



Pubs Code
Adjudicator

The Pubs Code Adjudicator Annual Report and Accounts

01 April 2018 to 31 March 2019





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01 April 2018 to 31 March 2019

Presented to Parliament pursuant to Section 62 of the
Small Business, Enterprise and Employment Act 2015.

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Performance Report

The Pubs Code Adjudicator: overview

This section of the annual report explains the role and purpose of the Pubs Code Adjudicator (PCA). The Performance Analysis sets out how the PCA has performed during the year against its statutory reporting requirements along with other key activities.

The main risks to the achievement of the PCA's objectives and the adoption of the going concern basis are set out in the Governance Statement.

Foreword by Paul Newby, PCA and Fiona Dickie DPCA



This is the third annual report since the creation of the office of the Pubs Code Adjudicator in May 2016 and the introduction of the Pubs Code itself on 21st July 2016. It also marks a significant moment in the story of the PCA and the Code – the end of the period covered by the first statutory review of both the Pubs Code framework and the Pubs Code Adjudicator.

So now is a good time to pause and reflect on both the challenges of the last three years and on how

the introduction of the Pubs Code has changed the relationship between tied pub tenants and their pub-owning businesses.

It is no secret that the Pubs Code is a complex piece of legislation, and too often it can be easy to get tied up in the detail of its provisions. But at its heart are two very clear and easily understood principles – that there should be fair and lawful dealing by pub-owning businesses with their tied tenants; and that tied tenants should be no worse off than if they were free of tie.

Everything in the Code is designed to deliver those core Code principles. And everything we do and have done as the statutory Adjudicators has been focused on making them a reality.

This has not always been an easy task. And there has been significant resistance and no little conflict along the way – exemplified by legal challenges by a number of pub-owning businesses that we have been required to expend considerable time and expense on resisting.

Even so, we can say as the PCA completes its first chapter that the tied pub landscape is a different one in July 2019 than it was in July 2016.

The Pubs Code represented a major regulatory intervention in what had been a long-established tied pub model and to a culture that had become engrained over many years. The principal effect of the Code has been to rebalance the relationship between tied pub tenants and their pub-owning business landlords.

There is nothing very complicated about the concept of fair and lawful dealing. Above all, it is about transparency and a shared understanding of rights and obligations. The Pubs Code has transformed the tenant / landlord relationship in this respect. Tenants now receive far more information, in more informative and consistent ways, from their pub-owning business about the costs and benefits of their agreement and its terms. They get this information before they sign-up, regularly throughout their tenancy and when their rent is reviewed, or their agreement renewed. All of this gives tenants greater control over their business and the opportunity to make better informed decisions. Ultimately it equips them to make meaningful choices about whether their tied deal meets the ‘no worse off’ test.

The challenges for us as Adjudicators have been to ensure that all tenants protected by the Pubs Code – existing tenants as well as new entrants – know what they should expect from their pub-owning business and when, understand their rights under the Code and are confident in exercising them. Bringing pub-owning businesses to a common understanding that respects the principles and provisions of the Pubs Code must be reflected from top to bottom of their businesses and from end to end of their tenant relationships.

This work to embed the Pubs Code within the DNA of the regulated sector has been and remains our primary focus. Code Compliance Officers are not all consistently acting as the ‘guardians of the Code’ that the legislation intended and requires. We have put the pub-owning businesses on notice that this must change. Similarly, we are reminding pub-owning businesses that we expect them to ensure that all of their Business Development Managers (BDMs), in their role as the main point of contact with tenants, are enablers of the Code.

Our tenant surveys have revealed high levels of general awareness of the Code and its key provisions. Our engagement with tenants has helped us to understand what information they value and how and when they want to receive it. Information and advice direct from the office of the PCA and via the PCA website has a vital role to play in driving tenant awareness. But inevitably, the chief responsibility for ensuring that tenants receive full and timely information about their Code rights must fall on the pub-owning businesses. This is not simply a matter of practicalities – because they can reliably deliver the right information at the right time. It is also an important issue of compliance – it is the responsibility of the pub-owning businesses, and one that we have impressed on them, to ensure that all of their tenants have full and free access to the rights and options that Parliament has given them through the Pubs Code.

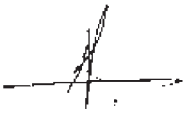
Compliance also demands that pub-owning businesses conduct themselves in ways that allow those rights to be exercised. With the notable exception of Admiral Taverns – which holds the distinction of not having generated a single referral for arbitration to the PCA in the first three years of the Code – pub-owning businesses have, to varying degrees, been slow to recognise and adapt to the obligations to negotiate in good faith that the Pubs Code imposes on them.

Too much of our time so far has been taken up with formal arbitration work. Three years of overseeing the Pubs Code raises significant questions about whether confidential arbitration provided for by Parliament for handling Pubs Code disputes is an effective or equitable method for dispute resolution if both parties are not committed to respecting the principles of the Code or to meaningful negotiation. While Parliament intended the arbitration of Pubs Code disputes to be a last resort, initially at least it was too often the norm. We have had to work hard to reverse that.

This has not just been about resolving more cases more quickly – although closing historic cases that had become deadlocked by taking greater control over proceedings has been a major focus of the PCA’s efforts in the last year in particular. New cases now operate under a streamlined process that incentivises negotiation and early settlement and that makes far greater use of external arbitrators where these are absent.

All of this is underpinned by the publication since the end of 2018 of arbitration awards. The ability for other tenants and pub-owning businesses to know what has been argued in individual arbitrations and our decisions on those points is what had previously been missing in the arbitration process. Publication of those awards has begun to introduce that much needed transparency. It has already begun to have an impact on the number and nature of the disputes that are being referred to the PCA, and we expect and require that trend to accelerate as we put further awards on more aspects of the Code into the public domain.

We would like to thank all the PCA staff for their hard work, dedication and energy during the last twelve months. We are proud to lead an organisation of talented and committed individuals who continue to strive to achieve the best outcomes for the organisation and industry as a whole.



Paul Newby
Pubs Code Adjudicator

11 July 2019



Fiona Dickie
Deputy Pubs Code Adjudicator

11 July 2019

Review of the Year & Performance Summary



During the 2018/19 reporting period the PCA has continued to focus its efforts on building awareness of Pubs Code rights within the tied tenant community and on driving up levels of Code compliance by the regulated pub-owning businesses.

Stakeholder engagement

The PCA and DPCA have continued their regular programme of quarterly meetings with both the Code Compliance Officers of the pub-owning businesses and with national organisations representing tied tenants during the 2018/19 reporting period. They have also had regular engagement during the reporting period with a wider range of tenant voices. The minutes of stakeholder meetings have been published on the PCA website. The office of the PCA has also maintained its programme of twice-yearly bilateral meetings, in April and October 2018, with the senior leadership of the pub-owning businesses.

The PCA has made it a particular priority in 2018/19 to take its message about Pubs Code compliance direct to the Business Development Managers (BDMs) within the pub-owning businesses. The importance of this relationship to tenants was a key theme that emerged from the PCA's first tenant survey in 2018. As the main day-to-day point of contact between tenants and their regulated pub companies, BDMs have a crucial and unique role in ensuring that tenants are aware of and are able to access all of the Pubs Code rights. Over the course of the last year the PCA has spoken directly to groups of BDMs in pub-owning businesses about their obligations under the Pubs Code, and that engagement will continue during 2019/20.

The office of the PCA has also continued to reach out directly to tenants by attending national and regional tenant-focused events where it has not just delivered its messages about the Pubs Code, but has also had the opportunity to gather valuable intelligence about the experiences and expectations of individual tied tenants.

Their appearance in June 2018 before Parliament's Business, Energy and Industrial Strategy Select Committee gave the PCA and DPCA an important opportunity to put on record their views about the early successes and challenges associated with the Pubs Code, including the continuing high levels of Pubs Code disputes, the low numbers of Market Rent Only (MRO) agreements and the lack of transparency associated with Pubs Code arbitration proceedings.

Intelligence and Compliance

During the 2018/19 reporting period the PCA and DPCA have introduced and developed a number of sources of intelligence on the operation of the Pubs Code.

The PCA's first tenant survey in 2018 represented a major step in understanding tied tenants' experiences of the Pubs Code and in capturing their attitudes to their individual relationships with their pub-owning businesses. The PCA's second tenant survey covering 2018/19 has been conducted slightly later in the reporting cycle for practical reasons to avoid the busy run up to

Christmas and the New Year. The office of the PCA will be publishing the findings from the second survey in the summer of 2019.

The first tenant survey helped to set engagement priorities for the PCA. In highlighting high levels of dissatisfaction amongst tenants who had commenced the process to obtain a Market Rent Only (MRO) free of tie tenancy, it has been instrumental in setting our regulatory priorities. The survey findings were, however, based on a small proportion of the hundreds of tied tenants that the PCA knew had taken at least the first step down the path to MRO. The PCA also wanted to get as wide and as detailed as possible an insight into the views of all tenants who had pursued MRO. The PCA has therefore created a MRO Questionnaire – based on the original questions in the tenant survey – that asks tenants about the outcome of their request for MRO, what influenced their decisions and their views on the process as a whole. This questionnaire now forms an integral part of the MRO process, and the office of the PCA has worked with pub-owning businesses to make sure that all eligible tenants will have had the opportunity to provide feedback.

The submission by pub-owning businesses in July 2018 of their first set of statutory Pubs Code compliance reports highlighted a number of additional themes that have been raised as concerns by the office of the PCA – not least the management of repairs and dilapidations by pub-owning businesses, the consistency of these with their Pubs Code transparency obligations and their potential impact on the ability of some tied tenants to pursue their Pubs Code rights, in particular to MRO.

Through both arbitration and wider regulatory interventions, the PCA has secured changes to how pub-owning businesses manage the transition from the tenant's existing tied tenancy to their free of tie terms and market rent and how issues like dilapidations are dealt with as part of that process. More generally the PCA has invited stakeholders from across the industry to come together in a dilapidations advisory group to produce best practice approaches to the management by pub-owning businesses of their Pubs Code obligations on repairs and dilapidations through the life of a tenancy.

In November 2018 the office of the PCA consulted on draft statutory guidance on how pub-owning businesses must account for beer duty and beer waste in profit and loss statements provided to tenants under the Pubs Code. The statutory guidance came into effect on 1 July 2019.

Transparency

In response to comments in the 2017/18 tenant survey about the accessibility of information on the Pubs Code, the office of the PCA has restructured its website to make it easier to navigate and has worked with pub-owning businesses to improve the visibility of information about the Code and the PCA on their own website and tenant portals.

Arrangements have also been put in place with each of the pub-owning businesses for non-Pubs Code complaints received by the office of the PCA to be referred to them for resolution under their internal dispute resolution procedures. The office of the PCA will keep these arrangements under review to ensure that they are meeting the needs and expectations of tenants.

During the course of the 2018/19 reporting period the PCA and DPCA have increasingly used their experiences as arbitrators to inform their regulatory priorities. The PCA and DPCA highlighted their concerns in their 2017/18 Annual Report about the failure of pub-owning businesses to engage with the spirit of the Pubs Code through engagement and negotiation, with the consequent reliance on

protracted arbitration proceedings. During the 2018/19 reporting period they have therefore taken significant steps to streamline the arbitration process. The introduction of the offer of an initial three month stay in MRO cases has been designed to incentivise early negotiation.

The publication of awards has facilitated this. The PCA published the first awards in December 2018 following an industry-wide commitment to transparency brokered by the then Minister Richard Harrington MP. This has been a crucial step in bringing a degree of precedent to the how issues under the Pubs Code are advanced and negotiated. The very real effect of giving whole industry sight of the arguments that have been put forward in individual arbitrations and the determinations of the Adjudicators on these has been to remove at a stroke the ability for pub-owning businesses to propose what everyone can now see are the same non-compliant terms and to make the same rejected arguments over and over again in individual arbitrations.



Background

Historically, the UK pubs sector has been dominated by the ‘tied model’ under which pub tenants are required to purchase their beer and often other products and services from the company that owns their pub premises.

Until the early 1990s, these companies were typically the brewers of the beer sold in the pubs.

By the late 1980s, the UK beer market had come to be dominated by six national brewers who collectively accounted for 75 per cent of UK beer production as well as controlling more than half of all UK pubs.

This concentration of ownership and market control gave rise to competition concerns and following an investigation by the Monopolies and Mergers Commission, the Government enacted the ‘Beer Orders’ in 1989 to loosen the control of the large brewers and to bring new players into the market. This led to the emergence of the first pub companies (or ‘Pub Cos’), and by the early 2000s the tied pub sector had come to be dominated by a few large Pub Cos with estates of several thousands of tied pubs.

Following more than a decade of political debate about the balance of risk and reward between these large Pub Cos and their tied tenants, and after a short-lived experiment in industry self-regulation, the Government announced in June 2013 its intention to legislate for a statutory Pubs Code underpinned by dispute resolution and enforcement by an independent regulatory body. Legislation, to give Ministers the power to enact a Pubs Code and creating the office of the Pubs Code Adjudicator, was enacted in Part 4 of the Small Business, Enterprise and Employment Act 2015 (SBEE Act 2015).

The Pubs Code gives effect to the twin Pubs Code principles of fair and lawful dealing by pub companies in relation to their tied tenants and that tied tenants should be no worse off than if they would be free of the tie. It requires greater levels of information to be provided to tied tenants and significantly, also gives tied tenants the right to opt to go free-of-the-tie under a ‘Market Rent Only’ option. The first Pubs Code Adjudicator, Paul Newby, took up his position on 03 May 2016; and the Pubs Code itself came into force on 21 July 2016.

The 2015 Act also provides for the appointment of a Deputy Pubs Code Adjudicator; and the first Deputy, Fiona Dickie, took up her role on 01 November 2017.

Purpose and activities of the PCA

1. The Pubs Code Regulations

The Pubs Code regulates the contractual relationships between all pub-owning businesses with 500 or more tied pubs in England and Wales and their tied tenants – of which on 31 December 2018 there were around 9,600. Six pub companies are currently covered by the Pubs Code:

- Admiral Taverns Ltd
- Ei Group Plc (formerly Enterprise Inns Plc)
- Greene King Plc
- Marston's Plc
- Punch Taverns Plc
- Star Pubs & Bars (Heineken UK)

The definition of tied tenants are those who are obliged to purchase some or all of their beer, other drinks and other products and services from their pub company landlord.

The Pubs Code has two over-arching principles – to ensure:

- (1) fair and lawful dealing by pub companies in relation to their tied tenants;
- (2) that individual tied tenants should not be worse off than they would be if they were free of the tie (the 'no worse off' principle).

An important element of the 'no worse off' principle is the right for a tied tenant to request a (MRO) option. Under a MRO tenancy a tenant pays only a commercial rent for the pub premises and is free to buy beer and other products and services on the open market.

The Pubs Code gives the tenant the right to choose which of the options – tied or free of tie – is the right one for their business.

In addition to the MRO option, the Pubs Code provides for transparency in respect of the financial and other information about the tenancy that pub-owning businesses must provide to new and existing tenants. Specifically, the Pubs Code prescribes the form and content of the tied rent proposals that must be provided to new tenants and the tied rent assessment proposals that must be provided to existing tenants as part of their regular rent reviews under the tenancy. In all cases, these must include a forecast profit and loss statement for the pub in question. The Pubs Code further specifies that there must be no more than five years between the conclusion of one rent review and the start of the next.

The Pubs Code framework includes further provisions governing the compliance obligations of the pub-owning business – including the submission to the PCA of an annual Compliance Report; the training of their staff who have business dealings with tenants; and the duties and responsibilities of

their Business Development Managers. It sets out the right of tied tenants not to accept a tie for gaming machines; the use to which pub-owning businesses may put evidence gained from monitoring equipment and the circumstances in which terms in a tenancy will be deemed void or unenforceable.

The Pubs Code also sets out the nature and duration of the Pubs Code protections that a tied tenant will continue to enjoy if their tenancy ceases to be held with a pub-owning business covered by the Pubs Code; and the circumstances in which certain types of agreement by which the tenant occupies and operates the pub will be exempt from the Pubs Code.

More detailed information on Pubs Code provisions can be found at:

<https://www.gov.uk/government/collections/pubs-code-factsheets>



2. The PCA and DPCA

Paul Newby is the independent, statutory Pubs Code Adjudicator in England and Wales. The Adjudicator is a Ministerial appointment and a corporation sole. The statutory office of the Adjudicator was created by section 41 of the SBEE Act 2015, which places statutory, financial and reporting obligations on the holder of the office.

Fiona Dickie is the Deputy Pubs Code Adjudicator in England and Wales. The Deputy Adjudicator is a public appointment pursuant to paragraph 4 of Schedule 1 to the SBEE Act 2015.

The Registered office of the PCA is at:

Lower Ground Floor,
Victoria Square House,
Victoria Square,
Birmingham
B2 4AJ.

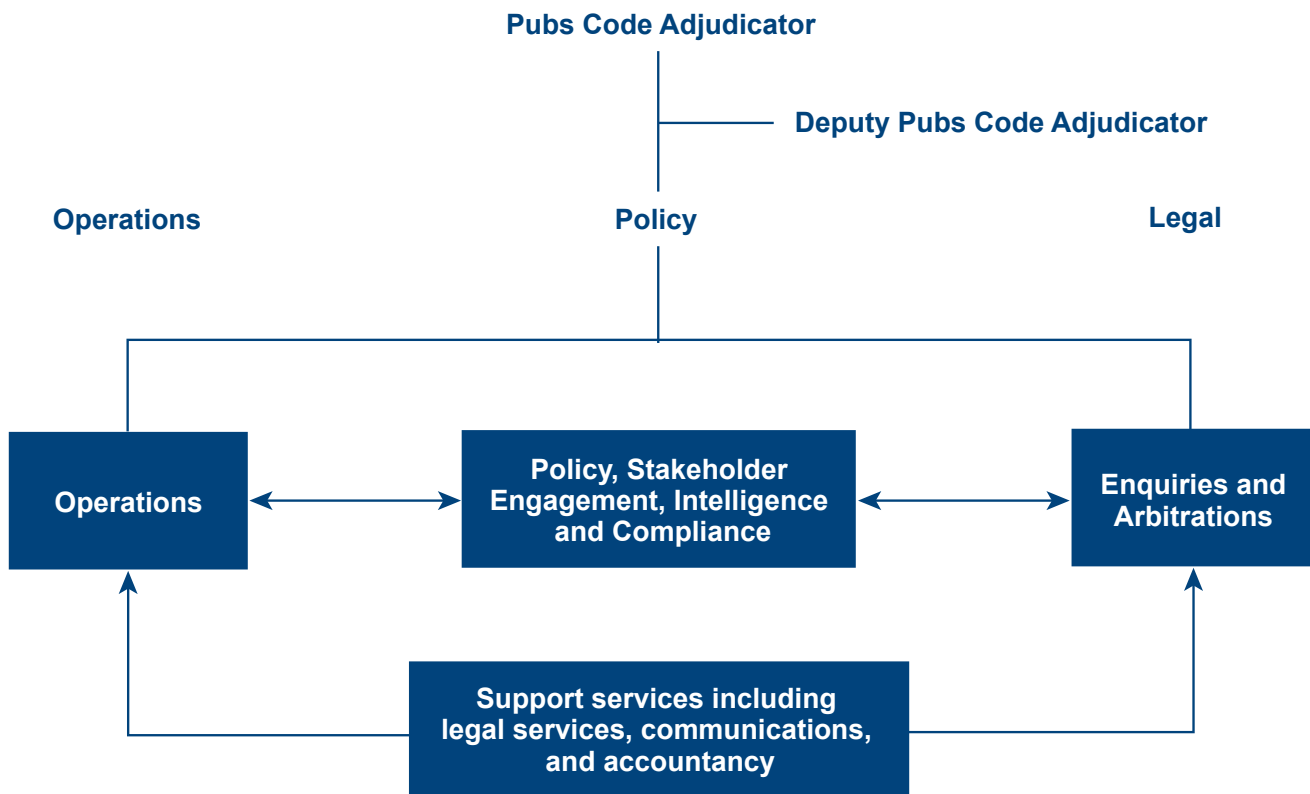


The PCA and DPCA are responsible for ensuring compliance with the Pubs Code. To do this, they have broad statutory powers to issue advice and guidance on aspects of the Pubs Code and the regulatory framework. By virtue of their joint legal appointment to regulate, they require pub-owning businesses to provide information on their compliance with the Pubs Code and on the management of their tied pub estates covered by the Pubs Code; and to monitor the day to day operation of the Pubs Code.

The PCA and DPCA have a statutory duty either to arbitrate disputes between tied tenants and their pub-owning businesses under the Pubs Code framework that are referred to them or to appoint an alternative arbitrator. They also have statutory powers to investigate, where they have reasonable grounds to suspect that there have been breaches of the Pubs Code; and subsequently take the enforcement action they consider necessary. The PCA and DPCA additionally have a statutory duty to report to the Secretary of State any practices by pub-owning businesses that, while Pubs Code-compliant, they believe meet the test for an unfair business practice set out in the SBEE Act 2015.

3. The office of the PCA

Throughout the 2018/19 reporting period as a small organisation, we maintained our operational structure to reflect the key functions we deliver.



However, mid-way through the third year of operating the PCA and DPCA were keen to ensure that the organisation was agile and in the best possible shape to respond to changing priorities. An independent structural review was carried out during the autumn of 2018 and reported its findings and recommendations early in 2019. Chief amongst these was the creation of a new post at SCS Pay Band 1 to oversee all of the operations of the office of the PCA. The Head of Legal in the office of the PCA was appointed to the role of temporary Director, office of the PCA from 01 March 2019.

Enquiries and Arbitrations: The PCA provides an enquiry service via telephone, email, and an online form on the PCA website. Referrals for arbitration have continued at a steady pace in 2018/19. To ensure adequate time is available for regulatory activity, the PCA and DPCA have taken steps this year to reduce their arbitration caseloads. Most significantly, this has been through the appointment of alternative arbitrators for both new and existing referrals. An optional three-month upfront stay on all new MRO full response cases has also been introduced to encourage early negotiation and to allow the parties time to reach an agreement. The PCA will continue to monitor the success of these new ways of working over the coming year.

The PCA is also now publishing arbitration awards on its website to enable the industry to understand previous decisions made by arbitrators. This gives both tied tenants and POBs an equal level of understanding as to how the Pubs Code is being applied in individual arbitrations. It is expected that there will be less need for disputes to be arbitrated where the same issues in dispute have been arbitrated previously. Due to the confidential nature of arbitrations, the PCA seeks consent from both parties before publication. All POBs have generally agreed to the publication of awards, subject to the redaction of personal data and information that is, or is likely to be, prejudicial to its commercial interests. The PCA takes a robust approach to the redaction of information that does not fall within these categories. This means that the PCA has not been able to make as much progress as hoped, but it remains committed to the publication of awards in the fullest detail possible.

Intelligence and Compliance: The PCA and the DPCA have adopted a modern regulatory approach which reflects the principles of the Regulator's Code. They work collaboratively, where appropriate, with pub-owning businesses to bring about beneficial change in the sector. It is therefore important that the PCA and the DPCA have regular contact with senior leaders in all of the pub-owning businesses in order to maintain a dialogue with those regulated under the Pubs Code.

During the reporting period the PCA and DPCA have engaged in bilateral discussions with pub-owning businesses on regulatory issues arising out of arbitration cases, statutory compliance reports, the PCA's survey of tied tenants and other sources of intelligence.

Operations and Engagement: The PCA and DPCA maintain a comprehensive programme of engagement with stakeholders from across the regulated sector – including quarterly meetings with the Code Compliance Officers of the six pub-owning businesses, and with a Tenant Representative Group (TRG) consisting of organisations representing a range of tied tenant members. The PCA and DPCA have made a concerted effort to widen the base of their tenant engagement during 2018/19, and to that end have held meetings with the Pub Advisory Service (PAS) and the Forum of Private Business (FPB). Notes of all these meetings are published on the PCA website. The PCA and DPCA also attend industry events in order to be as accessible as possible to tied tenants. Since the inception of the Code, the PCA/DPCA have been very careful never to discuss individual cases which are or may be the subject of arbitration under the Pubs Code.

The move to use alternative arbitrators enables the PCA and the DPCA to separate the statutory roles of regulator and arbitrator; and to be as transparent as possible about the way it carries out each of these functions.

Key issues and risks



The PCA Management Board (see page 31 Governance Statement) is responsible for identifying, monitoring and mitigating issues and risks associated with the operation and administration of the office of the PCA and the exercise of the statutory functions of the PCA and DPCA during this reporting period. The office of the PCA established a formal structure for the management of operational risks during 2018-19.

As in previous years, an important challenge for the office of the PCA has remained the reputational risk associated with managing stakeholder expectations about the impact of the Pubs Code in general, and the take-up of MRO in particular. This risk has been magnified by the co-incidence of the conclusion of the first review period of the Pubs Code and the Adjudicator at the end of the 2018/19 reporting period.

The key strategic risks which impact on the reputation of the PCA during this reporting period are:

Staffing and Operational resilience

The office of the PCA has continued to face challenges during the 2018/19 reporting period in recruiting and retaining staff in key operational and policy positions. The PCA is working hard to mitigate these constraints on its capacity by building resilience through adopting more flexible and innovative ways of working. The PCA is working with its BEIS sponsorship team to develop a People Strategy to support the recruitment and retention of its staff. Effective learning and development objectives for staff linked to the PCA's strategic objectives and the roll out of cyclical Code training are all measures being adopted for PCA staff. The PCA and DPCA commissioned an independent structural review of their office in the autumn of 2018. They have implemented its recommendations by strengthening the senior leadership of the office of the PCA through the creation of a new temporary SCS Pay Band 1 Director position. Day to day resilience has been strengthened by introducing thematic and project-based working across the office of the PCA.

Managing the responsibilities of arbitrator and regulator

Although the PCA and DPCA have succeeded in managing a steady decrease in their arbitration caseload during the reporting period, the overall volume of cases being referred for arbitration has continued to impose a heavy burden on the resources of the office of the PCA.

The PCA and DPCA have mitigated the risks associated with these demands through a number of initiatives within the arbitration framework, including further streamlining of the management of cases, the introduction of the option of an initial stay in proceedings to incentivise negotiation and settlement and the increasing use of external alternative arbitrators during the second half of the reporting period to bring financial disciplines to the conduct of cases. The PCA and DPCA intend to

appoint alternative arbitrators in even greater numbers in 2019/20 to further support the realignment of PCA resources to their full range of regulatory responsibilities.

The PCA has increasingly adopted a more interventionist regulatory approach during the 2018/19 reporting period. Together with the publication of arbitration awards, which has introduced much needed transparency into the process of resolving Pubs Code disputes, this has delivered important progress in reducing the scope and number of disputes between pub-owning businesses and tied tenants.



The Pubs Code Adjudicator: Strategic Objectives and Performance Analysis



Strategic Objectives

The principal purpose of the PCA is to be an effective enforcer of the Pubs Code in line with the core Code principles: fair and lawful dealing by pub-owning businesses in relation to their tied pub tenants; and that tied pub tenants should be no worse off than if they were “free of the tie”. In achieving this, the PCA strives to be an excellent place to work where our people can thrive and fulfil their potential.

The PCA has four strategic objectives:

- i. To Inform
- ii. To Influence behaviour
- iii. To Implement the Code
- iv. To Invest in our people

The PCA works with stakeholders from across the regulated industry to inform – by ensuring that tied pub tenants have the information and support they need to exercise their statutory rights and options under the Pubs Code; and to influence and implement – by securing compliance by pub-owning businesses with their Pubs Code obligations. The PCA invests in its people to provide them with the opportunity to fulfil their potential.

Inform – The PCA keeps tied pub tenants and pub-owning businesses informed of their rights and obligations under the Code:

The PCA publishes information, advice and guidance to help tenants understand and access their rights under the Code; where possible and in the interest of the public the PCA makes arbitration awards publicly available and makes clear to pub-owning businesses the PCA’s expectations regarding Code compliance. Information obtained from stakeholders tells the PCA how well the Code is understood and is used to guide the PCA’s approach to disseminating information.

Influence – The PCA influences pub-owning businesses to behave in ways that give tenants information about, and the freedom to exercise, all of their Code rights:

The PCA has established a Code Compliance Officer network as a forum for communicating with pub-owning businesses; and holds regular bilateral meetings with their chief executives to discuss matters relating to Code compliance. The PCA issues specific advice on Code compliance individually and collectively to the industry as required.

Implement – The PCA will act to implement change through appropriate means, from informal corrective interventions through to formal investigation and enforcement action in line with its published statutory guidance, and through arbitrating individual cases:

The PCA will intervene where there is a suspected breach of the Code, arbitrating (or enabling arbitration) of individual disputes, taking informal action and through formal investigations where appropriate. Where a breach of the Code is found, the PCA will consider effective remedies and seek mechanisms to make those decisions and outputs understood across the industry.

Invest – The PCA aspires to be an excellent place to work building a strong team with key Code skills and a culture where it supports its team to excel:

We will provide and facilitate training and experiences that enhance the skills of staff in relation to the Pubs Code and enables our people to grow and develop.



Statutory performance summary of PCA activity for the period 01 April 2018 to 31 March 2019

Section 62 (Annual Report) of the SBEE Act 2015 sets out the statutory reporting requirements for the PCA.

62 Annual report

- (1) *After the end of each reporting period, the Adjudicator must prepare and publish a report describing what the Adjudicator has done during the period.*
- (2) *The report must include a summary of—*
 - (a) *arbitrations conducted by the Adjudicator,*
 - (b) *investigations carried out by the Adjudicator,*
 - (c) *cases in which the Adjudicator has taken the enforcement measures mentioned in section 55, and*
 - (d) *cases in which the Adjudicator has exercised functions in relation to the offer of a market rent only option or the provision of parallel rent assessments.*
- (3) *If the Adjudicator has made recommendations under section 56, the report must include an assessment of whether they have been followed.*
- (4) *As well as publishing the report, the Adjudicator must send a copy to the Secretary of State.*
- (5) *The Secretary of State must lay a copy of the report before Parliament.*
- (6) *In this section “reporting period” means—*
 - (a) *the period beginning with the day on which section 41 comes into force [i.e. the date on which the PCA was created] and ending with the following 31 March, and*
 - (b) *each successive period of 12 months.*

The activity reported on in this annual report covers the period 01 April 2018 to 31 March 2019. For the year 2018/19 the PCA is reporting on both:

- the arbitration activity specified in section 62(2)(a); and
- the cases in which the specific arbitration functions under section 45(1) in relation to the MRO option have been exercised (as required in section 62(2)(d)).

During this reporting period, the PCA has not conducted any investigations (section 62(2)(b)); nor has the PCA exercised any of the enforcement measures available to it (section 62(2)(c) – including recommendations (section 62(3))).

Section 42(5) of the SBEE Act 2015 gives the power to include provision in the Pubs Code in relation to parallel rent assessments. This power has not been exercised by the Secretary of State and therefore no functions exist in respect of parallel rent assessments in relation to the reporting requirements in section 62(2)(d) of the SBEE Act 2015.

The office of the PCA and the Business Energy and Industrial Strategy (BEIS) sponsorship team are actively considering appropriate reporting metrics and performance indicators. The conclusion of

the first statutory review by BEIS into the Pubs Code and the PCA is expected to provide the basis on which to agree these during the 2019/20 reporting period.

Non-financial information including social matters, respect for human rights anti-corruption and anti-bribery matters are not relevant to the Adjudicator. Information on environmental matters including the impact of the entity's business on the environment is also not relevant to the PCA.

Summary of arbitrations conducted by the PCA during the period 01 April 2018 to 31 March 2019 (section 62 (2)(a)) compared with the same reporting period in 2017–18:

	2018–19	2017–18
Total number of cases (including those related to the offer of a market rent only option) accepted by the PCA for arbitration during the reporting period	96	100
Number of arbitration cases in which an award was made, including referrals received in 2016/17 and 2017/18	130	122
Number of arbitration cases in which an award was made following the withdrawal of the referral by the referrer, including referrals received in 2016/17 and 2017/18	12	11

Summary of cases in which the PCA has exercised functions in relation to the offer of a MRO option during the period 01 April 2018 to 31 March 2019. (section 62(2) (d)) compared with the same reporting period in 2017–18:

	2018–19	2017–18
Total number of cases accepted by the PCA for arbitration in relation to the offer of a market rent only option, during the reporting period	84	89
Number of arbitration cases in which an award was made	115	111
Number of arbitration cases in which an award was made following the withdrawal of the referral by the referrer, including referrals received in 2016/17 and 2017/18	9	9

Duration of arbitration cases that were on-going on 31 March 2019 compared with 31 March 2018: (not a statutory reporting requirement)

	31.03.19	31.03.18
Number of arbitration referrals (accepted cases and referrals under consideration) on 31 March 2019	91	117
Of which:		
Less than 1 month	6	14
Between 1 and 3 months	12	21
Between 3 and 6 months	23	13
Between 6 and 12 months	23	
Longer than 12 months	27	69*

* The 2017–18 figures are as published in the PCA's 2017-18 annual report. For 2018–19 we have published a figure for cases open longer than 12 months.

The PCA has been able to reduce the arbitration work in progress over the reporting year, with 91 current arbitration cases as of 31 March 2019, a decrease of 26 compared to the same point last year. This is largely reflected in the number of cases that have been open longer than 6 months. There were 50 such cases as of 31 March 2019, a decrease of 19 on last year.

However, it is recognised that there is further work to do in bringing the PCA's arbitration work in progress down and reducing the time that cases are open. It is further recognised that the volume of cases referred to the PCA and repeated requests from the parties to put the proceedings on hold (request a “stay”) increases the duration that cases remain open.

The office of the PCA fully appreciates the need to conclude arbitrations as efficiently as possible and the PCA and DPCA have continued to initiate new ways of working to assist with this. Given the responsibilities of the PCA/DPCA as both industry regulator and arbitrator, and their caseload (including their administrative resources), they have in this reporting year considered it necessary and proportionate to begin exercising their statutory power to appoint alternative arbitrators. Appointments have now been made in a large number of cases, and this is expected to continue over the coming year.

In addition, where a referral has been made in relation to a MRO Full Response (which includes a proposed MRO compliant tenancy) the offer of a three-month initial stay has been introduced. This allows the parties to agree a further three months to negotiate the proposed tenancy. If the parties reach a settlement during this time and the referral is withdrawn, there will be no arbitrator costs to pay and the referral fee will be refunded (minus a £50 administration fee). Also, where the methodology for calculating the levy (by which the PCA is funded by the pub-owning businesses) is in whole or in part by reference to the number of accepted arbitration cases involving that pub-owning business, the case would be treated as a referral only and not an accepted arbitration case. This recognises that a timely settlement not only benefits the parties, but also reduces the impact on the PCA's resources.

The offer of an initial stay was introduced in late 2018 and has since been taken up in the majority of cases.

The PCA has also now started publishing arbitration awards on its website. Publication of awards encourages transparency and helps the industry to understand previous decisions made by arbitrators. Recognising that some pub-owning businesses may be involved in multiple arbitrations compared to the tenant, it also helps to give an equal level of understanding as to how the Pubs Code is being applied in arbitrations. The PCA has already seen tenants refer to published awards and it is hoped that greater transparency will reduce the need for arbitration.

Contract Liability

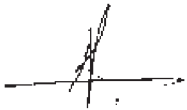
The PCA must exercise prudence in raising the levy. The consequence is that underspends are more likely to occur as HM Treasury require the PCA to be fully funded within the financial year. The contract liability for 2018-19 was £804,458. This is largely due to:

- i) Staffing – The PCA budgeted for staffing roles prior to the beginning of the financial year then faced the unknowns of whether the PCA would recruit to those vacancies. Retaining existing seconded staff also remains a challenge for the PCA.
- ii) Legal costs – the PCA budgeted for legal proceedings at the beginning of the year before knowing whether these would materialise, and the extent of the costs that were needed.

- iii) Investigation costs – the PCA had to make provision for the possible launch of an investigation before the start of the 2018-19 financial year. An investigation was not launched in the reporting period.

Sustainability

The PCA is committed to sustainability in the way we make policy, procure goods and services. The office of the PCA's accommodation is contractually managed by the Government Property Agency on behalf of BEIS and as a result we are committed to environmental sustainability.



Paul Newby
Pubs Code Adjudicator

11 July 2019



Accountability Report



Corporate Governance Report

Format of the accounts

The accounts have been prepared in accordance with the direction from the Secretary of State for BEIS and HM Treasury's Financial Reporting Manual (FReM)

1. Director's Report

The PCA is a statutory office holder appointed by the Secretary of State. The PCA is a corporation sole.

As Accounting Officer, I am responsible for ensuring that there is an appropriate governance structure and systems to ensure I meet my statutory obligations. I am personally responsible for safeguarding the public funds for which I have charge; for ensuring the propriety and regularity in the managing of public funds; and for the day-to-day operations and management of the office of the PCA in line with the requirements set out in Managing Public Money. The PCA governance structure combines efficient decision making with accountability and transparency.

As Accounting Officer, I convene the PCA Management Board; co-chair a Governance Board with the BEIS sponsorship team and attend a Risk and Audit Committee. These are the main means for ensuring that my statutory obligations are met, that decision-making and financial management are carried out appropriately and that the PCA office is managed effectively.

Risk and Audit Committee

The Risk and Audit Committee supports the Management Board and the Accounting Officer in his responsibility for control and governance, risk management and associated assurance. The composition of these boards is detailed in the Governance Statement on page 27.

The Risk and Audit Committee welcomed an independent member, Robert Powell, Director of Corporate Services, formerly at the Legal Ombudsman and now the Strategic Director for Resources at Warwickshire County Council who was appointed on 01 October 2018. The main areas for the Committee's focus were:

- Risk management including a regular review of the PCA's risk register,
- Finance management based on the quarterly finance reports,
- Independent Internal Audit which focused on the PCA's systems and processes for managing risk
- National Audit Office (NAO) interim audit early January 2019 and preparation for the end of the financial year processes.

The PCA's case management system holds all information relating to arbitration cases, correspondence, enquiries and Freedom of Information (FOI) requests centrally and securely. It also provides a reporting function sufficient to provide the Risk and Audit Committee with the assurances that the data presented throughout the reporting period was correct.

The composition of this committee is detailed in the Governance Statement on page 31.

Mid-way through 2018, I and the DPCA were keen to ensure that the organisation was agile and in the best possible shape to respond to changing priorities. An independent structural review was conducted by Andrew Cooper, Deputy Director, Organisational Development and Design, Public Health England during the autumn of 2018 involving all staff. Recommendations were delivered early in 2019. A key recommendation to strengthen the senior leadership of the office of the PCA was implemented from 1st March 2019 with the appointment of a Director of the office of the PCA.

For 2018/19 I managed risk using a Risk Register that was coordinated by the PCA Head of Operations and was a standing item on our monthly Management Board meetings.

In line with the requirements of *Managing Public Money*, I commissioned the Office for Product Safety and Standards to complete an independent review to support where necessary, improvements to the PCA's risk management. The review began on 27 November 2018 and focused on the PCA's risk register and its systems of internal control in relation to the risks therein.

The review completed on 18 December 2018, with a report and recommendations that were discussed by the PCA Management Board and then at the February 2019 Risk and Audit Committee meeting where it was agreed that the recommendations would be adopted.

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

Register of interests

The PCA has published a register of interests which can be viewed via the PCA website at: <https://www.gov.uk/government/publications/pubs-code-adjudicator-conflicts-of-interest-policy-and-register>

All relevant Senior Civil Service level members of the Management Board were subject to disclosure rules throughout the period. The existing Head of Legal, who sat on the Management Board throughout the reporting period, was appointed as temporary SCS Director of the office of the PCA on 01 March 2019. She is therefore subject to disclosure rules for one month – March 2019 only in this reporting period but will be subject to disclosure rules for the 2019/20 reporting year.

Personal data

Any security breaches and near misses are reported to the Management Board with individual breaches considered and escalated as appropriate dependent on their seriousness. All staff are aware of the General Data Protection Regulation (GDPR) and undergo training on an annual basis.

In the period covered by this report the office of the PCA had no data handling breaches or near-misses that resulted in a notification to the Information Commissioners Office (ICO).

Audit

The auditor of the PCA is the Comptroller and Auditor General. The audit fee for the for the period ended 31 March 2019 is £11,500 (2017–18: £10,000).

2. Statement of the PCA Accounting Officer Responsibilities

Schedule 1, paragraph 15(1) of the SBEE Act 2015 requires the PCA to keep proper accounts and records in relation to those accounts. For each financial year, the PCA must prepare a statement of accounts in respect of that financial year. That statement must be in whatever form is directed by the Secretary of State for BEIS; and must be sent by the PCA within the period specified by the Secretary of State to both the Secretary of State and the Comptroller and Auditor General. The statement of accounts, when certified by the Comptroller and Auditor General, must be laid before Parliament by the Secretary of State.

The statement follows the form and basis set out in the account's direction. The accounts are prepared on an accrual basis and must give a true and fair view of the state of affairs of the PCA and of net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- a) observing the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, applying suitable accounting policies on a consistent basis;
- b) making judgements and estimates on a reasonable and prudent basis;
- c) stating where the applicable accounting standards set out in the FReM have been followed; and disclosing and explaining any material departures from these;
- d) preparing the statement on a going concern basis.

The Principal Accounting Officer for BEIS has designated the PCA as the Accounting Officer for the office of the PCA. The responsibilities of an Accounting Officer – including for the propriety and regularity of the statutory levy funding; for keeping proper records; and for safeguarding the PCA's assets – are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in Managing Public Money.

As Accounting Officer, I confirm that as far as I am aware, there is no relevant audit information of which the Comptroller and Auditor General and the NAO are unaware, and that I have taken all the steps that I ought to have taken to establish that the NAO are aware of any such information.

I also certify that this annual report and accounts as a whole are fair, balanced and understandable; and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

PCA Governance Framework Approach

The PCA is the Accounting Officer for the office of the PCA and is personally responsible for safeguarding the public funds for which the office has charge and for the day-to-day operations and management of the office of the PCA.

The PCA is responsible for ensuring and promoting propriety, regularity, affordability, sustainability, risk, value for money and feasibility in the handling of those public funds; for accounting accurately and transparently for the office of the PCA's financial position and transactions.

The PCA is also responsible for ensuring the office of the PCA as a whole is run in accordance with the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money.

Management Board

The office of the PCA is directed by a Management Board made up of senior members of the PCA. The Board is responsible for day to day operations, including oversight and responsibility for regulatory decisions, finance, risk and people. For the first eleven months of the reporting period this consisted of the PCA, the Deputy PCA, the Head of Legal and Regulatory Policy and the Head of Operations. From the 1 March 2019 membership consisted of the PCA, Deputy PCA, temporary Director of the office of the PCA, Head of Regulatory Policy and the Head of Operations.

The PCA Management Board follows the Corporate Governance Code of Good Practice 2017 but applies it in a way proportionate to the nature and size of the PCA.'

PCA Management Board

Ensures the PCA's statutory operations are met and to achieve the PCA's strategic objectives and to ensure decision making, and financial management are carried out appropriately.

Members at the end of the reporting period: PCA, DPCA, temporary Director of the office of the PCA, Head of Regulatory Policy and the Head of Operations.

The Management Board met 11 times in the reporting year and was chaired in rotation by the PCA and DPCA. It monitors and receives regular reports and data analysis for each area of business, this provides the opportunity for robust and constructive challenge and debate amongst board members. A weekly meeting by phone is also convened to discuss the immediate priorities for the coming week.

PCA	11
DPCA	11
Head of Legal	10
Head of Policy, Intelligence and Compliance	8
Head of Operations	11

The PCA's risk profile is disclosed in the Performance Report – see page 15.

The Management Board is supported by two further bodies:

Risk and Audit Committee

This advisory body provides independent review and challenge to the Management Board on the implementation of internal risk and assurance policies and processes developed by the PCA. It advises the Board on risk management and financial auditing in line with MPM and with the Audit and Risk Assurance Committee Handbook. The Committee is made up of staff from the office of the PCA and its BEIS sponsorship team, plus a non-executive member.

Governance Board

This group facilitates advice and guidance to the Principal Accounting Officer and responsible Minister at BEIS on the operation of the PCA in line with the agreed PCA / BEIS Framework Document (when finalised) and the Code of Good Practice for Corporate Governance. It is made up of staff from the office of the PCA and its BEIS sponsorship team.

Sources of Funding

The office of the PCA is funded by an annual levy on pub-owning businesses owning 500 or more tied pubs in England and Wales. Section 63 of the SBEE Act 2015 requires the PCA to seek the consent of the Secretary of State to the raising of the levy for each financial year, based on a business case submitted by the PCA setting out the overall amount of the levy and the shares in which it is to be paid. Section 63 also requires the PCA to publish its levy methodology.

- For 2018/19, the levy methodology was split into two parts based on fixed and variable costs. The fixed costs of operating the office have been apportioned on a percentage basis reflecting the number of tied pubs each of the six pub-owning businesses owned at 1 March 2018.
- The variable costs have been apportioned based on a percentage reflecting the number of arbitration cases involving each pub-owning business from the introduction of the Code in July 2016 to March 2018.

The total levy contributions levied against the six pub-owning businesses range from 3.2% to 49% of the total levy amount.

For this financial year, the PCA raised the 2018/19 levy in two equal six-monthly instalments from each pub-owning business. The credit (or capital liability) due to each pub-owning business arising from the 2017/18 financial year was offset against these instalments.

No additional funding issues arise that require reporting in this financial year.

Fee Income

For 2018/19 the PCA's arbitration caseload was intended to be funded largely through the payment of fees by tied pub tenants when referring a case to the PCA (£200 per referral); and by the recouping from pub-owning businesses of the reasonable fees and expenses of the arbitrator in cases where tied pub tenants have referred a case to the PCA for arbitration.

The PCA received a total of £164,576 in fees income during 2018/19.

£18,800 of this income consisted of fees paid to refer a case to the PCA for arbitration; and £145,776 was recouped from pub-owning businesses as arbitration award fees.

Statement of Internal Financial Controls

The financial statements in this annual report relate to both the activities of the statutory PCA and the administrative support provided to the Adjudicator by the office of the PCA.

The PCA deploys a combination of finance and accounting systems and processes to ensure that standards set out in Managing Public Money are met. The PCA's financial management criteria are set out below:

- (1) Uses its resources efficiently, economically and effectively, avoiding waste and extravagance
- (2) Plan to use its resources on an affordable and sustainable path, within agreed limits
- (3) Carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for the Exchequer as a whole
- (4) Use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments
- (5) Avoid over defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders
- (6) Have practical documented arrangements for controlling or working in partnership with other organisations as appropriate
- (7) Use internal and external audit to improve its internal controls and performance

The PCA has a bank account with four bank account signatories – the Pubs Code Adjudicator, the Deputy Pubs Code Adjudicator, the Director of the office of the PCA and the Finance Manager. All outgoing payments require two signatories to approve the payment. All expenses are documented, evidenced with receipts and approved by two signatories. Expenses are payable in accordance with the PCA's expenses policy, which adopts that of its sponsor department, BEIS. The internal processes require that the person receiving the payment is not a signatory.

An internal audit review was conducted by an official in the Office for Product Safety and Standards in the Department for Business, Energy and Industrial Strategy during November and December 2018. The purpose of the review was to provide the Governance Board with assurance on the internal controls and risk management systems. The report was presented in December 2018 and found no reportable risks requiring escalation.

Accountant and auditor

The PCA contracts with accountants to prepare independent annual accounts and financial statements. The Comptroller and Auditor General examine, certify and report on the financial statements in accordance with the SBEE Act 2015.

Data management

The PCA has processes in place and has implemented the General Data Protection Regulation (GDPR) and the Data Protection Act 2018. The PCA is also progressing a Memorandum of Understanding (MoU) with BEIS in respect of the data controller and data processor relationship.

A data breach relating to a change in BEIS IT systems occurred during the reporting period. The office of the PCA and BEIS responded by setting up an urgent task force that included the Data Protection Officers from both BEIS and the PCA. Within a period of 24 hours this group successfully identified, confined, analysed and mitigated the breach. No reporting to the Information Commissioner's Office (ICO) was subsequently deemed necessary.

Statement by the PCA

I have considered the evidence that supports this governance statement and I am assured that the office of the PCA has effective systems of control in place to support the appropriate delivery of my statutory functions.

I have had particular regard to the circumstances surrounding the UK leaving the EU in making this statement. I have no disclosures of control or funding weaknesses to make for the 2018-19 financial year.

The PCA undertakes a tied tenant survey each year, an important tool for understanding the impact of the Pubs Code on those it was introduced to protect. The 2018/19 Tied Tenant survey was devised and run by Ipsos Mori (the successor company to GfK who conducted the 2017/18 survey), with input from the BEIS analysts and sign off from the PCA Management Board. As with the 2017/18 survey both the survey questions and the overall results will be made public. This approach to commissioning and running this research represents a proportionate and compliant approach to compliance with the MacPherson Review of Quality Assurance (QA) of Government Analytical Models.

Remuneration and Staff Report



1. Remuneration policy

The PCA and DPCA have no direct remuneration responsibilities. Their remuneration is determined by the Secretary of State for BEIS under Schedule 1 to the SBEE Act 2015 and both receive a Civil Service pension.

The PCA is a Ministerial appointment, designated as a Statutory Office Holder and is a corporation sole. The DPCA is a public appointment.

The PCA's Head of Legal, Katharine Diamond was appointed as temporary Director of the office of the PCA from 01 March 2019.

The PCA office team are secondees from the public and private sector, but retain the terms and conditions of their home departments.

The PCA and DPCA are pensionable positions. Pension commitments for secondees to the office of the PCA are met by their home departments. Remuneration decisions are taken by the relevant home department of the secondees.

Remuneration (salary*, benefits in kind, pensions) (subject to audit)

Single Total Figure of Remuneration

Public appointee	Year	Salary £'000	Bonus payments £'000	Pension benefits (to the nearest £1,000)	Total £'000
Paul Newby	2018–19	130 – 135	0	52	180 – 185
	2017–18	130 – 135	0	51	180 – 185
Fiona Dickie (prior year disclosure is from 1 November 2017)	2018-19	75 – 80	0	31	105 – 110
	2017–18	30 – 35	0	12	40 – 45
Katharine Diamond (from 1 March 2019 only as Director)	2018-19	5 – 10	0	1	5 – 10
	2017–18	–	–	–	–

* "Salary" includes gross salary; overtime, reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowances to the extent that is subject to UK taxation.

This report is based on accrued payments made by the PCA and thus recorded in these accounts.

No allowances, bonuses or benefits in kind have been made to the Adjudicator. Gifts and hospitality are recorded in the PCA's Gifts and Hospitality register.

2. Benefits in kind (subject to audit)

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

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

Real increase in CETV

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

Public appointee	Accrued pension at age 65 as at 31 March 2019 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2019 £'000	CETV at 31 March 2018 £'000	Real increase in CETV £'000
Paul Newby	5 – 10	2.5 – 5	143	86	35
Fiona Dickie	0 – 5	1.5 – 2	30	8	16
Katharine Diamond	20 – 25 plus a lump sum of 5 – 10	0 – 0.25	312	310	0

3. Civil Service Pension Scheme

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of five defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos or alpha).

From 01 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 in service joined alpha. Prior to that date, civil

servants participated in the Principal Civil Service Pension Scheme (PCSPS). The Adjudicator and the Deputy Adjudicator are in the alpha scheme.

The accrued pension quoted is the pension the member is entitled to receive when they reach the higher of 65 or State Pension Age for members of alpha.

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

New Career Average pension arrangements were introduced from 01 April 2015 and the Adjudicator joined the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>



Staff Report

1. Staff Costs

The cost of staff remuneration was:

	Year ending 31-Mar-19 £	Year ending 31-Mar-19 £	Period ending 31-Mar-18 £	Year ending 31-Mar-18 £
	<i>Ministerial & Public appts</i>	<i>Other Staff</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	211,033	952,615	1,163,648	998,450
Social security costs	26,704	–	26,704	20,602
Other pension	51,703	–	51,703	39,519
Total	289,440	952,615	1,242,055	1,058,571

- (i) The PCA is a ministerial appointment and the DPCA is a public appointment, both are remunerated via the BEIS payroll.
(ii) There have been no severance / retirement payments in the reporting year.
(iii) The PCA is not registered for VAT, however VAT is charged on all home department salary invoices

2. Average number of staff employed (subject to audit)

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

	2018/19	2017/18	2016/17
Ministerial and public appointments	1.44	1.42	1.00
Other Staff	11.9	5.42	4.08

3. Staff composition

The SBEE Act 2015 allows the PCA to recruit staff on secondment from public or private sector organisations typically on 2-year secondments from other parts of the Civil Service.

The composition of Ministerial and public appointments is:

	Male	Female
Pubs Code Adjudicator	1	
Deputy Pubs Code Adjudicator		1

The composition of the office of the PCA staff is:

Male	2
Female	13

Over this reporting period the Adjudicator recruited 7 additional members of staff:

- One Intelligence and Compliance Manager
- One Lawyer

- One Policy and Casework Lead
- Two Caseworkers
- One Casework Support Officer
- One Executive Officer

The PCA was supported by specialist advice. This included advice from a Press and Media specialist, Legal Advice and accountancy support. Four members of the PCA staff left in the reporting period.

4. Fair pay disclosure (subject to audit)

The median staff pay figure for the year (based on the lowest to highest but one of the PCA staff as the highest salary has been discounted for this calculation), the range for staff remuneration and the ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid for 2018/19 and the previous year 2017/18 are recorded in the table below:

	2018/19	2017/18
The median staff pay figure (£)	40,280.5	32,567
The range for staff remuneration is from (£)	20 – 25k 130 – 135k	25 – 30k 130 – 135k
The ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid	1:3.29	1:4.1

Due to a significant increase in the volume and complexity of work in this reporting period the PCA needed to recruit more specialist resource. This has resulted in an increase in the median staff pay figure for 2018–19.

5. Exit packages (subject to audit)

No exit packages were paid during the reporting period.

6. Expenditure on consultants

This is recorded in section three of the accounts under “Other expenditure”.

7. General Data Protection Regulation (GDPR)

The PCA has reviewed all contracts procured with third party organisations to ensure compliance with the General Data Protection Regulation 2018. No instances of non-compliance were identified.

8. Reporting on the tax arrangements of public sector appointees

All government departments and their arm’s length bodies that employ individuals ‘off payroll’ for more than six months must report to HM Treasury about the financial arrangement, to make sure it is transparent and that the individual in question is paying the right amount of tax and National Insurance (NI). The office of the PCA has reviewed the way we make these appointments to ensure our processes are robust. We have the right to request assurances, and do so, from the individual in relation to monies received by HMRC. We can terminate any contract if these assurances are not provided.

New legislation came into effect from April 2017. The reform shifts the responsibility for deciding whether tax and NI are due from the individual contractor to the organisation for whom the contractor will work. The PCA has ensured that arrangements are in place to determine if contractors are in or out of scope, where relevant that arrangements are in place for the deduction of tax and NI, and that requisite assurances were obtained.

The tables below set out the status of off-payroll contractors engaged by the PCA using the standard reporting format. Recorded off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months.

Table 1: For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months.

Number of existing engagements as of 31st March 2019.	Pubs Code Adjudicator
Number of existing engagements as of 31st March 2019	2
Of which:	
Number that have existed for less than one year at the time of reporting	N/A
Number that have existed for between one and two years at the time of reporting	1
Number that have existed for between two and three years at the time of reporting	1
Number that have existed for between three and four years at the time of reporting	N/A
Number that have existed for between four and more years at the time of reporting	N/A

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, between 1st April 2018 and 31st March 2019.	Pubs Code Adjudicator
Number of existing engagements as of 31st March 2019	0
Of which:	
Number that have existed for less than one year at the time of reporting	N/A
Number that have existed for between one and two years at the time of reporting	1
Number that have existed for between two and three years at the time of reporting	1
Number that have existed for between three and four years at the time of reporting	N/A
Number that have existed for between four or more years at the time of reporting	N/A

9. Staff sickness absences

During the year the average proportion of working days lost to sickness for the PCA for the 12 months to 31 March 2019 was 3.7, which includes one long term absence. The PCA is committed to supporting the physical and mental health of the team and fostering wellbeing is a key element of our focus.

10. Staff policies and other employee matters

The PCA is committed to being a place of opportunities. We value and welcome diversity. We aim to develop all our staff to enable them to make a full contribution to meeting the PCA's strategic objectives, and to fulfil their own potential on merit. We will not tolerate harassment or other unfair discrimination on grounds of sex, marital status, race, colour, nationality, ethnic origin, disability, age, religion or sexual orientation. All staff are encouraged to take additional training on disability awareness and are expected to undertake unconscious bias training to increase overall awareness. We support the use of a range of flexible working patterns to enable staff to balance home and work responsibilities; and we will treat people fairly irrespective of their working arrangements.



Parliamentary Accountability Report

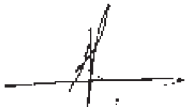
Parliamentary Accountability Disclosures

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 PCA 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.

Parliamentary and Ministerial engagement

Date	Nature of engagement	PCA/DPCA
26 June 2018	BEIS Select Committee	PCA/DPCA
16 July 2018	APPPG scheduled but cancelled – met with Toby Perkins (Chair) informally instead.	PCA/DPCA
29 November 2018	Theresa Villiers MP meeting	PCA/DPCA
28 January 2019	Neil Bibby SMP meeting	PCA/DPCA
5 February 2019	Minister Tolhurst meeting	PCA/DPCA
13 February 2019	Sarah Wollaston MP meeting	PCA/DPCA



Paul Newby
Pubs Code Adjudicator

11 July 2019

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 Pubs Code Adjudicator for the year ended 31 March 2019 under the Small Business, Enterprise and Employment Act 2015. The financial statements comprise: the 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. 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 Pub Code Adjudicator's affairs as at 31 March 2019 and of its net expenditure after interest and tax for the year then ended; and
- the financial statements have been properly prepared in accordance with the Small Business, Enterprise and Employment Act 2015 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'¹. 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 2016. I am independent of the Pubs Code Adjudicator in accordance with the ethical requirements that are relevant to my audit and 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

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pubs Code Adjudicator's ability

¹ Reference here to PN10 is to cover the basis of our regularity opinion.

to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Adjudicator for the financial statements

As explained more fully in the Statement of the PCA Accounting Officer Responsibilities, the Adjudicator, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Small Business, Enterprise and Employment Act 2015.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pub Code Adjudicator's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

Other Information

The Adjudicator, as Accounting Officer, is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and 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, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Small Business, Enterprise and Employment Act 2015;
- in the light of the knowledge and understanding of the Pubs Code Adjudicator and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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
- 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.

Report

- I have no observations to make on these financial statements.

Gareth Davies

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

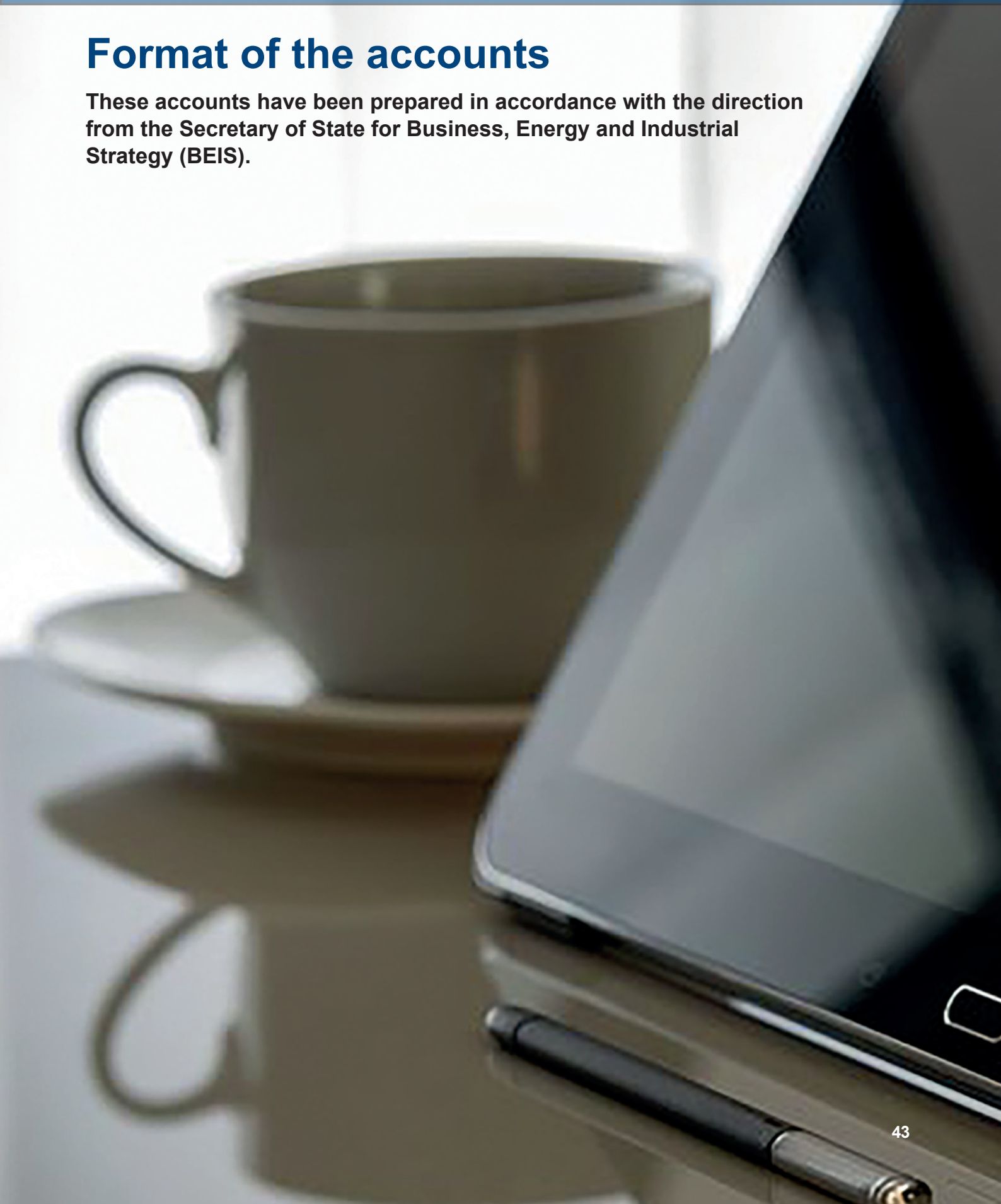
Date



Financial Statements

Format of the accounts

These accounts have been prepared in accordance with the direction from the Secretary of State for Business, Energy and Industrial Strategy (BEIS).



Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Note	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
Expenditure			
Staff Costs	2	1,242,055	1,058,571
Other Expenditure	3	671,063	427,881
		1,913,118	1,486,452
Income			
Other income	4	(1,913,118)	(1,486,452)
Net Expenditure			
		–	–
Net Expenditure after interest			
		–	–
Net Expenditure after interest and tax			
		–	–
Total Comprehensive Expenditure for the year ended 31 March 2019			
		–	–

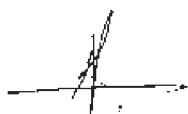
The notes on pages 48 to 54 form part of these financial statements.

There was no other Comprehensive Expenditure.

Statement of Financial Position as at 31 March 2019

	Note	As at 31-Mar-19 £	As at 31-Mar-18 £
Current assets			
Other receivables due within one year	5	115,878	50,612
Cash and cash equivalents	6	1,193,511	716,646
Total current assets		1,309,389	767,258
Total assets		1,309,389	767,258
Current liabilities			
Contract liability	7	804,458	334,629
Trade and other payables	7	504,931	432,629
Total current liabilities		1,309,389	767,258
Non-current assets less current liabilities		–	–
Assets less liabilities		–	–
Taxpayers' equity			
Income and expenditure reserve		–	–

The notes on pages 48 to 54 form part of these financial statements.



Paul Newby

Pubs Code Adjudicator

11 July 2019

Statement of Cash Flows for the year ended 31 March 2019

	Note	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
Cash flows from operating activities			
Net operating cost		–	–
Increase in receivables	5	(65,266)	(43,236)
Increase (decrease) in payables	7	542,131	(55,867)
Net cash inflow/(outflow) from operating activities		476,865	(99,103)
Net increase/(decrease) in cash and cash equivalents in the year	6	476,865	(99,103)
Cash and cash equivalents at the beginning of the year		716,646	815,749
Cash and cash equivalents at the end of the year		1,193,511	716,646

The notes on pages 48 to 54 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

	I & E Reserve £	Total Reserves £
Balance as at 31 March 2017	–	–
Changes in Taxpayers' Equity comprehensive expenditure for the year	–	–
Comprehensive expenditure for the year	–	–
Balance as at 31 March 2018	–	–
Changes in Taxpayers' Equity comprehensive expenditure for the year	–	–
Comprehensive expenditure for the year	–	–
Balance as at 31 March 2019	–	–

The PCA holds no reserves. The PCA is levy funded and unspent levy is reflected in contract liability.

Notes to the Financial Statements for the year ended 31 March 2019

1. Accounting Policies

These financial statements have been prepared in accordance with the direction from the Secretary of State for Business, Energy and Industrial Strategy (BEIS) and the 2018/19 Government Financial Reporting Manual (FRoM). The particular policies adopted by the PCA 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 Annual Accounts have been prepared as directed by the Secretary of State for Business, Energy and Industrial Strategy and certified by the Comptroller and Auditor General in accordance with paragraph 15 of Schedule 1 of the SBEE Act 2015; and have been laid before Parliament by the Secretary of State.

There were no new standards issued up to 31 March 2019 and not applied that would materially affect the accounts. The PCA has also not adopted any standards early but has considered future changes in standards.

IFRS 9

IFRS 9 has been adopted by the PCA in the year ended 31 March 2019. IFRS 9 introduces an expected loss model for the calculation of impairments. This has not had an impact on the PCA which has no history of losses on levy income or cost recovery associated with investigations or arbitrations.

IFRS 15 Revenue from Contracts with Customers

The PCA has adopted IFRS 15 in the year. This has not resulted in an adjustment to income recognition.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a 5-step framework to apply this core principle being:

- (1) Identify the contract.
- (2) Identify the performance obligation, if any.
- (3) Determine the transaction price.
- (4) Allocate the transaction price to the performance obligations.
- (5) Recognise revenue when or as an entity satisfies a performance obligation.

Standards not yet effective

IFRS 16 Leases will be effective for the PCA for the year ending 31 March 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 impact of the adoption of IFRS 16 has not yet been quantified but is not likely to be material.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

SBEE Act 2015 [section 62] provides that the PCA is required to prepare and publish a report describing what the Adjudicator has done during the reporting period. The Adjudicator must send a copy to the Secretary of State and it must be laid before Parliament.

(a) Income

The PCA has adopted IFRS 15 in the year. This has not resulted in an adjustment to income recognition. The different income streams are laid out below.

General Levy

The PCA raises income through the form of a levy on the pub-owning businesses it regulates. In 2018/19 the levy was invoiced to the pub-owning businesses in two equal instalments during the year. Levy Income is recognised to match the PCA's net expenditure for the year and any unspent levy at the end of the financial year is returned to the pub-owning businesses and therefore is shown as a contract liability in note 7, Trade Payables and Other Liabilities.

The general levy and associated rebate are variable consideration under IFRS 15. The variable consideration is determined using the most likely amount, being the net expenditure incurred in a levy period. 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 financial statements have been finalised and the uncertainty associated with the levy rebate has been resolved.

Further information on the levy income is contained in the PCA's Annual Report.

Arbitrations

The PCA will recoup the arbitrators' reasonable fees and expenses in respect of arbitrations completed by the PCA but not those undertaken by Alternative Arbitrators from pub-owning businesses except where the referral is vexatious in accordance with SBEE Act 2015 [section 51]. All costs of the arbitrator are to be borne by the pub-owning business which is the party to the arbitration; unless the arbitrator decides that the tenant's claim was vexatious or wholly without merit, in which case costs will be assigned at the arbitrator's discretion. The other costs of the arbitration such as the parties' legal costs, can be apportioned in the final award.

The costs of arbitration are recognised in full over the course of the arbitration based on the enforceable right to receive payment for performance completed to date. The income from arbitration cost recovery is recognised over the course of the arbitration based on time incurred and agreed recharge rates. Amounts receivable in respect of incomplete arbitrations is shown as a contract asset in note 5, Other Receivables and Other Assets.

Investigations

The PCA has the discretion to charge the applicable pub-owning business(es) the full costs of an investigation which results in a finding that there has been a breach of the Code. It is expected that this will be the approach adopted. Any appeals will be funded initially by the general levy. If successful, the Adjudicator expects, based on the enforceable right, to recover most of the PCA's costs from the losing party. Costs required to be paid are recoverable by the Adjudicator as a debt.

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

Provision for an investigation was made in the 2018/19 levy submission, which received Ministerial approval. The PCA did not launch an investigation so this contributed to the contract liability for the reporting period.

(b) Going concern

The PCA is a statutory body with ongoing duties and therefore is a going concern with facilities for funding.

(c) Financial instruments

Financial instruments are initially measured at fair value plus transaction cost.

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was 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 nature of the contractual cash flows.

Financial assets

The PCA 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 was no material difference between fair value, amortised cost and historical cost.

Financial Liabilities

The PCA holds financial liabilities, which comprise of payables and a contract liability. Contract liability relates to un-spent levy funds which will be brought forwards against the levy amounts due in future periods. Since these balances were expected to be settled within 12 months of the reporting date, there was no material difference between fair value, amortised cost and historical cost.

(d) Reserves

Income and expenditure reserve

The Adjudicator accounts for the PCA's accumulated surplus or deficit in the income and expenditure reserve.

(e) Expenditure

All expenditure is recognised on an accruals basis. Purchases of capital items over £2,000 will be recognised in the accounts as an asset and appropriately depreciated or amortised.

f) VAT

As the PCA is not registered for VAT, all input VAT is irrecoverable and therefore charged to expenditure.

g) Operating leases

Payments for the PCA's case management system are accounted for as an operating lease and therefore charged to expenditure.

2. Staff costs

The cost of staff remuneration was:

	Year ended 31-Mar-19 £	Year ended 31-Mar-19 £	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
	<i>Ministerial & public appts Staff</i>	<i>Other Staff</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	211,033	952,615	1,163,648	998,450
Social security costs	26,704	–	26,704	20,602
Other pension	51,703	–	51,703	39,519
Total	289,440	952,615	1,242,055	1,058,571

(i) The PCA is a ministerial appointment and the DPCA is a public appointment.

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

The PCA is not registered for VAT, however VAT is charged on all home department salary invoices.

3. Other expenditure

	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
Annual licence fees	1,619	1,656
Alternative arbitrators	7,920	–
Accountancy fees	8,160	6,720
Audit fees	11,500	10,000
Bank charges	1,053	923
Consultancy	14,832	40,833
General expenses	27	2,036
Independent assessor fees RICS	(572)	2,672
IT software & consumables.	81,575	79,008
Investigation costs	–	–
Legal fees	57,870	2,297
Raising tenant awareness	21,693	18,116
Printing, postage & stationery	10,219	3,874
Procured legal resource	203,880	70,240
Regulatory activity	164,378	94,282
Recruitment	1,296	3,744
Rentals and running costs under the terms of occupation	46,351	53,544
Repairs and maintenance	567	1,545
Staff training	13,913	7,724
Subscriptions	1,454	1,807
Travel & subsistence	23,328	26,860
Total other operating charges	671,063	427,881

4. Income

	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
Levy raised	2,553,000	1,739,887
Contract liability	(804,458)	(334,629)
	1,748,542	1,405,258
Arbitration fees	145,776	61,494
Referral fee income	18,800	19,700
Total income	1,913,118	1,486,452

5. Other receivables and other assets

Amounts falling due within one year

	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
Trade and other receivables	25,381	880
Prepayments	3,429	2,275
Contract asset*	87,068	47,457
Total income	115,878	50,612

*The amount shown as contract asset is sums accrued in respect of incomplete arbitrations

6. Cash and cash equivalents

	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
Balance at 1 April 2018	716,646	815,749
Net change in cash and cash equivalent balances	476,865	(99,103)
Balance at 31 March 2019	1,193,511	716,646

The following balances at 31 March 2019 were held at:

Government Banking Service	1,193,511	716,646
Balance at 31 March 2019	1,193,511	716,646

7. Trade payables and other liabilities

Amounts falling due within one year

	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
Contract liability	804,458	334,629
Trade and other payables	71,689	36,044
Accruals	433,242	396,585
Total	1,309,389	767,258

Contract liability solely relates to the unspent levy due to be returned to the pub-owning businesses. The accruals mainly relate to invoices for the secondment of staff and a more detailed explanation can be found in the Performance Report on page 21.

8. Capital commitments

The PCA had no capital commitments (2018: none).

9. Commitments under leases

Obligations under operating leases for the following year, as at 31 March 2019 comprise:

	Year ended 31-Mar-19 £	Period ended 31-Mar-18 £
No later than one year	29,045	29,045
Later than one year and not later than five years	–	2,246
Total	29,045	31,291

As at 31 March 2019 the PCA's current occupancy lease was under review with the Government Property Agency as it was due to expire on 3 May 2019. Discussions to extend the lease are ongoing.

10. Contingent liabilities & assets

There are no contingent liabilities or assets to report.

11. Related party transactions

The PCA is a corporation sole funded in the current reporting year by a levy on 6 pub-owning businesses. The PCA has had various material transactions with BEIS, through the provision of payroll for the Adjudicator and ICT services.

None of the PCA members or key managerial staff undertook any material transactions with BEIS during the year, except for remuneration paid for their services – see the Remuneration and Staff report on page 31.

12. Events after the reporting period and Accounting Officer declaration

The Accounting Officer authorised these financial statements for issue on the date they were certified by the Comptroller and Auditor General.

There are no post-balance sheet events to report.

The Accounting Officer authorised these financial statements for issue on the date they were certified by the Comptroller and Auditor General.

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 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.

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