



Groceries Code
Adjudicator



Annual Report and Accounts

Improving
fairness
for suppliers

HC 256

1 April 2020 –
31 March 2021

Groceries Code Adjudicator Annual Report and Accounts

1 April 2020 – 31 March 2021

Presented to Parliament pursuant to Section 14 and Paragraph 15 of
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Contact the GCA

www.gov.uk/gca

enquiries@groceriescode.gov.uk

020 7215 6537

Report a Code-related issue
in confidence
www.tellthegca.co.uk

Performance report

This section of the Annual Report explains the role and purpose of the Groceries Code Adjudicator (GCA). It also covers the GCA's objectives, performance and the impact and management of key risks.

The performance report opens with a foreword from the new Adjudicator, Mark White, who succeeded Christine Tacon on 31 October 2020.

For information on significant activities relating to past reporting periods, GCA action relating to particular paragraphs of the Code since 2013 and retailer comments, please refer to the Annual Report and Accounts for 2019/20 and preceding years.

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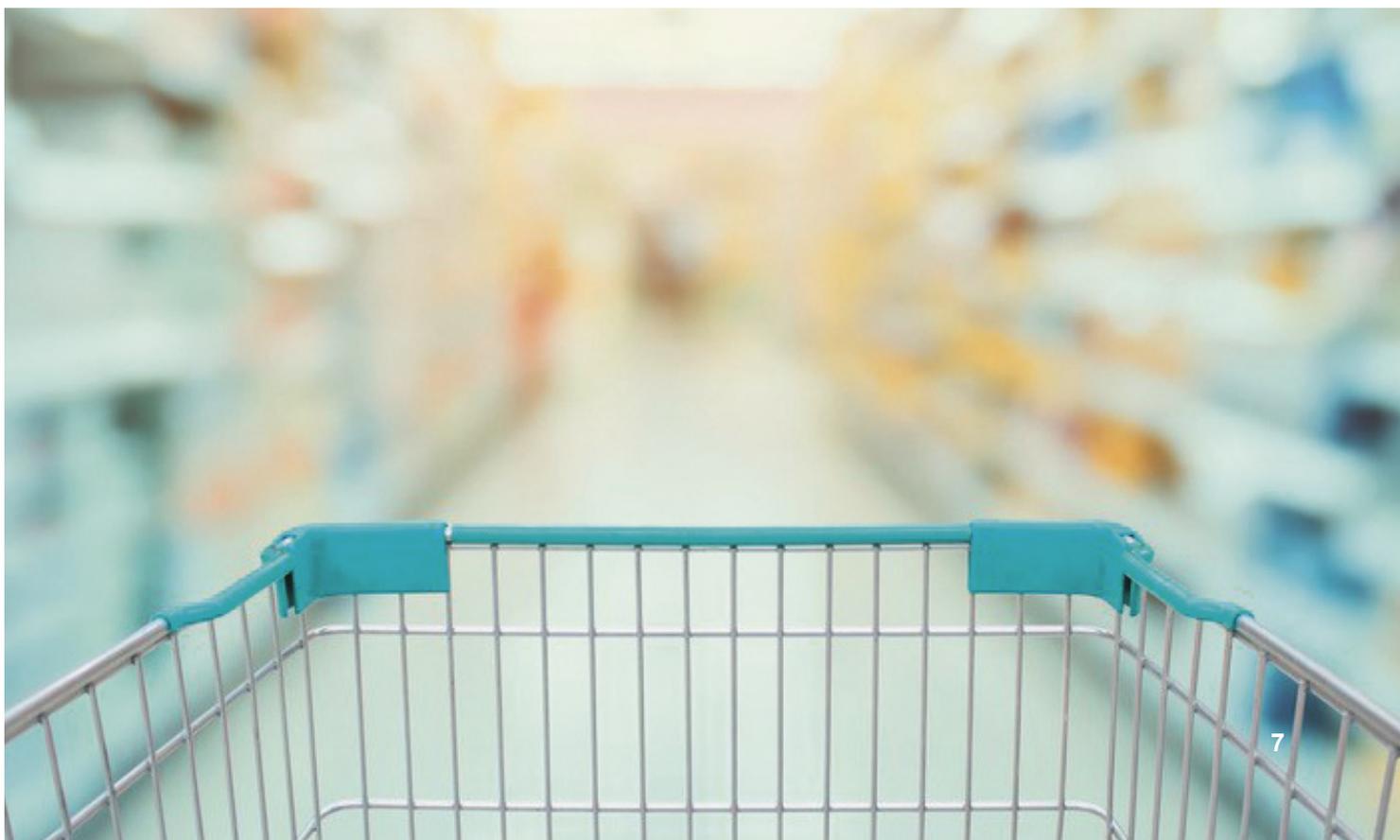
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Foreword

This is the eighth annual report of the GCA and my first report since succeeding the former Adjudicator, Christine Tacon, on 31 October 2020.

My thanks go to Christine for the immense role she played in achieving real change in the sector. A great deal of progress has been made since the Groceries Supply Code of Practice (the Code) was introduced in 2009 and the role of the GCA was created in 2013. The Code is now firmly embedded in the sector with another positive statutory review of its operation in 2020 and my appointment as the second Adjudicator for a further four years.

Despite the progress, there is still more to do. I recognise the fine balance that exists between suppliers and their customers as well as the wide disparity between the size of some parties to the buy/sell relationship. My objective is to ensure that the supply chain is strengthened so that suppliers have visibility of the risks they are agreeing to take on in their contracts with the designated retailers.

As the GCA, I must be agile and ready to respond to the enormous structural change which is taking place in the sector from the extended impact of the COVID-19 pandemic and the new challenges presented by the end of the Brexit transition period.

We have all witnessed how the sector has responded to the pressures caused by COVID-19. A high point was how the retailers and suppliers worked constructively together during the pandemic to keep the nation fed. Maintaining those constructive relationships is crucial as we begin to enter a new post-pandemic phase.

So, I have been ensuring my focus adapts to emerging challenges. I have been monitoring how issues such as funding the costs of a promotion may give way to issues such as delays in payment. This includes the way in which audits are undertaken as range

reviews are conducted. Variations in supply agreements and de-listing, both significant issues for producers, have also been high on my radar.

From the start I have built on the collaborative approach that Christine pioneered with the retailers, maintaining regular meetings with the Code Compliance Officers (CCOs) from all 13 retailers.

I have also met the chair of each retailer's Audit Committee and intend to meet them again later in the year to discuss results from the annual GCA survey and individual retailer's Annual Compliance Reports. In addition, I have met the Chief Executives from each retailer and will develop these relationships over time. These three different routes into the retailers will enable me to advance the GCA's ability to have the frank conversations required to secure any remedial action for the benefit of the wider supplier base.



In my meetings I have explored with the retailers the types of audits they conduct on suppliers to better understand retrospective reviews. As an initial consequence of this engagement, I have clarified with each retailer how suppliers can benefit from the GCA voluntary commitment on forensic auditing and am pleased to report that, with the addition of Sainsbury's from March 2022, all 13 retailers are now signed up to this commitment.

The pandemic hampered my desire to get out and about to meet suppliers, so I have used digital meetings as much as possible and have taken action to raise awareness of the Code and the work of the GCA. This included relaunching the Code Confidential Campaign. With its new message that suppliers should "know it, use it and grow your business", the pack is now electronic and can be downloaded from the GCA website. I have also created a QR code providing easy access to the pack for use on a wide variety of platforms, including retailer websites and onboarding packs for suppliers.

I want suppliers to know I am there to support them and I have made increasing trust a major focus in my first months. Suppliers are entitled to have complete confidence that they can raise issues with me and the retailers' CCOs without fear their information can be used against them.

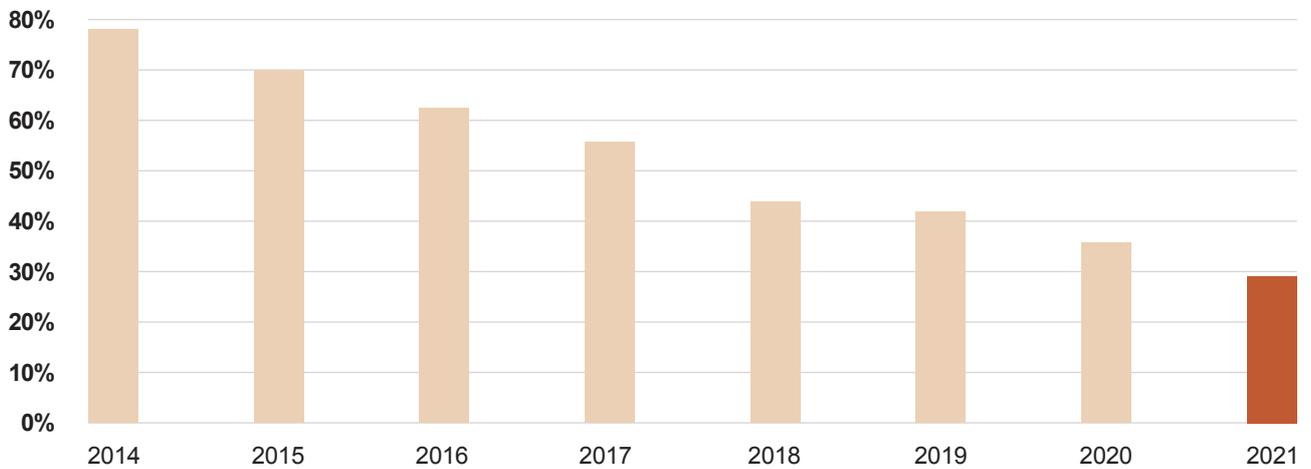
CCOs are often the best placed to resolve any Code-related issues swiftly. All have now formally confirmed that they will treat any discussions with suppliers in strict confidence and that it will be up to the supplier to determine whether they can disclose any details about the subject matter of their Code-related discussion within their retailer. This commitment is highlighted on my website. I have also asked the CCOs to consider how they promote their role and independence from retailer buying teams to their suppliers.

As the GCA I have a legal obligation to protect the anonymity of suppliers who provide information to me, if that is what they wish. Yet, in repeated annual surveys, a significant number still say they would not do so for fear of retaliation. So, it has been important for me to provide an opportunity for suppliers to raise issues without that fear.

In February 2021 I established www.tellthegca.co.uk, a confidential platform hosted by an independent third-party, for suppliers to report behaviour by a retailer that they believe to be in breach of the Code. Suppliers are able to provide information anonymously and can also choose to continue to correspond with me through a secure post box that protects their identity. I am pleased to say I am already seeing positive results from that platform.

One of the most important sources of information on suppliers' concerns and retailers' behaviour is the GCA annual survey. This year I launched it earlier because I wanted to receive its valuable information as soon as possible and was delighted it attracted a record response and increasing participation from suppliers based outside the UK. I am very grateful to the retailers and others who helped to promote it.

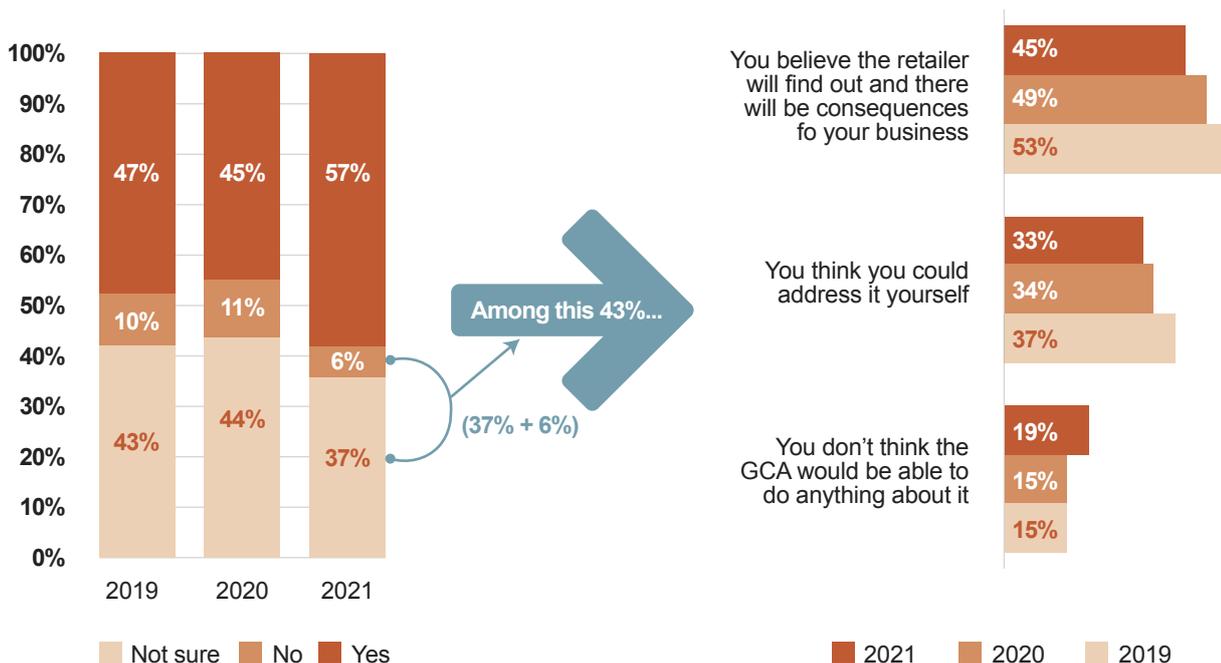
Suppliers that experienced any Code-related issue in the past year



Source: GCA annual surveys 2014 – 2021

The results continue to tell a positive story about compliance with a further fall in the number of suppliers reporting experiencing a Code-related issue. Congratulations to Sainsbury’s for topping the compliance table. It was also excellent to see the suppliers responding to the message that the GCA can be trusted to treat information in confidence. This year there was an increase of 12% in the number of suppliers saying they would raise an issue with the GCA and 78% told me they knew the GCA operated confidentially.

Would suppliers raise an issue with the GCA?



Source: GCA annual surveys 2019 – 2021

Suppliers also met my challenge to provide examples of where they think the retailers are doing a good job. Later this year I will be using those to highlight success and share good practice. In addition, I will publish the results of the detailed follow-up interviews with suppliers on particular issues arising from the findings of the main survey which I have asked YouGov to conduct.

As the incoming Adjudicator, I reviewed and updated the GCA's processes and procedures to ensure that they were effective and followed best practice, including the governance structure. I am pleased that a recent review of governance conducted by the Government Internal Audit Agency awarded the GCA the highest rating.

The operating budget for the GCA has been contained and the reduced levy proposal for 2021/22 reflects the new ways of working introduced during the year.

Finally, I would like to thank my team who all came together to ensure a smooth transition between Adjudicators. They have performed very effectively despite the challenges of not being able to meet in person.

Looking ahead to the coming 12 months it is clear from the survey results that a significant proportion of suppliers believe the impact of Brexit will be the main issue for them. In my meetings the message I hear is that the Brexit outcome is likely to be inflationary in the medium term. Suppliers should be ready to engage at pace and be prepared for different challenges, although it is also clear that the retailers have tried to establish ways of working to accommodate those changes as well as investing to protect their supplies to consumers and helping suppliers overcome the changes. Clearly the supply agreement and the supplier/retailer relationship are the first port of call as any pressures emerge. We are in a period of great change and I will be monitoring any Code-related issues closely.

Another priority for me will be to drive forward the whole-house approach to compliance. This involves looking at the tone from the top of the retailers and further exploring training, including the link between training, remuneration, compliance and assurance.

And as soon as conditions allow, I want to get out and about meeting suppliers and trade associations face-to-face. Although virtual meetings have played an important role in the past year, I really do value the benefits of hearing about and discussing issues in a more personal setting.

I am looking forward to the year ahead. I am confident that the relationships I have built with the retailers, trade associations and suppliers have well positioned the GCA for the year to come.



Mark White

**Groceries Code Adjudicator and
Accounting Officer**

14 June 2021



GCA at a glance

Designated
retailers



£2m

levy from
retailers
per annum



11 years of
the Code



9
arbitrations
2013 to 2021



8
sector
surveys



c.£0.8m
operational
expenditure

Thousands
of direct suppliers



investigations
2013 to 2021



2020/21 highlights

CCO
confidentiality
commitment

All Retailers
signed up
to the GCA voluntary
commitment on
forensic auditing



Record responses
to annual survey

60%



Successful move



2nd
GCA

Over
85%

of respondent suppliers
score all Retailers as
complying with the Code
well or mostly well



Launch of
tellthethegca.co.uk

Newsletters
sent to

1,032

recipients



29%

of survey respondents
report an issue with
the Code



meetings and
supplier events



About the Groceries Code Adjudicator

Background

The GCA was established on 25 June 2013 by the Groceries Code Adjudicator Act 2013 (the GCA Act) which came into force on 25 June 2013.

The appointment followed a 2008 report setting out the findings of the Competition Commission Market Investigation into the groceries sector. The Competition Commission found that while the sector was broadly competitive, some large retailers were transferring excessive risk and unexpected costs to their direct suppliers. Following the Commission's recommendation, the Government introduced the Groceries (Supply Chain Practices) Market Investigation Order 2009 (the Order) which includes a requirement to comply with the Groceries Supply Code of Practice (the Code).

The Code is designed to regulate the relationship between the retailers designated as falling within the remit of the Code (Retailers) and their direct suppliers. Retailers are designated as falling within the Code by the Competition and Markets Authority (CMA). The CMA reviews the market each year and assesses which UK retailers fall under the Code. The CMA will only designate a retailer which has UK annual groceries turnover of more than £1 billion (as defined by the Order).

At the commencement of the Order in February 2010, there were ten Retailers; this has since increased to 13 Retailers as shown below.

Retailers regulated by the GCA (as at 31 March 2021)



The original 10 Retailers had some time to set up a voluntary ombudsman. When the self-regulatory approach did not progress, the GCA was established on a statutory basis by the GCA Act.

The GCA is responsible for monitoring and encouraging compliance with and enforcing the Code. The first Adjudicator, Christine Tacon, was appointed on 25 June 2013 and retired on 30 October 2020. The current Adjudicator, Mark White, succeeded Christine Tacon from 31 October 2020, having acted as the Deputy Adjudicator since 21 July 2020.

The GCA is funded by a levy on the Retailers. The levy methodology is reviewed each year and requires the consent of the Secretary of State (SoS) for the Department of Business, Energy and Industrial Strategy (BEIS).

In 2016, the Government undertook a statutory review of the GCA's performance and effectiveness and at the same time called for evidence on the extension of the GCA's powers. The results of the review published in July 2017 concluded that the GCA is regarded as an 'exemplary modern regulator with an international reputation'. Following the call for evidence in 2016, Ministers decided not to extend the remit of the GCA.

In July 2020, the Government published the [results of a second review](#), conducted in 2019. The second review concluded that:

- The GCA continued to be highly effective in enforcing the Code and in exercising its powers.
- The Government will not amend or replace the Groceries Code Adjudicator (Permitted Maximum Financial Penalty) Order 2015 which provides the maximum financial penalty the GCA may impose.
- No order will be made to restrict the information the GCA may consider in deciding whether to carry out an investigation.
- There is still a need for the GCA to ensure Retailers comply with the requirements of the Code.
- The Government will maintain the GCA and ensure it is funded and resourced to carry out its statutory functions under the GCA Act. It will also work with the GCA to continue to raise awareness of the Code to help suppliers feel empowered to raise issues with the GCA and their Retailers directly.
- BEIS will work with the Insolvency Service to help raise awareness of the Code and the GCA with insolvency practitioners and their regulators.

Purpose and activities of the GCA

The GCA is the independent regulator ensuring that the Retailers treat their direct suppliers lawfully and fairly. The goal of the GCA is to promote a stronger, more innovative and more efficient groceries market through compliance with the Code and as a result, to bring better value and choice to consumers.

The GCA works with suppliers and the Retailers to quickly respond to issues and relies on suppliers and others to bring evidence of potential non-compliance to the GCA to achieve this goal.

Suppliers, trade associations and other representative bodies are encouraged to provide the GCA with information and evidence about how the Retailers are treating their direct suppliers. All information received is dealt with on a confidential basis and the GCA has a legal duty to preserve anonymity. Suppliers are also urged to undertake training on the Code and to follow the latest developments and GCA announcements.

At a supplier's request the GCA must arbitrate in disputes with the Retailers and may also do so following a request from a Retailer. Arbitration awards are binding and may include compensation.

The GCA can launch investigations where he has reasonable grounds to suspect the Code has been broken. If a breach of the Code is found, the GCA can make recommendations, require Retailers to publish details of any breach and, in the most serious cases, impose a fine. The GCA power to fine a Retailer up to 1% of its UK turnover came into force on 6 April 2015. To date, the GCA has carried out two investigations, the first into [Tesco](#) in 2015 and the second into the [Co-op](#) in 2018.

Under the Code, the Retailers are obliged to deal fairly and lawfully with groceries suppliers across a range of supply chain practices. These include making payments on time; no variations to supply agreements without notice; compensation payments for forecasting errors; no charges for shrinkage or wastage; restrictions on listing fees, marketing costs and delisting. This list is not exhaustive and full details are available on www.gov.uk/gca.

Suppliers protected by the Code are those directly supplying a Retailer with groceries for resale in the UK, including overseas suppliers.

As a small regulator the GCA must effectively prioritise its activities. When considering whether to launch an investigation and other activities, the GCA applies the following four prioritisation principles, which are set out in its statutory guidance:

GCA prioritisation principles

Impact: The greater the impact of the practice raised, the more likely it is that the GCA will take action.

Strategic importance: Whether the proposed action would further the GCA's statutory purposes.

Risks and benefits: The likelihood of achieving an outcome that stops breaches of the Code.

Resources: A decision to take action will be based on whether the GCA is satisfied the proposed action is proportionate.

The GCA must carry out its statutory functions as set out in the GCA Act, including protecting the anonymity of suppliers who provide information to him, if that is what they wish. The Adjudicator has developed a modern regulatory approach, working collaboratively with the Retailers to respond to issues raised by suppliers and others and to bring about beneficial change in the sector. If the collaborative approach does not deliver a desired outcome, the GCA can take formal action. When Code-related issues are raised, the GCA follows the stages set out below.

GCA three stage collaborative approach

Stage 1: Make Retailers aware of issues reported by suppliers.

- The GCA will consider whether the issue raised falls within the scope of the Code. If so, it will be raised with the Retailers' Code Compliance Officers (CCOs) for their own action. CCOs work for the Retailers but their reporting lines are independent of the buying teams.
- The GCA will protect the confidentiality of the suppliers when raising issues with the CCOs.

Stage 2: Request that the CCOs investigate the issue and report back to the GCA.

- CCOs will look into the issue and identify if any action needs to be taken within their organisation. This could include making improvements to systems and processes in order to reduce the risk of the issue occurring or recurring.
- Depending on what the CCO finds and the action the Retailer has taken, the GCA may issue advice clarifying or interpreting the relevant provisions of the Code for the Retailer and others to follow. Where a Retailer or Retailers accept a breach of the Code has taken place and sufficient action has been taken to resolve it, the GCA may publish a case study on the GCA website.

Stage 3: Take formal action if the practice continues.

- If the GCA continues to hear of suppliers experiencing the same issue he may publish more formal guidance and/or launch an investigation.

Through this process the GCA ensures that issues are raised with and promptly considered by the Retailers and that any necessary action is agreed and taken as swiftly as possible. This collaborative approach has a dual benefit. It significantly reduces the cost of regulating the Retailers and it delivers results more quickly.

The GCA does not act as a complaint-handling body, nor can it advise on individual disputes where a supplier seeks a view on whether a Retailer has breached the Code. This is because the GCA may later be asked to arbitrate in the same dispute between the supplier and the Retailer or the GCA may later launch an investigation into the practice raised by the supplier. Providing a view on individual cases could compromise or appear to compromise the GCA's objectivity later on.

Instead, the GCA encourages suppliers to approach CCOs directly because they can deal with issues quickly and, where needed, discreetly.

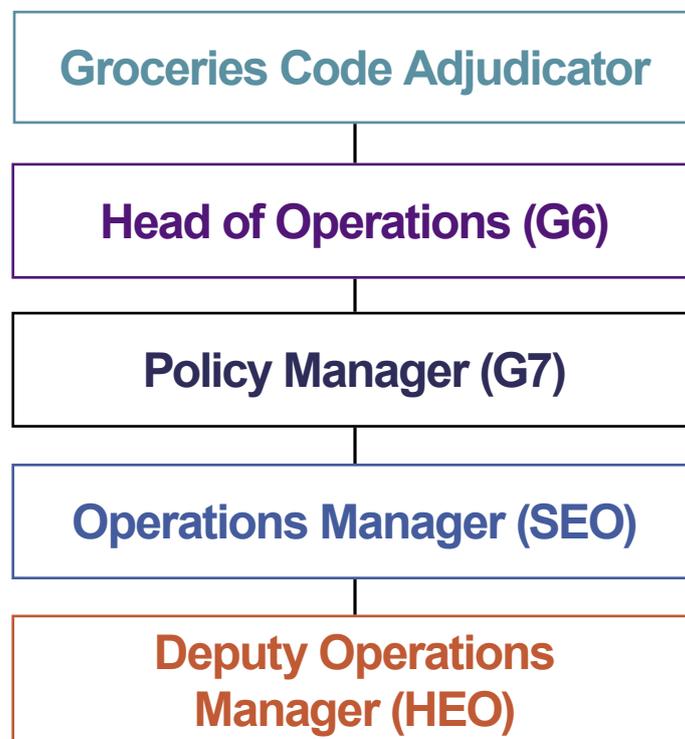
More information is available on the GCA website: www.gov.uk/gca.

The office of the GCA

The GCA is a Corporation Sole and an independent regulator sponsored by BEIS. The GCA is supported by a small team, all of which are seconded from public bodies, with occasional support from temporary contractors.

The guiding principle in resourcing the GCA has been to recruit the resources needed in a phased way based on anticipated workload. The current organisation chart is shown below.

Groceries Code Adjudicator organisation structure



Risks

The Audit and Risk Committee (see Governance Statement, page 49) is responsible for identifying, monitoring and mitigating issues and risks associated with the operation and administration of the office of the GCA and the exercise of the GCA’s statutory functions.

The principal risks which impact on the reputation of the GCA, and the delivery of its objectives during the reporting period, are summarised below.

GCA principal risks

Key					
Relation of risk to key objectives	Promoting the work of the GCA	Providing advice and guidance	Acting on suppliers’ issues and information	Improving the culture of Code compliance	Relates to all four objectives
Risk movement	Risk increase 	Risk decrease 	No risk movement 		

Risk theme / description	Strategic objective	Key controls and activities to manage risks	Risk rating	
			RAG	Movement
Stakeholder management Suppliers do not come forward with evidence		<ul style="list-style-type: none"> This is a major strategic risk and an area of focus for the new Adjudicator. New ‘tellthegca’ online reporting platform launched to enable stakeholders to anonymously raise issues with the GCA at any time in multiple languages with no geographical restrictions. Relaunch and promotion of the GCA’s Code Confident campaign. Refreshed guidance on the GCA website on Retailer CCO contact details and their commitment to confidentiality. 	L	

Risk theme / description	Strategic objective	Key controls and activities to manage risks	Risk rating	
			RAG	Movement
<p>Operational resilience</p> <p>COVID-19 disruption hampering the GCA's ability to build trusting relationships</p>		<ul style="list-style-type: none"> The management of this challenge has become increasingly significant with the change of Adjudicator, as he strives to build strong relationships with stakeholders and suppliers. The impact of COVID-19 has been added as a new example of the risk related to operational resilience in the GCA's risk register. Mitigating actions have been put in place to minimise the impact. The Adjudicator and his team have made use of online platforms to reach stakeholders, including newsletters, webinars, video conferencing, www.tellthegca.co.uk, QR codes and the GCA website. 	M	↑
<p>Operational resilience</p> <p>Since May 2020, there have been significant changes to the staffing of the GCA Team as well as an increase in implications of the continued unusual business environment caused by the COVID-19 pandemic</p>		<ul style="list-style-type: none"> The risk rating has been increased from low to medium. New mitigating strategies have been put into place including: <ul style="list-style-type: none"> Active dialogue with BEIS to ensure continuity of staff. A plan to use external resource using Crown Commercial Service frameworks in the event of an investigation or other resource intensive activity. 	M	↑

Risk theme / description	Strategic objective	Key controls and activities to manage risks	Risk rating	
			RAG	Movement
Governance Constitution of the Executive Committee and limited size of the GCA team means decisions subject to “group think” and confirmation bias		<ul style="list-style-type: none"> The new Adjudicator proposed a new governance structure to ensure that the membership of each committee differs by at least one member. Independent members have been added to the Governance Board and Audit and Risk Committee. The reformed governance structure has been reviewed, and is supported, by the BEIS Partnerships Team which has provided assurance regarding best practice of governance of public bodies. 	L	

Going concern

The GCA will receive levy income for 2021/22 to fund its activities. Consent to the proposed GCA levy for 2021/22 was given by the SoS on 29 April 2021. The total proposed levy for 2021/22 is set at £1.9 million and is evenly split between the Retailers with no variable element. A going concern basis for the preparation of these financial statements has been adopted as appropriate.

Budget pressures are possible should investigations or arbitrations result in accruals where the GCA has not recovered its costs within the year. The GCA has set the levy at an amount estimated to provide the GCA with sufficient funds to cover these circumstances with additional support from BEIS where necessary.



Performance analysis

This section of the GCA Annual Report reviews the GCA's performance during the 2020/21 reporting period.

Statutory reporting requirements

The GCA's key performance indicators are set out in the GCA Act as statutory reporting requirements. The four statutory reporting requirements and the performance against these objectives are summarised in the table below.

GCA statutory reporting requirements and performance in 2020/21

Disputes referred to arbitration under the Order

- There is one ongoing arbitration at the end of the reporting period (2019/20: none).

Investigations carried out by the GCA

- No new investigations were launched during the reporting period.

Cases in which the GCA has used enforcement measures

- No new enforcement measures were used during the reporting period.

Recommendations that the GCA has made to the CMA for changes to the Code

- No recommendations for changes to the Code were made to the CMA during the reporting period.

Strategic objectives

In addition to the statutory reporting requirements, the GCA also monitors its performance against four strategic objectives:

- **Objective 1:** Promoting the work of the GCA;
- **Objective 2:** Providing advice and guidance;
- **Objective 3:** Acting on suppliers' issues and information; and
- **Objective 4:** Improving the culture of Code compliance.

The GCA considers that these objectives remain fit for purpose. A summary of performance against these objectives is provided in the summary on the next page. The proceeding pages contain a more detailed analysis.

GCA performance against strategic objectives in 2020/21



Objective 1: Promoting the work of the GCA

- During the reporting period the current and former GCA held 79 Retailer meetings, 27 meetings with suppliers and trade associations and 26 meetings with other stakeholders.
- Three newsletters have been published during the reporting period and circulated to over 1,000 subscribers. Two webinars have been held with an average of 188 sign ups on each occasion.
- The Code Confident pack has been refreshed and moved online with a QR code for easy access.
- www.telltheGCA.co.uk was launched on 1 February 2021 providing a further platform for confidential interaction between the GCA and suppliers.
- COVID-19 restrictions prevented the holding of an annual conference.



Objective 2: Providing advice and guidance

- In April 2020 the GCA published a letter to Retailer Chief Executives (CEOs) about supply arrangements and reasonable notice in the wake of the COVID-19 outbreak.
- Retailer CCO details were reissued on the GCA website with a new written CCO commitment to treat Code information from suppliers confidentially.
- Guidance on Retailers' voluntary commitment on forensic auditing was refreshed and reissued on the GCA website. All 13 Retailers have now agreed to this commitment (with one Retailer adhering from 6 March 2022).
- GCA presentations to a range of trade associations and international audiences.



Objective 3: Acting on suppliers' issues and information

- A record 2,598 responses to 2021 GCA eighth annual survey.
- More progress on Retailer compliance: 29% of suppliers report they are experiencing Code-related issues, compared with 79% in 2014 and 36% in 2020.

GCA performance against strategic objectives in 2020/21



Objective 4: Improving the culture of Code compliance

- Regular CCO meetings with the GCA throughout the reporting period.
- Annual meeting with Retailer Audit Chairs and individual introductory meetings with the new GCA.
- Individual introductory meetings between the new GCA and CEOs of the 13 Retailers.
- Initial focus of the new GCA on whole organisation compliance with the Code and the link between training on the Code, compliance, assurance and remuneration.

Objective 1: Promoting the work of the GCA



GCA annual survey results on understanding the Code and awareness of the GCA

- The GCA annual survey for 2021 shows that a consistent 84% of direct supplier respondents were aware of the GCA and the Code.

Meetings

- During the reporting period, the current and former GCA held:
 - 79 retailer meetings
 - 27 meetings with suppliers and trade associations
 - 26 meetings with trade associations and other stakeholders

Supplier events

- The GCA has committed to attend one event a month. Over the past year, the current and former Adjudicators and the GCA team have attended virtually 27 supplier and trade association events, exceeding the commitment to attend one event a month.

- These events enabled the GCA to promote its work directly to suppliers and provided an opportunity for suppliers to share directly with the GCA their experiences of working with the Retailers.

Code Confident campaign

- The GCA has also continued to promote the Code Confident message directly to suppliers, as well as stressing the importance of being trained in the Code.
- The new GCA has relaunched the Code Confident campaign with a new message that suppliers should “know it, use it and grow your business”.
- The Code Confident pack is now electronic and can be downloaded from the GCA website.
- The GCA has created an associated QR code for use on Retailer websites, in Retailer onboarding packs and on business cards to provide ease of access to the pack.



Media and communications

- There have been regular articles about the GCA in key trade magazines including several interviews with the current and former GCA.
- The GCA website, YouTube channel and regular newsletters continue to play an essential part in promoting the role of the GCA. In this reporting period, three newsletters were published and sent to over 1,000 subscribers. The GCA website is continually reviewed and refreshed, attracting nearly 4,000 unique page views in the six months between October 2020 and March 2021.

- During the COVID-19 pandemic, the GCA role has been promoted through two webinars, with the new GCA's first webinar attracting over 170 sign ups. Webinars enable the GCA to reach suppliers regardless of where they are based.

GCA annual conference

- No annual conference was held during the reporting period due to COVID-19 restrictions.

Objective 2: Providing advice and guidance



Advice and guidance to designated retailers during the COVID-19 pandemic

- The first national lockdown during the COVID-19 pandemic gave rise to queries about compliance with the Code given the unusual trading conditions. In April 2020, the GCA wrote to the Retailers' CEOs to reassure them that the Code provided the flexibility to enable them to maintain groceries supply to the consumer.
- This letter also reassured the Retailers that the GCA did not intend to take enforcement action against businesses that were working collaboratively in the best interests of the consumer.
- The former Adjudicator, Christine Tacon, had intended to step down in June 2020. In April 2020, it was announced that she would extend her tenure for a period of up to six months to provide continuity and reassurance to the groceries sector during the COVID-19 outbreak.

- Before retiring from the role on 30 October 2020, Ms Tacon held monthly COVID-19 catch up phone calls with the CCOs from each Retailer.

GCA website

- The GCA is the independent regulator of the groceries sector, not an advisory or complaint-handling body. The GCA cannot advise on individual disputes where a supplier seeks a view on whether a Retailer has broken the Code because he may later have to determine the issue or dispute as an impartial decision maker.
- Subject to the above, the GCA has provided a variety of advice and guidance information through its website and engagements. Website advice and guidance published during the reporting period includes:
 - Updated guidance on Retailer CCO contact details and their commitment to confidentiality.

- Updated guidance on the GCA voluntary commitment on forensic auditing.
- Updated guidance on contact details for Retailers' supplier helplines.
- An updated and electronic version of the Code Confident pack.

Events and meetings

- The meetings and events referred to under objective 1 above are not only opportunities to promote the role of the GCA but also enable the GCA to provide advice and guidance to suppliers, Retailers and other stakeholders.

Objective 3: Acting on supplier issues and information



The importance of information

- The GCA gathers information about supplier issues from a wide range of sources.
- In addition to the annual survey, the GCA hears about issues from direct and indirect suppliers, trade associations, other bodies and the media. The Retailers also provide information through their Annual Compliance Reports as well as CCO progress reports submitted to the GCA under business as usual. These give the GCA vital information to inform current and future action.
- In order to ensure the GCA meets the duty to preserve the confidentiality of those who provide information, the GCA does not publish statistical information on issues raised.

GCA annual survey

- In 2021 the GCA maintained the practice of commissioning an annual online survey of the groceries sector. The 2021 survey was open for six weeks from 11 January 2021 and will be followed up with a number of detailed telephone interviews in Summer 2021. The results of the initial 2021 survey will be shared with Retailers and published on the GCA website in the late Spring and Summer 2021.

- There were a record 2,598 responses to the survey, including 2,398 responses from direct suppliers – a 60% increase on 2020.
- The survey remains one of the most important activities that the GCA undertakes each year and provides valuable information. For the first time the GCA asked suppliers to comment on what the Retailers were doing well in order to provide feedback to them and to share best practice.

Working with the Retailers

- By exception, the former GCA held a group meeting with all the CCOs from the Retailers in June 2020, to accommodate restrictions imposed by COVID-19.
- The current GCA held individual introductory meetings with CCOs during the summer of 2020 (while acting as Deputy GCA) and regular individual CCO progress meetings in November/December 2020 and March 2021. These meetings are used to raise issues across all Retailers as well as with individual Retailers. The Retailers report back on issues raised at these meetings in their regular progress reports.

- The GCA has worked with the Retailers in this reporting period on a variety of issues, including payment of invoices in accordance with agreed terms. Other issues of focus include the retrospective audit claims process and the way in which Retailers communicate delisting decisions to suppliers.
- As a result of GCA discussions, all 13 Retailers are now signed up to the GCA voluntary commitment on forensic auditing with the addition of Sainsbury's from March 2022.
- As a result of GCA engagement, all 13 Retailers have now formally confirmed that they will treat any discussions with suppliers in strict confidence and that it will be up to the supplier to determine whether the CCO can disclose any details about the subject matter of their Code-related discussion within their businesses.
- The GCA has also asked the CCOs to consider how they promote their role and independence from Retailer buying teams to their suppliers.

Objective 4: Improving the culture of Code compliance



Annual Compliance Reports (ACRs)

- The GCA analysed the ACRs from all 13 Retailers and provided feedback.
- In November 2020, the GCA and the CMA agreed a new approach for Retailers to submit their ACRs for that year with the GCA taking the initial lead on behalf of both regulators with an optional form of ACR reporting template for 2021 submissions.
- The GCA hosted a webinar for Retailers' audit chairs in July 2020 to discuss generic themes arising from all the ACRs as well as priorities for her final months in office. This included continuing to encourage some Retailers to report more comprehensively in their published Annual Reports and Accounts.

Whole house organisational compliance

- The GCA has continued to focus on whole house organisational compliance with the Code and, in particular, on the link between Code training, compliance, assurance and remuneration as well as the tone from the top of the organisation.

- Several Retailers have made or are in the process of linking remuneration to successfully completing Code training and behaving in a Code compliant manner.

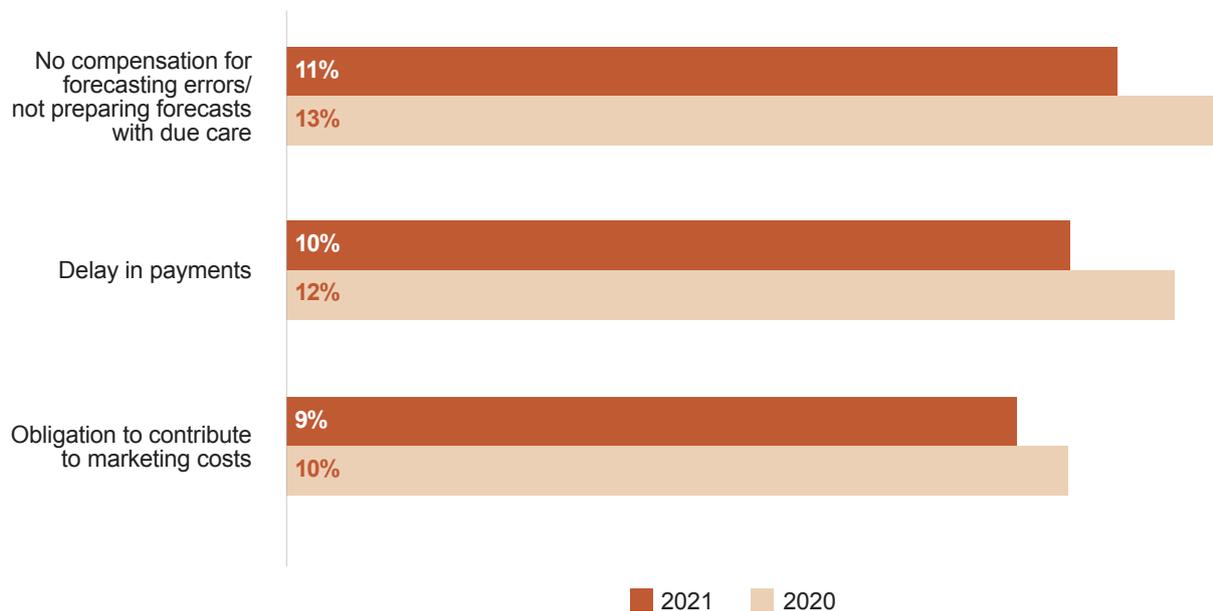
Continued decline in the prevalence of any Code-related issues

- Results from the 2021 annual GCA survey showed that only 29% of respondents reported that they were experiencing Code-related issues. This represents a 50% fall since the first annual survey in 2014 and a 7% improvement on the results from the 2020 survey.

Top three issues reported by suppliers remain the same but are less prevalent

- Results from the 2021 GCA annual survey show that two of the top three Code-related issues reported by suppliers remain the same and the percentage of respondents reporting all three issues has decreased (as shown in the chart on the following page).

Top three issues reported by suppliers in GCA annual surveys (2020 – 2021)



Source: GCA annual surveys 2020 – 2021

Annual survey

The annual survey has been a very valuable source of information for the GCA to understand the most significant Code-related issues and measure continuing progress in Retailer behaviour. The recently appointed GCA, Mark White, brought forward the normal date of the survey launch so that he could receive the earliest possible intelligence on the state of the sector. It was open from 11 January to 21 February 2021.

This eighth GCA survey was carried out by independent polling company YouGov. To continue benchmarking progress the survey posed similar questions to previous surveys but in 2021 it included an innovation: respondents were asked to provide positive examples of Retailer behaviour. Further information will be published later this year. YouGov will also be following up the survey with interviews involving direct suppliers to explore a number of the findings in greater depth.

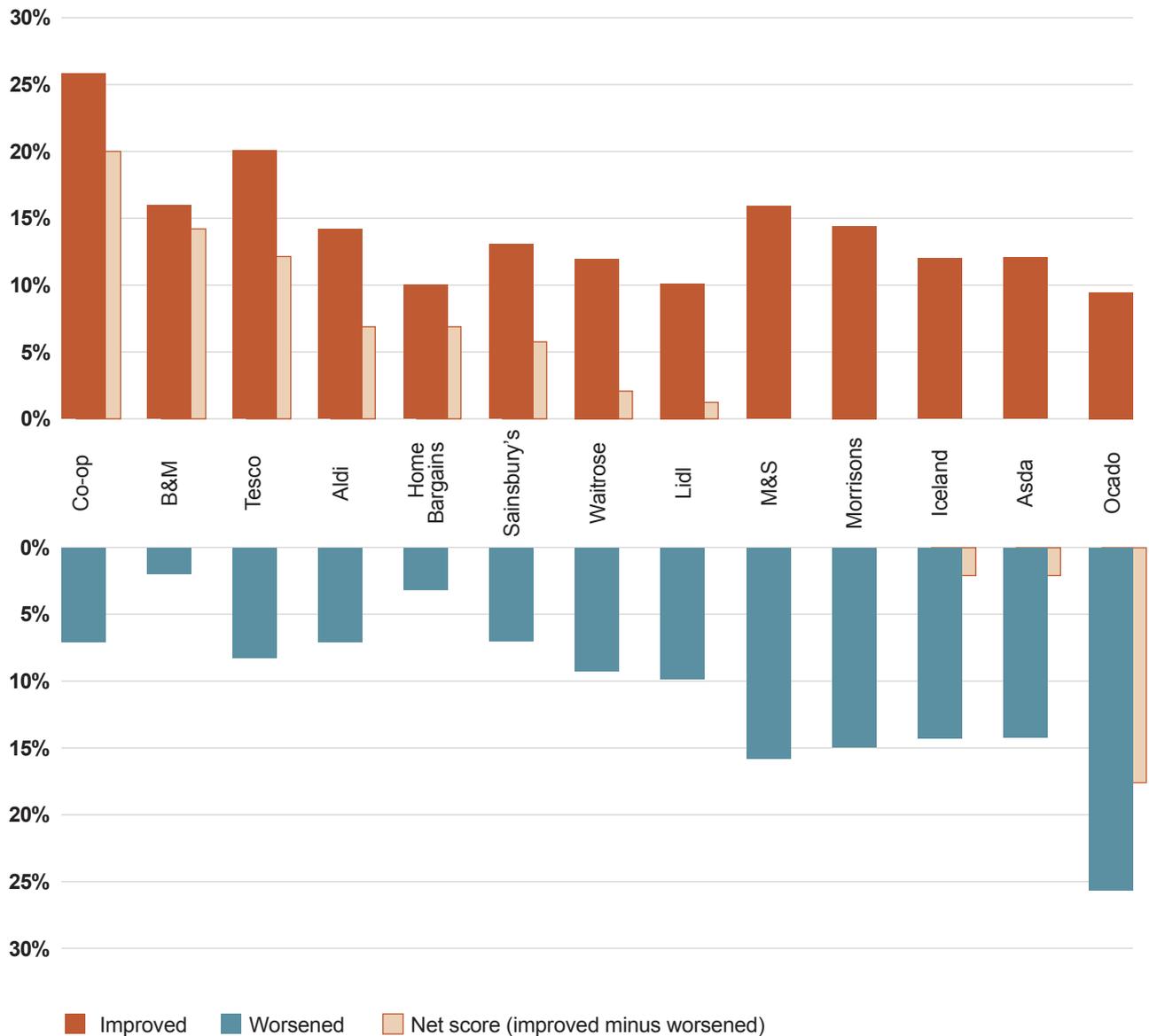
Continuing progress on compliance

The 2021 survey attracted a record number of participants, up 60% from 2020's previous high. In total there were 2,398 from direct suppliers, 158 from indirect suppliers and 42 from trade associations. In addition, more suppliers based outside the UK responded to the survey than ever before, making up 20% of the total. To encourage responses the GCA commissioned publicity in both domestic and international media and ran a social media campaign. Retailers supported the survey by sending information about it to their direct suppliers.

The survey continued to demonstrate progress in Code compliance across the Retailers which is extremely encouraging given the challenges of the year and the large rise in the number of responses. Once more, those suppliers reporting they had experienced Code-related issues at any stage in the past year fell to a record low – down to 29% compared to 36% in 2020 (see chart on page 11).

Suppliers also reported more Retailers had improved their practice overall in the year with eight having net improvement scores compared to six in 2020. Only three retailers – Asda, Iceland and Ocado – received net negative improvement scores. However, there was a greater range of net improvement scores this year with the most improved – Co-op – scoring plus 20% and the least improved – Ocado – scoring minus 17%, compared to a range of plus 21% and minus 8% in 2020.

Suppliers' perception of change in Retailer practice in the past year (ranked by net improvement score)

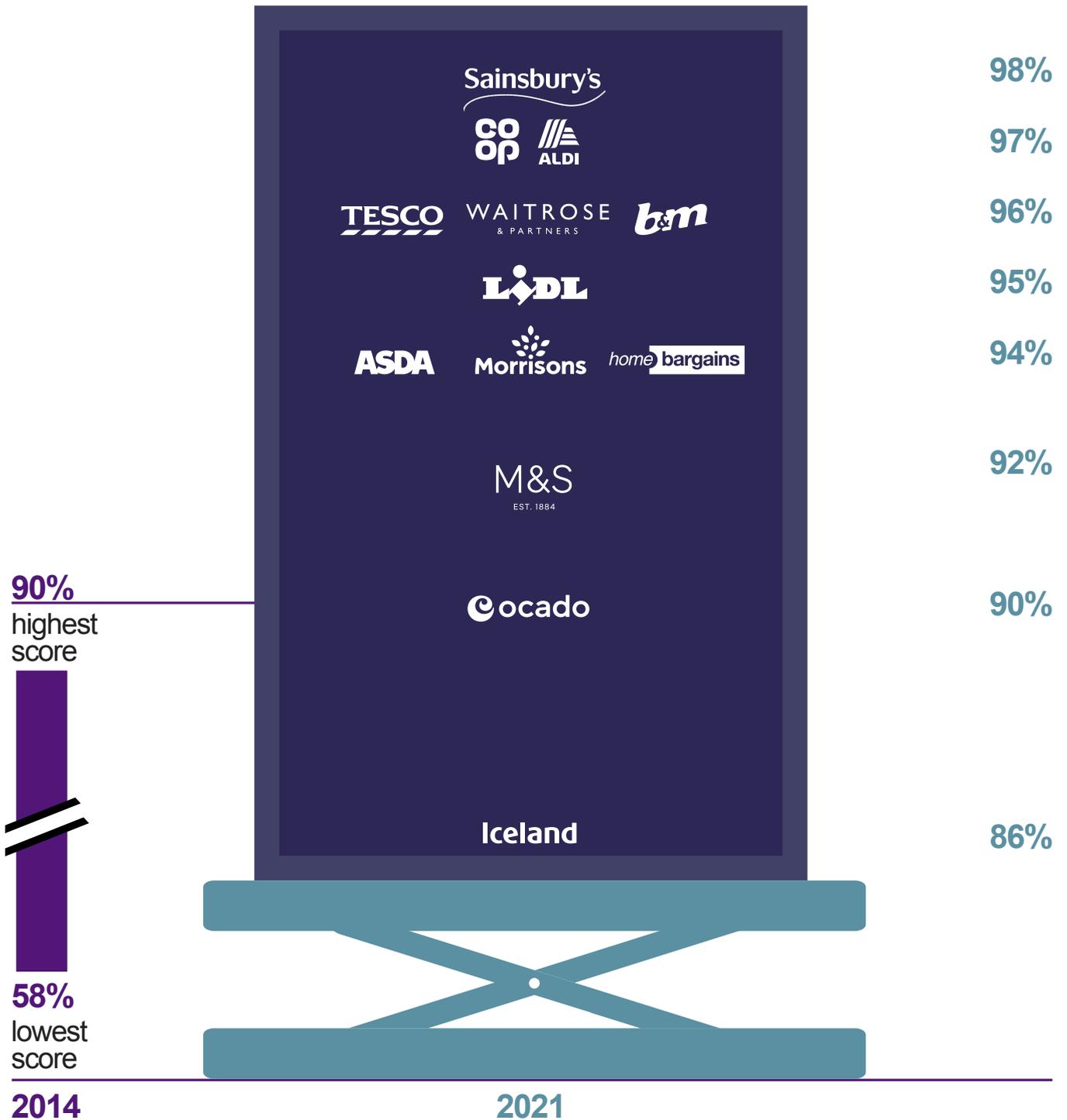


Source: GCA annual survey 2021

How suppliers rank Retailers for compliance with the Code

In each annual survey suppliers have provided an overall assessment of how they believe each Retailer complies with the Code. This provides a clear measure for benchmarking progress. In 2014 the percentage scores for 'mostly or consistently' complying with the Code ranged from 58% to 90%. In subsequent years, the survey showed more Retailers performing at high levels and the 2021 finding is that there is further tightening at the top with more than half the Retailers scoring 95% or more (compared with one in 2020). Only Iceland performed below 90% but it did see an improvement of 5% in the year, up to 86%.

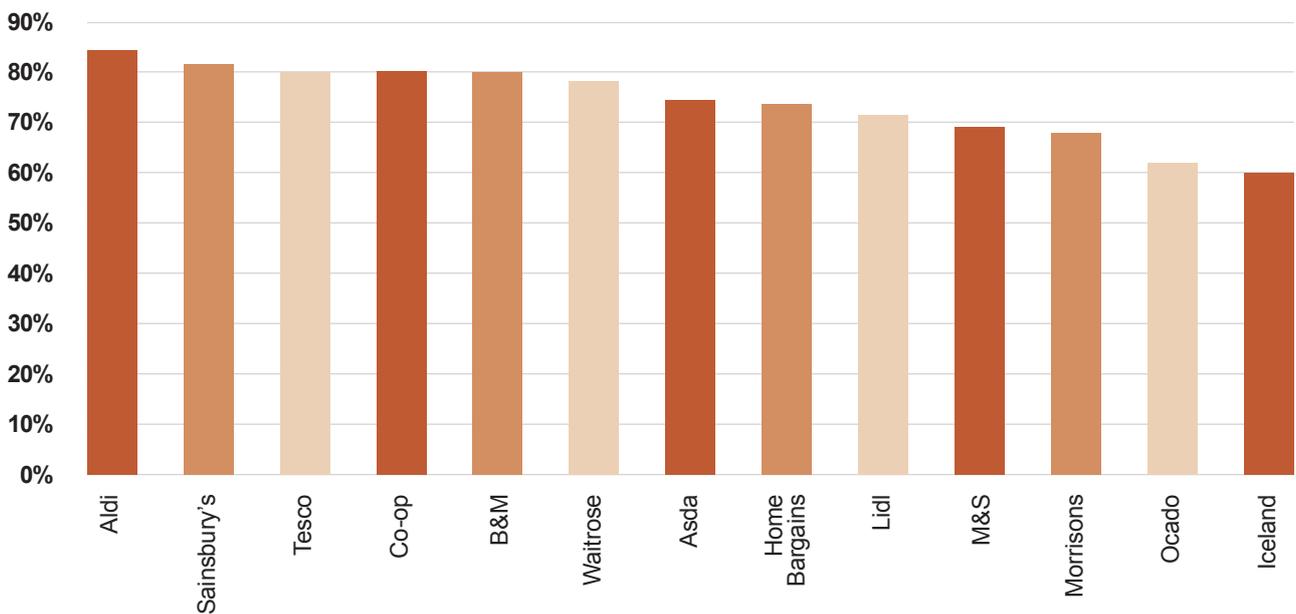
Suppliers with a positive perception of overall Retailer Code compliance



Source: GCA annual surveys 2014 and 2021

For the first time since the annual surveys were conducted, there is a new Retailer at the top of the overall league table. Sainsbury’s scored a record high of 98% but was closely followed by the Co-op and Aldi on 97%. For the past seven years Aldi had held the top spot. However, suppliers rated Aldi highest when asked whether the Retailers conducted trading relationships fairly, in good faith and without duress.

Suppliers that agree Retailers conduct the trading relationship fairly, in good faith and without duress

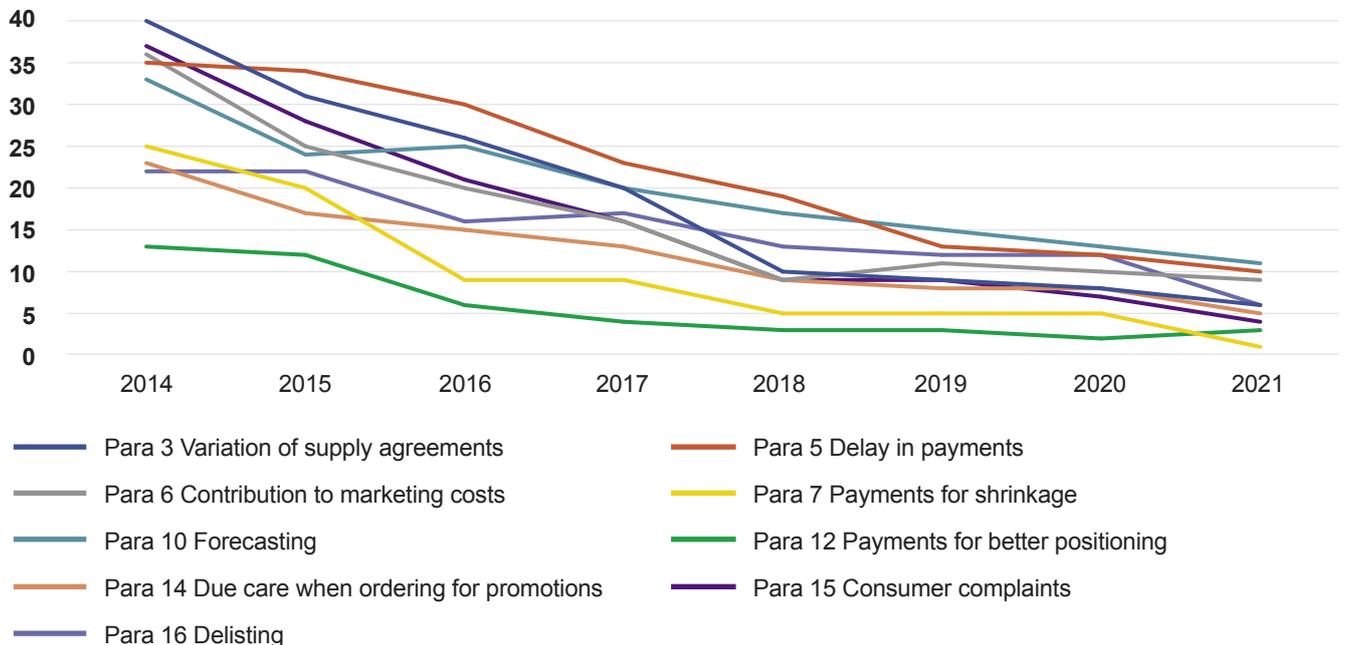


Source: GCA annual survey 2021

Focusing on Code issues

In 2021, in all cases bar one, the percentage of suppliers reporting they have experienced Code related issues fell. The remaining issue – payments for better positioning – rose very slightly (as shown in the chart on the following page).

Suppliers that report an issue with these Code paragraphs



Source: GCA annual survey 2021

The top two issues in Code language concerning suppliers continue to be forecasting and delay in payments, although this year the percentage reporting them as an issue has fallen slightly from 2020. The third issue is the obligation to contribute to marketing costs.

When suppliers were asked to report on issues covered in previous surveys in supplier language, the percentage reporting they had experienced the issue had reduced or stayed the same in all cases except one – requests for lump sum payments relating to better positioning in Retailers' virtual stores (not in relation to a promotion) – which rose by 1%.

The GCA asked suppliers about two new issues in the 2021 survey:

- Whether they had experienced Brexit-related retrospective or unilateral changes to supply agreements which was reported by 8% of suppliers (placing it joint sixth) and
- Whether they had experienced difficulty in securing appropriate EPOS/warehouse data to validate timely payment from Retailer which was reported by 6% of suppliers (placing it joint eleventh).

This year suppliers were also asked to comment on what they thought would be the main issues in the next six to twelve months. The overwhelming response to this question was Brexit – of 958 suppliers who provided a comment 400 mentioned Brexit. Other strongly identified issues were COVID-19 (mentioned by 255) and price (mentioned by 143), followed by range reviews (57), forecasting (51) and de-listing (32).

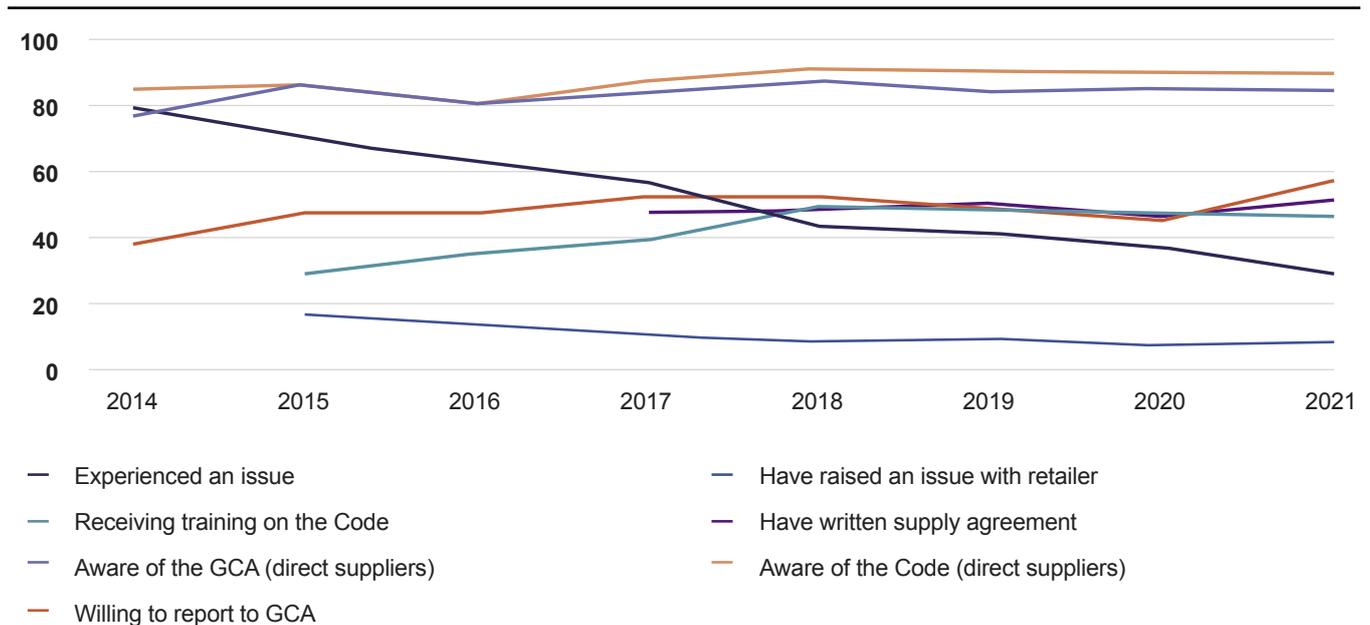
Suppliers and the Code

The 2021 survey revealed increasing confidence in suppliers to raise an issue with the GCA – up 12% from 2020 – with a very

high proportion (78%) saying they knew the GCA operated confidentially. Of those saying they would not raise an issue with the GCA, the two main reasons were they believed the Retailer will find out and there would be consequences for their business or they thought they could deal with it themselves. Both saw a small decrease this year.

While there was a small increase in suppliers saying they have raised an issue with a Retailer, the number of suppliers having been trained in the Code fell very slightly. The main reason cited for this was not knowing there was training (40%).

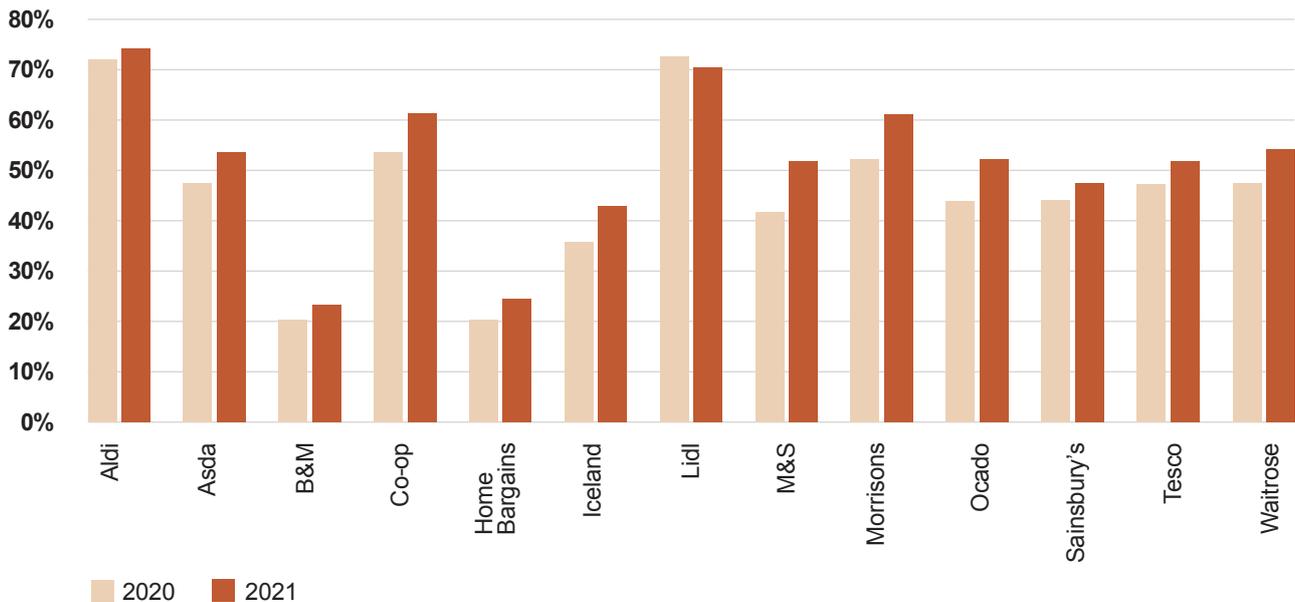
Supplier attitudes towards the Code & GCA



Source: GCA annual surveys 2014 – 2021

The survey also showed an increase in the percentage of suppliers believing they had a supply agreement across all Retailers except for Lidl.

Suppliers that consider they have a written supply agreement with the Retailer



Source: GCA annual survey 2021

Mark White

**Groceries Code Adjudicator and
Accounting Officer**

14 June 2021



Accountability Report

Corporate governance report

Director's report

The Groceries Code Adjudicator (GCA) is a Statutory Office and Corporation Sole and is an independent regulator sponsored by the Department for Business, Energy and Industrial Strategy (BEIS). On 31 October 2020, Mark White succeeded Christine Tacon as the GCA and was appointed as the Accounting Officer.

As Accounting Officer, I am responsible for ensuring that the GCA has an appropriate governance structure and systems in place to ensure I meet my statutory obligations. I am personally responsible for safeguarding public funds for which I have charge; for ensuring propriety and regularity in the handling of public funds; and for day-to-day operations and management of the GCA as set out in Managing Public Money.

Governance structure

Upon appointment, I reformed the GCA corporate governance structure to best combine efficient decision making with accountability and transparency. As Accounting Officer, I chair the Governance Board (Board) which is my governance body responsible for ensuring that the GCA's statutory obligations are met, that decision-making and financial management are carried out appropriately and that the office is managed effectively. Additionally, the GCA Head of Operations sits on the Board and in November 2020, as part of the reform, the Governance Board welcomed a representative from BEIS – Christopher Blairs, Deputy Director of Competition Policy

– as a non-executive director. The BEIS representative can look at governance through a departmental lens and brings a valuable external viewpoint as well as constructive challenge to the Board.

I also chair the Audit and Risk Committee and the Executive Committee which report to the Board. In November 2020, the Audit and Risk Committee agreed to seek an independent member, and in March 2021 welcomed Paula Mills to the position, to provide external objectivity in overseeing audit and risk in line with good governance practice.

The GCA does not remunerate the independent members of the Board or the Audit and Risk Committee.

I am personally responsible for promoting and safeguarding regularity, propriety, affordability, sustainability, risk and value for money; and accounting accurately and transparently for the GCA's financial position and transactions.

Further details about the governance structure are set out in the Governance Statement, and additionally a [summary of our governance](#) is available on the GCA website.

Register of interests

A [register of interests of the GCA](#) is available on the GCA website. All Senior Civil Service level members of the Board were subject to disclosure rules throughout the period, from the date of appointment. No member of the Board has interests which are considered to give rise to any conflict.

Personal data

There were no personal data disclosure incidents in 2020/21 and therefore nothing was referred to the Information Commissioner.



Mark White

**Groceries Code Adjudicator and
Accounting Officer**

14 June 2021



Statement of the GCA Accounting Officer's responsibilities

Paragraph 15(1) of Schedule 1 to the Groceries Code Adjudicator Act 2013 (the GCA Act) requires the GCA to keep proper accounts and proper records in relation to the corporation's accounts. For each financial year the Adjudicator must prepare a statement of accounts in respect of that year detailing the resources acquired, held or disposed of during the year and the use of resources by the GCA during that year. These must be published and submitted to the Secretary of State for BEIS (SoS) who will be responsible for laying the accounts before Parliament.

The accounts follow the form and the basis set out in the Accounts Direction issued by the SoS. The financial statements are prepared on an accruals basis and give a true and fair view of the GCA's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing financial statements the GCA is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- i) Observe the Accounts Direction issued by the SoS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii) Make judgements and estimates on a reasonable basis;

- iii) State whether applicable accounting standards set out in the FReM have been followed, and disclose and explain any material departures in the financial statements; and
- iv) Prepare the financial statements on a going concern basis.

The Principal Accounting Officer for BEIS has designated the GCA as the Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of levy funding (classified as public finances) for which the Accounting Officer is answerable, for keeping proper records and safeguarding the GCA's assets, are set out in [Managing Public Money](#) published by HM Treasury.

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

I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable, which I confirm they are.



Mark White

**Groceries Code Adjudicator and
Accounting Officer**

14 June 2021

Governance statement

Scope of responsibility

The GCA is a Statutory Office and Corporation Sole. The GCA is the Accounting Officer. As the Accounting Officer, the Adjudicator has responsibility for maintaining corporate governance structures that support the achievement of the GCA's aims, objectives and targets, while safeguarding public funds and the GCA's assets.

Mark White was appointed as the Adjudicator from 31 October 2020 and succeeded Christine Tacon who was appointed as the first Adjudicator from 25 June 2013.

Mark White received a ministerial letter of appointment pursuant to the GCA Act. In addition, he received a letter from the Permanent Secretary to BEIS, appointing him as Accounting Officer, together with a letter from the BEIS Director General for Market Frameworks providing him with financial delegations.

The main duties and responsibilities of the Adjudicator are set out in the GCA Act.

Governance framework

Upon appointment, the new Adjudicator, Mark White, reviewed the GCA governance framework and a new structure was created with effect from November 2020. GCA governance is now conducted through a Governance Board, an Audit and Risk Committee and an Executive Committee.

A review of Board effectiveness is carried out on a biennial basis and was last carried out during 2018/19. The 2020/21 review of effectiveness was substituted by the governance restructure concluded in November 2020. Board effectiveness is next due to be reviewed in 2022/23.

Governance Board (the Board)

Purpose

Sets the GCA's strategic aims, providing the leadership to put them into effect, supervising the management of the regulator and reporting to Government.

The Board will:

- Ensure the GCA office is effectively managed to fulfil its statutory duties and functions and that the principles of good corporate governance are observed.
- Establish that the overall strategic direction of the GCA fits within the policy framework laid down under the GCA Act.
- Have regard to any opinions and reports of the GCA as Accounting Officer and ensure that the GCA makes appropriate use of public funds.

Membership

- Chair: Groceries Code Adjudicator.
- GCA Head of Operations.
- BEIS Deputy Director of Competition Policy.

Additional information

- All members of the Board and its predecessor body (the Executive Board) attended each meeting held during the year.
- The Board meets at least three times a year, proportionate to the size of the GCA.
- The Board's work is also informed by the Audit and Risk Committee and the Executive Committee.
- During the year among the issues the Board considered were: terms of reference; the annual levy; constitutional documents; rates for cost recoverable activity; this annual report and an Adjudicator's update report.
- Robust information is provided to the Board in papers submitted for consideration. The Board is satisfied that this is of a quality which enables effective decision making.
- The Board follows the Corporate Governance Code of Good Practice 2017, applying it in a way proportionate to the nature and size of the GCA.

Executive Committee

Purpose

A sub-committee of the Board to oversee the GCA's overall performance and delivery with a focus on strategic leadership, management and direction, ensuring the most effective prioritisation of resources.

Membership

- Chair: Groceries Code Adjudicator.
- GCA Head of Operations.
- GCA Policy Manager.

Additional information

- The overall decision-making body for performance and delivery, under delegated authority from the Board.
- Meets approximately six times a year, or as the business of the GCA requires.
- As a new committee it has met five times during the reporting period with a further three meetings in shadow form, with full attendance at each meeting.
- During the year among the issues the Executive Committee considered were: a review of governance, the annual levy, a regular finance update, updates to the GCA website, the annual survey and the creation of the new "tellthegca" reporting platform.
- Papers are provided to the Executive Committee which contain relevant information. The Executive Committee is satisfied that these are of a quality which enable effective decision making.

Audit and Risk Committee

Purpose

A sub-committee of the Board supporting the GCA's responsibilities for issues of risk, internal control and governance.

Membership

- Chair: Groceries Code Adjudicator.
- GCA Head of Operations.
- Independent Committee member.

Observers

- National Audit Office.
- GCA's Accountants, RSM UK Ltd.
- Government Internal Audit Agency (as required).

Additional information

- The Audit and Risk Committee met twice during the reporting period (proportionate to the size of the GCA), with full attendance at both meetings.
- The Audit and Risk Committee's main tasks are to consider the GCA's financial position and financial management, review of the risk register and approval of the annual report and accounts. Rigorous consideration of these matters takes place at each meeting, supported by papers containing relevant information.
- The Audit and Risk Committee is satisfied that committee papers are of a quality which enable effective decision making.

Funding the GCA

Levy on designated retailers

The GCA is funded through a general levy on the designated retailers (Retailers). Unspent levy funds at the end of each financial year are returned to the Retailers in the proportions in which they were contributed.

The GCA Act requires the consent of the SoS before a levy can be imposed on the Retailers.

The SoS approved the levy methodology for the reporting period and the budget was set at £2 million. The levy was split evenly

between the 13 Retailers with no variable element, in order not to pre-empt any decision the new Adjudicator may wish to take about how to discharge its functions.

Each year the Adjudicator publishes the levy funding policy on the GCA website.

The GCA Act provides a facility for the SoS to make grants and loans to the GCA. However, the levy continues to be set at an amount estimated to provide the GCA with sufficient funds should the Adjudicator decide to launch an investigation.

The SoS agreed to the proposed GCA levy for 2021/22 on 29 April 2021. The total levy

for 2021/22 is set at £1.9 million, a decrease from the £2 million raised in previous years. The levy will be evenly split between the Retailers with no variable element. It is accordingly considered appropriate to adopt the going concern basis for the preparation of these financial statements.

The GCA's operational running costs were reduced in 2020/21 as a result of new ways of working necessitated by the COVID-19 pandemic. For example, the GCA office moved online for the majority of GCA correspondence and communications - incurring minimal costs for stationery, postage and travel - and did not hold an annual conference. The GCA intends to continue to realise many of these savings and efficiencies when the GCA office returns to business as usual.

Cost recoverable activity

The GCA may recover reasonable costs from Retailers incurred during the following:

- Investigations, where a Retailer is found to have breached the Code. The GCA may also recover costs from a person where the investigation is launched as a result of that person's complaint, which is found to be vexatious or wholly without merit;
- Enforcement activity as a result of an investigation where a breach has been found; and
- Arbitrations, as the reasonable costs of the arbitrator.

Each year the GCA publishes the rates for cost recoverable activities on its website.

During the reporting period, there were no open investigations or arbitrations requiring significant GCA involvement and so there was no need for the GCA to recover costs from the Retailers.

Going concern

The GCA will receive levy income for 2021/22 to fund activities as noted above. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements. Budget pressures are possible should investigations or arbitrations result in accruals where the GCA has not recovered costs within the year.

As noted in the 'Funding the GCA' section on the preceding page, the GCA has set the levy at an amount estimated to provide the GCA with sufficient funds to cover these circumstances with additional support from BEIS where necessary.

VAT

The GCA is not registered for VAT.

Audit

The auditor of the GCA is the Comptroller and Auditor General. The audit fee for the period ended 31 March 2021 is £12,500 (2019/20: £12,000), as disclosed in Note 4 to the Financial Statements.

A proportionate internal audit-like mechanism is used by the GCA, consisting of a regular review of the risk register, an audit of financial controls and the periodic review of GCA policies and publications, supplemented by internal audit reviews conducted on an ad hoc basis by the Government Internal Audit Agency (GIAA).

Risk management

Risk management strategy and how the risk profile is managed

The GCA has identified 21 risks which impact on the reputation of the GCA, and the delivery of his objectives. The identification, mitigation and escalation of risks is embedded as a key activity of the GCA and his team. Risk management is aligned with government best practice as set out in the [HM Treasury guidance 'Management of Risk: Principles and Concepts'](#) (the Orange Book).

The GCA risk profile is summarised in the table below.

GCA risk profile			
4	1		High
7	5		Medium
4			Low
Low	Medium	High	
Likelihood			Impact

The GCA has a comprehensive risk register which is formally reviewed every six months. The register considers risks under the following eight categories: finance, procurement and audit; HR and recruitment; operational; relations with Retailers; stakeholder management; governance; reputation; and legislation.

The risks for this period have evolved to reflect the activities of the GCA over that time and the impact of outside events.

In line with other public sector bodies the GCA has a business continuity plan which was implemented from 20 March 2020 as part of the response to the COVID-19 pandemic.

Accountability and responsibility framework for risk management

The Audit and Risk Committee reviewed the GCA risk register in May and November 2020. The internal perspective is provided by the Executive Committee which reviewed the risk register in September and October 2020.

During the risk register review process, the GCA Team used a combination of 'bottom up' and 'top down' discussions to update existing risks, mitigating strategies and progress, as well as for identifying and managing new risks.

Other control and governance structures

Internal financial control

The GCA has committed to pay all undisputed invoices within a maximum of 30 days.

During the reporting period, the GCA approved and processed 100% of invoices within 30 days of receipt.

On average it took 1.86 days to pay each invoice, a decrease on the average of 4.95 days in 2019/20.

The GCA maintains an internal financial controls checklist which is reviewed and completed annually. This was last reviewed in November 2020 and was considered by the Audit and Risk Committee.

The Adjudicator, as the GCA Accounting Officer, has overall strategic responsibility for ensuring that GCA funds are managed correctly, and has in place a financial delegation authority. Through the financial delegation authority, the Adjudicator can in turn sub-delegate to GCA team members, as necessary. GCA staff holding such delegations are made aware of limits of their delegated authority and the level of approval needed before committing any expenditure.

The GCA reviewed and updated the sub-delegations and financial procedures policy in February 2021. At the same time, the GCA also reviewed and updated the Government Procurement Card policy.

Internal audit

As part of the transition between Adjudicators, the new Adjudicator, Mark White, has reviewed the current GCA processes and procedures for internal audit.

A number of existing checks and balances provide assurance to the GCA on its risk management, governance and internal control processes. These include external audit by the National Audit Office, reporting to ministers and Parliament, the triennial statutory review provided for in the GCA Act and the GCA's governance structure.

Given the size of the GCA and the existing assurance mechanisms, the GCA has implemented a proportionate approach to internal audit. This approach is based on the principles of internal audit but is adapted for the GCA. As a result, the GCA approach has less formal independent oversight than might exist in a larger organisation.

In November 2020, the Audit and Risk Committee agreed that the existing components of the GCA internal controls should be retained and supplemented with a third-party internal audit. Members felt that this was particularly important given the transition between two Adjudicators.

The Audit and Risk Committee commissioned the GIAA to conduct a review of controls and the GCA's new governance arrangements. The GIAA examined the risk management arrangements and reviewed the management of the transition between Adjudicators and new management team. The GCA was awarded a substantial assurance under the GIAA rating.

The GIAA found that the new governance arrangements, which have recently been implemented, now proportionately reflect the expectations and good practice principles as set out in Managing Public Money.

The GIAA also found that the transition between Adjudicators and a new incoming senior team had been proactively and effectively managed, in accordance with general government expectations and good practices.

The GIAA's report made no recommendations.

The Audit and Risk Committee reviewed the GIAA report and will consider whether to commission further independent reviews on aspects of the GCA's governance and internal controls.

Whistleblowing

The BEIS Whistleblowing and Raising a Concern Policy is followed and is communicated to GCA staff. The GCA does not directly employ any member of the GCA office and adheres to the BEIS policy as team members are seconded, in the main, from BEIS. The BEIS whistleblowing policy is clearly set out in the GCA delegations and financial procedures document.

Managing the demands imposed by COVID-19

The first national lockdown during the COVID-19 pandemic gave rise to queries about compliance with the Code given the unusual trading conditions. In April 2020, the GCA wrote to the Retailers' CEOs to reassure them that the Code provided the flexibility to enable them to maintain groceries supply to the consumer.

The former Adjudicator, Christine Tacon, had intended to step down in June 2020. In April 2020, it was announced that she would extend her tenure for a period of up to six months to provide continuity and reassurance to the groceries sector during the COVID-19 outbreak. Before retiring from the role on 30 October 2020, Ms Tacon held monthly COVID-19 catch up phone calls with the CCOs from each Retailer.

The Adjudicator and GCA team have worked remotely during the whole reporting period. This has impacted the new Adjudicator's ability to build relationships with Retailers and stakeholders. The Adjudicator has made

use of online platforms, including extensive use of video conferencing, newsletters, webinars and the GCA website. Both Christine Tacon and Mark White participated in over 155 events and meetings in 2020/21, including governance meetings. The Adjudicator is planning to hold a conference in September 2021 with the expectation that this will be a virtual event.

The impact of COVID-19 on GCA expenditure has been outlined on page 50.

Managing the demands imposed by EU Exit

The GCA's performance has not been impacted or impeded by EU Exit, nor has it caused any change to GCA expenditure. As highlighted in the foreword, it is likely that EU Exit will be an ongoing area of discussion between Retailers and suppliers in the medium term as they work together to overcome the changes and pressures imposed by EU Exit.

Analytical models

The GCA does not use any analytical models and therefore does not have, and is not required to have, an appropriate quality assurance framework in place as required by the [final report of the MacPherson Review of Quality Assurance of Government Analytical Models](#).

Implementation of the Alexander Tax Review

Numbers of off-payroll engagements and board members and senior officials with significant financial responsibilities are provided in tables 1 and 3 in the remuneration and staff report (page 61).

The GCA has recently reviewed its one off-payroll engagement to ensure its processes are robust. The GCA has the right to request assurances, and does so, from the individual in relation to monies received from the GCA. The GCA can terminate a contract if these assurances are not provided.

The Board comprises of the Adjudicator, the GCA Head of Operations and a BEIS representative, none of whom receive additional remuneration for their role on the Board.

Sustainability

The GCA does not fall within scope of the Greening Government Commitments. The GCA's office forms part of the building occupied by the Competition and Markets Authority (CMA) and reporting associated with the GCA will be incorporated into the CMA's Annual Report and Accounts.

Statement by the Adjudicator

As Accounting Officer, I ensure that the GCA has an appropriate governance structure to meet the requirements of the office and to provide the right level of control over decision making. I confirm there have been no data losses or ministerial directions issued during the financial year.

I have considered the evidence that supports this Governance Statement and I am assured the GCA has a strong system of controls to support the achievement of my statutory purposes. I therefore have no disclosures of control weaknesses to make for the 2020/21 financial year.



Mark White

**Groceries Code Adjudicator and
Accounting Officer**

14 June 2021

Remuneration and staff report

Overview and remuneration policy

The GCA has no remuneration responsibilities. The current and future remuneration of the Adjudicator is determined by the SoS under Schedule 1 to the GCA Act. The Adjudicator is designated as Office Holder and is a Corporation Sole.

GCA team members, all of whom are on secondment from public bodies, retain the terms and conditions of their parent departments. Note 3 to the financial statements provides further information about this. Remuneration decisions are taken by the secondees's relevant department.

The current Adjudicator's salary payments in this financial year were in the band of £55,000 to £60,000 from 21 July 2020 and pro-rated from an annual salary within the band of £130,000 to £135,000 for a full-time equivalent.

The Adjudicator may receive a civil service pension. Other pension commitments are met by the home departments of the secondees to the GCA.

In line with HMRC rules to support all GCA staff during the COVID-19 remote working arrangements, the Adjudicator and GCA staff were able to claim an allowance to cover increased household costs. During the reporting period, this was a flat rate of £26 per month, which represents the maximum possible payment within HMRC limits without incurring additional tax liabilities.

Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration (audited)										
Officials	Salary (£'000) (in £5k bandings)		Bonus payments (in £5k bandings)		Benefits in kind (to the nearest £100)		Pension benefits (to the nearest £'000)*		Total (in £5k bandings)	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Christine Tacon (to 30 October 2020)	65-70 (135-140 for a full time equivalent)	80-85 (135-140 for a full time equivalent)	–	–	–	–	18	32	85-90	115-120
Mark White (from 21 July 2020)	55-60 (130-135 for a full time equivalent)	n/a	–	n/a	–	n/a	–	n/a	55-60	n/a

Notes:

- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- Christine Tacon retired as the Adjudicator on 30 October 2020.
- Mark White was appointed as the Deputy Adjudicator on 21 July 2020 and as the Adjudicator on 31 October 2020.

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 or to be made by the GCA and thus recorded in these accounts.

Benefits in kind

No allowances, bonuses or benefits in kind have been made to either Adjudicator.

The cash equivalent transfer value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

Pension Benefits (audited)						
Officials	Accrued pension at pension age as at 31 March 2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV*	Employer contribution to partnership pension account
	£'000	£'000	Nearest £'000	Nearest £'000	Nearest £'000	Nearest £100
Christine Tacon	10 – 15	0 – 2.5	219	195	14	0
Mark White	Mark White chose not to join the Civil Service pension arrangements during the reporting year.					

Notes:

- Real increase in CETV 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.
- Christine Tacon retired as the Adjudicator on 30 October 2020.
- Mark White was appointed as the Deputy Adjudicator on 21 July 2020 and as the Adjudicator on 31 October 2020.

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 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

Employee contributions are salary-related and range between 4.6% and 8.05% for members of nuvos and alpha. In nuvos a member builds up a pension based on 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 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 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 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (As the former Adjudicator (Christine Tacon) has benefits in both the PCSPS – nuvos – and alpha the figure quoted is the combined value of the benefits in the two schemes but part of that pension may be payable from different ages).

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

Career Average pension arrangements were introduced from 1 April 2015 and the former Adjudicator (Christine Tacon) joined this scheme. Further details of this scheme are available at www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/.

Fair pay disclosure

The GCA only has one officer who is taxed as an employee. All other staff during the year were seconded from other public bodies.

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

The banded remuneration of the highest-paid 'director' at the GCA (the Adjudicator) in the financial year 2020/21 was £130,000 to £135,000. This was 2.8 times the median remuneration of the workforce, which was £48,017.

GCA fair pay disclosure for the period ending 31 March 2021 (audited)

	2020/21	2019/20
Band of highest paid directors' total remuneration (£'000) (bands of £5'000)	130,000 – 135,000	135,000 – 140,000
Median total (£)	£48,017	Not disclosed
Remuneration ratio	2.8	2.5

Notes:

- No remuneration range has been provided as this would disclose the salaries of individuals who work in the Adjudicator's team.
- Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
- The increase in the remuneration ratio in 2020/21 (compared to 2019/20) is due to senior positions within the GCA team remaining vacant during the year whilst more junior positions remained filled.

Staff report

Staff numbers, costs and composition

The GCA is employed for three days each week and is a senior civil servant equivalent. Staff supporting the GCA are seconded from public bodies, with occasional support from temporary contractors.

The guiding principle in resourcing the GCA has been to recruit the resources needed in a phased way based on anticipated workload.

The organisation chart at the end of the reporting period is provided in the Performance Review on page 21. Staff numbers and composition as at 31 March 2021 and 31 March 2020 are summarised in the table below.

GCA staff numbers and composition as at 31 March 2021 and 2020 (audited)

Full time equivalents				
	Female	Male	31 March 2021	31 March 2020
The Adjudicator	0	0.6	0.6	0.6
GCA Staff	4	0	4	4.6

Notes

- For comparison, the female: male composition of the GCA committees is 1:2 (Governance Board), 2:1 (Audit and Risk Committee) and 2:1 (Executive Committee).

During the reporting period four members of staff left the GCA team and three new members were recruited. Media and communications support is provided on a temporary agency basis when required. The GCA continues to review the resources required to meet its objectives.

The learning and development plan continues to be reviewed during the year to ensure all staff have the right skills and experience to perform their roles.

GCA staff costs are shown in the table below.

GCA staff costs 2020/21 and 2019/20 (audited)

	2020/21	2019/20 (as restated*)
Salaries, performance related pay and allowances	£305,561	£395,884
Social security costs	£35,520	£42,953
Pension	£64,287	£88,891
Temporary / agency costs	£17,727	Not disclosed
Total	£423,095	£527,728

Notes

- The Adjudicator and Deputy Adjudicator are ministerial appointments, and both are paid by the BEIS payroll, which is recharged to the GCA.
- There have been no severance / retirement payments in the reporting year.
- Home departments invoice the GCA for the employee's salary, ERNIC and pensions contributions. There is no VAT on these recharge invoices. The GCA is not VAT registered.
- *Further information is included in Note 2 and Note 3 of the accounts.

Sickness absence

There has been no sickness absence at the GCA during the reporting period.

Staff policies and other employee matters

As staff working in the GCA office remain employees of the public bodies from which they are seconded, they are primarily subject to the staff policies of those organisations.

The GCA ensures it meets commitments on equality and diversity, health and safety and wellbeing for staff working in the office.

The GCA gives full and fair consideration to applications to be seconded to the office from disabled persons and will implement relevant policies for training and career development where necessary.

Consultancy expenditure

There was no consultancy expenditure during 2020/21. Expenditure relating to the contract for the annual GCA survey is shown in Note 4 of the accounts.

'Off payroll' engagements and reporting on the tax arrangements of public sector appointees

Legislation which came into effect from April 2017 provides that where a public sector organisation engages an off-payroll worker through their own limited company, that organisation (or the recruitment agency where the worker is engaged through that agency) will become responsible for deciding whether tax and National Insurance contributions (NICs) are due from the individual contractor and, if so, for paying the right tax and NICs.

The GCA has ensured that arrangements are in place to determine if contractors are in or out of scope, and, where relevant, that arrangements are in place for the deduction of tax and NICs, and that relevant assurances are sought.

In addition, the [final report of the Alexander Tax Review](#) recommended that board members and senior officials with significant financial responsibility should be on the organisation's payroll. The GCA has reviewed the way he appoints board members and senior officials to ensure processes are robust.

The tables on the following page set out the status of off-payroll contractors and board members and senior officials with significant financial responsibility engaged by the GCA.

Table 1: Off-payroll engagements as at 31 March 2021, for more than £245 per day and that last for longer than six months

No. of existing engagements as of 31 March 2021	1
Of which...	
No. that have existed for less than one year at time of reporting.	0
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	1
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	0

Declaration

All existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance needs to be sought that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months

Nil return

Table 3: Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll* and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both on payroll and off-payroll engagements.	3**

*The GCA does not operate its own payroll function and is recharged for such services. The individuals disclosed are therefore classed as on payroll.

**One individual from 01/04/20 to 21/07/20, two individuals from 21/07/20 to 30/10/20 and two individuals from 31/10/20 to 31/03/21.

Exit packages

Any exit packages would be the responsibility of the public bodies seconding staff to the GCA or for BEIS.

This has been subject to audit.

Parliamentary accountability and audit report

Parliamentary accountability disclosures

The Adjudicator, as Accounting Officer, is responsible for the propriety and regularity of the public finances for which he is answerable and for keeping proper records.

The GCA has nothing to report in respect of: losses and special payments; remote contingent liabilities; fees and charges income; or gifts. This has been subject to audit.

Details of the GCA's statutory reporting requirements are set out in the performance report.

Wider government and Parliamentary input

The GCA is fully committed to meeting its wider duties as a public body and engaging fully with Parliament and devolved governments. In this reporting period, the GCA has fulfilled these duties in the following ways set out below.

The Regulators' Code

The GCA is a non-economic regulator which must have regard to the Regulators' Code. The Regulators' Code obliges the GCA to follow stated principles when developing policy or operational procedures and when setting standards or giving guidance which informs GCA regulatory activity.

Growth duty

The GCA is committed to following the Government's better regulation agenda and the GCA will take account of the economic impact of its regulatory activities on growth. This follows the requirement of section 108 of the Deregulation Act 2015, which stipulates that:

- (1) A person exercising a regulatory function to which this section applies must in the exercise of the function have regard to the desirability of promoting economic growth.
- (2) Consider the importance for the promotion of economic growth of exercising the regulatory function in a way which ensures that:
 - (a) Regulatory action is taken only when it is needed, and
 - (b) Any action taken is proportionate.

Business Impact Target

The Small Business, Enterprise and Employment Act 2015 (SBEE Act) requires the Government to publish, then report on, its performance against a deregulation target – the Business Impact Target.

The Enterprise Act 2016 brought a number of regulators, including the GCA, into scope for this target. The GCA published its response for the reporting period of 13 December 2019 to 16 December 2020. The GCA had no qualifying regulatory provisions.

Review of business appeals procedure

The SBEE Act introduced a new review mechanism for the appeals procedure of each non-economic regulator, which includes the GCA. The law provides for the appointment of a reviewer by the SoS to:

- (a) Review the effectiveness during each reporting period of the procedures (both formal and informal) of the relevant regulator for handling and resolving complaints and appeals made by businesses to the regulator in connection with the exercise by the regulator of the function, and
- (b) Prepare a report about the findings of the review.

The GCA will work with BEIS on the implementation of this requirement when necessary.

Parliamentary and Ministerial engagement

During the reporting year the former Adjudicator had a telephone call with Lord Grantchester on 11 May 2020.

The current Adjudicator met Paul Scully MP (BEIS Parliamentary Under Secretary of State and Minister for Small Business, Consumers and Labour Markets) on 9 December 2020.



Mark White

**Groceries Code Adjudicator and
Accounting Officer**

14 June 2021

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

Opinion on financial statements

I certify that I have audited the financial statements of the Groceries Code Adjudicator for the year ended 31 March 2021 under the Groceries Code Adjudicator Act 2013. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Groceries Code Adjudicator's affairs as at 31 March 2021 and of the Groceries Code Adjudicator's net expenditure for the year then ended;
- have been properly prepared in accordance with the Groceries Code Adjudicator Act 2013 and Secretary of State 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 (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Groceries Code Adjudicator 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

The Groceries Code Adjudicator'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 Groceries Code Adjudicator'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.

The going concern basis of accounting for the Groceries Code Adjudicator is adopted in consideration of the requirements set out in International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate 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. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material

misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Groceries Code Adjudicator Act 2013; 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.

Matters on which I report by exception

In the light of the knowledge and understanding of the Groceries Code Adjudicator 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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Groceries Code Adjudicator'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 Groceries Code Adjudicator 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 Groceries Code Adjudicator Act 2013.

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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Groceries Code Adjudicator's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Groceries Code Adjudicator's controls relating to the Groceries Code Adjudicator Act 2013;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and

- obtaining an understanding of the Groceries Code Adjudicator's framework of authority as well as other legal and regulatory frameworks that the Groceries Code Adjudicator operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Groceries Code Adjudicator. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, and the Groceries Code Adjudicator Act 2013.

In addition to the above, my procedures to respond to identified risks included the following:

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

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component

audit teams 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.

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 17 June 2021**

Comptroller and Auditor General

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

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

	Note	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £ (As restated)
Expenditure			
Staff Costs	3	423,095	527,728
Other Expenditure	4	216,198	254,094
		<u>639,293</u>	<u>781,822</u>
Income			
Other income	5	<u>(631,802)</u>	<u>(893,687)</u>
Net expense/(income)		<u>7,491</u>	<u>(111,865)</u>
Total Comprehensive expense/(income) for the year ended 31 March		<u>7,491</u>	<u>(111,865)</u>

The notes on pages 73 to 83 form part of these financial statements.

There was no other comprehensive expenditure.

Statement of financial position as at 31 March 2021

	Note	As at 31-Mar-21 £	As at 31-Mar-20 £ (As restated)
Non-current assets:			
Tangible fixed assets	6	104,374	111,865
Current assets:			
Other receivables	8	18,619	4,093
Cash	9	1,490,294	1,633,268
Total current assets		<u>1,508,913</u>	<u>1,637,361</u>
Total assets		<u>1,613,287</u>	<u>1,749,226</u>
Current liabilities:			
Contract liability	10	1,347,438	1,267,581
Trade and other payables	10	118,462	350,170
Total current liabilities		<u>1,465,900</u>	<u>1,617,751</u>
Total assets less current liabilities		<u>147,387</u>	<u>131,475</u>
Non-current liabilities:			
Other payables	10	43,013	19,610
Total non-current liabilities		<u>43,013</u>	<u>19,610</u>
Total assets less total liabilities		104,374	111,865
Taxpayers' equity			
Income and expenditure reserve		<u>104,374</u>	<u>111,865</u>
Total equity		<u>104,374</u>	<u>111,865</u>

The notes on pages 73 to 83 form part of these financial statements.



Mark White
Groceries Code Adjudicator and Accounting Officer
14 June 2021

Statement of cash flows for the year ended 31 March 2021

	Note	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
Cash flows from operating activities			
Net operating (expense)/income		(7,491)	111,865
Depreciation	6	8,691	5,735
(Increase)/decrease in receivables	8	(14,526)	1,331,125
Decrease in payables	10	(128,448)	(200,653)
Net cash (outflow)/inflow from operating activities		<u>(141,774)</u>	<u>1,248,072</u>
Investing activities			
Purchase of tangible fixed assets	6	(1,200)	(117,600)
Net cash used in investing activities		<u>(1,200)</u>	<u>(117,600)</u>
There are no cashflows from financing activities			
Net (decrease)/increase in cash and cash equivalents in the period	9	<u>(142,974)</u>	<u>1,130,472</u>
Cash at the beginning of the period		<u>1,633,268</u>	<u>502,796</u>
Cash at the end of the period		<u>1,490,294</u>	<u>1,633,268</u>

The notes on pages 73 to 83 form part of these financial statements.

Statement of changes in Taxpayers' Equity

	I & E Reserve £	Total Reserves £
Balance as at 31 March 2019	–	–
Changes in Taxpayers' Equity comprehensive income for the year		
Comprehensive income for the year	111,865	111,865
Balance as at 31 March 2020	<u>111,865</u>	<u>111,865</u>
Changes in Taxpayers' Equity comprehensive expense for the year		
Comprehensive expense for the year	<u>(7,491)</u>	<u>(7,491)</u>
Balance as at 31 March 2021	<u>104,374</u>	<u>104,374</u>

The Groceries Code Adjudicator (GCA) is levy funded and unspent levy is reflected in contract liability.

Notes to the financial statements

1. Accounting policies

These financial statements have been prepared in accordance with the 2020/21 Government Financial Reporting Manual (FReM). 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 to be the most appropriate to the particular circumstances of the GCA for the purposes of giving a true and fair view has been selected. The particular policies adopted by the GCA for the purpose of financial reporting are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts have been prepared under the direction of the Department for Business, Energy and Industrial Strategy (BEIS).

There were no new standards issued up to 31 March 2021 and not applied that would materially affect the accounts. The GCA has also not adopted any standards early but has considered future changes in standards.

Accounting convention

These financial statements have been prepared under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the GCA. Monetary amounts in these financial statements are rounded to the nearest £.

Standards not yet effective

IFRS 16 Leases as applied by the FReM will be effective for the GCA from 1 April 2021. IFRS 16 requires the recognition of a right-of-use asset and a lease liability for all leases in scope of IFRS 16. The adoption of IFRS 16 will result in the recognition of a right-of-use asset and lease liability in respect of the rental of accommodation.

The adoption of IFRS 16 is expected to have a material impact on the financial statements of the GCA. The impact cannot be quantified until the discount rate is published for the relevant period.

Going concern

The GCA will receive levy income for 2021/22 to fund its activities. Consent to the proposed GCA levy for 2021/22 was received from the Secretary of State for BEIS (SoS) on 29 April 2021, and there is no reason to believe that future approval will not be granted. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. It has been accordingly considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Income

General levy

The GCA received levy income for 2020/21 to fund its activities. Approval for the levy for the year 2020/21 was received on 28 April 2020. The levy is invoiced once audited accounts are published. Section 19 of the Groceries Code Adjudicator Act 2013 provides that the full costs of the GCA will be

funded through a levy on the retailers that are designated under the Groceries (Supply Chain Practices) Market Investigation Order 2009 (the Order). As at 31 March 2021 these were: Aldi, Asda, B&M, Co-op, Iceland, Lidl, Morrison's, M&S, Ocado, Sainsbury's, Tesco, Home Bargains and Waitrose.

The GCA raises income by levy on the retailers it regulates. The levy is applied and invoiced to retailers at the start of each financial year. Any unspent levy at the end of the financial year is returned to the retailers in the proportions in which it was contributed. The general levy and associated rebate are variable consideration under IFRS 15. The variable consideration is determined using the most likely amount. There is a constraint on the variable consideration with the income from the general levy determined at the end of the financial year once the uncertainty associated with the levy rebate has been resolved.

Investigations

The GCA has the discretion to charge the applicable designated retailer(s) (Retailer(s)) the full costs of an investigation which results in a finding that the Code has been broken.

Costs incurred during investigations are recognised in full during the course of the investigation. The income associated with the recoverable costs of an investigation is a variable consideration. Until the investigation has been completed and findings published, there is uncertainty in respect of income from costs recovery. Income from the recovery of investigation costs is recognised at the point the GCA becomes entitled to recover them. Any income received from the recovery of investigation costs is taken into account in determining the general levy rebate at the end of the financial year.

There were no investigations in 2020/21.

Arbitrations

The GCA will in the great majority of cases recover the full costs of an arbitration, in accordance with Article 11(7) of the Order. All costs of the GCA as arbitrator are to be borne by the Retailer which is the party to the arbitration; unless the arbitrator decides that the supplier's claim was vexatious or wholly without merit, in which case costs will be assigned at the arbitrator's discretion. The other costs of an arbitration, such as the parties' legal costs, can be apportioned in the final award.

The costs of arbitration are recognised in full during the course of the arbitration. The income from arbitration costs recovery is recognised during the course of the arbitration based on time incurred and published hourly rates.

There was one arbitration in 2020/21 which is ongoing at the end of the financial year.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Expenditure on leasehold property - straight line over lease term.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to the Statement of Comprehensive Net Expenditure.

Purchases of individual capital items over £1,000 will be recognised in the accounts as an asset and appropriately depreciated or amortised.

Financial instruments

Financial instruments are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case transaction costs are charged to operating costs.

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability is held or acquired. Management determine the categorisation of assets and liabilities at initial recognition and re-evaluate this designation at each reporting date. The categorisation of financial assets is determined based on both the business model and the nature of the contractual cash flows.

Financial assets

The GCA holds financial assets, which comprise of cash at bank and receivables. These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Since these balances are expected to be realised within 12 months of the reporting date, there are no material differences between fair value, amortised cost and historical cost.

Prepayments over £1,000 will be recognised in the accounts as an asset.

Financial liabilities

The GCA holds financial liabilities, which comprise of payables and contract liability. Contract liability relates to unspent levy funds which will be brought forward against the levy amounts due in future periods. Since these balances are expected to be settled within 12 months of the reporting date, there are no material differences between fair value, amortised cost and historical cost.

Accruals over £1,000 will be recognised in the accounts as a liability.

Reserves

Income and expenditure reserve

The GCA holds Taxpayers equity in its reserves. Taxpayers equity is the net book value of fixed assets. At the end of the financial year, following adjustment for the movement in amounts held in Taxpayers equity, any levy income in excess of expenditure is adjusted as a rebate of the levy with a corresponding amount held in contract liability. The rebate is off-set against the levy invoiced in the following financial year.

Expenditure

All expenditure is recognised on an accruals basis. Purchases of individual capital items over £1,000 will be recognised in the accounts as an asset and appropriately depreciated or amortised.

Staff costs

All short term staff costs payable at the end of the year and which will be paid within one year from the reporting date are included in the Statement of Comprehensive Net Expenditure.

Value Added Tax

Output tax does not apply to the GCA's activities and input tax is not recoverable. Irrecoverable input tax is charged to the relevant expenditure category.

Leases

Payments in relation to operating leases are calculated on a straight line basis and charged to the Statement of Comprehensive Net Expenditure.

Provisions and contingent liabilities

Provisions and contingent liabilities rely on the application of professional judgement, historical experience and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised.

Key judgements and estimates

The GCA makes judgements and estimates in the preparation of the financial statements. There are no judgements and estimates that have a significant risk and may cause a material impact.

2. Prior period adjustment

Following late receipt of an invoice for £20,760 for recharged salaries, the GCA identified that this invoice had not been accrued at 31 March 2020. The GCA considers that it is appropriate to recognise this transaction as a prior period adjustment due to its value. A prior year adjustment has therefore been recorded to increase the payroll expenditure for the year ended 31 March 2020 and to increase the accruals at that date by the same amount. As unspent levy is returned to the Retailers, the income recognised has been increased and the contract liability to return unspent funds to the Retailers has been reduced. The net effect to Taxpayers' equity is £Nil.

	As previously £	Adjustment £	Restated amount £
Statement of Comprehensive Net Expenditure for the year ended 31 March 2020			
Staff Costs	506,968	20,760	527,728
Income	(872,927)	(20,760)	(893,687)
Net income	111,865	-	111,865
Statement of financial position as at 31 March 2020			
Contract liability	1,288,341	(20,760)	1,267,581
Trade and other payables	329,410	20,760	350,170
Current liabilities	1,617,751	-	1,617,751
Taxpayers' equity	111,865	-	111,865

3. Staff numbers and related costs

The cost of staff remuneration was:

	Year ended 31-Mar-21 £	Year ended 31-Mar-21 £	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
	<i>Permanent Staff</i>	<i>Other Staff</i>	<i>Total</i>	<i>Total (As restated)</i>
Wages and salaries	98,004	225,284	323,288	395,884
Social security costs	12,011	23,509	35,520	42,953
Pension costs	14,345	49,942	64,287	88,891
Total	124,360	298,735	423,095	527,728

(i) The remuneration of the current and former Adjudicators are the only permanent staff costs.

(ii) There have been no severance payments in the year.

(iii) Other staff includes the costs for the staff seconded to the GCA (£281,008) and for agency staff (£17,727).

Average number of staff employed

The average annual number of full-time-equivalent staff (FTE), including secondees from other government departments, other organisations, staff employed on short-term contract and temporary staff, was:

	2020/21	2019/20
	FTE	FTE
Permanent staff	0.8	0.6
Other staff	3.7	5.4
	4.5	6.0

(i) The total number of staff reported outside of the accounts is based on head count, whereas the above figures are average FTE's for the year.

More detailed information relating to cost of staff is provided in the Remuneration and Staff report on page 59.

4. Other expenditure

	Year ended 31-Mar-2021 £	Year ended 31-Mar-20 £
Investigation into Co-operative Group Limited	–	17,721
Accountancy fees	8,376	11,640
Arbitration	-	1,010
Audit fee	12,500	12,000
GIAA review fee	7,080	-
Conferences & events	-	20,724
Corporates Services from BEIS	20,700	24,960
Legal costs	12,579	18,000
Licences	4,655	1,844
Marketing and Promotion Materials	15,233	22,525
Office equipment (IT and other consumables)	1,120	579
Other expenditure	425	1,868
Photocopying & Printing	81	1,084
Press Cuttings	420	178
Rentals under the terms of occupation lease	28,677	28,663
Running costs - Victoria House/Cabot Square	44,480	29,821
Staff training	12,038	8,967
Subscriptions	2,536	2,268
Survey & Consultancy	34,475	38,760
Travel, subsistence and hospitality	2,132	5,747
Non-cash items:		
Depreciation	8,691	5,735
Total other operating charges	216,198	254,094

(i) Other expenditure relates to bank fees and postage.

5. Income

	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £ (As restated)
Levy raised	2,000,000	2,116,667
Contract liability (Note 10)	(1,368,198)	(1,267,581)
	<u>631,802</u>	<u>849,086</u>
Arbitration costs recovery	–	10,457
Investigation costs recovery	–	34,144
	<u>631,802</u>	<u>893,687</u>

6. Tangible fixed assets

	Expenditure on leasehold property £	Total £
Cost		
At 1 April 2020	117,600	117,600
Additions	1,200	1,200
At 31 March 2021	<u>118,800</u>	<u>118,800</u>
Depreciation		
At 1 April 2020	5,735	5,735
Depreciation charged in the year	8,691	8,691
At 31 March 2021	<u>14,426</u>	<u>14,426</u>
Carrying value		
At 31 March 2021	<u>104,374</u>	<u>104,374</u>
At 31 March 2020	<u>111,865</u>	<u>111,865</u>
Asset financing:		
Owned	104,374	104,374
Finance leased	–	–
On-balance sheet PFI contracts	–	–
Carrying value at 31 March 2021	<u>104,374</u>	<u>104,374</u>

7. Financial instruments

The majority of financial instruments relate to contracts to buy non-financial items in line with the GCA's expected purchases and usage requirements. The GCA was therefore exposed to little credit, liquidity or market risk. Please refer to the accounting policies section.

8. Receivables and other assets

Amounts falling due within one year

	As at 31-Mar- 21 £	As at 31-Mar-20 £
Prepayments	18,619	4,093
	<u>18,619</u>	<u>4,093</u>

9. Cash

	As at 31-Mar-21 £	As at 31-Mar-20 £
Balance at 1 April 2020	1,633,268	502,796
Net change in cash balances	(142,974)	1,130,472
Balance at 31 March 2021	<u>1,490,294</u>	<u>1,633,268</u>
The following balances at 31 March 2021 were held at:		
Government Banking Service	<u>1,490,294</u>	<u>1,633,268</u>

The GCA's bank account is an account held with the Government Banking Service.

10. Other payables and liabilities

Amounts falling due within one year

	As at 31-Mar-21 £	As at 31-Mar-20 £ (As restated)
Contract liability	1,368,198	1,267,581
Recoverable in respect of prior year	(20,760)	-
	<u>1,347,438</u>	<u>1,267,581</u>
Accruals	118,462	338,028
Trade payables	-	12,142
	<u>1,465,900</u>	<u>1,617,751</u>
Analysis of accruals		
Balances with other central government organisations	94,329	293,847
Balances with bodies external to government	24,133	44,181
	<u>118,462</u>	<u>338,028</u>

Amounts falling due after more than one year

	As at 31-Mar-21 £	As at 31-Mar-20 £
Accruals	43,013	19,610
	<u>43,013</u>	<u>19,610</u>
Analysis of accruals		
Balances with other central government organisations	43,013	19,610
Balances with bodies external to government	-	-
	<u>43,013</u>	<u>19,610</u>

Contract liability solely relates to the unspent levy due to be returned to the Retailers in the proportions in which it was contributed. The accruals relate to invoices for the secondment of staff, audit fees and accountancy fees.

11. Commitments under operating leases

	As at 31-Mar-21 £	As at 31-Mar-20 £
Other leases:		
Not later than one year	40,431	3,496
Later than one year and not later than five years	89,905	137,471
Later than five years	–	–
	130,336	140,967

The GCA has a service Memorandum of Terms of Occupancy with the Competition and Markets Authority (CMA) for rent and services. The initial lease term ends on 28 February 2033 but can be terminated at any time after 31 July 2024 subject to three months' notice by either party.

12. Other commitments

The GCA had no capital commitments (2019/20: none) and no other financial commitments (2019/20: none).

13. Contingent liabilities & assets

There are no contingent liabilities and assets to report.

14. Related party transactions

The GCA is a Corporation Sole sponsored by BEIS and funded through a levy on the Retailers. BEIS is regarded as a related party. During the year, the GCA has had various material transactions with BEIS, through the provision of payroll for the Adjudicator and procurement and contracting services.

The GCA also has related party transactions with the CMA, these related to accommodation as the GCA is co-located with the CMA. The GCA also had transactions with the Department for Culture Media and Sport, Department for Environment, Food and Rural Affairs, Housing Ombudsman Service, BEIS and the Government Legal Department for the secondment of staff.

None of the GCA members or key managerial staff undertook any material transactions with BEIS during the year, except for remuneration paid for their services. Please refer to the staff remuneration report for the remuneration paid to the Adjudicator.

15. Events after the reporting period

There are no post-balance sheet events to report.

In accordance with the requirements of IAS10 'Events After the Reporting Period', post-Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate Report of the Comptroller and Auditor General. There are no post-Statement of Financial Position events between the balance sheet date and this date to report. The Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate.



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