

# AMTEC Consulting

*intellectual property*

*white paper*



***“There needs to be a change of mindset across government, whereby departments are required to demonstrate that they are maximising the efficiencies and the commercialisation opportunities for all of the assets they hold, and that they are doing so on an ongoing basis.”<sup>1</sup>***

## **Intangible assets:**

### Are you doing enough to unlock the value of your organisation’s intellectual property?

Successive efficiency drives, such as the Wider Markets Initiative, Gershon, Lyons and the Operational Efficiency Review, have emphasised the need for public sector bodies to realise more benefit from their assets – to drive extra efficiencies, utilise spare capacity or divest of ‘non-core’ assets.

Until recently, that emphasis has been on physical and service based assets, but the growth of the knowledge economy has focused policy makers on the potential to be unlocked from intangible assets, of which a major component is Intellectual Property<sup>2</sup> (IP).

IP includes data, software inventions, patents and trademarks, as well as items of knowledge that have a market value (see figure 1, page 2). Staff expertise, processes, market intelligence and trade secrets are examples of intellectual assets that are unlikely to be included in an asset register or balance sheet.

Over the years, the public sector has paid for the development of a wide range of IP. In many instances, IP lies within databases and other locations, undisturbed in archives or in the memories of those who commissioned the projects that led to its genesis. This lack of access to knowledge means that it is unavailable to a wide range of other potential uses.

This paper is intended to help public sector organisations answer the following questions:

- Are we doing enough to identify and unlock value in our IP?
- Are we being compliant with the thicket of regulations which govern information assets?
- Is there potential for us to create further efficiencies by leveraging these assets, disposing of them or partnering?
- Have we done enough to satisfy ourselves and government that we have continuing asset review mechanisms in place?

<sup>1</sup> Operational Efficiency Programme: final report, April 2009.

<sup>2</sup> In this paper, the terms Intellectual Property and Intangible Assets are used loosely and interchangeably

## The value of IP in the public sector

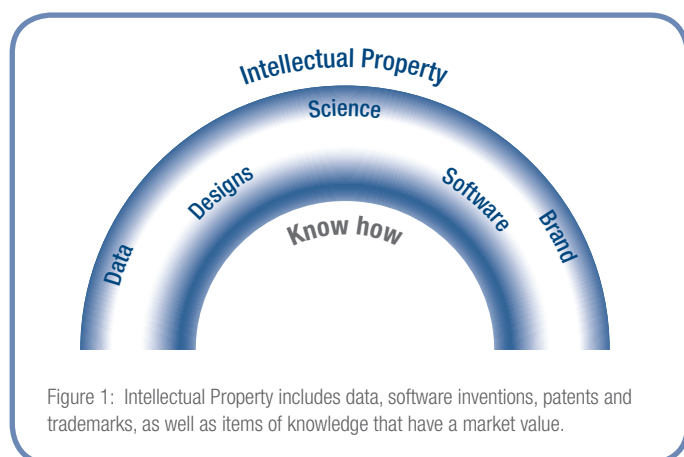
The government acknowledges that intellectual property is probably under-valued: “The stock of public sector assets in the UK is currently valued at £818 billion. This figure is a conservative estimate of the importance of public sector assets to the national economy given that it probably under-values certain asset types, in particular intangibles such as intellectual property.”<sup>3</sup>

According to the public sector information (PSI) lobby, the income from re-use of PSI, for example through Trading Funds such as the Ordnance Survey, is worth half a billion<sup>4</sup> GBP to the UK economy. The value of what is not presently identified, and made available, is unknown.

Many look to the experience of the private sector for a guide to the hidden value of public sector intangible assets. For example, the Lyons Report contrasted the small proportion of intangible assets reported on public sector balance sheets with that of large companies such as BP and GlaxoSmithKline:

***“The contrast is surprising. Though it needs to be treated with caution, it suggests there may be a systemic failure to recognise and value intangibles in the public sector.”<sup>5</sup>***

There are remarkable examples of how much new value can reside inside what is essentially old information. “Originally, postcodes were allocated and recorded simply to help the Post Office deliver letters and parcels. These days the database describing which postcodes are to be found where in the UK underpins countless websites, from that of National Statistics to those of pizza-delivery companies. Every day new uses are found, generating extra value at no additional cost to the public sector.”<sup>6</sup>

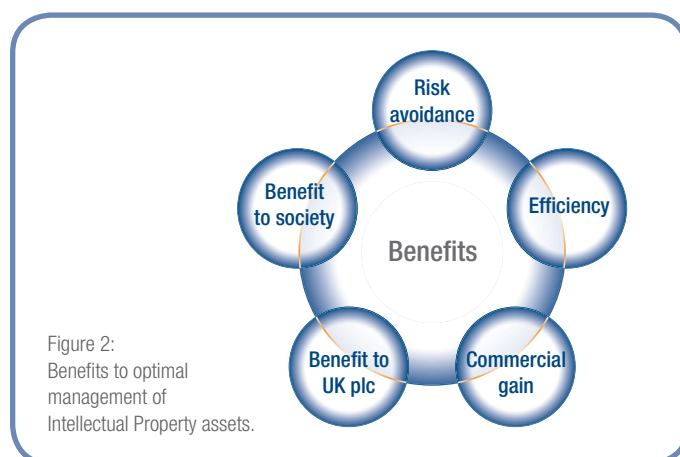


## The challenges to unlocking value in IP

Before value can be realised in commercial or other terms, public sector bodies face a number of challenges in defining, identifying and assessing the worth of their intangible assets:

- Clarification around the definition of intangible assets.
- Identification of the intangible assets held by themselves and their subsidiaries, as well as those under development.
- Assessment of the potential value of intangible assets, for which there are no clear guidelines (although assessment is the subject of a cross-government review led by the UK Intellectual Property Office).
- Understanding of government accounting rules and governance mechanisms, which are often perceived to militate against such development.
- Access to specific, relevant, market knowledge for assessing intangible assets in value terms.
- Development and nurture of routes and processes (e.g. tools, skills and incentives) that could lead to cost-effective exploitation and short-circuit the path to success.
- Recognition that complexity and ambiguity around regulatory and guidance frameworks may inhibit effective exploitation.

In general terms, public sector bodies need to ask themselves: “What can be done to make the most of government intangible assets for the benefit of government, industry and wider society?” (See figure 2, below)



<sup>3</sup> Operational Efficiency Programme prospectus, Rt Hon Yvette Cooper MP, July 2008.

<sup>4</sup> The Commercial Use of Public Information, Office of Fair Trading, December 2006.

<sup>5</sup> Towards Better Management of Public Sector Assets, Sir Michael Lyons, December 2004.

<sup>6</sup> The Power of Information: An independent review by Ed Mayo and Tom Steinberg, June 2007.

# Three step guide to unlocking value

To make the most of intangible assets, three key elements need to be in place.

## 1 Ensure that the right policy environment exists within government itself

Recent shifts in the policy and regulatory landscape have created conditions for change. There is an increased emphasis on the knowledge economy and the public sector's role within it. The result will be a better environment for the development of intangible assets.

The challenge for public sector Chief Executives lies in their response to a number of policy initiatives, likely to coalesce from 2009 onwards:

- The Office of Public Sector Information (OPSI) has an enhanced role in helping public sector bodies to identify and unveil information to the wider economy, in line with the 'Re-use of Public Sector Information Regulations', and to ensure compliance with the European Directive on Public Sector Information.
- The 'Power of Information Task Force' is stimulating and supporting the public sector's exploitation of its information and web technologies (with an emphasis on creating value, e-democratisation and empowerment).
- The Operational Efficiency Programme, launched by the Chief Secretary to the Treasury in July 2008, includes a key strand concerning "Asset management and sales" and includes a review of the intangible asset base, which it feels is significantly undervalued.
- The Treasury inspired review of Trading Fund activities, by the Shareholder Executive, is aimed at clarifying the role of commercial units within government and the definition of the public task and charging policies.
- The UK Intellectual Property Office (IPO) is defining balance sheet treatment (valuation and reporting methodologies) of intangible assets as well as investigating best practice examples of intangible assets exploitation both in the UK and abroad.

## 2 Recognise and take account of the different reasons to take action

The key to unlocking value is to recognise and build upon the potential benefits and outcomes for the organisations concerned, the treasury, industry and wider society, including:

- Assessing the risks and compliance framework – avoiding unnecessary risk (e.g. infringing the IP of others) and working within competition law or PFI rules.
- Delivering efficiency gains – utilising intangible assets to help drive further cost effective delivery of services across the public sector.
- Creating commercial ventures – considering the practicalities of setting up or developing Trading Funds.
- Divesting intangible assets (particularly IP) into the private sector – identifying legitimate options to divest assets to those best placed to compete for and take advantage of the commercial potential (in situations where the public sector may not be best suited, or is unable, to take action itself).
- Freeing data for the benefit of wider society – creating opportunities to de-personalise data in ways that allow industry, academia and others to derive value from content-rich data to create information learning and wider value and benefit.

## 3 Enable organisations within the public sector to exploit intangible assets and deliver real benefits

If they are to exploit this area effectively, public bodies need to consider a number of key areas, including:

- Awareness – public bodies need to understand and appreciate the nature and potential of their intangible assets and recognise that unlocking their value is consistent with economic, political and regulatory policies.
- Leadership – many of the barriers to exploitation (regulatory, perceptual, cultural etc.) are easier to tackle in the context of the broad understanding described above, but this requires leadership from the top of an organisation.
- Pragmatism – in the short term it is critical for public bodies to identify those intangible assets with the most potential and, in the longer term, to set up processes which ensure that intangible asset rights are established and protected by contract on an ongoing basis.
- Selection – some intangible assets cannot be exploited as rights have been given away, are unclear or in dispute, for example: the transfer of data and information assets from one public body to another during an organisational change, or the retaining of property rights by third parties when developing materials for public bodies (instead of transferring them as part of standard contract terms).

## Conclusion

We have seen the policy climate for the exploitation of intangible assets change within the UK; not in a way that seeks a narrow focus upon the commercial dimension, but one which permits benefit delivery and value creation in the most appropriate context within or outside government.

Many public bodies are now recognising the drivers behind the exploitation of intangible assets and are starting to equip themselves with the means to take intangible assets forward in the most appropriate way.

Carrying out a structured review will help to determine one of many possible routes forward, for example:

- Intangible assets should be exploited for potential efficiency gains for the body concerned by seeking to create value from the intangible assets themselves (creating a commercial venture).
- Intangible assets should be exploited for potential efficiency gains for the body concerned by selling, leasing or transferring the intellectual capital to industry for others to capitalise upon.
- Intangible assets should be made available for the benefit of society in a broader context.
- Intangible assets (particularly IP) should not be exploited at all because the risks are too high and the benefits too low.

The extent to which any of these outcomes can be achieved will depend on a number of factors, including the creation of incentives to identify the intangible assets in the first place; the provision of expert guidance to map out the most appropriate development route; and the will and necessary resources to make it succeed.

## Next steps

A high level review of intangible assets will identify potential quick wins and assess the scale of potential. A sense of ‘future value’ or ‘worth’ can be surmised quickly from a systematic consideration of identified intangible assets and a study of the market within which the public body operates.

Such an exercise should be undertaken by skilled assessors, with experience of the commercialisation of intangible assets at a practical level (and preferably in the markets in which the public body serves). Moreover, the review needs to be a sustainable process rather than a one off exercise. The greatest potential will come not only from assets created in the past, but from those yet to be created.

### AMTEC Consulting IP services

Is my organisation eliminating risk? Is my organisation complying? Is my organisation delivering best value? AMTEC is answering questions like these for public bodies across central and local government, health and defence. We offer a full range of IP consultancy services, including:

- **Leadership support** - to help identify and manage cultural, intellectual or operational barriers to the exploitation of IP assets; achieved through strategic support to managers using mentoring and coaching, brainstorming, workshops, Q&A and briefing sessions.
- **Scoping study** - to help the organisation to understand and appreciate the nature and potential of intangible assets, to recognise that unlocking their value is consistent with current public sector policies, and to formulate an appropriate commercial policy; achieved through a high level organisation review and intellectual asset strategy.
- **Intellectual asset audit** - to identify those intangible assets that offer the most commercial potential by capturing and recording the key metadata for intellectual assets; achieved through a detailed review of intellectual assets.
- **Operational support** - to help the organisation to set up processes which ensure that intangible rights are established and protected by selecting and preparing assets for exploitation, establishing processes to support licensing, and formulating compliance and pricing policies; achieved through practical, hands-on support to in-house teams.

## Contact us

AMTEC Consulting plc	Phone	01252 737866
Excalibur House	Fax	01252 737855
2 The Millennium Centre Crosby Way	Email	post@amtec.co.uk
Farnham Surrey GU9 7XX	Web	www.amtec.co.uk

### About the authors

*Shane O'Neill is a member of the government's Advisory Panel on Public Sector Information (APPSI), a non-departmental public body charged with advising ministers on information matters. He is involved in advising policy makers on the issues around intangible asset value realisation in terms of compliance, commercialisation and societal benefit. Julie Burcham heads the Information and Knowledge Management Practice at AMTEC Consulting and specialises in the effective use of information assets and the increasingly complex area of legal and regulatory compliance.*

