

Annex 6

IPReg Info

From: IPReg Web
Sent: 10 August 2016 15:26
To: IPReg Info
Subject: IPReg 2017 Business Plan, Budget and Practice Fees

Dear Registrants

We are finalising our 2017 Business Plan and Budget. Please follow the link to the Consultations Section of our website where we have posted the draft 2017 Business Plan and Budget.

We are proposing a zero increase in practice fees for 2017.

<http://ipreg.org.uk/public/about-us/consultations/2017-business-plan-budget-and-practice-fees/>

The 2017 Business Plan and Budget will be finalised at the Board meeting on 6th October (after which we will apply to the Legal Services Board for final approval).

If you wish to comment on the drafts or the proposal in relation to practice fees please do so via email at ipreg@ipreg.org.uk by close of business on **Friday 16th September 2016**.

Kind regards

Karen Duxbury
Chief Finance Officer

Intellectual Property Regulation Board
Fifth Floor, Outer Temple
222-225 Strand, London WC2R 1BA
Website: www.ipreg.org.uk

NB This email is being sent out in batches and colleagues in your office may receive their email later or at different times.

2017 Business Plan, Budget and Practice Fees

We are consulting on our 2017 Business Plan, Budget and Practice Fees.

We are proposing a zero increase in practice fees for 2017.

The [draft 2017 Business Plan](#) focuses on progressing our Assurance Programme. We will be continuing our activities in Education, Training and Qualification, including reviewing our CPD regime. Following the appointment of a [new Chair](#), the Business Plan also includes a communications programme.

The [proposed 2017 Budget](#) should be read in conjunction with our [Project and General Reserves](#). At the end of 2015, IPReg utilised the balance of Licensing Application fees, after the deduction of any associated legal costs, to create a reserve specifically aimed at furthering Practice Development; and the unspent 2015 Budget Contingency was set aside as a reserve to fund diversity supporting initiatives aimed at promoting our regulatory objective of a diverse profession.

£44,255 of the "Projects Reserve" is already set aside to fund the current research into the Patent Examination "Infringement and Validity (FD4/P6)" being undertaken by Middlesex University under the guidance of a working party led by IPReg but including the PEB and members of the profession. This is extensive research into:

1. The adequacy of the preparation of the candidates for this examination
2. The appropriateness of the current assessment methodology
3. The extent to which the current teaching, learning and assessment arrangements are in line with leading pedagogical practice in this area.
4. The appropriateness of the technical content of the assessment, given the differing technical backgrounds of the candidates.

The findings are scheduled to be published in early 2017.

The budgeted operational costs for 2017 are £654,700 (2016: £649,870) plus the Legal Services Board levy of £57,200 (2016: £68,700). The total budget for 2017 is £711,900 (2016: £718,570).

Our office resources have now stabilised and are aligned with commitments given to the Legal Services Board. There are no plans for further expansion. IPReg will continue to monitor costs carefully.

Our projected practice fee income for 2017 is £750,000. Last year we saw strong growth in attorney numbers. We will be monitoring this over 2017/18 in terms of the impact on income.

You can view our [Annual Report for last year](#). Our audit is complete and you will be able to view the signed Financial Statements via this [link](#).

The MoJ's consultation regarding regulatory independence has been put on hold. We are watching with interest the ongoing Competition and Markets Authority (CMA) consultation on the provision of legal services in England and Wales. We will be publishing our response to the interim report shortly.

[Update 22 August – [We have now published our response to the interim report](#)]

If you have any comments on the 2017 Business Plan, Budget or Practice Fees, please send them to:

ipreg@ipreg.org.uk

by close of business on Friday 16 September 2016.

(You can access the 2016 Practice Fee page - the fees will be unchanged in 2017 - via [this link](#))

2017 Business Plan, Budget and Practice Fees Consultation

Documents

Draft 2017 Business Plan	Annex 2
New Chair Bio	Included in this Annexure
2017 Budget	Annex 4
Project and General Reserves	Annex 3
Annual Report for 2015/16	Included in this Annexure
Signed Financial Statements	Annex 12
2016 Practice Fees	Included in this Annexure
Response to CMA Interim Report	This was did not form part of the consultation on the Business Plan, Budget or Practice Fees but was included to draw attention to the CMA's consultation on the provision of legal services but. The response can be found on the website via this link:

<http://ipreg.org.uk/public/about-us/consultations/the-legal-profession-consultations/>

Caroline Corby (Chair)



Caroline Corby joined IPReg as Chair on 1 May 2016. Caroline pursued a career in private equity in the City for 13 years where she also served on a number of private sector boards across several industries.

She has contributed to various public sector boards. In 2007 she joined the Board of London Probation Trust (LPT) and served as Chair of LPT from 2012 until July 2014. Caroline was also a Board Member for the London North West Healthcare NHS Trust between May 2012 and June 2015. Her roles included a period as a magistrate from March 2006 to December 2010 as well.

Caroline is currently a Non-Executive Director of the Children and Family Court Advisory Support Service (Cafcass), the Parole Board and the Criminal Cases Review Commission. She also chairs the Fitness to Practice Panels for the Nursing and Midwifery Council and the Investigation Committee of the General Optical Council.

Annual Report 2015/16

Message from the new Chair – Caroline Corby

I am proud to be leading an organisation that has a strong track record for delivering proportionate regulation. Equally the wider public can have confidence in the regulatory framework we have set up.

We set quality thresholds. It is not the business of regulators to limit competition for the public. It is our business to enable the public to make informed decisions on their choice of whether to appoint a regulated or non-regulated advisor. We are not trying to protect the profession but want consumers to be aware when making their decisions.

We are here to help people to understand the differences between regulated and unregulated services and what it means for them in terms of protection but we don't limit the competition or tell them which organisations to use. Businesses should understand that regulated IP attorneys operate in a regulated environment. This gives confidence that there are appropriate safeguards, complaints procedures and that there are high standards so that businesses can be comfortable in using the services.

We want to continue to focus on being a badge of quality and a kite mark for consumers. I bring a lot of experience to this post as it is not my first statutory regulatory role. I have a good idea of what is expected of a regulator from being chair of the Investigation Committee for the General Optical Council and chairing Interim Order hearings for the Nursing and Midwifery Council.

Chief Executive's Report

2015 was a year of transition.

It was the last full year for Michael Heap as our Chair. Michael set up IPReg as a shadow board in 2008/9. I joined in November 2009 and we have worked together since then. The IPReg Board and staff will miss him. On 1 May we appointed Caroline Corby. We have been arranging many "meets and greets" to enable Caroline fully to understand the significant contribution of UK patent and trade mark attorneys and their clients to the UK economy.

Transition too – to a newly appointed Licencing Authority.

And perhaps more transition and change? We await the publication of the MOJ consultation on the Legal Services Act 2007 and the CMA have just published its interim report on the legal landscape.

Assurance

IPReg was pleased to announce that it appointed its first Assurance Officer in September 2015 to support its risk assessment and supervisory functions, including

providing assistance to firms in understanding their new obligations under the Legal Services Act 2007 (LSA) and in implementing the necessary internal procedures.

IPReg has always had an outcomes-focused approach to regulation (OFR). This is a regulatory regime that focuses on the high-level principles and outcomes that should form the operational foundation for regulated firms in their provision of services to clients.

This principles-based approach underpins IPReg's Code of Conduct and avoids the setting of detailed or prescriptive rules whenever possible. IPReg adopts this OFR approach in relation to risk assessment, assurance and (where necessary) supervision.

Registrants that have any issues with their practice that are causing concern may now seek guidance or advice from our dedicated Assurance Officer.

Client monies guidance

The new obligations under the LSA include the introduction for all firms (whether registered or licensed) of new regulations for the formal separation of client monies from office monies. At the end of September 2015, IPReg issued guidance on client monies to the Heads of Finance and Administration of licensed bodies, the IPReg Pro administrators of registered bodies and sole practitioners.

CIPA and ITMA were given the opportunity to input into the guidance and it was issued with their support. The guidance has also been published on the IPReg website.

We have received minimal enquiries from firms on the subject of client monies. We continue to draw the guidance to the attention of newly registered and transitioned firms, and repeat our offer of assistance.

Alternative Business Structures (ABS)

As at 30 June 2016 IPReg has licensed 29 firms that have transitioned from registered body status since becoming a Licensing Authority for Alternative Business Structures (ABS) on 1 January 2015. We now also regulate 7 licensed firms of varying sizes that are new to regulation by IPReg.

The Legal Services Board (LSB) stated in its Regulatory Standards Report 2015/16 that IPReg had "performed well" in transitioning registered bodies with external ownership to licensed ABS status. The report further stated:

"Its work to achieve designation as a licensing authority has led it to undertaking a significant programme of work. This has moved IPReg towards being an outcomes-focused regulator with a clear assurance policy to inform its risk assessment and supervisory functions. It also has enforcement policies and processes in place, which follow best practice."

IPReg has always been open-minded in its approach to the regulation of corporate structures with external management or ownership. We are seeing a positive message from the IP world as well as the wider legal profession that ABS structures facilitate

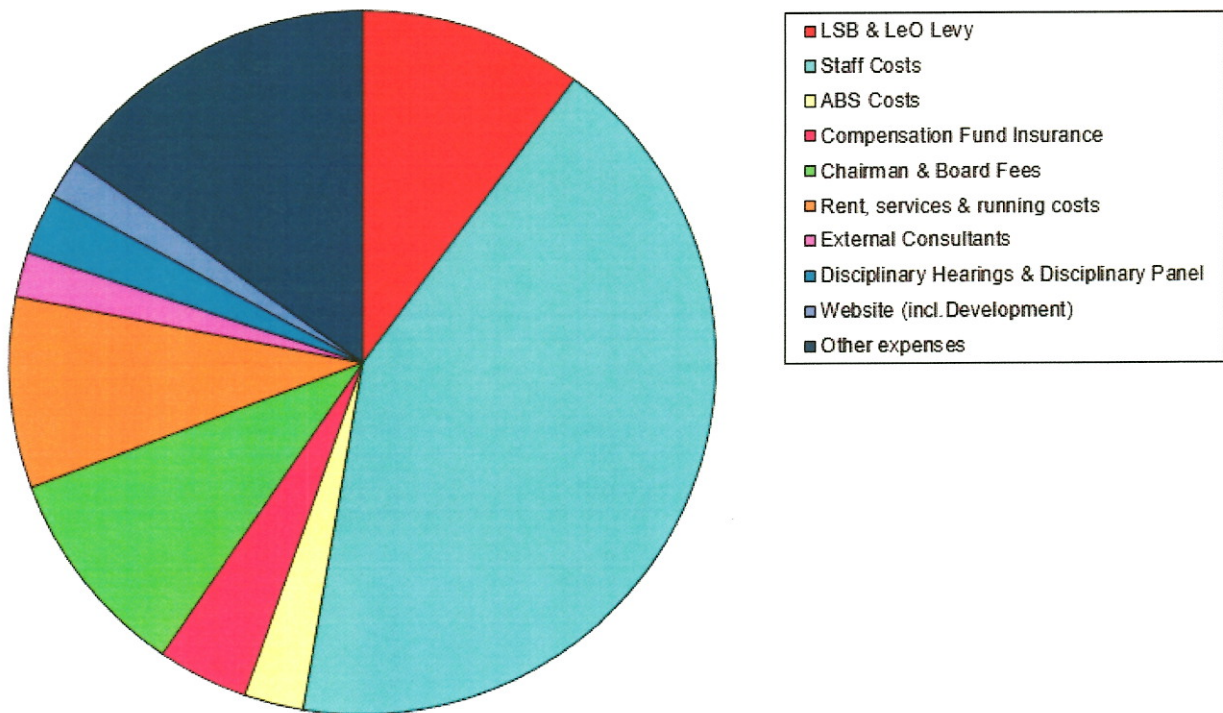
innovation through increased access to funding and the ability to share profits with innovators. A recent study commissioned by the LSB and the Solicitors' Regulation Authority[1] found that ABS organisations have higher levels of innovative activity than others – this is consistent with their findings that ABS have a higher level of investment and staff engagement.

We continue to welcome licensing applications from firms who wish to take advantage of the greater degree of external ownership and management that is available to them via ABS under the LSA.

Financials

We have published a comparison between our 2015 Budget and our actual spend on our Financials page but here is a pictorial guide to the split of costs. The red slice represents the levy to the LSB and the Legal Ombudsman.

[You can view the comparison here.](#)



Admissions

The admission for both individuals and entities are shown below.

	2015	2014	2013	2012	2011	2010
Applications for Admission to the Patent Register	106	89	82	78	96	89
Applications for Admission to the Trade Mark Register	44	54	56	72	51	26
Applications by Entities	20	32	26	22	24	4

Complaints

“First tier” complaints data:

Type of complaint (as declared by entities at 7th June 2016)	Number
Failure to follow instructions	7
Failure to advise or poor/wrong advice	17
Failure to keep informed/failure to reply	13
Failure to comply with agreed action/remedy	1
Delay/failure to progress	22
Failure to keep papers safe	0
Cost information deficient/costs excessive	84
Failure to release/file papers	0
Conduct	9
Other	20
Total	173

The Legal Ombudsman confirm that they have not received any complaints in the period April 2015 to March 2016.

Looking ahead

IPReg, together with other legal regulators, has lobbied the MoJ to consider the simplification of schedules 11 and 13 of the LSA to relax the rules surrounding the licensing of ABS. We had anticipated that the MoJ consultation on this topic would have been published at this stage; however, we understand that the Brexit outcome has delayed this and we await details of the consultation.

[1] Study carried out by the Enterprise Research Centre at Warwick Business School. The study surveyed 1,500 organisations delivering legal services in England & Wales. Summary report published July 2015.

Annex 7

2016 BUDGET v ACTUAL TO 30 SEPTEMBER 2016

DRAFT

	<u>2016 Budget</u>		<u>Actual</u> <u>9 me 30 Sep 2016</u>	
	£	£	£	£
<u>LEGAL SERVICES BOARD LEVY</u>				
LSB Levy		60,700		40,328
LeO Levy		8,000		4,425
Total Legal Services Board Levy		68,700		44,753
<u>OPERATIONAL EXPENDITURE</u>				
<u>Staff Costs</u>				
CEO Salary		74,160		62,105
CEO Employers NI Contribution		9,200		6,840
Regulatory Officers (2 f/t/e)		160,000		114,075
Regulatory Officers NI Contribution		19,900		11,579
IPReg Staff (existing/temp)		63,060		47,975
IPReg Staff (existing/temp) Employer's NI Contribution		6,550		4,011
Pension Costs		2,000		1,465
		334,870		248,050
<u>Board Costs</u>				
Chair		35,000		24,991
Board Fees		40,000		34,265
Board Expenses (incl Travel)		10,000		6,119
Board Training		-		1,773
Replacement of Board Members	R	10,000		20,590
		95,000		87,738
<u>Administration Costs</u>				
Rent		30,000		22,500
Rates & Service Charge		35,000		20,612
Office Costs (not rent & service charge)		10,000		12,664
PR/communication		10,000		9,829
IT Support (office and website)	R	15,000		8,400
Legal Costs and Professional Services		15,000		7,406
		115,000		81,411
<u>Registration (IPReg Pro)</u>				
IPReg Pro - support for payment of practice fees (contingency)		10,000		
card provider commission & charges				4,261
support for the payment of practice fees				4,686
production of Statutory Registers				686
		10,000		9,633
<u>Licensing Activities</u>				
Compensation (Insolvency) Bond		35,000		21,007
Legal services in respect of licensing applications		-		3,499
		35,000		24,506
<u>Projects</u>				
	R	-		7,878
<u>Disciplinary</u>				
	R	50,000		22,637
<u>Contingency</u>				
		10,000		-
Total Operational Expenditure		649,870		481,853
TOTAL EXPENDITURE		£718,570		526,606
<u>INCOME RECEIVED TO DATE</u>				
				768,370
<u>OPERATING SURPLUS</u>				
				£241,764

R - supported by ring fenced reserves

Annex 8

Balance Sheet as at 30 September 2016

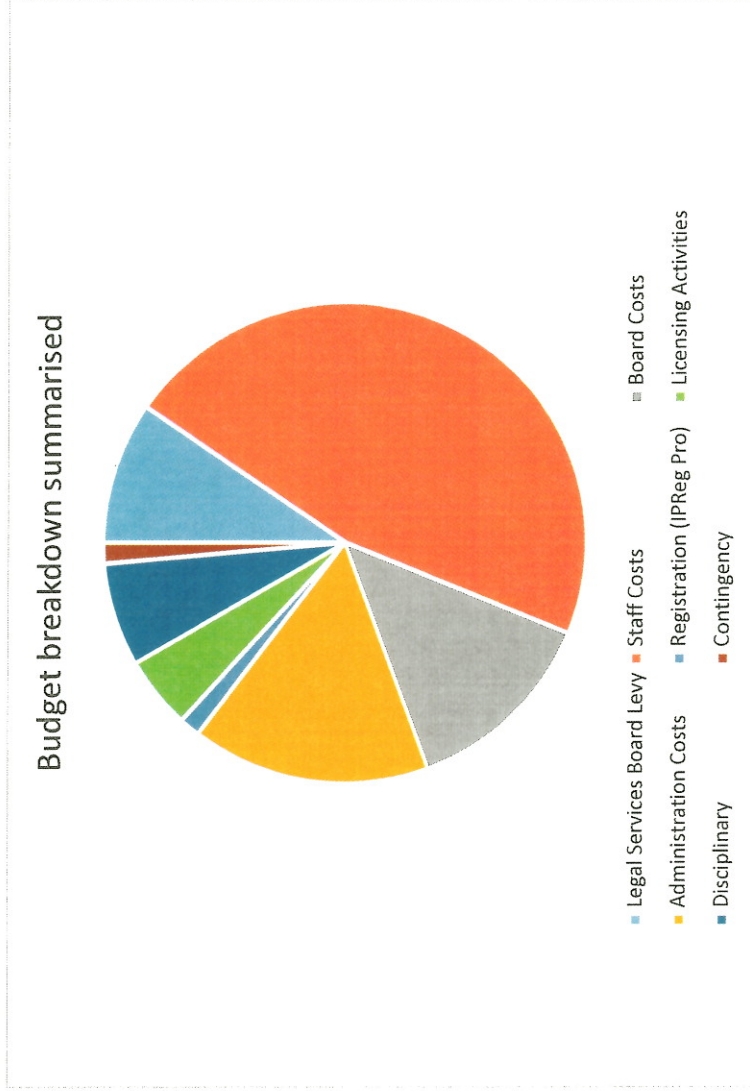
DRAFT		£	£
Fixed Assets			1,667
Current Assets			
Debtors & Prepayments		24,928	
Cash at bank and in hand		<u>842,592</u>	
		867,520	
Current Liabilities			
Creditors & Accruals		<u>76,016</u>	
Net Current Assets			791,504
			<u>793,171</u>
Capital and Reserves			
Board & Chairman's Appointments Reserve			50,000 *
IT/Website Reserve			16,394 *
Assurance Disciplinary & Litigation Reserve			150,000 *
Projects (including Research)			50,000 *
Practice Development			31,290
Funding Diversity Initiatives			10,000
Income & Expenditure surplus			
Surplus brought forward		18,723	
Surplus for the period		<u>241,764</u>	
			260,487
General Contingency Reserve (not shown in budget)			225,000
			<u>793,171</u>

* shown as available reserves in Budget (Annex 4)

Annex 9

IPReg Application to LSB 2017 Fees

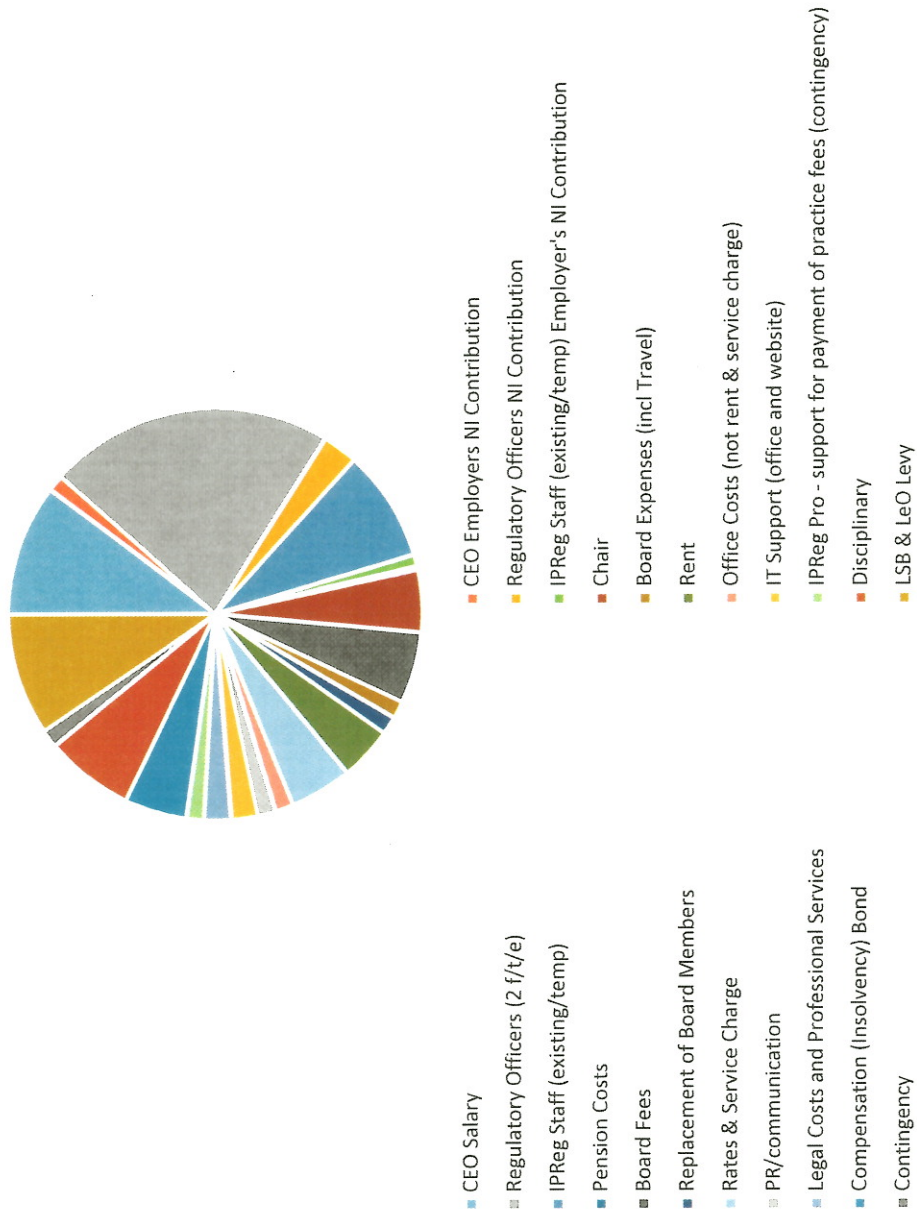
Pie Chart showing the allocation of 2016 Budget



IPReg Application to LSB 2017 Fees

Pie Chart showing the allocation of 2016 Budget

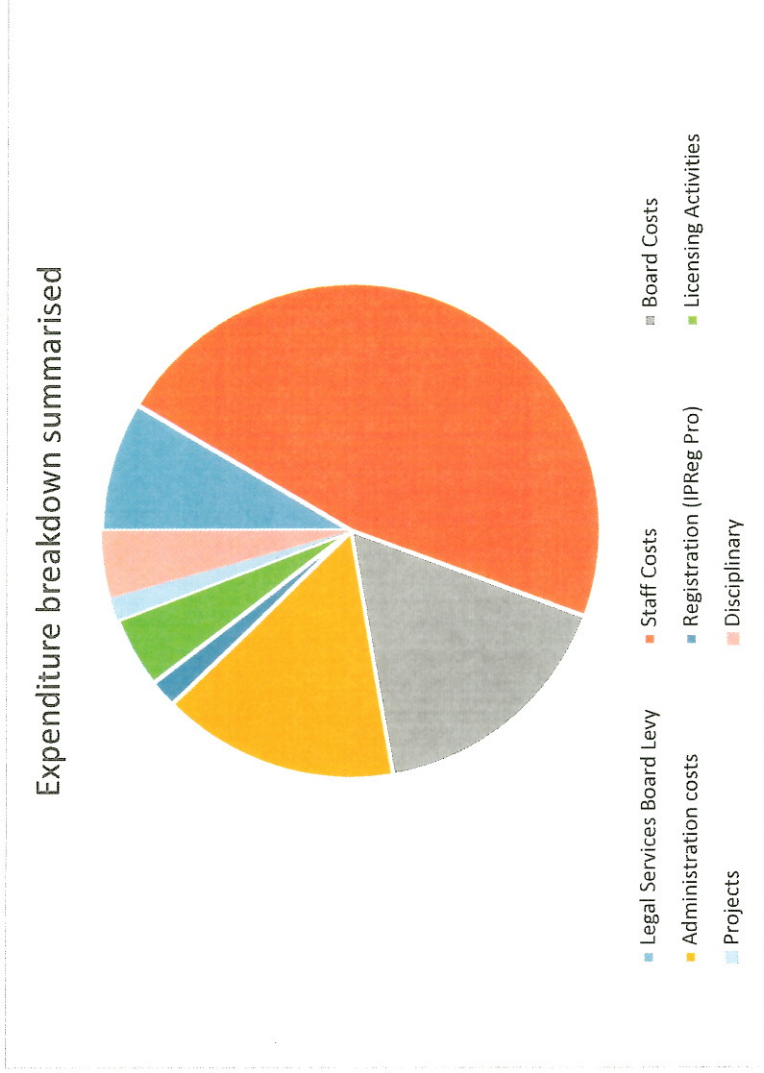
Budget breakdown detailed



Annex 10

IPReg Application to LSB 2017 Fees

Pie Chart showing the allocation of expenditure as at 30 September 2016



IPReg Application to LSB 2017 Fees

Pie Chart showing the allocation of expenditure as at 30 September 2016

Expenditure breakdown detailed

