables futures thinking, foresight and horizon scanning functions to form an integral part of IPO work and ensure our operations and IP framework remain world class and meet future opportunities. Two independent research commissions into the IP implications of the "metaverse" and on trends around the public perception of IP have been completed to support our understanding of the IP issues and opportunities in these areas.

Following the call for views in preparation for the ratification of The Beijing Treaty on Audio-visual Performances, we are preparing to consult on the options for implementation of the Treaty. The guidance on S72 of the Copyright, Designs and Patents Act 1988 has been revised in line with the commitment made in the post implementation review of the changes made in 2016. We also published our annual review of our regulatory role in Collective Rights Management.



Increasing IP's Impact Through Awareness and Education

We want people to understand, respect and use IP, recognising it as a valuable asset. Building understanding of IP from an early age helps to support and inspire future entrepreneurs, innovators, and creatives; prepares young people for employment; and encourages respect for IP. During the last year, we have worked to embed our IP education frameworks and improve our support for teachers and educators. This included piloting the framework with selected schools in Scotland to gather feedback and inform our next steps. We also launched an 'IP Fundamentals for Further Education' toolkit to support students and educators in further education.

To build IP capability in research we developed and launched the 'IP for Research Fundamentals'⁶ toolkit for universities and research organisations. This flexible training resource helps researchers to identify IP assets and understand how they can strategically manage and use IP to support collaboration, commercialisation, and enterprise. It has been designed to enable institutions to deliver their own tailored IP training sessions to meet their requirements and research objectives.

To help universities and research institutions to strategically manage IP assets and understand how to maximise the positive impact of their research, we have been working with stakeholders to update the Intellectual Asset Management (IAM) for Universities guide. This new digital guide will support senior university managers to set strategies to make the most of the IP created by their staff and

students and support collaborations between research organisations and businesses.

Over the last year, we have also worked to improve cross-government IP capability. To ensure that Civil and Crown servants understand how to identify and manage IP effectively, and know where to seek additional support, we launched a new Introduction to intellectual property (IP) in government eLearning module. We have also worked with other government departments - such as the Government Office for Technology Transfer (GOTT), and the Government Science and Engineering (GSE) profession – to support good practice in managing knowledge assets across government, which will help to realise social and economic benefits from public sector innovation.

We have continued to develop our IP-support website, which provides access to all our digital learning resources, training packages and tools. We have worked to improve availability and ease of navigation as our collection of resources is updated and extended. We have also been looking at how we can use the data collected to better understand how our resources are used to help us identify improvements.

To support the Governments' commitment to "levelling up" all areas of the UK we have been implementing our IPO Places Strategy. As part of this work, our Regional Policy Advisors continued to provide support to Greater Manchester, West Midlands, and West of England,

6 <https://www.ipo.gov.uk/ip-support/ip-research>

working across the regional ecosystems. We agreed strategies with our regional partners to integrate IP into regional business and innovation programmes and launched recruitment for a new regional advisor to work with the Devolved Administrations. Our regional advisors mean we are well-placed to support the development of the new Innovation Accelerators in Glasgow, Greater Manchester, and West Midlands.

We developed an evaluation framework to measure the activities of our Regional Policy Advisors to help us better understand the impact of their interventions in building IP capacity and capability, influencing local policy makers and creating an IP legacy. The results of our evaluation show that businesses are beginning to recognise and understand the importance of IP, its value as an asset and its importance to the regional and national economy. The advisors have influenced local policy makers across the region, to ensure that IP is integrated into their thinking and into business and innovation programmes across the region. The advisors are creating a legacy by building IP capacity and capability among business intermediaries and policy makers, which in turn impacts the way businesses innovate and use their IP. Embedding IP in local policy and developing regional IP strategies will help to strengthen the region's innovation ecosystems in the

long-term. Our evaluation will inform the future work of our regional advisors and we will continue to develop our evidence base using the framework.

This year has seen a rise in face-to-face outreach events since the pandemic. This has meant an increase in engagement across the UK. In total, the team have directly engaged with over 50,000 people through our in person and virtual events and our online tools. 77% of those surveyed have indicated that since their interaction with us, they are now making an informed decision about their IP.

The team also organised the first face to face IP Masterclass since the pandemic which draws in an impressive return with 94% of those surveyed having increased confidence in IP following attendance of the masterclass.



Counter Infringement Strategy

The 5-year IP Counter-Infringement Strategy was published in February 2022. The new strategy focusses on getting the right structures and processes needed to work together more effectively on IP infringement at home and internationally for effective partnership, and to better understand the full threat and impact of IP crime and infringement so that interventions can be prioritised appropriately. The IPO's enforcement team has had a busy year putting some of those new structures and processes into place, developing capability and building new partnerships.

One key piece of work to build our understanding of the full threat and impact of IP crime and infringement and ensure that government interventions are evidence-led and harm-focussed, is the development of a Strategic Threat Assessment of IP Crime and Infringement. The internal version of this document was completed in November 2022, and a public facing version is now being developed. We have also set up an ambitious programme to increase the capability of the current Intelligence Team, using new tools and systems to transition into a Centre of Excellence at the core of all IP enforcement activity.

“ To achieve this, we have commissioned external consultants to help us put a Monitoring and Evaluation framework in place by May 2023. ”

The reformed IP Crime Group (IPCG) is now multi-layered, allowing the IPO and partners to work together tactically and coordinate our action strategically. It consists of government, enforcement agencies and industry who are working to address issues faced by industry, innovators, and creators on the ground, providing opportunities for even greater public-private partnerships. The group is formed of a delivery group made up of law enforcement and industry, an advisory committee made up of industry representatives and an executive board made up of senior decision makers across industry and law enforcement.

We have undertaken a range of international engagement activity over the period, with attendance at Europol, the Organisation for Economic Co-operation and Development (OECD) Taskforce on Illicit Trade, the annual Interpol IP Crime Conference, and delivery of an Association of South East Asian Nations (ASEAN) Enforcement Seminar in Manilla. In addition to these events, the team has supported inwards visits from Brazil and Vietnam, and hosted roundtable sessions on E-commerce as part of the G7 programme, and held a session for WIPO members with an interest in enforcement collaboration. All these activities in addition to the usual bi-lateral contacts, have provided opportunities to explain the IPO's strategic priorities in this area, and to identify potential areas for collaboration with other countries.



Other successes over the last year have included secondment of further posts into UK Border Force, Regional Trading Standards, and police Regional Organised Crime Units. We have also delivered our first consumer facing campaigns, expanded our work with Self Storage Operators and delivered training in IP to Trading Standards Officers across the country. On the policy front, we have hosted several meetings for our cross Whitehall policy forum which has been looking at Know Your Business Customer rules, and we have supported a number of trade negotiations over the period.

Delivery of the strategy is complex, and we are aware of the importance of being able to assess the implementation and effectiveness of the work delivered; to understand what is working and where improvements are needed. To achieve this, we have commissioned external consultants to help us put a Monitoring and Evaluation framework in place by May 2023. The framework will help us measure and understand to what extent our targeted interventions have been effective in reducing infringement of IP and identify gaps in our understanding to help strengthen our evidence base.

“ In addition to these events, the team has supported inwards visits from Brazil and Vietnam, and hosted roundtable sessions on E-commerce as part of the G7 programme, and held a session for WIPO members with an interest in enforcement collaboration ”



International Strategy and European Engagement

In October 2022, we co-chaired and attended the second IP Specialised Committee (IPSC) meeting with the European Union (EU) as part of the EU-UK Trade and Co-operation Agreement. The meeting took place in Brussels, where we successfully maintained an open dialogue on a range of intellectual property (IP) matters, including legislation and policy developments.

In addition, we held several bilateral meetings with European countries during the WIPO General Assemblies, which helped to maintain and strengthen relationships and enhance co-operation across leading countries in support of IPO interests.

Furthermore, in April 2022 we coordinated with the Transformation team to deliver a European and International Transformation event. This brought together a range of countries to learn about the UK programme and inform their respective transformation agendas. This event helped to build relationships and enhance co-operation with other countries.

“ Further opportunities for future collaboration and engagement were agreed including the jointly arranged NFT conference taking place in 2023. ”

The IPO continued to build upon and strengthen our relationship with Switzerland, through a series of activities following the signing of the Declaration of Intention in February 2022. In December, a delegation attended the annual interagency meeting with the Swiss Federal Institute of Intellectual Property (IPI) in Bern. The successful visit enabled further collaboration on areas of mutual interest, including on European Patent Office (EPO) matters, enforcement campaigns and trade mark operations. Further opportunities for future collaboration and engagement were agreed including the jointly arranged NFT conference taking place in 2023.

In November 2022, we recruited our Brussels-based European IP attaché, who has quickly embedded himself and begun to establish a strong network across the European landscape, engaging with key stakeholders to further support our objectives in the EU and across Europe.

Finally, during the initial stages of 2023, we reviewed our key strategic aims for European engagement to ensure activities are fit for purpose and continue to support the IPO's wider objectives.

We have enhanced our offer of support to UK businesses in protecting IP overseas through our International IP Service⁷. We have expanded the service to provide additional guidance on IP frameworks and country specific IP challenges. We have also embedded international IP guidance into the wider IPO and Department for Business and Trade (DBT) business support offers.

7. <https://www.gov.uk/government/collections/international-ip-service>



To further support UK businesses overseas, we have engaged in an extensive programme of international engagement activity over the course of 2022/23 supported by our network of IP attachés.

In Asia we secured buy-in from all ten ASEAN to launch a new programme to improve the level of IP enforcement capability on e-commerce platforms. The knowledge and connections our attachés have helped develop across the ASEAN region, India and the Gulf Co-operation Council have also provided support to trade negotiations throughout the year.

In East Asia, the IPO co-hosted a joint UK-China Symposium on IP Rights with the China National Intellectual Property Administration at the end of 2022. Over 250 attendees had the chance to hear key updates in both markets to support exports and trade. Also in East Asia, we signed a Memorandum of Understanding with the Korean Intellectual Property Office, formalising our growing co-operation and sharing of best practice.

In South America, the IPO's programme of sharing best practice and UK enforcement expertise in Brazil has influenced the success of the 'Operation 404' enforcement programme, which has already resulted in multiple seizures and taking down of infringing websites saving the music industry £240 million in statutory damages.

At WIPO we signed a co-operation agreement meaning millions of UK trade marks will be added to WIPO's Global Brands Database⁸, a free, online resource that provides access to more than 50 million records, from 71 national and international collections. The tool can be used by businesses anywhere in the world when registering a trade mark, to check if the mark - or a similar mark - already exists, reducing the risk of unintentional infringement. In addition, a selection of significant IP Judgments from the UK are now accessible on the WIPO Lex⁹ Judgements database.

8. <https://branddb.wipo.int/en/>

9. https://www.wipo.int/wipolex/en/main/judgments?utm_source=WIPO%20Newsletters&utm_campaign=f7e5bd54c5-DIS_Docket_EN_090323&utm_medium=email&utm_term=0_f7e5bd54c5-%5BBLIST_EMAIL_ID%5D

Making the IPO a Brilliant Place to Work

Last year IPOB agreed a functional operating model, re-aligning our functions around Strategy, Policy, and Services. This year we finalised the details of that design before going live on 1st July, helping us to improve coordination and prioritisation of our work across the IPO.

Within the newly agreed functional operating model of Strategy, Policy, and Services, we have been focussed this year on organisational design work for Services. Transformation will fundamentally change the way we deliver services to our customers. It is more than a change to our technology, and it is important that the way we are structured to deliver those services is re-aligned.

We have agreed a top-level service owner model that mirrors our transformed One IPO services: Manage, Secure, Challenge and Research IP, reflecting a shift from our current divisions based on IP rights, but retaining a focus on those specialisms within our hierarchy. Service Owners will be supported throughout the programme and into business as usual by dedicated service delivery teams so that we will continue to improve and develop our digital services beyond the life of the Transformation Programme.

Transformation will automate, digitalise, and allow significantly more self-service functionality for our customers so we have been working through the impact on the people currently undertaking this work in our Business Operation Division (BOD). We have designed future



roles and structures and now have a clearer view of the numbers of people we will need by the end of Phase 1 and Phase 2. This will involve a significant reduction in our lower graded roles, and we have shared this with our BOD teams and developed plans to manage the reduction over time and support our people through this difficult change.

We made several improvements to our workforce planning approach this year, implementing position-based forecasting which improved the accuracy of our tracking and achieved a noticeable reduction in time spent on this activity. To support Transformation work to anticipate impacts on BOD, we have developed scenario planning capability. There is more work to do on our capability here: the current systems and data landscape is not optimal and we will focus further on Strategic Workforce Planning and a Corporate Systems Roadmap as a corporate priority in 2024/25.

From a resourcing and planning perspective, the Civil Service 2025 (CS25) agenda to reduce headcount across government to 2016 levels and the ongoing efficiency agenda had a significant impact on our initial plans for growth and caused us to pause all but essential recruitment for a period and take a hard look at our priorities. Recruitment activity therefore reduced during this year and our headcount has remained stable. We have needed to continue to recruit in Digital, Data and Technology (DDaT) to provide resource for Transformation and attracting people with the right skills has been challenging in a very competitive market. To be more competitive with the private sector we have taken the following

actions: applying appropriate flexibilities in our pay remit; running effective social media campaigns; streamlining our selection processes; and selling the benefits of working at the IPO. This has resulted in improving numbers and quality of applications and better conversion to appointments, however a small number of roles remain very challenging. We will remain focused on this as well as strengthening internal talent pipelines for DDaT.

Following two years of pandemic conditions and lockdowns our office became fully open again for people to come on site to work during 2022. We confirmed a hybrid model for IPO as one based on being in the right place, with the right people, and with the right tools for the task at hand, to support our customers and delivery of our organisational goals.

Through our Hybrid Working Steering Group during 2022, we focused on the tools, spaces and support people needed to move towards this hybrid way of working.

“ We confirmed a hybrid model for IPO as one based on being in the right place, with the right people, and with the right tools for the task at hand, to support our customers and delivery of our organisational goals. ”

A review of our hybrid model took place in March 2023 and the results and recommendations will be shared with IPOB to continue to improve and maximise the way we work together in a new hybrid world. This will feed into one of our three corporate People Survey action areas on hybrid working and community, identified from the 2022 survey results.

In support of the realignment of our structure, due to our Transformation Programme, we have developed and delivered programmes of learning to support our people through this journey. These programmes are aimed at both managers of teams, as well as individuals, who are directly impacted by the change. These programmes cover areas from 'Leading through change' to 'Growth Mindset' and will sit alongside business wide offerings to help stimulate confidence in applying for posts, both in an internal and external context.

We have continued to develop our managers, developing our leadership capability to have conversations involving the current business focus.

We have adapted our offerings to ensure we face the current challenges head on, supporting our leaders through uncertain times, and developing their capability, continuing the focus on trusting and capable IPO leaders.

Alongside our conversations offerings, our training schedule continues to support our managers and bring the latest thinking to the IPO. We have supported our managers to navigate through the change journey, lead through disruption, and engage their teams remotely, which has proved a vital support in the current climate.

Across the organisation we also launched The Learning Hub, a web-based learning management system which gives our staff easy access to learning news and events, course catalogues and a personalised dashboard.

The wellbeing of our people continues to be a priority and we have improved our support for physical and mental health through several initiatives such as cycling, gym facilities and health checks.



“ We have continued to develop our leaders to have conversations involving the current business focus. ”



Inclusion

We know a diverse workforce is an authentic and innovative workforce and creating an environment where our people can bring their whole selves to work cultivates strong communities. Those communities are at the heart of our intersectional approach to building an environment of openness, trust, and respect.

We can all benefit from an inclusive approach. When we start thinking about how to best involve everyone in what we do and the decisions we make, we can identify and remove barriers to success for us all. Our Inclusion Plan ensures we prioritise the right things to get us there.

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
- decision-making, policies, and procedures

How do we do that?

- our Staff Networks are a critical friend to the central Human Resources (HR) function, and a driving force for change. They work intersectionally across all protected characteristics, partnering to make sure our policies, practices, services, and culture are inclusive
- external partnerships with organisations such as Inclusive Employers ensure that we are aligning all we do with the best-known practice. Of course, being a top employer in the UK is important to us, however the scrutiny that comes with external validation reassures and challenges us to keep improving with our people at the heart of all we do
- evidence based practice is critical to making changes that are right for our people. Regular scrutiny of data helps us to align our strategy to any development points we have. Using data, we have been able to improve policies and practices around things like recruitment, reward, and recognition, shared parental leave and menopause support

We are committed to a zero-tolerance approach to bullying and harassment. Unfortunately, the 2022 People Survey results highlighted a slight increase in people experiencing bullying, harassment, or discrimination within the IPO. Although we still have slightly lower levels than elsewhere in the Civil Service, we are clear that none of our people should be subjected to bullying and harassment.

Our Respect at Work campaign is driven by our central HR functions, and tailored to each department. We offer support, challenge, training, and opportunities to engage with what respectful behaviour is. Creating an environment where our people are safe to challenge unacceptable behaviour and giving them confidence to do so is critical to our success. Since the 2022 People Survey, we have:

- increased the number of trained Harassment Contact Officers we have in the office. They are often a first point of contact for our people and can coach, advise, and signpost so our people are more confident to deal with any unacceptable behaviour
- increased the number of trained workplace mediators, empowering our people to work together to resolve issues
- committed to undertake a systematic review in partnership with Loughborough University to improve the effectiveness of our Bullying, Harassment and Discrimination interventions
- facilitated talking sessions to understand individual challenges people are facing
- facilitated whole directorate sessions around the support that is in place, using different case studies to outline practical ways our people may deal with unacceptable behaviour, or have difficult conversations

“ As part of our work for this year we have also continued our focus on enhancing our interventions to increase the representation of women in our STEM roles. ”

To make support more accessible for our people, we have developed a hub which includes access to our policies, support networks, short videos, myth busting and more. We continue to capture unacceptable experiences throughout the organisation in real time with our ‘It wasn’t ok when...’ informal reporting tool. The reports help us respond to issues with training and communications such as our ‘Just Because’ campaign, which challenges misconceptions and disrespectful behaviour.

Our people have continued to use the bite-size videos we developed last year to start conversations about respectful behaviour at team level. We have added to our suite of videos with a short video around menopause which, combined with our menopause cafes, have challenged the taboo around menopause and given our people more confidence to have conversations about the challenges they face.

As part of our work for this year we have also continued our focus on enhancing our interventions to increase the representation of women in our STEM roles. Women make up nearly half of our workforce, however the majority of them are in non-specialist roles. 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.

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 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 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. This feedback will be used to help us improve our workforce planning and leadership behaviours, which are key priorities for next year

In addition to improving representation of women in STEM roles, we are also targeting under representation of all other characteristics in roles across the organisation, such as HR and change. It is critical for our culture that no one feels like they are left behind.

Corporate and Social Responsibility

As we finally emerged from the pandemic, we have seen an increase in organisations offering volunteering opportunities.

Volunteering for the community is a key part of our wellbeing programme and we were keen to re-build our programme as opportunities become available.

To show our commitment this year we set an objective to increase volunteering opportunities and build partnerships with additional organisations.

During the year we progressed our partnership with a local Secondary school by recruiting IPO volunteers to provide feedback at a 'Dragon's Den' style event and providing feedback on presentations for the 'Skills Challenge' which forms part of their Welsh Baccalaureate qualification. We were also pleased to welcome Career Wales to the office to publicise the wider opportunities that are available.

Outdoor opportunities which help the environment and provide a link with our environmental programme are always popular. During the year IPO teams helped to eradicate Himalayan Balsam at the Bannau Brycheiniog (Brecon Beacons) National Park; improved an inner-city community garden and contributed to litter picking, vegetation management and planting a bench for the Canal River Trust. We again worked with our neighbours, Tredegar House (a National Trust property), to assist with ground clearance and we helped Keep Wales Tidy with litter picking activities.

We were also able to resume our charitable activities and raised £500 for MacMillan by holding an on-site coffee morning.

We allow our people to take advantage of 6 volunteering days a year. Our internal time recording system showed that a total of 86 days were spent volunteering this year – an increase of 65% on the 52 days spent the year before.

“ During the year IPO teams helped to eradicate Himalayan Balsam at the Bannau Brycheiniog (Brecon Beacons) National Park; improved an inner-city community garden and contributed to litter picking, vegetation management and planting a bench for the Canal River Trust. ”

Sustainability Report



Introduction

This year we developed a sustainability plan which outlines our plans for achieving net zero, carbon reduction and delivering on our Greening Government commitments. We have an important role in protecting our environment for this and future generations and can have a real impact if we consider sustainability when making decisions or taking action.

During the year we set out our expectations for the future of hybrid working at the IPO. Whilst our people are able to decide where best to spend 80% of their working time according to the needs of themselves and their role, at least a day per week will be spent onsite with colleagues. As our hybrid working model continues to evolve it inevitably has an impact on our environmental performance whether that be how we use our buildings or the number of cars that commute to our sites.

Mitigating Climate change: working towards net zero by 2050

Overall emissions are currently showing a reduction of 60% against the baseline year. However, net zero continued to be a priority for us this year and we set ourselves a target to agree the net zero Plan for IPO based on the recommendations in the Net Zero Strategy and deliver year one commitments. To meet this, we commissioned studies by independent experts to review all our data and provide recommendations on how we can best achieve net zero. The feasibility of the resulting plan is now being assessed and costs are being prepared. This preparation is an important part of our journey and will ensure we make the right decisions and achieve the best value for money.

		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Baseline					
Overall carbon emissions (tonnes CO2)	Scope 1 *	209	174	244	185	690	242
	Scope 2 **	1,279	855	635	453	393	353
	Scope 3 ***	210	225	216	3	18	89

* Scope 1 - Direct emissions from sources owned or controlled by IPO (gas and fleet vehicles)

** Scope 2 - Indirect energy (purchased electricity)

*** Scope 3 - Official business travel (international and domestic travel)

Carbon Emissions from our Offices

Electricity usage decreased slightly compared to last year. The main activity in this financial year has been the completion of the project to replace the lighting units in Concept House which saw us install over 2,000 new LED units. Alongside this we made improvements to the Building Management System to improve the functionality, look and feel.

Although we will need to move to sustainable energy solutions in the future to become net zero, there was an immediate need to replace the Concept House gas boilers which were over 30 years old. During the year we installed new domestic hot water and main boilers which are more efficient than the previous models. These will continue to provide a back up source of heat alongside our eventual net zero solution.

		2017/18 Baseline	2018/19	2019/20	2020/21	2021/22	2022/23
Energy Consumption (kwh)	Gas	1,120,473	928,975	1,313,780	2,432,439	3,750,278	1,305,532
	Electricity	2,846,408	2,782,104	2,289,060	1,634,765	1,700,877	1,673,403
Financial Implications (£)	Gas	117,319	124,462	89,902	98,478	98,147	95,238
	Electricity	421,863	464,231	391,058	285,832	299,802	368,411

Carbon Emissions from Travel

All forms of travel (apart from taxis) have shown an increase on last year. However, we are still seeing far less business travel taking place compared to before the pandemic. Our people have embraced all aspects of hybrid working, including collaborating with external stakeholders. Although domestic flights are currently showing a reduction of nearly 70% on the baseline, during the next financial year we will further strengthen our travel policies so that they require lower carbon options to be considered first as an alternative to each planned flight.

Although the numbers of people using our sites are still less than before the pandemic, we continue to encourage sustainable commuting. At the end of the last financial year, we invested in new facilities for our cyclists which are being well used. To further promote this method of travelling we have appointed an IPO cycle champion and have arranged bike maintenance sessions with a local cycle shop. We are already gold standard holders of the Cycle Friendly Employer (CFE) scheme and will this year look to renew our accreditation.

Now that more of our people are travelling to the office, we have re-started a car sharing scheme and are investigating whether there is demand for additional electric car charging points.

		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Baseline					
Non-Financial Indicators (kg CO2)	Air Travel (total)	125,335	132,743	142,919	-	9,829	56,613
	Air travel (domestic)	6,405	5,390	3,100	-	610	2,049
	Air Travel (international short haul)	-	-	-	-	-	16,583
	Air Travel (international long haul)	-	-	-	-	-	37,981
	Rail Travel	32,890	43,370	26,890	-	3,650	16,469
	Road Travel	50,480	47,590	44,170	621	3,185	14,953
	Taxis	1,760	1,800	1,880	2,356	1,270	654
Financial Implications (£)	Travel Expenditure (UK)	675,526	811,359	661,178	32,887	90,588	376,419
	Travel Expenditure (Overseas)	358,850	305,995	352,905	4,063	16,691	234,656
	Accredited Offset purchases	-	-	-	-	-	-

Government Fleet Electric Vehicles

Our two leased vans are plug in hybrid models meaning 100% of our fleet are now 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 we settle into a hybrid way of working, there is a continued need to deliver and redeploy IT kit and furniture to people's homes. In addition, we have started a PAT (portable appliance testing) programme to make sure that our equipment continues to be safe to use. This all places an additional requirement on our vans.

Minimising waste and promoting resource efficiency

Total waste has again fallen and is now around 70% less than the baseline year. The proportion that we recycle has also dropped and we need to do more to increase the proportion to within Greening Government requirements. However, this is compensated by the fact that we no longer send any waste to landfill having successfully changed our waste carriers during the year.

Following the adaption of our space for hybrid working, we were keen to re-use as much office equipment as possible. We provided a stock of unrequired furniture and IT equipment to the UK Passport Office who were in need.

The elimination of Consumer Single Use Plastics (CSUPs) from our estate continues. CSUP's have been virtually eliminated from the on-site catering outlets and the cleaning team now re-fill bottles of cleaning fluids rather than replacing them. As a result of the pandemic, we are still providing supplies of sanitizing materials in some parts of the office, however, as these stocks are depleted we will not replace them.

		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Baseline					
Non-Financial Indicators (Tonnes)	Total Waste	393	204	301	203	174	131
	Waste recycled with energy recovery	60	70	71	44	30	88
	Waste recycled without energy recovery	-	-	-	-	-	-
	Re-used/ Recycled	263	104	188	112	104	42
	ICT Recycled and Reused	2	1	15	18	15	2
	Waste Composted	4	4	4	-	-	-
	Landfill	64	25	23	29	25	0
	% Recycled	67%	53%	68%	64%	68%	34%
Financial Implications (Disposal Costs (£))	Total Waste	40,880	37,664	39,128	40,374	44,757	35,599
	Waste recycled with energy recovery	n/a	n/a	n/a	n/a	11,336	20,304
	Re-used/ Recycled	26,566	27,257	35,734	20,932	23,227	13,432
	ICT Recycled and Reused	n/a	n/a	n/a	n/a	4,212	1,863
	Waste Composted	-	-	-	-	-	-
	Landfill	14,314	10,407	3,394	19,442	5,983	-

Paper use

Paper usage is at similar levels to the previous financial year, but is still around 82% less than 2017/18. Much of the paper used in this financial year is from existing stocks. We expect usage to drop significantly when services under the Transformation Programme are implemented.

		2017/18 Baseline	2018/19	2019/20	2020/21	2021/22	2022/23
Non-Financial-Indicators	Paper Consumptions (A4 Reams Equivalent)	7,500	6,650	6,118	880	1,300	1,363
Financial Implications (£)	Paper Costs	22,445	29,672	24,285	4,918	7,762	3,506

Reducing our water use

Our approach with regard to water usage on our Newport site is to use harvested rainwater wherever possible. Mains water is only used for bathroom and kitchen taps.

Following last year's exceptionally high consumption resulting from a water leak, water usage is back to normal levels. We are still seeing less usage than before the pandemic which reflects the occupancy levels in our offices. We are currently showing a reduction of 37% against the baseline year which exceeds the Greening Government requirement of an 8% reduction.

		2017/18 Baseline	2018/19	2019/20	2020/21	2021/22	2022/23
Non-Financial-Indicators	Water Consumptions (m3)	5,055	5,406	4,951	2,928	6,129	3,159
Financial Implications (£)	Water Consumptions Costs	19,426	19,474	21,891	7,483	10,917	12,041

Procuring sustainable products and services

We primarily procure our goods and services through overarching frameworks put in place by the Crown Commercial Service. Within those commercial constructs, the incumbent suppliers must provide evidence of their compliance with environmental legislation such as ISO 14001. Furthermore, if we were to procure outside of those existing frameworks, we would ensure that suppliers are tested on their compliance via the selection questionnaire which effectively makes this a pass/fail element.

With regard to sustainable construction, we would ensure that the contractors bidding would be effectively tested to ensure they have as a minimum environmentally sustainable practices and that any subcontractors as part of the supply chain have the same terms flowed down to them to ensure compliance. We would also undertake compliance checks against the main contractor's subcontractors to ensure they hold the relevant accreditations.

The Commercial team is required to annually report on its compliance with the Government Commercial Standards, with which we have attained a 'Good' performance rating. The standard effectively tests how we demonstrate value for money, operate efficiently and manage supply chain risks to the organisation. Through the financial year of 2023/24 we are developing commercial contract awareness sessions to ensure the supply chain is being managed effectively across the delegated areas of the business.

Nature recovery and biodiversity planning

Although we are not holders of significant natural capital, we are committed to enhancing the biodiversity of our sites and the local community. Through our Corporate Social Responsibility programme, we provide opportunities for staff to volunteer to help the community and environment (both ecological and social) in which we operate.

Closer to home we planted a tree at Concept House to mark the Queens Green Canopy appeal which formed part of the Platinum Jubilee celebrations. We will continue this work with a review of all planting on site to identify where further trees and wildflower areas can be accommodated.

As part of our obligations to Welsh Government, we reported our biodiversity progress under The Environment (Wales) Act (Section 6 Part 1) which is a statutory duty under their approach to planning and managing natural resources in Wales. One of the requests in the Act is that organisations take action to support pollinators and become a "Bee Friendly" organisation. We have plans to take this forward in the next financial year by sponsoring a hive situated in a local honey farm. Longer term plans will be to locate this on IPO premises looked after by a trained team of volunteers.

Adapting to climate change

Our work in developing a climate change adaption strategy is in its early stages. Our planned activity to perform a climate change risk assessment this year unfortunately did not happen due to resource issues. We will now complete this in the next financial year and will use it to inform our plans and help us to develop a climate change adaptation plan.

Reducing environmental impacts from ICT and digital

The Digital Data and Technology Directorate (DDaT) has a key role in the delivery of the ambitions outlined in the IPO Sustainability Strategy.

DDaT fully embraces the concept of ‘Cloud First’ as encapsulated by the UK Government’s own strategy, while acknowledging the unique position of the IPO, its technological history and the needs of its future services – those services are currently in the process of being transformed.

The phased delivery of the Transformation Programme is one of our Ministerial Targets. The IPO will start to realise some benefits from around September 2024, however, we will not reap the full rewards of the programme until 2026. We seek to make such efficiencies and savings, both cost and carbon, as appropriate, and as they arise.

Our Architectural Principles are that:

- potential public cloud services will be evaluated before considering alternatives. When choosing cloud solutions, Software as a Service (SaaS) should be the first preference, followed by Platform as a Service (PaaS) and finally, Infrastructure as a Service (IaaS). Government-based cloud offering should be considered first
- existing technologies will be re-used in the architecture if they have the capability rather than introducing new technologies. This will limit the number of suppliers to simplify supplier management and reduce overheads

Our high-level goals and the short-term vision looking towards the next financial year, address the critical point we are at in this point in our transformation journey. Sustainability is key to everything we do – it is already ‘business as usual’ when it comes to reuse of kit, and then recycling it when it comes to end of life. These are key aims as we look to achieve a 3.5% efficiency target for the IPO.

Information and Cyber Security

During the last year, the heightened threat status has remained in force, and cyber threats have continued to evolve becoming more frequent, sophisticated, and industrialised. The IPO has responded well and defended the IPO from threats seen.

IPO Secure has restructured to make the team more effective, with several role changes reflecting emerging needs.

Our IPO Security Strategy and the IPO Secure Handbook details our approach to information handling and cyber security across the organisation. We continue to follow central guidance in line with the Government security approach.

Last year we published the new IPO Security Strategy to account for the release of the 'Government Functional Standard GovS 007: Security', the National Cyber Security Strategy and NCSC's Cyber Assurance Framework (CAF). The IPO has successfully recertified against ISO 27001:2013, has successfully verified its PCI DSS compliance and passed the Departmental Security Health Check.

IPO Secure continues to build on existing security education and awareness and security culture within the IPO. We continue to manage incident and breach reports via our internal tool and continue to brief relevant committees regularly. This includes a quarterly deep dive into security incidents and breaches.

We have presented to IPOB, Audit and Risk Committee (ARC), Senior Leadership Group (SLG) and DDaT Senior Leadership Team (SLT) on cyber risk including threat landscape and the actions we are prioritising to manage the risk.

The IPO remains committed to data privacy and has released training modules for all staff such as spear phishing and physical security. Further training and awareness are planned during 2023.

For 2022/23, we processed a total of 13 subject access requests, responding to 100% of these within the legislative time limit 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 2022 calendar year a total of 112 requests were received, compared with 114 in 2021. 97% of all requests were answered within the statutory 20 working day deadline (or a permitted extension of time), compared with 85% in 2021.

Our Plans for 2023/24

Our Corporate Priorities 2023/24 document details what we want to deliver 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:

Under **Delivering Excellent IP services** our ambition is to be completely customer-focused in delivering services that are easy to use, operate to world leading standards and change to meet future needs.

Our **World Leading IP Environment** pillar leads the way in our ambition to ensure the IP system supports and inspires innovators and creators so they, and society, get the most out of their ideas at home and abroad.

Our people remain key to achieving these ambitions and that is why our ambition under our **Brilliant Place to Work** pillar is to create an environment where they can do their best work, ensuring they feel valued, have the right skills, resources and capability to deliver and the confidence to do what is right for our customers, stakeholders and each other.

To help achieve this, our focus in 2023/24 will be:

- delivering our core IP rights granting services
- continuing to transform the way we deliver our services through our One IPO Transformation Programme
- in Retained EU Law (REUL) and trade negotiations, seeking outcomes for the IP framework which benefit the UK economy
- evaluating our office-wide approach to supporting innovative SMEs in making the most of their IP assets
- developing our strategic workforce planning capability to enable us to build an organisation that is the right size and shape and has the skills and places it needs to deliver our priorities over the longer term
- undertaking a culture audit to better understand the current IPO culture and design our future culture needs
- confirming the vision for the IPO and developing the IPO strategy

2023/24

Ministerial Targets

We have agreed with our Minister four performance targets for 2023/24, which are focused on the delivery of our key priorities:

- launch our Transformed One IPO rights granting service for selected patents customers by end of March 2024
- achieve an average overall customer satisfaction of 85% or more
- define the ideal culture to deliver our strategy by October 2023 and develop a detailed culture change plan by January 2024 setting out how we will move from our current culture to our future ideal culture
- achieve efficiencies worth at least 3.5% of our core operating costs

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.



Adam Williams

Chief Executive and Accounting Officer

06 July 2023



Accountability report



Corporate governance report

This report and its subheadings are presented as required by the 2022/23 Government Financial Reporting Manual (FRM) issued by HM Treasury.

Directors' report

Our corporate governance structure is described in our Framework Document¹⁰. There have been a number of Ministerial changes during 22-23 with Ministers responsible for the IPO during the year shown below:

April 22 to July 22	George Freeman MP
July 22 to September 22	no confirmed minister due to change of PM and the resignation of George Freeman MP
September 22 to October 22	Dean Russell MP
November 22 to March 23	George Freeman MP
March 23 to date	Viscount Camrose

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

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

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 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
- 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 2022/23

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.

There have been a number of changes to the membership of IPOB during the last year. I fulfilled the post of CEO on an interim basis initially from September 2022, whilst formal recruitment was completed. I was then formally appointed to this post in December 2022. Other changes include new Deputy CEO and Director of Services, Chief Digital Data and Technology Officer, Director for People and Places, Director of Rights Policy and Enforcement, and Director of Business and International Policy.

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 the year the Executive Board have worked collaboratively to develop our priorities for 2023/24 and monitored the delivery of our 2022/23 objectives set out below (further details are provided in the Corporate Priorities section):

To deliver excellent IP services our priorities are to:

- deliver our core IP rights services achieving our customer service standards
- 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
- 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
- agree a Carbon Net Zero Strategy for IPO and deliver year one commitments

Member Attendance at IPOB meetings held during April 2022 - March 2023

Members	Meetings attended (22 in year)
Adam Williams CEO from December 2022 / Interim CEO from September 2022 / Director of International Policy until August 2022	21
Andy Bartlett Deputy CEO and Director of Services from August 2022 / Transformation SRO to July 2022	13
Julyan Elbro Interim Director of PDTMD from April 2022 to July 2022	7
Pippa Hall Director of Innovation and Chief Economist / Director of Strategy	20
Chris Mills Director of Copyright and IP Enforcement / Director of Rights Policy and Enforcement	17
Neil Hartley Director of Finance	18
Penny Phillpotts Director of PPD from May 2022	16
Paula Brooks Acting Director of PPD until May 2022	5
Sian-Nia Davies Chief Digital, Data and Technology Officer from July 2022 / Interim Chief Technology Officer until July 2022	21
Guy Robinson Acting Director of Strategy until June 2022	2
Sarah Whitehead Director of Business and International Policy from September 2022	13
Tim Moss - left IPO August 2022 Accounting Officer/Chief Executive Officer and Chair of Executive Board	8
David Holdsworth - left IPO April 2022 Deputy Chief Executive Officer and Director of Operational Delivery	2
Mike Fishwick - left IPO April 2022 Chief Technology Officer	0

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 Business and 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 Director of Rights Policy and Enforcement. 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 was chaired by the Director of Strategy, but has recently changed and is now chaired by the Director of People and Places. 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 Services 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 attended for the Director General of Industrial Strategy, Science and Innovation from BEIS¹¹. I am also a member, along with the Deputy Chief Executive Officer and Director of Services. 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 scrutinises and provides advice on performance and risk, drawing on the experience of the non-executive directors, on our operation and development across a range of issues. The Steering Board met five times during this period. Other members of IPOB have attended Steering Board since mid-2022 and whilst not formal members, participated in discussions and shared information pertinent to their roles.

11. Machinery of Government changes were announced in February 2023 with BEIS disbanded and replaced by four new Departments. IPO were confirmed as an Executive Agency of the new Department for Science, Innovation and Technology (DSIT). Within our 2022/23 annual report and accounts, and for consistency within the document, we will continue to use BEIS in reference to our Department with accounting officer responsibilities formally transferred from 1st April 2023

Member Attendance at Steering Board meetings held during April 2022 to March 2023

Members	Meetings attended (5 in year)
Harry Rich Non-Executive Director and Chair of Steering Board Chair of Valuation Tribunal Service	5
Andrew Lawrence Non-Executive Director and Chair of Audit and Risk Committee Chair of Bron Afon Community Housing	5
Kevin Orford 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	5
Lopa Patel Non-Executive Director Founder and Chair of Diversity UK	5
Laurie Benson Non-Executive Director Chair of Audit Committee at Christie Group plc	4
Hilary Newiss Non-Executive Director Trustee of the Natural History Museum	5
Harriet Kelsall Non-Executive Director Deputy Chair, National Association of Jewellers Founder and Chair of Harriet Kelsall Jewellery Design Ltd Non-Executive Director of the British Allied Trades Federation Non-Executive Director for Lillicoco Ltd	5
Adam Williams Accounting Officer / CEO from December 2022 / Interim CEO from September 2022	4
Andy Bartlett Deputy CEO and Director of Services from August 2022	4
Sarah Mackintosh BEIS	5
Jo Shanmugalingam Director of BEIS	1
Tim Moss - left IPO August 2022 Accounting Officer/Chief Executive Officer	1
David Holdsworth - left IPO April 2022 Deputy Chief Executive Officer and Director of Operational Delivery	0

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

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 Services, 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 2022/23, the committee considered the findings of 13 internal audit reviews themed around the key risk areas, including Transformation's alignment to strategic objectives, key financial controls, hybrid working and the security culture.

Member Attendance at Audit and Risk Committee meetings held during April 2022 to March 2023

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	4

Obligatory Attendees of Audit and Risk Committee

Adam Williams (from September 2022)
Accounting Officer/Chief Executive Officer

Andy Bartlett (from August 2022)
Deputy Chief Executive Officer and Director of Services

Neil Hartley
Director of Finance

Tim Moss – left IPO August 2022
Accounting Officer/Chief Executive Officer

Attendees of Audit and Risk Committee by Invitation

Julie Griffiths

Acting Head of Governance, Risk and Assurance

James Meager until December 2022 / **Steve Collins** from December 2022

Head of Internal Audit (Government Internal Audit Agency)

David Legg until July 2022 / **Alice Roycroft** from July 2022

BEIS Representative

Incumbent

External Auditors from National Audit Office

Incumbent

Representatives of External Auditors (KPMG)

Karen Powell - left IPO December 2022

Acting Deputy Director of Strategy, Governance and Assurance

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 and an internal Steering Board effectiveness review is planned for November 2023
- 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
- 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 co-operation 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

A review of the Governance of IPOB is planned in for July 2023 where Board members will discuss, review, and agree on the meeting structure going forward that best enables effective decision making.

Business Appointment Rules

The Business Appointment Rules apply to civil servants who intend to take up an appointment or employment after leaving the Civil Service. It is important that when a former civil servant takes up an outside appointment or employment there should be no cause for justified public concern, criticism or misinterpretation.

For members of the Senior Civil Service and equivalents, including special advisers of equivalent standing, the Rules continue to apply for two years after the last day of paid Civil Service employment. For those below the Senior Civil Service and equivalents, including special advisers of equivalent standing, the Rules continue to apply for one year after leaving the Civil Service, unless, exceptionally, the role has been designated as one where a longer period of up to two years will apply.

These rules are included in our standard Terms & Conditions letters for all new joiners to the IPO. In addition, guidance is published on our intranet and is readily available for all staff.

We have not had any applications during 2022/23.

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. This system has been in place throughout 2022/23.

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 IPO Risk Policy and Framework has been reviewed and updated to ensure alignment to the Government's Orange Book of Risk Management and the current processes. This includes embedding face to face meetings with all risk owners to not only update the risk but to provide appropriate challenge on progress, mitigating activities and scoring. This approach is currently being rolled out across the business via the Directorate Risk Representatives to embed a consistent approach and ensure appropriate challenge is taking place across the office.

The Board Risk Register records all strategic risks to the achievement of the IPO's corporate priorities. It is reviewed monthly by IPOB, and quarterly by both Audit and Risk Committee and Steering Board. This is further supported by internal audit reviews and assurance reporting.

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. Risk is a standing agenda item at the Transformation Programme Board where the key risks are reported and discussed. It also reports quarterly to the Audit & Risk Committee. The Transformation Programme's top risks are also reported monthly as part of the IPOB risk reporting pack.

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

Risk Appetite

A joint review of the IPO Risk Appetite took place with the Executive Board and the Steering Board in September 2022. A new approach was taken using the full Orange Book of Risk Management Risk Appetite Definition Table. The Executive Board and Steering Board separately considered what the IPO's risk appetite should be for each category to identify any differences of opinion. This resulted in a detailed discussion and agreement of the IPO's risk appetite across all the categories.

To ensure the Risk Appetite Statement is effectively embedded and consistently used across the IPO, this document is now included as a Reference Paper for all Boards and Committees and is included in the relevant paper templates. It is also published on the IPO's intranet and all Directorate Risk Representatives have been trained in its use.

Risk Horizon Scanning Workshops

IPOB have regular risk horizon scanning discussions to identify possible risks to achieving the corporate priorities and ministerial targets. This includes consideration to external factors, such as the impact of Retained EU Law on policy, legal resources, changes required in services for both staff and customers and the IPO's ability to meet its statutory obligations which could have a negative impact on customer satisfaction. Other external pressures include the proposed CS25 Civil Service staff reductions and efficiencies, and the impact those would have on the IPO's ability to deliver its corporate priorities.

Risk horizon identification workshops have been completed with Creating a World Leading IP Environment and Making the IPO a Brilliant Place to Work Committees. The 2022/23 Corporate Plan formed the basis of the identification exercises, and the risks to achieving the Corporate Priorities and Ministerial Targets were captured.

Blank page risk identification workshops have been completed for the Transformation Programme Phase 2, Transformation Programme People & Change Workstream, Strategy Directorate, Futures Strategy Team, and Patents, Designs & Trademarks Directorate.

A blank page risk identification workshop on the Corporate Plan priorities is planned with IPOB in July 2023. This is to identify and capture strategic level risks which could impact on the IPO delivering the agreed Corporate Priorities and Ministerial Targets planned for 2023/24.

The Acting Head of Risk, Governance & Assurance is a member of the cross-government Risk Improvement Group (RIG), and also the BEIS Partner Organisation Risk Management Network. Both groups meet virtually with the aim of discussing any new requirements and sharing best practice.

Risk training

Internal risk training delivered by the Senior Risk and Counter Fraud Manager and the Risk and Counter Fraud Officer has continued to be delivered both remotely and in person. There have been five sessions delivered to 37 members of staff throughout the year.

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. During this period three Management of Risk Foundation courses were arranged for a total for 41 members of staff. All new directorate Risk Representatives attended and successfully passed the course.

Risk Awareness week took place in September 2022. Events and activities (both in-person and virtual) included a risk stall, a risk management lunch and learn, internal articles, and quizzes to test the understanding and raise the profile of risk management across the office.

Internal Audits

Maintaining and improving effective governance within the IPO remains a key priority. A comprehensive internal audit programme is agreed with Government Internal Audit Agency each year with the resulting reports and recommendations reported to the Audit and Risk Committee and the Executive Board. This year, the Head of Internal Audit's annual report and opinion provided a Moderate opinion on the effectiveness of governance, risk management and control activities. That opinion was formed based on the delivery of internal audit reviews, attendance at boards and committees, regular conversations with the Executive Board, reviewing the strategic risk register, assurance maps and output of other assurance providers. The results of the work delivered by the internal audit team provided one 'substantial' opinion, eight 'moderate' opinions and four advisory/consultancy reviews.

Government Functional Standards

Monitoring of the Government Functional Standards has been an ongoing activity throughout the year. The new Assurance Manager has worked closely with all the Functional Leads to identify compliance and continuous improvement plans, where required. The Government Functional Standard for GovS 003: HR and GovS 004: Property have been submitted to BEIS for Peer Review and feedback following the self-assessment is awaited. Peer Review of the Government Functional Standard GovS 013: Counter

Fraud is currently in progress after evidence was submitted to BEIS in September 2022.

Counter Fraud and Official Error

During 2022/23 we have been working to ensure continued compliance with the Government Functional Standard GovS 013: 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 actual and prevented fraud and official error. A report is presented at every Audit and Risk Committee meeting showing trends and 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 by all business areas twice yearly, and updated as and when needed, to ensure that there are no changes to our existing fraud risks and that any new or emerging fraud risks are captured.

Internal Counter Fraud and Official Error Loss Prevention training sessions continue to be available to all staff remotely. The programme of targeted Counter Fraud training with all higher risk areas concluded in May 2022 and was completed with Payroll, Recruitment, Finance Operations, and Commercial teams. Since the Civil Service Learning Counter Fraud e-learning was added to the IPO's required learning, the number of staff completing the training has continued to increase significantly year on year.

In October 2022, the Senior Risk and Counter Fraud Manager became a registered member of the Government Counter Fraud Profession and continues to be a member of the BEIS Counter Fraud Network and Cabinet Office Fraud Champions Network. Meetings are held remotely, and 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 activity identified.

Whistleblowing and raising concerns

Our policy entitled 'Policy for raising concerns (including whistleblowing)' is available for all our people to access on our intranet site. Two concerns were reported anonymously; these have been investigated by an independent member of the ARC and the committee agreed with the findings that there was appropriate governance in these circumstances and that there was no cause for concern.

In addition to raising concerns via this policy the IPO has multiple other reporting routes, some of which are anonymous (for example Ask the Office, Ask the Board Live, People Survey and 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) is chaired by the Culture Project Lead (previously chaired by the Head of Office Services). It advises and monitors hybrid working best practice, reports up to the Brilliant Place to Work Committee monthly, with an escalation route to IPOB

The Business Continuity Plan is updated every six months. We also test it through a rolling programme. This year we held a tabletop session to identify the risks to services in the event of disruption to various points of the customer payment process. We identified that manual workarounds and alternative payment systems would be available but are also assessing the risk of failure of one of the systems.

Our response to live incidents also informs us of improvements needed to our plans. This included industrial action by Civil Service unions. We have seen no significant disruption to business so far with our hybrid working arrangements and HR policies allowing for flexibility. Two strike days have been held so far, and we are preparing for possible future strikes and the impact of the longer term “Action short of strike” announced by one of our Unions.

Disaster recovery

Disaster recovery (DR) is a key element of business continuity. The BCP team works closely with the Disaster Recovery team, who review our disaster recovery facilities and continue to further improve our corporate resilience.

Disaster recovery testing resumed in 2022 and a rolling programme of testing has been created. DR is also a key part of the Transformation service transition and will be thoroughly tested before new services go live.

Security

IPO Secure continues to utilise a risk managed approach to security. This allows the team to constantly re-prioritise the most important tasks in a fast moving and dynamic threat landscape. The methodology employed is ISO 27005 (Security Risk Management) and ISO 31000 (Corporate Risk Management) compliant.

During the last year the heightened threat status remained in force, and

cyber threats continued to evolve, becoming more frequent, sophisticated, and industrialised globally. The IPO has responded well to defend itself. The IPO Secure team restructured to make it more effective, and several roles changed to reflect the emerging needs.

Last year the new IPO Security Strategy was published to account for the release of the Government Functional Standard GovS 007: Security, the National Cyber Security Strategy and NCSC’s Cyber Assurance Framework (CAF). The IPO successfully recertified against ISO 27001:2013, successfully verified its PCI DSS compliance, and assured against the Departmental Security Health Check.

Government Internal Audit Agency (GIAA) recently completed an audit on the IPO security culture. It resulted in a positive report, highlighting that there are many well-designed controls in place in relation to physical and cyber security. The recommendations made are being taken forward to make further improvements to the IPO’s security culture and awareness where identified.

Cyber Security

IPO continues to actively utilise all the National Cyber Security Centre’s (NCSC’s) Active Cyber Defence (ACD) primary services, including Protective Domain Name Service (PDNS) to further protect users from internet threats and take advantage of the advanced cyber intelligence centrally available, and work is underway to produce a Cyber Operations roadmap for the next three years.

Security Operations Centre (SOC)

Over the past year, the Security Operations Centre (SOC) have worked closely with Internal Communications to improve communication to staff regarding Cyber Incidents. By utilising Gov Delivery effectively, the SOC is now able to alert all staff in a consistent manner about any cyber related incidents and measure the readership of the messaging. It has also resulted in more staff members reporting incidents and helped with prevention of recurring incidents. This shows the approach has been successful in increasing awareness among staff.

SOC have invested considerable effort into developing approaches and processes to successfully detect, report and respond to security threats. This activity is vital to ensure IPO can identify security anomalies quickly, further improving the organisation's defences and allowing swifter mitigation of security incidents. This work will continue.

Data Privacy & Information Rights

Personal data breaches and incidents continue to be monitored, and a monthly report is submitted to the Brilliant Place to Work Committee. The numbers of reported personal data breaches have increased slightly, but this is due to a change in the information being captured.

The Data Protection Team continue to work with business owners to agree measures that could be introduced to prevent re-occurrence, including signposting them to the available training.

Modern Slavery

We are required to comply with the Procurement Policy Note – Tackling Modern Slavery in Government Supply Chains, which requires as part of the pre-tender processes to assess whether the risk of Modern Slavery is low, medium, or high in proposed agreements. Suitable measures must be included in the procurement process to assess bidders against mandatory or discretionary criteria, with a view to eliminating those who do not meet a particular threshold regarding Modern Slavery. A pragmatic approach must be taken on the threshold required, based on the goods/service being procured and its respective supply chain. Suitable measures/metrics are then included in contracts to identify any Modern Slavery concerns and that there are suitable means to monitor, mitigate and treat any risks which materialise.

At present, bidders are asked to disclose whether they fall within scope of Section 54 of the Modern Slavery Act 2015 and if they do, to include a copy of their Modern Slavery statement as part of their tender submission. Bidders are also required to complete the Modern Slavery Assessment Tool (MSAT) to identify, treat and mitigate potential modern slavery risks in both its own organisation and that of its supply chain.

We provide guidance as to what should be included in Modern Slavery statements and state that a failure to provide Modern Slavery statements which do not comply with the above, and all requirements under the Modern Slavery Act 2015, may deem their tender non-compliant.

Where relevant, we engage with successful suppliers upon contract award to review their MSAT submission and output report, as well as those of proposed sub-contracts and supply chains.

If bidders state they are in-scope of the Modern Slavery Statement reporting requirements in the Modern Slavery Act 2015, and they have not produced a fully legally compliant statement as part of tender submissions or have not updated this as required by the Act, the supplier will be required to make corrections within 30 days. This, and any other improvements required resulting from the MSAT tool outputs, will form part of key contractual KPIs where appropriate.

Alexander Review

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 one engagement was determined as 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 will continue to monitor this position and should anything change 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.

Challenges to the Organisation

There have been a number of challenges over the last 12 months, which have impacted on the IPO:

- external factors including the CS25 Civil Service Reductions/Civil Service Efficiencies. This resulted in the IPO

introducing recruitment controls to reduce any potential impact on existing staff caused by the potential reductions/efficiencies. This meant posts identified as part of the Organisation Design Review were not filled, which increased pressure on existing staff and delivery teams, and those maintaining our services. It also further compounded the resourcing and recruitment issues already being encountered, especially in the digital and technical specialism space

- in October 2022 we introduced the expectation for our people to return to the office for 20% of their working time. Despite the significant efforts taken to ensure Concept House was ready for staff return, and the efforts to communicate clearly and positively on the benefits of returning to the office on the culture and collaboration, this has continued to be a challenge in terms of staff engagement and adherence to the 20% target, resulting in a risk that the IPO does not realise the benefits of co-located working. A Hybrid Review is currently in progress
- the Transformation Programme is the largest programme to be undertaken by the IPO. Recruitment of new staff has been a challenge because the marketplace is competitive and some of the skills that IPO require are in high demand. Also, maintaining service availability on existing systems estate and balancing an appropriate level of people, skills and experience across old and new areas continues to be a challenge. Digital, Data and Technology Team are currently standing up its first Service Squad, bringing responsibility for transformed services into an entirely

IPO team. Whilst this has been carefully considered and planned, it's a significant change for our people in technology upskilling, knowledge transfer and culture

- following the introduction of a new Designs IT system in 2016, issues were identified regarding filing dates and data quality on the register. A project team have successfully delivered a programme of work and completed all required remedial actions. No challenges or complaints were received during this time. They are now working through a final set of required changes, which should be completed over the next few months. IPO is currently transforming its services and the programme will be ensuring that issues are not repeated in the new OnIPO transformed service

Going forward into 2023/24 we will be monitoring closely:

- the uncertainty around external impacts (for example, Civil Service efficiencies) on our people and delivering our corporate priorities
- the continuing challenges around embedding hybrid working
- the 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 2022/23.



Adam Williams

Chief Executive and Accounting Officer
06 July 2023

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 and, where relevant, promote suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion 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 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 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 24 May 2022 to moderate the 2022 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	
	22/23	21/22	22/23	21/22	22/23	21/22	22/23	21/22	22/23	21/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tim Moss ¹² Chief Executive from 1 May 2017 to 31 August 2022	45-50 (FYE 105-110)	105- 110	0-5	0-5	-	-	1	29	45-50	135-140
David Holdsworth ¹² Director and Deputy CEO from 10 June 2019 to 24 April 2022	10-15 (FYE 95-100)	95-100	5-10	5-10	-	-	1	29	20-25	135-140
Adam Williams ¹² Director from 19 September 2016. Interim Chief Executive from 1 September 2022 to 11 December 2022. Chief Executive from 12 December 2022.	90-95	75-80	5-10	5-10	-	-	34	29	130-135	110-115
Andy Bartlett ¹² Director and Deputy CEO from 1 August 2022	60-65 (FYE 95-100)	-	0-5	-	-	-	64	-	125-130	-
Julyan Elbro ¹² Interim Director of PDTMD from 25 April 2022 to 31 July 2022	25-30 (FYE 75-80)	-	0-5	-	-	-	-	-	25-30	-
Pippa Hall ¹² Director from 31 August 2016	75-80	75-80	0-5	5-10	-	-	30	29	105-110	110-115
Neil Hartley ¹² Director from 1 April 2015	80-85	80-85	0-5	0-5	-	-	(14)	14	65-70	90-95
Chris Mills ¹² Director from 12 April 2021	75-80	70-75 (FYE 75-80)	5-10	0-5	-	-	28	30	110-115	105-110
Sian-Nia Davies ¹² Director from 24 September 2021	85-90	55-60 (FYE 75-80)	0-5	0-5	-	-	32	15	115-120	75-80
Penny Phillpotts ¹² Director from 16 May 2022	75-80 (FYE 85-90)	-	0-5	-	-	-	29	-	100-105	-
Sarah Whitehead ¹² Director from 5 September 2022	40-45 (FYE 70-75)	-	0-5	-	-	-	17	-	55-60	-
Paula Brooks ¹³ Acting Director from 19 October 2020 to 1 May 2022	15-20 (FYE 70-75)	70-75	0-5	0-5	-	-	5	23	20-25	95-100
Guy Robinson ¹⁴ Acting Director from 1 May 2021 to 30 June 2022	15-20 (FYE 70-75)	75-80 (FYE 75-80)	0-5	0-5	-	1	4	35	20-25	110-115
Michael Fishwick Director from 7 September 2015 to 30 April 2022	20-25 (FYE 115-120)	115- 120	0-5	0-5	-	-	4	46	25-30	160-165
Dominic Houlihan Director from 18 September 2017 to 30 July 2021	-	30-35 (FYE 75-80)	-	5-10	-	-	-	10	-	45-50

12. Is a member of the Senior Civil Service

13. Substitution to board to cover vacancy

14. Temporary promotion to board

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.

Bonuses

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 2022/23 relate to performance in 2021/22 and the comparative bonuses reported for 2021/22 relate to the performance in 2020/21. 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 at 31/3/23 and related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV ¹⁵ at 31/03/23 or leaving Office	CETV ¹⁵ at 31/03/22 or taking Office	Real increase/ (decrease ¹⁶) in CETV
	£000	£000	£000	£000	£000
Tim Moss Chief Executive from 1 May 2017 to 31 August 2022	30 - 35 plus a lump sum of 45 - 50	0 - 2.5 plus a lump sum of 0	599	584	(5)
David Holdsworth Director and Deputy CEO from 10 June 2019 to 24 April 2022	25 - 30 plus a lump sum of 40 - 45	0 - 2.5 plus a lump sum of 0	351	349	0
Adam Williams Director from 19 September 2016. Interim Chief Executive from 1 September 2022 to 11 December 2022. Chief Executive from 12 December 2022.	20-25	0-2.5	301	261	20
Andy Bartlett Director and Deputy CEO from 1 August 2022	40-45 plus a lump sum of 80-85	2.5-5 plus a lump sum of 5-7.5	768	662	49
Julyan Elbro Interim Director of PDTMD from 25 April 2022 to 31 July 2022	30-35 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0	590	580	(3)
Pippa Hall Director from 31 August 2016	20-25	0-2.5	192	168	9
Neil Hartley Director from 1 April 2015	45-50	0	828	762	(24)
Chris Mills Director from 12 April 2021	10-15	0-2.5	132	111	9
Sian-Nia Davies Director from 24 September 2021	0-5	0-2.5	45	18	20
Penny Phillipotts Director from 16 May 2022	0-5	0-2.5	17	0	11
Sarah Whitehead Director from 5 September 2022	15-20	0-2.5	163	155	6
Paula Brooks Acting Director from 19 October 2020 to 1 May 2022	20-25	0-2.5	398	390	4
Guy Robinson Acting Director from 1 May 2021 to 30 June 2022	25 - 30 plus a lump sum of 40 - 45	0 - 2.5 plus a lump sum of 0	375	365	1
Michael Fishwick Director from 7 September 2015 to 30 April 2022	15-20	0-2.5	298	291	3
Dominic Houlihan Director from 18 September 2017 to 30 July 2021	-	-	-	151	-

15. Cash Equivalent Transfer Values (CETV)

16. Negative results are final salary members (classic/classic plus/premium) who have transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

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 5 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, 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 [Civil Service Pension Scheme](#).

Cash Equivalent Transfer Values (CETV)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and

chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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

	2022/23		2021/22 ¹⁷	
	Salary and Allowances	Performance Pay and Bonuses Payable	Salary and Allowances	Performance Pay and Bonuses Payable
Band of highest paid director total remuneration excluding pension increase (£000)	95-100	5-10	115-120	0-5
Percentage change in the remuneration of the highest paid director	(19%)	972%	0%	(73%)
Average Percentage change in the remuneration of the employees of the entity as a whole	5%	19%	2%	4%

The highest paid director received a lower salary than the director in the previous year, who left in 2022/23, resulting in a 19% decrease in the salary of the highest paid director from £115k-£120k to £95k-£100k. Performance pay and bonuses payable to the highest paid director increased by 972% from £0k-£5k to £5k-£10k due to a non-consolidated performance bonus being paid to the highest paid director in 2022/23.

Banding of the highest paid director total remuneration is based on salary as at 31 March. This differs to the banding in the Single total figure of remuneration which is calculated using actual figures.

17. Restated to include permanent staff on career break.

	2022/23	2021/22
Number of persons receiving remuneration in excess of highest paid director ¹⁸	15	10
Remuneration range for employees including highest paid director (£000)	17-192	18-330

No permanent employees received remuneration above the highest paid director.

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	2022/23	2021/22 ¹⁹	2022/23	2021/22 ¹⁹	2022/23	2021/22 ¹⁹
Total pay and benefits	£27,700	£25,419	£41,240	£34,663	£59,214	£51,846
Salary component of total pay and benefits	£25,044	£24,681	£32,741	£32,270	£57,583	£43,212
Pay Ratio	3.5	4.6	2.4	3.4	1.6	2.3

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. Total remuneration includes salary, allowances, overtime, performance related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. Disclosures include amounts paid to agency and other temporary workers covering staff vacancies and excludes consultancy services. Salaries for all staff are calculated on an annualised basis, with annualised day rates excluding agency fees used for agency and temporary workers. Our Non-Executive Directors receive a salary for an annual time commitment. Due to their non-standard employment terms, and complexity calculating an annualised salary, they are excluded from all Fair Pay disclosures.

Total pay and benefits of employees increased for each percentile in 2022/23, compared to 2021/22, whilst the remuneration of the highest paid director decreased, resulting in a decrease in the pay ratio for all percentiles.

Salary, allowances and bonuses increased for those in the 75th percentile in 2022/23 compared to 2021/22. During this period, the number of staff paid at higher grades (C to D) increased, whilst the number of staff paid at lower grades (A to B) decreased. Higher grade roles also attract professional and scarce skills allowances, which was reflected in

18. This refers to temporary appointments, who on an annualised basis, receive remuneration in excess of the highest paid director.

19. Restated to include permanent staff on career break.

an increase in allowances paid to staff in higher grade roles, and a decrease in allowances paid to staff in lower grade roles in 2022/23 compared to 2021/22. Furthermore, professional roles with both lower and higher grade equivalents are paid allowances at lower and higher rates to reflect the difference in experience, skills and qualifications at the different grades. The increase in bonuses paid to staff in 2022/23 was a result of updating the methodology used to calculate the IPO's annual bonus to account for increases in headcount.

The median pay ratio for 2022/23 is consistent with the pay, reward and progression policies taken for all employees and in line with expectations, given the mid-point of the banded remuneration of the highest paid director decreased during the period, and a pay award for delegated grades was implemented during the financial year.

The 2022/23 pay award provided a minimum 2% increase to all grades, with a further 1% targeted at specific grades, reforming the pay structure, and ensuring meaningful pay progression. With these increases, and the decrease in remuneration of the highest paid director, we would expect to see a lower median pay ratio.

Steering Board Members – Audited

The Independent Board members and their remuneration are:

	2022/23 Remuneration £000	2021/22 Remuneration £000
Harry Rich Chair Appointed from 1 October 2021 to 30 September 2024	15-20	5-10 (FYE 10-15)
Andrew Lawrence Appointed from 31 July 2018 to 30 July 2025	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 2023 (Interim Chair 1 April to 30 September 2021)	5-10	10-15
Laurie Benson Appointed from 1 January 2020 to 31 December 2025	5-10	5-10
Hilary Newiss Appointed from 1 October 2021 to 30 September 2024	5-10	0-5 (FYE 5-10)
Harriet Kelsall Appointed from 1 October 2021 to 30 September 2024	5-10	0-5 (FYE 5-10)

The Steering Board members did not receive any bonuses, benefits in kind, or pension benefits in 2022/23 (2021/22: 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 Sarah Mackintosh, David Legg, to July 2022, and Alice Roycroft, from July 2022, as the BEIS representatives.

Sarah Mackintosh, David Legg and Alice Roycroft are civil servants and 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.

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	2022/23 Total	2021/22 Total
	£000	£000	£000	£000
Wages and Salaries	69,753	9,575	79,328	72,547
Social Security Costs	8,139	-	8,139	6,978
Other pension costs	17,849	-	17,849	16,380
Subtotal	95,741	9,575	105,316	95,905
Capitalised staff costs included in above	(5,753)	(1,928)	(7,681)	(3,887)
Total net costs	89,988	7,647	97,635	92,018

Consultancy and the use of Contingent Labour

	2022/23	2021/22
	£000	£000
Consultancy expenditure	48	229
Capitalised costs included above	(18)	(30)
Total net costs	30	199

	2022/23	2021/22
	£000	£000
Contingent labour expenditure	9,575	9,195
Capitalised costs included above	(1,928)	(1,628)
Total net costs	7,647	7,567

IPO continue to use contingent labour to support our Transformation Programme and to provide difficult to recruit skills.

Off-Payroll Engagements

Highly paid off-payroll appointments as of 31 March, for more than £245 per Day²⁰ or greater.

	2022/23	2021/22
No of existing engagements as of 31 March	50	56
Of which:		
Number that have existed for less than one year at the time of reporting	13	33
Number that have existed for between one and two years at the time of reporting	18	10
Number that have existed for between two and three years at the time of reporting	9	1
Number that have existed for between three and four years at the time of reporting	-	5
Number that existed for between four or more years at the time of reporting	10	7

The total number of existing engagements have been recalculated for 2021/22. The number of existing engagements previously published was 47. Of which, 33 existed for less than one year, 8 between one and two years, 1 between two and three years and 5 between three and four years.

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

Highly paid off-payroll appointments as of 31 March, for more than £245 per Day²¹ or greater.

	2022/23	2021/22
Number of temporary off-payroll workers ²² engaged during the year ended 31 March	71	92
Of which:		
Not subject to off-payroll legislation	-	1
Subject to off-payroll legislation and determined as in-scope of IR35	70	89
Subject to off-payroll legislation and determined as out-of-scope of IR35	1	2
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	-	-

The number of temporary off-payroll workers engaged during the year ended 31 March have been recalculated for 2021/22. The number previously published was 83, of which Not subject to off-payroll legislation Nil, Subject to off-payroll legislation and determined as in-scope of IR35 81. The 2021/22 figures have also been corrected from those originally published due to an error in presentation being identified.

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

22. 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

	2022/23	2021/22
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 responsibility”, during the financial year	14	12

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 the underlying assets and liabilities.

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

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

For 2022/23, employer contributions of £17,812,153 were payable to the CSOPS (alpha) and Partnership (in 2021/22 employer contributions of £16,597,934 were payable to the PCSPS, CSOPS and Partnership schemes). Employer contributions for those in CSOPS schemes were paid at one of the four rates in the range 26.6% to 30.3% of pensionable earnings 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 2022/23 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 £94,586 (2021/22 £94,945) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2,386, 0.5% (2021/22: £2,505, 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £183. (In 2021/22 contributions of £11 were due from the partnership pension providers at the balance sheet date). Contributions prepaid at that date were £Nil.

Ill-Health Retirement

One individual retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £19,805.

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:

	2022/23 (FTE)	2021/22 (FTE)
Directors ²³	8	10
Staff	1,620	1,551
Seconded in staff	5	10
Seconded out staff	-	-
Total	1,633	1,571
Agency/contract staff	87	80 ²⁴

23. Includes one loan-in on payroll

24. Agency/contract staff 2021/22 have been restated to remove workers employed via third party suppliers. The revised figure represents contingent labour only, consistent with the current year.

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.

Michael Fishwick left under Voluntary Exit terms on 30 April 2022 and received a compensation payment of £65k-£70k.

Exit package cost (£)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
<10,000	-	-	-	-	-	-
10,000-25,000	-	-	-	-	-	-
25,000-50,000	-	-	1	-	1	-
50,000-100,000	-	-	1	-	1	-
100,000-150,000	-	-	-	-	-	-
150,000-200,000	-	-	-	-	-	-
Total number of exit packages	-	-	2	-	2	-
Total cost (£)	-	-	111,981	-	111,981	-

Staff Composition

The staff composition as at 31 March was as follows:

	2023 Male	2023 Female	2022 Male	2022 Female
Total staff	53.6%	46.4%	52.2%	47.8%
Directors	50.0%	50.0%	66.7%	33.3%
Senior Civil Servants	77.8%	22.2%	80.0%	20.0%
All other staff	53.3%	46.7%	51.8%	48.2%

SCS band	2022/23	2021/22
Band 2	2	2
Band 1	23	23
Total	25	25

Gender Pay Gap

We are fully committed to fair pay and recognise that reducing the gap is complex and therefore needs consistent and proactive action. It is something that we, as an organisation, take very seriously and reducing our pay gap will remain an IPO priority until it has been brought to a satisfactory level.

You can find further information on our pay gap, as well as our action plans to reduce the gap and our approach and commitment to diversity on our Equality and diversity pages.²⁵

Sickness Absence Data

During 2022/23, we averaged 7.5 (2021/22: 7.1) working days lost per person against our internal target of an average of 6.5 working days lost per person. This target was set pre covid.

25. <https://www.gov.uk/government/organisations/intellectual-property-office/about/equality-and-diversity>

Staff Turnover

The staff turnover percentage for 2022/23 is 7.5% (2021/22 4.4%). 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
- 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.

Staff engagement

79% of IPO colleagues completed the 2022 People Survey, an increase of 14% on 2021. This was likely a combined result of improved access to the survey and significant change at the organisation. Our People Survey results showed that IPO engagement fell from 73% in 2021 to 66% in 2022. Whilst it is disappointing to see that our colleagues' experience of the IPO feels worse this year, it is not altogether unexpected due to a year of external personal pressures and internal change.

We are committed to doing what we can to rebuild engagement with our people. Our key action areas were pulled from quantitative scores as well as a peer-led deep-dive on the qualitative feedback. Our people told us that Hybrid working, Culture and community, and Pay and benefits are the most important things for them and our corporate action plan (You said, we did) reflects this. We continue to support local activity in Directorates which, whilst broadly aligned to the corporate themes (and uses the common branding), focuses specifically on target areas appropriate to their results. Our bi-annual pulse surveys, which highlight a selection of engagement outcomes, have provided supplementary data helping to shape our action whilst also recognising if our efforts are impacting people's experience.

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 IPOB 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.

	2022/23	2021/22
Number of employees who were relevant officials during the financial year	28.0	26.0
FTE number	26.0	24.0

Percent of Time Spent on Facility Time

	2022/23	2021/22
0%	2.0	3.0
1% - 50%	26.0	23.0
51% - 99%	-	-
100%	-	-

Percent of Paybill Spent on Facility Time

	2022/23	2021/22
	£000	£000
Total cost of facility time	75	53
Total paybill	89,988	84,451
Percentage of total paybill spent on facility time	0.08%	0.06%

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

Paid Trade Union Activities

	2022/23 (%)	2021/22 (%)
Time spent on paid trade union activities as a percentage of total paid facility time hours	0.00	9.14

Parliamentary Accountability and Audit Report

Regularity of Expenditure - Audited

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

Losses and Special Payments - Audited

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

Government Functional Standards

Compliance with the Government Functional Standards, as explained in the Governance statement, is monitored and reported to Audit and Risk Committee.

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. Although there have been significant surpluses in recent years, these have been due to exceptional circumstances such as leaving the EU and Covid-19, which resulted in a large increase in workloads. Retained surpluses are fully allocated to fund known commitments and forecasts for future years are that costs will broadly match income.

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:

2022/23	Patents	Trade marks	Designs	Grant	Total
	£000	£000	£000	£000	£000
Income	84,177	61,805	7,870	99	153,951
Expenditure	(79,722)	(51,204)	(7,678)	(99)	(138,703)
Subtotal before financing and dividend	4,455	10,601	192	-	15,248
Financial Income	544	1,293	23	-	1,860
Financial Expenditure	(4)	(10)	-	-	(14)
Dividend	(1,377)	(3,276)	(59)	-	(4,712)
Retained surplus/ (deficit) before additional dividend	3,618	8,608	156	-	12,382
Additional Dividend (funded from reserves)					(2,803)
Retained surplus/ (deficit)					9,579
2021/22	Patents	Trade marks	Designs	Grant	Total
	£000	£000	£000	£000	£000
Income	82,285	73,911	7,858	99	164,153
Expenditure	(75,294)	(49,054)	(7,075)	(99)	(131,522)
Subtotal before financing and dividend	6,991	24,857	783	-	32,631
Financial Income	10	35	1	-	46
Dividend	(870)	(3,093)	(97)	-	(4,060)
Retained surplus/ (deficit) before additional dividend	6,131	21,799	687	-	28,617
Additional Dividend (funded from reserves)					(1,804)
Retained surplus/ (deficit)					26,813

During the reporting year we have made some improvements to the way we allocate costs and present this information. The figures for 2021/22 have therefore been restated to reflect this new and more accurate methodology.

Each of our rights areas has costs directly allocated, eg examiners and other frontline staff, any non-pay costs specific to that rights area.

All other costs – support functions, overheads etc – are apportioned to the different rights. Historically we have apportioned these in line with the proportion of income each right brings in, so if patents was 60% of income it would have 60% of indirect costs allocated.

This does not reflect the far higher volumes of trade marks and designs casework, the numbers of staff working in each area and their use of shared resources including back office and shared systems and services.

We have therefore changed our approach and now use better data to allocate direct costs and front-line staff numbers (working in each rights area) as the basis for allocating indirect costs. We feel that this approach more appropriately allocates costs to each of our rights areas.

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 is aware of. Liabilities of the EPO and other multi-national organisations lie with the Secretary of State.



Adam Williams

Chief Executive and Accounting Officer

06 July 2023

The Certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Intellectual Property Office's (the Patent Office) for the year ended 31 March 2023 under the Government Trading Funds Act 1973.

The financial statements comprise the Patent Office's:

- Statement of Financial Position as at 31 March 2023;
- 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 2023 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 and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 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 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 and my auditor's certificate and report thereon. 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.

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 made 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements 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 Report.

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

- Adequate accounting records have not been kept by the Patent Office or returns adequate for my audit have not been received from branches not visited by my staff; or

- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Patent Office from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; 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 anticipates that the services provided by the Patent Office will not continue to be provided in the future.

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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Patent Office's accounting policies, key performance indicators and performance incentives.
- inquired 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 on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of 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, Managing Public Money;
- inquired of management, the Patent Office's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud; and
- discussed with the engagement team, 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, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Patent Office's framework of authority and other legal and regulatory frameworks in which the Patent Office operates. I focused 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 Government Trading Funds Act 1973, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;

- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential risks of fraud 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 expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date: 10 July 2023

Comptroller and Auditor General

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

Financial Statements to 31 March 2023





Statement of Comprehensive Income

For the year ended 31 March		2022/23	2021/22
	Notes	£000	£000
Revenue from contracts with customers	3(a)	152,914	161,749
Other operating income	3(b)	1,037	2,404
Total operating income		153,951	164,153
Staff costs	4	(97,635)	(92,018)
Other operating costs	5	(37,487)	(32,866)
Depreciation and amortisation	5	(3,581)	(2,690)
Impairments & losses on disposal of property, plant and equipment	5 & 9	-	(3,948)
Operating surplus before financing and dividend		15,248	32,631
Financial income	6(a)	1,860	46
IFRS 16 - Financial cost	6(b)	(14)	-
Operating surplus on ordinary activities		17,094	32,677
Dividend	7	(4,712)	(4,060)
Surplus before additional dividend		12,382	28,617
Additional dividend	7	(2,803)	(1,804)
Retained surplus for the year		9,579	26,813
Other comprehensive income			
Net (loss)/gain on revaluation of property, plant and equipment	8	(316)	303
Net gain/(loss) on revaluation of intangible assets	9	1,300	(210)
Total comprehensive income		10,563	26,906

The notes on pages 126 to 151 form part of these accounts.

Statement of Financial Position

At 31 March		2022/23	2021/22
	Notes	£000	£000
Non-current assets			
Property, plant & equipment	8	23,862	22,445
Intangible assets	9	47,125	22,705
Trade and other receivables	10(a)	1,305	1,936
Total non-current assets		72,292	47,086
Current assets			
Trade and other receivables	10(b)	15,626	13,810
Cash and cash equivalents	11	101,576	111,442
Total current assets		117,202	125,252
Total assets		189,494	172,338
Current liabilities			
Trade and other payables	12(b)	(26,743)	(24,028)
IFRS 16 Lease liabilities	12(b)	(353)	-
Other liabilities	12(b)	(27,249)	(25,477)
Total current liabilities		(54,345)	(49,505)
Total assets less current liabilities		135,149	122,833
Non-current liabilities			
IFRS 16 Lease liabilities	12(a)	(1,010)	-
Provision for liabilities and charges	13	(300)	-
Total non-current liabilities		(1,310)	-
Total assets less total liabilities		133,839	122,833
Capital and Reserves			
Public dividend capital		6,325	6,325
Revaluation reserve		4,078	3,094
General reserve		123,436	113,414
Total equity		133,839	122,833

The notes on pages 126 to 151 form part of these accounts.



Adam Williams

Chief Executive and Accounting Officer

06 July 2023

Statement of Cash Flows

For the year ended 31 March

		2022/23	2021/22
	Notes	£000	£000
Net cash inflow from operating activities			
Net operating surplus before Financing and Dividend		15,248	32,631
Adjustment for non-cash items	5	3,581	6,638
(Increase) in trade and other receivables	10(a) & (b)	(1,185)	(2,439)
Increase/(Decrease) in trade payables	12	4,839	(4,322)
Movements relating to items not passing through the SOCI	7	(1,005)	(499)
Use of provisions	13	-	-
Net cash inflow from operating activities		21,478	32,009
Cash flows from investing activities			
Purchase of property, plant, and equipment	8	(1,275)	(2,512)
Purchase of intangible assets	9	(24,710)	(12,068)
Interest received	6(a)	1,860	46
Net cash outflow from investing activities		(24,125)	(14,534)
Cash flows from financing activities			
Dividends paid	7	(6,864)	(5,365)
IFRS 16 - Payment of Lease Liabilities		(341)	-
IFRS 16 - Interest paid	6(b)	(14)	-
Net cash outflow from financing activities		(7,219)	(5,365)
Net (decrease) / increase in cash and cash equivalents in year		(9,866)	12,110
Cash and cash equivalents at the beginning of the year	11	111,442	99,332
Cash and cash equivalents at the end of the year	11	101,576	111,442

The notes on pages 126 to 151 form part of these accounts.

Statement of Changes in Taxpayers' Equity

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

		PDC	Revaluation Reserve	General Reserve	Total Capital & Reserves
	Notes	£000	£000	£000	£000
Balance 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 asset	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	122,833
Changes in capital and reserves for 2022/23					
Net gain/(loss) on revaluation of property, plant and equipment	8		(316)	-	(316)
Net gain/(loss) on revaluation of intangible asset	9		1300	443	1,743
Transfer of (excess)/realised depreciation between reserves				-	-
Retained surplus				9,579	9,579
At 31 March 2023		6,325	4,078	123,436	133,839

A description of the nature and purpose of each reserve is provided in note 1(r).

The notes on pages 126 to 151 form part of these accounts.

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, 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, impairment of intangibles and income recognition (contract liabilities). During 2022/23 the other area where judgement has been applied is in relation to the identification and accounting treatment of leases as explained in note 1(s).

1(c) Capitalisation Recognition and Threshold

A review was undertaken in 2022/23 of the capitalisation threshold and it was agreed that this should be increased to £5,000 (excluding VAT) effective from 1st April 22 this being more in line with current market prices. The impact of this change in threshold was not material.

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 £5,000 excluding VAT
- collectively, a number of items have a cost of at least £5,000 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 2023 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 16.34% 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.

Excluding additions in the financial year, software assets are revalued annually by applying an index. As the major cost of developing computer software is IT labour costs, the index used is “Office of National Statistics – ‘AWE: Information & Communication Index: Non Seasonally Adjusted Total Pay Including Arrears’”. This index focuses on tracking changes in pay within the Information and Communications Industries.

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 2023 is 49 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 timings²⁶

The fees applicable to each stage²⁷

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. A review in 2021/22 substantiated our previous assumptions, resulting in the deferral rate remaining unchanged in 2021/22. These assumptions being:

- based on time to complete the application process it is estimated that 80% of time and effort is incurred at the first obligation point, examination. Income of 80% is therefore recognised at this stage

- the remaining 20% is recognised when an application has been completed and rights granted or refused

For 2022/23, there have been no material changes to the variables or assumptions in our established methodology.

Therefore, our methodology for revenue recognition remains unchanged for 2022/23 with 80% of income 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 21 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).

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

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

Trade marks;

- Examination – feedback is provided within the agreed customer service standard of 10 working days
- Rights granting – providing there are no issues or opposition filed, it usually takes around 3 to 4 months from application for a trademark to be registered

Designs;

- Examination – feedback is provided within the agreed customer service standards of 10 working days
- Rights granting – providing there are no issues, registration takes place within 24 hours of the case being examined

Income relating to 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.

Further details on trade mark application timings²⁸

Details on trade mark fees²⁹

Further details on design application timings³⁰

Details on design fees³¹

For the transactions listed above the customer purchases a service covering assessment, searches and rights granting.

The fees charged are set in statute and non-variable. The fee is due from the customer irrespective of the outcome of the service i.e., whether or not the right is granted. No obligation exists for IPO to provide refunds.

The timings associated with the above transactions result in a contract liability being held at any point in time and released as performance obligations are met (see note 1(h), note 3(a) and note 12(b)).

Other transactions

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

1(i) Grant Income

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

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

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

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

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

1(j) Taxation

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

1(k) Foreign Exchange

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

1(l) Operating Lease Rentals

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

1(m) Financial Instruments

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

1(n) Provisions

All provisions where the time value of money is significant are discounted using a nominal rate and an inflation rate outlined in guidance issued by HM Treasury. In 2022/23 following the review of Leases as part of the transition to IFR16 two dilapidation provisions have been recognised to reflect contractual commitments for refurbishments at the end of the lease period (see Note 13).

1(o) Dividends

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

1(p) Pension Costs

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

1(q) Cash and Cash equivalents

Cash and cash equivalents comprise cash balances in government and commercial bank accounts. Cash not required for short-term operational needs is deposited with National Loans Fund (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 be considered for future periods.

1(r) Capital and Reserves

The nature and purpose of Reserves held by IPO are detailed below:

Public Dividend Capital

Public dividend capital represents the capital invested in IPO by the Secretary of State for Trade and Industry on IPO becoming a Trading Fund on 1 October 1991. Following a Machinery of Government change during 2011/12, this public dividend capital was transferred to the Department for Business, Innovation and Skills. In 2016 the Department for Business, Energy and Industrial Strategy was created from the Department for Business, Innovation and Skills and the Department of Energy and Climate Change.

Public Dividend Capital is not an equity instrument as defined in IAS 32 Financial Instruments: Presentation.

General Reserve

The general reserve represents the cumulative retained net income (after dividends) since the IPO became a Trading Fund.

Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets. Increases arising on revaluation are taken to the revaluation reserve. A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the income statement.

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 is due to be adopted by UK Government entities for 2022/23 in line with the FReM. It replaces IAS 17, removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) for lessors and introducing a single lessee accounting model.

IFRS 16 requires the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

This standard requires that assets and liabilities are recognised initially at the discounted value of the minimum lease payments, and that the assets, to be described as "right of use" assets, will be presented under Property, Plant and Equipment (PPE) and a matching liability in the Statement of Financial Position (SoFP).

After initial recognition, right-of-use assets are amortised on a straight-line basis and interest will be recognised on the liabilities. As a result, the timing of the recognition of the total costs of leasing has changed, as interest costs are higher at the start of a lease.

In line with HM Treasury guidance, IPO has implemented IFRS 16 using the cumulative catch-up method; as a result, comparatives have not been re-stated, and the measurement of the asset and liability balances are recognised from 1 April 2022.

IPO has used the cost model basis as a proxy for Fair Value.

IPO has applied judgement in relation to Right of Use Assets and Lease Liabilities, excluding those falling into either of the categories below:

- non-lease components of contracts where applicable
- low value assets (these are determined to be in line with capitalisation thresholds on Property, Plant and Equipment)
- leases with a lease term of 12 months or less

Impact of the new standard

On transition IPO recognised an additional £2.0m of right of use assets, £0.3m Dilapidation Provision and £1.7m of lease liabilities. When measuring lease liabilities, the HM Treasury discount rate in place at the time of transition (0.95%) was used.

A reconciliation of leases previously disclosed as operating leases under IAS 17 and those recognised as finance leases under IFRS 16 is provided below:

Measurement of Lease Liabilities

	Property	Other	Total
	£000	£000	£000
Operating lease commitments disclosed as at 31 March 22	1,925	187	2,112
Impact of discounting	(45)	(2)	(47)
Add: lease liabilities recognised		78	78
(Less): short term leases not recognised as a liability		(141)	(141)
(Less): low value leases not recognised as a liability			-
Other Minor adjustments to lease commitment disclosures	(334)	(2)	(336)
Lease Liability recognised at 1 April 2022	1,546	120	1,666
Of which:			
Current	305	45	350
Non-current	1,241	75	1,316
Total	1,546	120	1,666

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	2022/23	2021/22
	£000	£000
Patents		
Application, search and examination fees	4,660	4,766
Renewals for UK patents	13,312	13,266
Renewals for European patents designating the UK	63,506	60,620
Other	1,942	1,916
	83,420	80,568
Trade marks		
Application Fees	38,823	49,774
Renewal Fees	20,222	20,876
Other	2,601	2,742
	61,646	73,392
Designs		
Application Fees	1,062	1,221
Renewal Fees	6,381	6,259
Other	405	309
	7,848	7,789
Total revenue from contract with customers	152,914	161,749

3(b) Other Operating Income

	2022/23	2021/22
	£000	£000
Publications	51	56
Commercial Services	887	2,248
Grant Income	99	100
Total other operating income	1,037	2,404

Note 3(a) Individual Application lines include revenue relating to contract liabilities movement. This was also the case in 2021/22.

The table below shows the movement in these liabilities (note12(b)) over the reporting period.

	2022/23	2021/22
	£000	£000
Patents	58	415
Trade marks	797	4,857
Designs	12	106
	867	5,378

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.

	2022/23	2021/22
	£000	£000
Salaries and wages	69,753	63,352
Social security costs	8,139	6,978
Pension costs	17,849	16,380
Agency/Contract staff	9,575	9,195
Capitalised staff costs included above	(7,681)	(3,887)
	97,635	92,018

5) Other Non-Staff Costs

	2022/23	2021/22
	£000	£000
IT and telecoms	14,052	11,306
European Patent Office costs	3,227	4,505
Access to online IP databases	2,803	2,634
Innovation support	1,844	1,453
Banking and card commissions	2,225	1,448
Research co-operation and seminars	2,238	1,279
Subscriptions to international bodies	971	970
Legal and hearings	1,163	805
Outreach and marketing	432	334
Recruitment and other staffing costs	690	616
Travel	601	107
Training	1,201	1,183
Office supplies and equipment inc postage	753	738
Accommodation ex leases	4,240	4,201
Property lease costs	20	317
Hire of office machinery	111	135
Departmental overheads	109	100
Audit Fee ³²	71	63
Exchange rate (gains)/losses	(75)	(57)
Enforcement support	344	-
Other admin costs	467	729
Total	37,487	32,866
Non cash items		
Amortisation	2,033	1,787
Depreciation - PPE	1,143	903
Depreciation - IFRS 16 Leases	405	-
Impairments & losses on disposal of property, plant and equipment	-	3,948
Total non cash	3,581	6,638
Total cash and non cash	41,068	39,504

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

6) Financial Income & Cost

6(a) Financial Income

	2022/23	2021/22
	£000	£000
Short term deposits - operating activities	1,860	46

The interest derives from deposits with the Government Banking Service.

6(b) Financial Cost

	2022/23	2021/22
	£000	£000
Interest payable on IFRS 16 lease liabilities	14	-

7) Dividends

	2022/23	2021/22
	£000	£000
Dividend	4,712	4,060
Additional dividend	2,803	1,804
	7,515	5,864

A dividend of £4,712k is due to BEIS for 2022/23 (2021/22: £4,060k) in line with our Trading Fund financial objective (see note 1(o)).

BEIS is able to utilise IPO surpluses through taking additional dividends and currently

does so to fund other IP related initiatives, specifically the funding of the Police Intellectual Property Crime Unit (PIPCU); the amount of £2,803k paid in 2022/23 covers PIPCU's costs (on an actuals basis) since the last additional dividend of £1,804k in 2021/22.

The cashflow statement reflects payments made in 2022/23 being the 2021/22 dividend of £4,060k, plus the additional dividend of £2,803k (2021/22 amounts paid were 2020/21 dividend of £3,561k plus, additional dividend of £1,804k).

8) Property, Plant and Equipment

2022/23	Land	Buildings	Assets under construction	Plant and machinery	Information Technology	IFRS 16 ROU Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2022	3,400	15,450	-	4,670	4,699	-	28,219
Initial adoption of IFRS16			-			2,006	2,006
Additions IFRS 16						39	39
Additions				934	341		1,275
Reclassifications						(39)	(39)
Revaluation		(625)					(625)
Disposals					(265)		(265)
At 31 March 2023	3,400	14,825	-	5,604	4,775	2,006	30,610
Depreciation							
At 1 April 2022	-	-	-	2,155	3,619	-	5,774
Provided during the year		309		386	448	405	1,548
Reclassifications							-
Surplus/(Deficit) on revaluation		(309)					(309)
Disposals					(265)		(265)
At 31 March 2023	-	-	-	2,541	3,802	405	6,748
Net book value at 31 March 2023	3,400	14,825	-	3,063	973	1,601	23,862

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)
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

The land and buildings referred to above are freehold and were revalued at £18.23 million on the basis of existing use (2021/22 £18.85 million) by the Valuation Office Agency, Newport, South Wales on 31 March 2023. The valuation method adopted this year followed a consistent approach to prior years, however, VOA challenge the method for appropriateness each year. Following discussion with their professional valuer VOA are satisfied the valuation method applied in 2022/23 is appropriate, 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 Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book.

We are now significantly post Covid-19 pandemic. However, the effects of safety measures imposed which increased home and hybrid working are continuing to make a difference on the office market in the UK and in the locality. Although there is evidence that the office market for Grade A prime office space in town centres has seen some demand increases the same cannot be said for out-of-town locations. Prime office yields in Cardiff have risen quite sharply between 2021 to 2022. Out-of-town Cardiff office market headline rents have remained relatively flat over from 2021 to 2022. There is evidence that there is demand for smaller amounts of space, over shorter lease terms but of better quality. A preference towards Grade A and refurbished office space with good ESG credentials especially sustainable and energy efficient buildings. There is potentially some demand for office space out of town for alternative uses.

It was predicted that rental values would fall. However, at the point of the valuation the market evidence did not seem to suggest this has come to fruition currently.

9) Intangible Assets

2022/23	Software in use	Software under construction	Software Total
	£000	£000	£000
Cost or valuation			
At 1 April 2022	22,387	13,831	36,218
Additions		24,710	24,710
Reclassifications			-
Revaluation	1,743		1,743
Impairment loss recognised during the financial year			-
Disposals			-
At 31 March 2023	24,130	38,541	62,671
Amortisation			
At 1 April 2022	13,513		13,513
Provided during the year	2,033		2,033
Revaluation			-
Disposals			-
At 31 March 2023	15,546	-	15,546
Net book value at 31 March 2023	8,584	38,541	47,125

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

All Software is internally generated.

Intangible assets are revalued annually by reference to the most appropriate price indices. (see note 1(e)).

Software under construction includes one project with a carrying value of £38,541k (2021/22: £13,831k).

It is expected that this project will have a phased go live from September 2023 and will have a useful economic life of 13 years.

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

Software in Use as at 31/3/2023	Carrying value	Useful economic life	Grant carrying value	
	£000		£000	
TM10	2,506	2 years and 11 months		
AI	2,569	7 years and 7 months	750	Grant to be released over remaining UEL of Asset
Renewals	2,263	6 years and 6 months		
Designs	668	2 years and 11 months		

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		

10) Trade Receivables

10(a) Non-Current Trade Receivables

	2022/23	2021/22
	£000	£000
Prepayments and accrued income	1,305	1,936
	1,305	1,936

10(b) Current Trade Receivables

	2022/23	2021/22
	£000	£000
Trade receivables	9,056	6,683
Prepayments relating to IFRS 16	26	-
Prepayments and accrued income	6,544	7,127
	15,626	13,810

11) Cash and Cash Equivalents

	2022/23	2021/22
	£000	£000
Balance at 1 April	111,442	99,332
Net change in cash and cash equivalent balances	(9,866)	12,110
Balance at 31 March	101,576	111,442
The following balances at 31 March were held at:		
Government Banking Service	100,450	110,668
Commercial Banks and cash in hand	1,126	774
	101,576	111,442

12) Liabilities

12(a) Non-Current Liabilities

	2022/23	2021/22
	£000	£000
Amounts falling due after one year	1,010	-
IFRS 16 lease liabilities	1,010	-

12(b) Current Liabilities

	2022/23	2021/22
	£000	£000
Trade and other payables		
Amounts falling due within one year:		
User deposit accounts	9,005	8,208
Trade payables	17,738	15,820
	26,743	24,028
Other liabilities		
Contract liabilities - revenue from contracts with customers	5,061	5,928
Contract liabilities - other	5	21
Contract liabilities - grant income	750	849
Taxation and social security	1,824	1,919
Superannuation	1,822	1,728
Other liabilities	50	96
IFRS 16 lease liability	353	-
Dividend payable	4,712	4,060
Employee benefits - Untaken leave owed	3,358	3,658
Accruals	9,667	7,218
	27,602	25,477

Prior years figures have been adjusted to correct error in presentation relating to additional dividend/accruals.

No changes have been made to either accounting estimates or judgements in 2022/23.

The movement in contract liabilities – revenue from contract with customers (£867k) is further analysed across the different rights in Note 3.

IFRS16 Lease Liabilities as included above comprises:

	2022/23	2021/22
Buildings	£000	£000
Not later than one year	304	-
Later than one year and not later than five years	891	-
Later than five years	90	-
Present value of obligations	1,285	-
Equipment		
Not later than one year	39	-
Later than one year and not later than five years	59	-
Later than five years	-	-
Present value of obligations	98	-
Vehicles		
Not later than one year	9	-
Later than one year and not later than five years	3	-
Later than five years	-	-
Present value of obligations	12	-
Less interest element	(32)	-
Total Present value of obligations	1,363	-
Current	353	-
Non-current	1,010	-
Total	1,363	-

13) Provision for Liabilities and Charges

Dilapidations

	2022/23	2021/22
	£000	£000
At 1 April		
IFRS 16 Dilapidation Provision made in year	339	-
Provisions not required written back	-	-
Payments offset against the provision	-	-
Unwinding of discount on provision	(39)	-
At 31 March	300	-
Less amount payable within one year (included in current liabilities - see note 12)	-	-
Amount payable after one year	300	-

In 2022/23 following the review of Leases as part of the transition to IFR16 two dilapidation provisions have been recognised to reflect contractual commitments for refurbishments at the end of the lease period.

14) Commitments Under Leases

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

	2022/23	2022/23	2021/22	2021/22
	£000	£000	£000	£000
	Buildings	Other	Buildings	Other
Leases falling due:				
Within 1 year	17	22	458	166
Between 1 and 5 years	66	-	1,353	21
After 5 years	10	-	114	-
	93	22	1,925	187

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

15) Future Income Due Under Non-Cancellable Operating Leases

There are no Non-cancellable Operating Leases at 31 March 2023 (2021/22: Nil).

16) Contingent Liabilities

The IPO is in receipt of a legal challenge relating to a court judgement on UK copyright law. The quantum of this claim has not been determined. A Contingent Liability is being recognised as opposed to a Provision due to the uncertainty around whether the liability exists and the potential amount. In line with IAS 37 paragraph 92 no information is being disclosed as it is believed it would seriously prejudice IPO's position in the dispute. (2021/22:Nil)

17) 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.

18) 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.

19) 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 were authorised for issue on the date of the Comptroller and Auditor General's certificate and report.

.....

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

The Accounting Officer authorised these financial statements for issue on 6 July 2023.

Appendix A

Treasury Minute for the Patent Office Trading Fund

The Patent Office Trading Fund:

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

HM TREASURY

18 March 2021

2022/23

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