



Groceries Code Adjudicator

Groceries Code Adjudicator **Annual Report and Accounts**

1 April 2019 – 31 March 2020

HC 349



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Presented to Parliament pursuant to Section 14 and Paragraph 15 of
Schedule 1 to the Groceries Code Adjudicator Act 2013.

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**SECTION A:
PERFORMANCE
REPORT**

Overview

This section of the annual report explains the role and purpose of the Groceries Code Adjudicator (GCA). The Performance Analysis sets out how the GCA has performed during the year against its statutory reporting requirements and strategic objectives, along with other significant activities.

Foreword

This is my final report after seven years in office and 10 years of the Groceries Supply Code of Practice (the Code).

I leave the GCA in the knowledge that by working with the sector, I have shifted the regulated retailers from practice-based compliance to enduring culture change, driving effective compliance risk management at all levels in every regulated business. This should ensure that breaches don't happen and that if they do, they are quickly picked up and put right.



The feedback I get from suppliers, the survey results and the tone and scope of the conversations I have with the retailers themselves all underline how far we have come since June 2013. I am stepping down this year in the strong belief that I have achieved all that I set out to do when I took the job which some described as “an impossible task.”

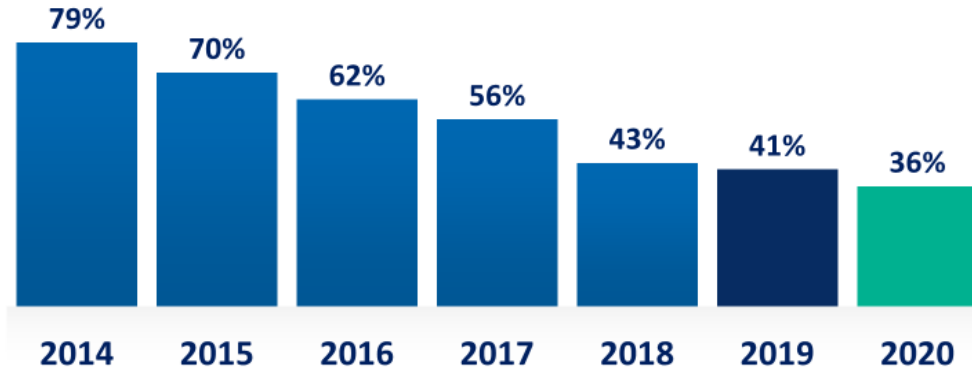
I believe my success has come from the unique way I established of working with the retailers. I have taken a collaborative approach which should also be at the heart of healthy supplier – retailer relationships. I have had more than 300 meetings with retailers' Code Compliance Officers (CCOs) over the past seven years to take up issues I was hearing from suppliers and ensure retailers were making progress in putting things right. I have also met the chairs of the retailers' audit committees (or their equivalent) every year. I have many examples of my engagement with the audit chairs transforming a retailer's approach to Code compliance.

My collaborative approach with the retailers I regulate is not a soft touch, quite the contrary. It enables tough, honest conversations and prompt remedial action. All the regulated retailers have supported my approach and have worked hard to achieve progress. In this way and by focusing on themes rather than individual cases, I have ensured retailers improve for the benefit of the widest possible supplier base.

It has been hard work getting the information I need from suppliers. Few contact the office with issues but they do talk to me if I go to them. Suppliers appreciate the work I do, they acknowledge and are grateful for the progress made but don't seem to sense they have a role in helping everyone to get there! It means I need to go to where suppliers are, ask questions and read between the lines to learn what is happening. This is why the annual survey of suppliers which I started in 2014 has been so important in helping me to gather the information I need. The latest survey closed on 29 March, so this report covers both the 2019 and 2020 results.

The survey has been key to measuring progress and focusing retailers' attention on the main issues. Retailers continue to support the survey with 70% of suppliers responding having heard about it from the retailers they supply: participation has grown over the years to a new record of over 1,600 responses in 2020.

Both the 2019 and 2020 surveys continued to tell a very positive story. In 2020 36% of suppliers responding reported having experienced a Code-related issue in the last 12 months, down from an initial 79% in 2014. This percentage has fallen every year: it is a crude measure as each of those suppliers may have experienced many issues in 2014 and just one or two last year but I am pleased suppliers are still indicating progress by retailers overall during a period that includes first-time results for three additional retailers.

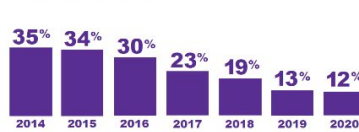


In both the 2019 and 2020 surveys, suppliers reported a decline in issues experienced in relation to every paragraph of the Code and there has been spectacular improvement since 2014 on every one of the Top Issues I have worked on with retailers.

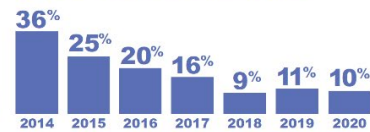
Para 3 Variation of supply agreements



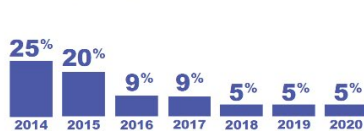
Para 5 Delay in payments



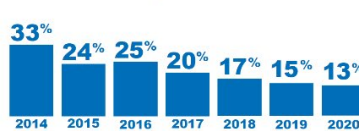
Para 6 Contribution to marketing costs



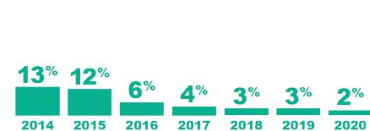
Para 9 Pay to stay



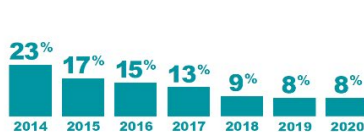
Para 10 Forecasting



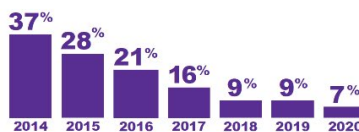
Para 12 Payments for better positioning



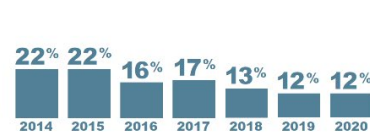
Para 14 Promotions



Para 15 Consumer complaints

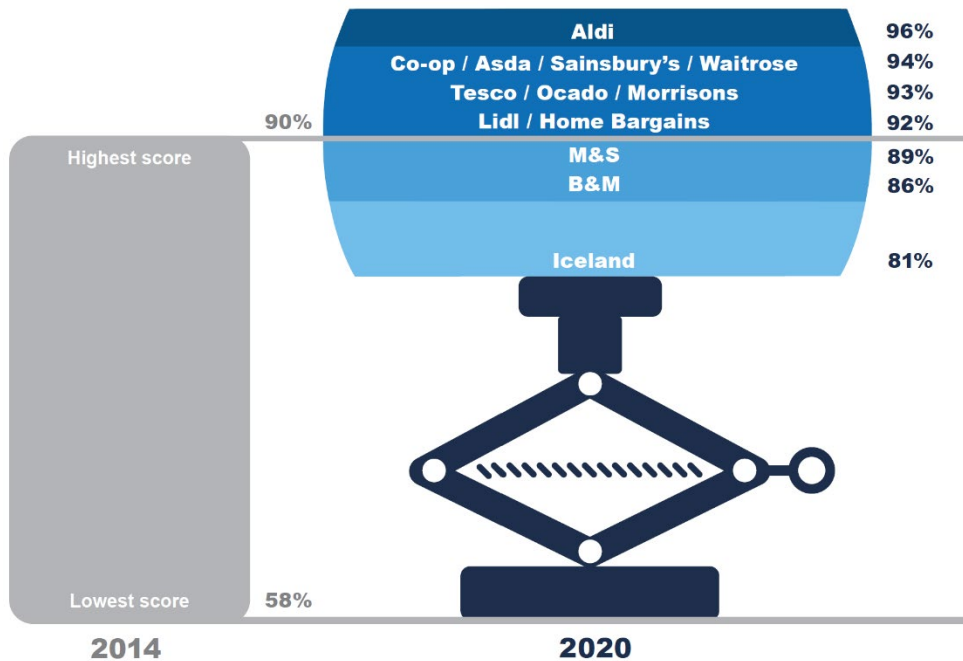


Para 16 De-listing



From the very first survey in 2014, suppliers have scored the retailers they supply based on their perceptions of those retailers' overall Code compliance. The percentage reported as complying with the Code consistently well and mostly in 2014 ranged from 58% to 90%. Now it is extremely tight at the top. In 2020 only three of the 13 regulated retailers are below 90%, the best score in 2014: nine are between 94% and 92%. This squeezing of performance into significantly higher levels of compliance is testament to the effectiveness and impact of my collaborative approach.

Aldi Stores Limited should be particularly congratulated for having held the top spot every year for seven years and the efforts to improve made by all retailers is clearly demonstrated in this graphic.



Each retailer receives an individual report breaking down the survey information which is specific to them by sector and by issue so they can each take action on areas where they are concerned either that they are at risk of breaching the Code or are causing inefficiency to themselves or to suppliers.

I am particularly pleased to report that it was the retailers that told me they wanted a survey in 2020, even though I was not going to be in post to prioritise or make progress on areas of concern. They want to know that suppliers are experiencing progress as well as using their specific results to point to areas where they may need to do more.

There have been several significant events over the past seven years in response to which I have intensified my engagement with a retailer. These have most often resulted in a case study where the reported Code breach is promptly and clearly accepted as having happened; is rectified across all affected suppliers, and processes are put in place to prevent any recurrence. Publishing the case study means that other retailers and suppliers can all learn promptly from it. I have also carried out two investigations and I acknowledge these have been game changers for securing better Code compliance across the sector.

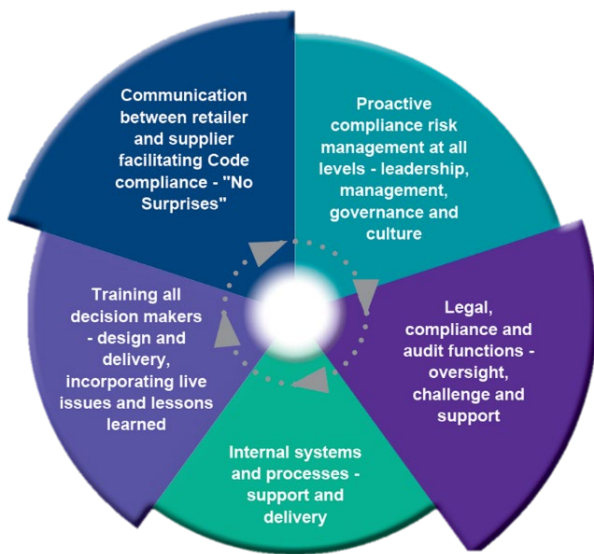
The investigation into Tesco plc in 2015 enabled me to understand in great detail the many different ways that payments to suppliers were being delayed and to apply my findings about these to all retailers. This has resulted in the percentage of suppliers experiencing the issue of delay in payments falling from 35% in 2014 to 12% in 2020. Importantly it ensured that pricing errors are now fixed quickly, that suppliers retain money when it is not established that it is due and that all retailers now have a dedicated helpline for finance-to-finance resolution of outstanding money queries.

The second investigation, which was into Co-operative Group Limited (Co-op) showed how vital it is that Code compliance is embedded into every regulated business. The root causes of the breaches I identified by Co-op showed the extent to which the retailer had failed proactively to take charge of its own Code compliance.

Last year I spent eight months working with Co-op as it implemented the recommendations made as a result of my investigation. Co-op has demonstrated a huge amount of progress in embedding the Code and I have enjoyed working with the Co-op team to ensure that they understood the issues and implemented actions that would prevent the same or similar problems recurring in future.

This progress has been recognised by suppliers that have ranked Co-op joint second in the 2020 league table, up from tenth in 2019 – the year I reported on my investigation – and ninth in 2018.

In parallel I worked with each of the regulated retailers to encourage them to take a whole-organisation approach to Code compliance. I wanted to ensure proactive compliance risk management was applied at all levels in each business and was reflected consistently in governance, audit, systems and processes, training and communications with suppliers.

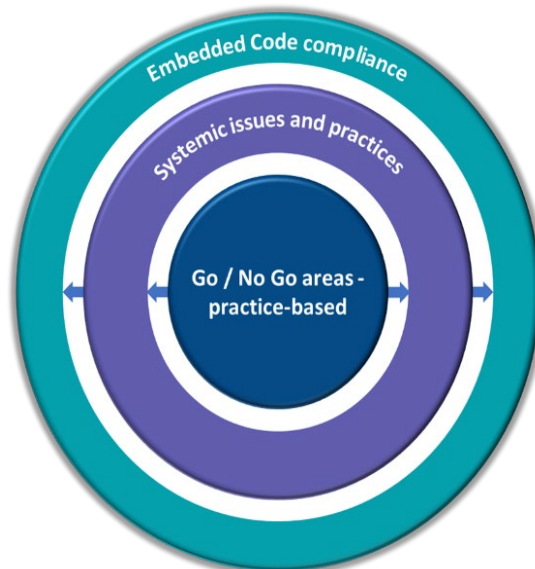


I asked them to report to me on how they were each putting their compliance management thinking into their overall governance structures, their legal, compliance and audit functions, as well as their internal systems and processes.

In addition I wanted to know how they were designing training that upheld compliance and were delivering it to the right people. And of course I have kept up my message that retailers should have the right conversations with their suppliers and listen to them to identify where change may be needed.

This approach was all about minimising the likelihood of future breaches and ensuring prompt correct and learning whenever mistakes occur, as they will from time to time. All retailers learned a lot from this exercise and almost all made changes to one or more aspects of their business as a result.

When I first took this job in 2013, I worked solidly with retailers on what I call Go / No Go areas: stopping specific reported practices which may have broken the Code. A lot of quick wins followed, such as the voluntary commitment I secured that responded to the problem of forensic auditing. I am delighted that now 12 of the 13 regulated retailers have agreed to limit the auditing of suppliers' trading accounts in search of missed claims to the current year plus two. Only J Sainsbury plc has declined to do so despite repeated requests.



As my relationships with retailers developed, my focus shifted to reviewing systemic issues and practices. I chose to focus on just a limited number at a time to make progress across the sector on the issues that mattered most to suppliers. This is how my Top Issues came into being and in this way, I tackled drop and drive as a contributing factor to delay in payments; and outsourcing to third parties without sufficient controls, for example consultants working on range reduction activity, as highlighted in the case study published in 2017 about Asda Stores Limited.

In my final year as GCA the conversation has been firmly focused on ensuring every one of the regulated retailers can demonstrate to me that they have embedded controls within their business.

Suppliers also need to play their part. They need to be Code Confident: Know the Code, Get Trained and Speak Up. The proportion of suppliers that stated in the survey that they had been trained has never topped the half-way mark, with the 2020 results standing at 47%. However, the 13 training providers listed on the GCA website have been busy and I am delighted to report that issues raised with my office over the past year have almost all been relevant to the Code. Rarely now do we have to respond pointing out that the issue is not something I can assist with. Similarly, when I am at supplier events the discussions tend to be about potential breaches, indicating good Code understanding.

I took this job to make a difference. I believe the evidence shows I have done that:

- We have seen an increase, not a decrease in competition in the sector as three more retailers have exceeded £1 billion turnover of groceries and been designated by the Competition and Markets Authority (CMA).
- The original 10 regulated retailers are now exemplars among businesses for paying on time. The Duty to Report on Payment Practices and Performance results submitted to

the Department for Business, Energy & Industrial Strategy (BEIS) cover all invoices, not just groceries, so are only a guide. The original 10 retailers notably paid between 93%-100% of all their invoices on time, whereas only 13% of all the suppliers to those retailers achieved the same level of prompt payment.

- There is stronger and more effective communication between retailers and suppliers - a significant change, the value of which has been apparent in the current Coronavirus crisis and the resultant need to maintain very efficient supply chains.
- Working between retailers and suppliers has become more efficient, for example the business practices implemented in response to inconsistencies arising as a result of drop and drive have eliminated masses of paperwork as well as reducing time wasted on challenges.
- Suppliers feel more able to challenge the retailers to get the best joint solutions – no longer is the response “how high?” when the retailers ask them to jump.
- Fresh produce suppliers have been growing in size and are confident under the protection of the Code to work closely and on longer contracts with retailers.
- Consumers have benefitted from an increase in innovative products on the supermarket shelves, created by a growing number of speciality suppliers which the retailers are welcoming to increase differentiation.

I have enjoyed the role, have been lucky to have such a wonderful team over the past seven years and am particularly grateful to my Legal Adviser, Helen Gordon-Lee and my Operations and Policy Manager, Jenny Hendricks, who have both been with me the whole time. I have had three very different but invaluable Heads of Operations who have at times coped with considerable workload, especially during investigations when they get minimal amounts of my time. We have all enjoyed seeing the progress that has been made and receiving thanks from suppliers that frequently tell us that the way that retailers behave is unrecognisable from what it was seven years ago.

I strongly believe that the Code, combined with the changes in culture and behaviour I have encouraged over the past seven years, provided the foundations for the excellent reaction of the groceries supply chain to the Coronavirus emergency. The regulated groceries retailers and their suppliers overwhelmingly responded with the best interests of the consumer at the heart of everything they did in response to this enormous challenge and there has been a high level of communication between them throughout. With this in mind, I offered on 23 March to remain in post for a few months beyond the end of my term of office in June. This will I hope enable me to deal realistically and fairly with any issues arising as a result of decisions taken during the emergency, consistent with my interpretation of the Code and the additional material I published during that period, allowing my successor to focus on the future.

My successor will take office at a good time. The initial work of the GCA is largely done. The success of regulation under the model I have adopted is however prompting growing calls for the role of GCA and the scope of the Code to be extended, whether further up the supply chain or to more retailers. My successor is bound to have new ideas but I hope will continue the initiatives that have worked. I wish the next GCA every success.

Christine Tacon.

Christine Tacon
Groceries Code Adjudicator and Accounting Officer
21 May 2020

This year at the GCA



ADDITIONAL
RETAILER



10 YEARS OF
THE CODE



OFFICE
RELOCATION

Engagement



17,628
USERS OF THE
GCA WEBSITE



NEWSLETTERS
PUBLISHED



ANNUAL CONFERENCE



WEBINARS
DELIVERED



VIDEOS ONLINE



INTERNATIONAL
ENGAGEMENTS

Meetings and presentations



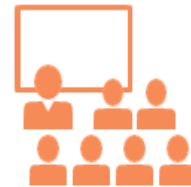
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SUPPLIER
ONE-TO-ONES



68

RETAILER
MEETINGS



46

SUPPLIER & TRADE
ASSOCIATION MEETINGS

Groceries Code Adjudicator: Working for fairness in the groceries supply chain

Establishing the Groceries Code Adjudicator

The Groceries Code Adjudicator (GCA) was established on 25 June 2013 by an Act of Parliament. It was set up to ensure supermarkets treat their direct suppliers lawfully and fairly.

The appointment followed a 2008 report setting out the findings of the Competition Commission Market Investigation into the groceries sector. The Competition Commission found that while the sector was broadly competitive, some large retailers were transferring excessive risk and unexpected costs to their direct suppliers. This could discourage suppliers from investing in quality and innovation; small businesses could fail and ultimately, there could be potential disadvantage to consumers.

Following the Commission's recommendation, the Government introduced the Groceries (Supply Chain Practices) Market Investigation Order 2009 (the Order) which includes a requirement to comply with the Code. The Code was designed to regulate the relationship between the regulated retailers and their direct suppliers. The regulated retailers each have a UK annual groceries turnover of more than £1 billion. At the commencement of the Order in February 2010, there were the following 10 regulated retailers:

- Aldi Stores Limited (Aldi)
- Asda Stores Limited, a subsidiary of Wal-Mart Stores Inc (Asda)
- Co-operative Group Limited (Co-op)
- Iceland Foods Limited, a subsidiary of the Big Food Group (Iceland)
- J Sainsbury plc (Sainsbury's)
- Lidl UK GmbH (now Lidl GB Ltd) (Lidl)
- Marks & Spencer plc (M&S)
- Tesco plc (Tesco)
- Waitrose Limited, a subsidiary of John Lewis plc (Waitrose)
- Wm Morrison Supermarkets plc (Morrisons)

The regulated retailers had some time to set up a voluntary Ombudsman. When the self-regulatory approach did not progress, the GCA was established on a statutory basis by the Groceries Code Adjudicator Act which came into force on 25 June 2013 (the GCA Act).

Christine Tacon – the first Adjudicator – was appointed on 25 June 2013 and is responsible for monitoring and encouraging compliance with and enforcing the Code. Her second term of office ends on 24 June 2020. In response to the uncertainty created as a result of COVID-19 and particular pressure placed on groceries supply arrangements during the early stages of the pandemic, the GCA offered to extend her term for a short period,

specifically to deal with any issues arising as a result. As at year-end, this was under consideration by the Secretary of State for BEIS.

The GCA is funded by a levy on the regulated retailers. The levy methodology is reviewed each year and is subject to the consent of the Secretary of State for BEIS.

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

In 2016 the Government carried out a statutory review of the GCA's performance and effectiveness and at the same time called for evidence on the extension of the GCA's powers. The results of the review published in July 2017 concluded that the GCA is regarded as an 'exemplary modern regulator with an international reputation'. A second review was carried out in 2019, but the results of this have not yet been published.

Following the call for evidence in 2016, Ministers decided not to extend the remit of the GCA. The CMA was asked to assess whether more groceries retailers should be regulated by the GCA. The following retailers have since been designated under the Order:

- On 1 November 2018 the CMA designated Ocado Group plc and B&M European Value Retail S.A. (B&M). In November 2019 following a structural change, Ocado Retail Ltd was designated and Ocado Group plc has subsequently been de-designated. This report accordingly refers to Ocado for both Ocado Group plc and Ocado Retail Ltd unless it is important in the context to specify which.
- On 3 September 2019, the CMA designated TJ Morris Limited (trading as Home Bargains) (TJ Morris).

GCA powers

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

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

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

www.gov.uk/gca. Suppliers protected by the Code are those directly supplying a designated retailer with groceries for resale in the UK, including overseas suppliers.

The Code does not cover issues such as price setting, the relationship between indirect suppliers and the regulated retailers, food safety or labelling. These issues are outside the GCA's remit.

The way the GCA works

The GCA encourages suppliers to bring Code-related issues and evidence to its attention in order to inform decisions and actions. The GCA also gathers information from retailers, trade associations and others. The stronger the evidence base, the greater the justification for action.

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

Impact:	The greater the impact of the practice raised, the more likely it is that the GCA will take action.
Strategic importance:	Whether the proposed action would further the GCA's statutory purposes.
Risks and benefits:	The likelihood of achieving an outcome that stops breaches of the Code.
Resources:	A decision to take action will be based on whether the GCA is satisfied the proposed action is proportionate.

The GCA must carry out its statutory functions set out in the GCA Act. In setting the direction for the GCA, the Adjudicator has developed an approach that fits the resources available and the outcomes the GCA was set up to deliver. It is a modern regulatory approach, with collaboration and business relations at its core and is delivered through a three-stage process. When Code-related issues are raised, the GCA follows the stages set out below.

Stage 1: Will make retailers aware of issues reported by suppliers.

The GCA will consider whether the issue raised appears to be more than an isolated occurrence. If so, it will be raised with the regulated retailers' CCOs for their own action. In some circumstances if they are judged to have significant impact and confidentiality can still be maintained, the GCA will also raise single incidence issues with CCOs.

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

The GCA will raise the issue with the relevant CCO or all CCOs either if the issue is widespread or to protect the confidentiality of the supplier(s) experiencing the issue. CCOs will be expected to look into the issue and identify if any action needs to be taken within their organisation. This could include making improvements to systems and processes in order to reduce the risk of the issue occurring or recurring.

Depending on what the CCO finds and the action the retailer has taken, the GCA may issue advice clarifying or interpreting the relevant provisions of the Code for the retailer and others to follow. Where a regulated retailer or retailers accept a breach of the Code has taken place and sufficient action has been taken to resolve it, the GCA may publish a case study on the GCA website.

Stage 3: May take formal action if the practice continues.

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

Through this process the GCA ensures that issues are raised with and promptly considered by the regulated retailers and that any necessary action is agreed and taken as swiftly as possible. This is an efficient way to deal with current groceries sector practices that may not be consistent with the Code. The GCA believes that this collaborative approach has a dual benefit.

It significantly reduces the cost of regulating the retailers and it delivers results more quickly.

The GCA does not act as a complaint-handling body, nor can it advise on individual disputes where a supplier seeks a view on whether a regulated retailer has breached the Code. This is because the GCA may later be asked to arbitrate in the same dispute between the supplier and the regulated retailer. Or the GCA may later launch an investigation into the practice raised by the supplier if it becomes apparent that it is a systemic issue experienced by a number of suppliers and of significant impact. Providing a view on individual cases could compromise or appear to compromise the GCA's objectivity later on. Instead, the GCA encourages suppliers to approach CCOs directly because they can deal with issues quickly and, where needed, discreetly.

The ultimate goal of the GCA is to promote a stronger, more innovative and more efficient groceries market through compliance with the Code and as a result, to bring better value to consumers. The GCA is working with suppliers and the regulated retailers to respond to issues rapidly and relies on suppliers and others to bring evidence of non-compliance quickly to the GCA to achieve this goal.

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

Performance analysis

Statutory reporting requirements

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

<p>Disputes referred to arbitration under the Order</p> <p>The GCA accepted appointment as arbitrator in one dispute in the reporting period. There are no ongoing arbitrations at the end of the reporting period.</p>
<p>Investigations carried out by the GCA</p> <p>There were no new investigations launched during the reporting period.</p>
<p>Cases in which the GCA has used enforcement measures</p> <p>No new enforcement measures were used. There was ongoing monitoring of Co-op as a result of the recommendations made in the report of the investigation published on 25 March 2019. Monitoring was completed in this reporting year.</p>
<p>Recommendations that the GCA has made to the CMA for changes to the Code</p> <p>The GCA has made no recommendation to the CMA for any change to the Code.</p>

Strategic objectives

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

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

The GCA considers that these objectives remain fit for purpose.

Objective 1: Promoting the work of the GCA

In June 2019 over 200 people attended the GCA annual conference at Church House, Westminster. The GCA welcomed Ocado and B&M to the conference for the first time as regulated retailers; YouGov reported on the largest ever response to the survey; and the GCA provided a review of the year and a forward look. Attendees also heard from Michael Hutchings, Independent Chair of the Supply Chain Initiative.

After the main conference, the GCA and her team held 19 supplier one-to-one meetings while retailer CCOs attended a networking event at which they heard directly from suppliers about issues they had experienced. There will be no conference in June 2020 because the current Adjudicator's term of office is due to end on 24 June. Although she has offered a short additional period in which to resolve any issues arising as a result of COVID-19, it will be for her successor to set the agenda for the future. The 2020 survey results are reported here because results were received before year end, again leaving future event planning to the next GCA.

Once again over the past year, the GCA and her team have attended a variety of events for groceries suppliers. The GCA attended over 30 supplier events during the year, including three retailer-hosted groceries sector supplier briefings, substantially exceeding the commitment to attend one event a month. This enabled the GCA to promote her work directly to suppliers and provided an opportunity for suppliers to share directly with the GCA their experiences of working with the retailers. In total, the GCA held over 70 one-to-one meetings with suppliers and delivered more than 30 presentations.

The GCA has also continued to promote her Code Confident message directly to suppliers, as well as the importance of being trained in the Code. Good training is an important tool to encourage and give confidence to suppliers to challenge retailer behaviour on Code-related issues, which could include raising issues with CCOs to get them fixed and reporting issues to the GCA to help her decide what to work on.

The GCA continues to receive lots of interest from overseas regulators and direct suppliers and engages with them as part of her overall awareness-raising programme. The GCA has attended three international engagements in addition to events attended across the UK. This included presenting to the Houses of the Oireachtas' Joint Committee on Agriculture, Food and the Marine, presenting to the Supply Chain Initiative and meeting the Australian Food and Grocery Council.

The GCA also regularly engages with trade associations. In 2019/20 the GCA attended 10 trade association-hosted events, 13 representatives from trade associations attended a meeting at the GCA office and numerous trade association magazines carried articles about the GCA.

This year the Code reached a major milestone: on 4 February 2020 the GCA marked 10 years since the Code came into force, launching the seventh annual survey to coincide with this important anniversary. On the same day, the GCA also hosted a meeting with organisations that provide training on the Code to share an update on her work and progress on Code compliance and to hear from the training providers about what Code-related issues suppliers were raising with them.

Objective 2: Providing advice and guidance

The GCA has continued to provide advice and guidance that responds to concerns raised by suppliers. This includes providing a variety of information through her website. The GCA is the independent regulator of the groceries sector, not an advisory or complaint-handling body. The GCA cannot advise on individual disputes where a supplier seeks a view on

whether a regulated retailer has broken the Code because she may later have to determine the issue or dispute as an impartial decision maker.

The GCA website, YouTube channel and regular newsletter continue to play an essential role in raising awareness and keeping suppliers up to date. This year the GCA has particularly concentrated on developing these communication channels. In this reporting period, four newsletters were published and sent to over 1,200 subscribers. The GCA has added several new pages to her website including one that pulls together in one place all the information relating to Code-related issues on which she has taken action since 2013. The GCA also published a series of bite-size videos on her YouTube channel in which she speaks about specific aspects of the Code. Many of the videos by the retailers' CCOs have also been refreshed, introducing suppliers to the CCO role and the individuals in each business.

The GCA encourages all suppliers to use this information when they have an issue in order to make sure they understand the Code before raising it.

In July 2019 the Adjudicator hosted her first webinar. Webinars have proved a popular and successful means of communicating with suppliers and other organisations with an interest in the Code. They enable the GCA easily to reach this audience regardless of where participants are based. The GCA has hosted a total of six webinars during the reporting year, providing regular updates on her work and giving participants an opportunity to ask questions.

The GCA also maintains on her website a published list of companies and individuals that provide training on the Code, retailer CCOs and supplier helpline details.

Objective 3: Acting on supplier issues and information

The GCA gathers information about supplier issues from a wide range of sources. In addition to the annual survey, the GCA hears about issues from direct and indirect suppliers, trade associations, other bodies and the media, as well as from the retailers themselves from their annual compliance reports and CCO progress reports made to her under business as usual. These give the GCA vital information to inform her current and future action. In order to ensure the GCA meets her duty to preserve the confidentiality of those who provide her with information, the GCA does not publish statistical information on issues raised. A table summarising issues raised throughout the GCA's term is included as an Appendix to this report.

In 2019 and 2020 the GCA maintained its practice of commissioning an annual survey of the groceries sector. The 2019 survey was open from 18 February 2019 to 23 April 2019 and the 2020 survey was open from 4 February 2020 to 29 March 2020. Both sets of results are covered in this report. The 2019 survey was the first to include the experience of direct suppliers to Ocado and B&M and the 2020 survey was the first to include the experience of direct suppliers to TJ Morris. YouGov presented the 2019 results at the GCA conference in June 2019. The results of the 2020 survey will be shared with regulated retailers and published on the GCA website in late June 2020.

In order to achieve a high number of responses, the GCA renewed efforts to promote the survey including placing adverts and articles in numerous trade publications, distributing a variety of publicity materials and encouraging regulated retailers to publicise the survey to their suppliers. There was a record 1,628 responses to the survey in 2020, with 1,480 responses received from direct suppliers.

The survey remains one of the most important activities that the GCA undertakes each year. Asking suppliers about their experiences and opinions provides valuable information about current issues being experienced by direct suppliers to the regulated retailers and shows the progress being made towards still greater Code compliance.

The GCA continued to have regular meetings with CCOs throughout the year. These are used to raise issues across all regulated retailers as well as with individual retailers. In some circumstances the GCA will raise issues outside the usual meeting round, for example where there is some urgency for the CCO to look into them or the GCA decides to intensify the collaborative approach with a particular retailer. Regulated retailers report back on issues raised at these meetings in their regular progress reports. In many instances, this engagement leads to further work within the retailer to consider how it can make improvements including making changes to their systems and processes to minimise the risk of issues occurring or recurring, all of which benefit the wider supply base.

In previous years, the GCA has identified on an iterative basis up to five areas to focus on where suppliers believe that the regulated retailers' practices may breach the Code, known as 'Top Issues'. In this reporting period, all Top Issues were categorised as previous, meaning they had been closed as an issue in their own right because the GCA's position or interpretation of the Code had been made clear. The GCA no longer considered that ongoing monitoring or active work on the issue was merited.

The GCA has nonetheless worked with retailers in this reporting period on pallets and crates. Following concerns raised by suppliers about retailer requirements that they use particular crate and tray suppliers and pay associated charges either to those companies or to retailers as handling charges, the GCA has worked with the original 10 designated retailers to understand their processes in this area.

Objective 4: Improving the culture of Code compliance

The GCA continues to emphasise the need for cultural and behavioural change in regulated retailers and considers that good progress has been made in this area. Compliance risk management is regularly raised in conversations with chairs of retailer audit committees as well as on visits to retailer headquarters. Suppliers report that the behaviour of regulated retailers has changed significantly since the GCA was appointed.

As well as providing regular feedback through CCO meetings, the GCA uses her monitoring role and collaborative approach to encourage retailers to look at specific business practices raised by suppliers or identified by the GCA as possible areas of Code compliance risk.

As a direct result of the investigation into Co-op, the GCA has worked with each retailer on buying alliances and other similar arrangements they may have, to ensure that they have each considered how the Code could apply to these different arrangements.

The findings made by the GCA as a result of the investigation also set the scene for further risk management work with each of the regulated retailers to ensure they are taking a proactive approach to embedding Code compliance at all levels in their respective business.

As part of this exercise, announced at the GCA conference in June 2019, the regulated retailers (with the exception of TJ Morris due to the timing of designation) considered in detail how their practices, systems and behaviours are designed to meet their obligations under the Code.

The areas regulated retailers considered were:

- Compliance risk management: how Code compliance risk management operates in the organisation, including:
 - How the retailer monitors compliance with the Code, tracks issues and identifies trends;
 - How issues are reported and escalated;
 - How GCA feedback is escalated;
 - How and when issues are discussed, including ensuring that issues are discussed regularly at senior level so that improvements can filter throughout the organisation;
 - How lessons are learnt from issues and where relevant, action taken across the organisation; and
 - Who is involved in compliance risk management, including which individuals or teams manage the risks and the relevant committees and boards that discuss Code compliance.
- Legal, compliance and audit functions: how each retailer's legal, compliance and audit functions support Code compliance, including how these functions work together to develop or oversee any changes to policy that could affect Code compliance.
- Internal systems and processes: what systems and processes each retailer has in place which could result in outcomes that affect Code compliance, including:
 - Assessing current systems and processes against compliance with the Code e.g. whether IT systems deliver outcomes which comply with the retailer's policies;
 - Considering what processes each retailer has in place to enable it to identify changes to systems and processes across the organisation that may affect Code compliance; and
 - Considering how staff access relevant guidance on systems and processes, including any standardised templates. All guidance, policy and process documents should be adequate to equip buyers to perform their roles and identify any Code-related issues.

- Training: how each retailer ensures that employees are adequately trained on the Code, including who should be trained and that this covers all staff who have the ability to apply charges or otherwise affect a supplier's commercial arrangements with the retailer. Training:
 - May be tailored for staff according to their different levels of supplier engagement;
 - Should be carried out in a way that ensures staff understand and can apply it. This could include face to face, interactive sessions with time for Q&A; some form of assessment to test knowledge with follow up if they need it; and incorporating examples of supplier issues raised in the organisation and how these were dealt with; and
 - Should also be reviewed and updated as new information becomes available, for example from the GCA or from internal teams.
- Communication with suppliers: how each retailer communicates with suppliers including how it makes sure suppliers are aware of decisions that may affect them by giving them clear and detailed information. There should be a clear record of decisions that affect suppliers and communications should be capable of being tracked. The retailer may also have considered the channels it uses to communicate with suppliers, such as information on websites, newsletters, webinars, events or conferences as well as supplier portals.

Several retailers have made or are in the process of making improvements to their systems and processes as a result of this exercise.

The GCA also encouraged retailers further to improve their annual compliance reports and met retailers' audit chairs to discuss generic themes arising from all the annual compliance reports as well as priorities for her final year in office. This included continuing to encourage some retailers to report more comprehensively in their published annual reports and accounts. The GCA also asked retailers to ensure they were capturing any issues raised by suppliers throughout their business that could engage the Code, in order to enable retailers to capture the broadest range of useful supplier information.

Annual survey

In 2019 and 2020 the GCA maintained its practice of commissioning an annual survey of the groceries sector. The 2019 survey was open from 18 February 2019 to 23 April 2019 and the 2020 survey was open from 4 February 2020 to 29 March 2020 - both sets of results are covered in this report.

These sixth and seventh GCA surveys were carried out by YouGov and were designed to build on the GCA's understanding of current supplier concerns in the sector and to measure continuing progress towards Code compliance. Important elements of the survey are measuring whether and to what extent regulated retailer behaviour improved in the year and gathering more detailed information about supplier views on compliance with the Code.

The 2019 survey was the first to include direct suppliers' experience of working with Ocado and B&M and the 2020 survey was the first to include their experience of supplying TJ Morris. YouGov presented the 2019 results at the GCA conference in June 2019.

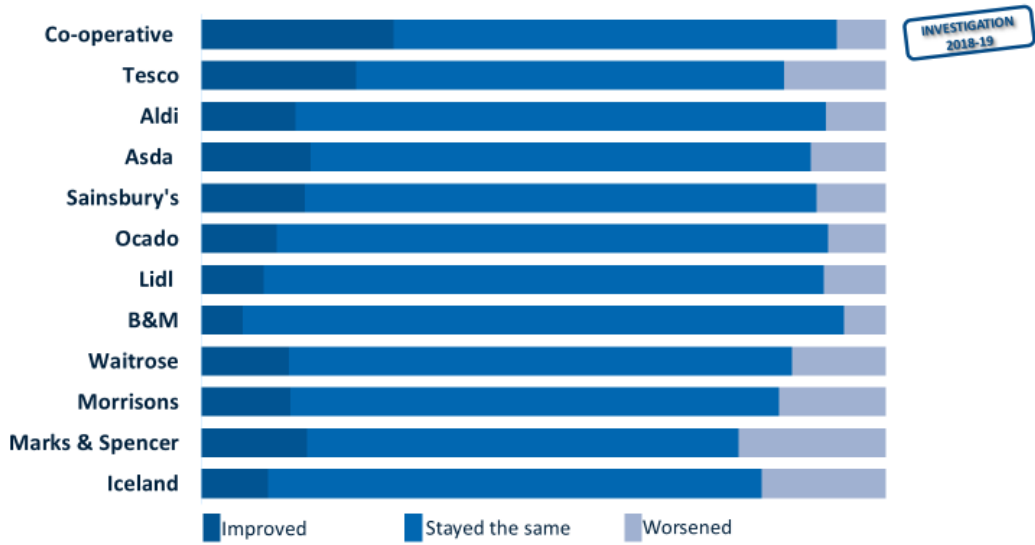
Participants

The regulated retailers again supported the GCA survey by sending information about it to their direct suppliers, including those based overseas. In the 2019 survey there was a total of 1,556 responses, including 1,417 received from direct suppliers, 114 from indirect suppliers and 25 from trade associations. There was a record number of responses in 2020. A total of 1,628 respondents took part, including 1,480 direct suppliers, 118 indirect suppliers and 30 trade associations.

The percentage of suppliers stating they had experienced issues at any stage during the previous 12 months that could be breaches of the Code fell to a record low, with 36% experiencing issues in 2020; down from 41% in 2019, 43% in 2018 and 79% in 2014.

In 2019 those surveyed reported seven retailers as having improved their Code-related behaviour overall in that year. In 2020 this was the case for six retailers (Table 1). In both years Co-op was the most improved. This strong progress was clearly a result of the enhanced engagement with the GCA associated with the investigation that took place during 2018 and 2019.

Table 1: Changes in regulated retailer practice over the past 12 months ranked by net improvement score

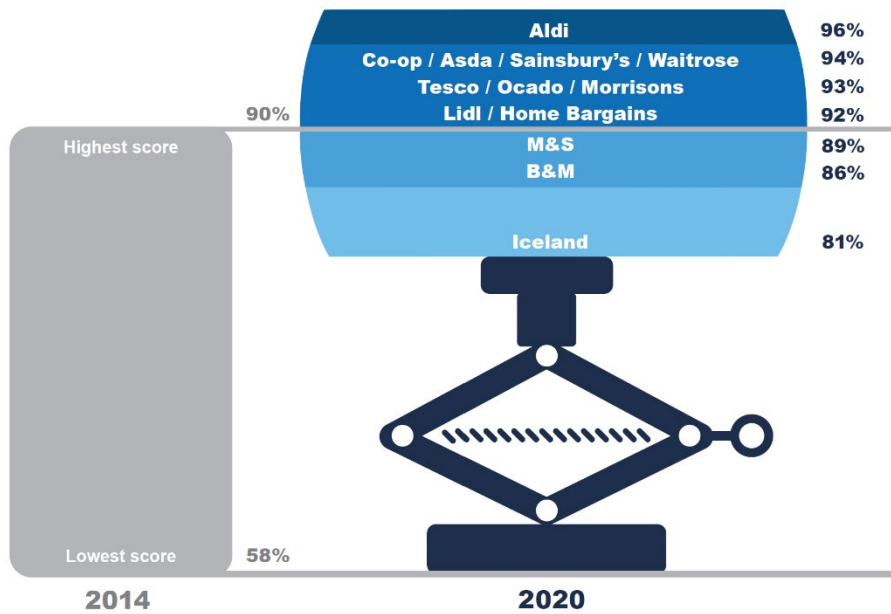


Suppliers’ overall assessment of retailers’ compliance with the Code

Since the first annual survey in 2014, suppliers have provided an overall assessment as to how well they believe each retailer complies with the Code. In the first year the percentage scores for mostly or consistently complying with the Code ranged from 58% to 90%. In 2020, 10 of the retailers achieved a score of 92% or above (Table 2).

Direct suppliers continue to identify Aldi as the retailer most compliant with the Code, placing it top of the overall league table for the seventh consecutive year.

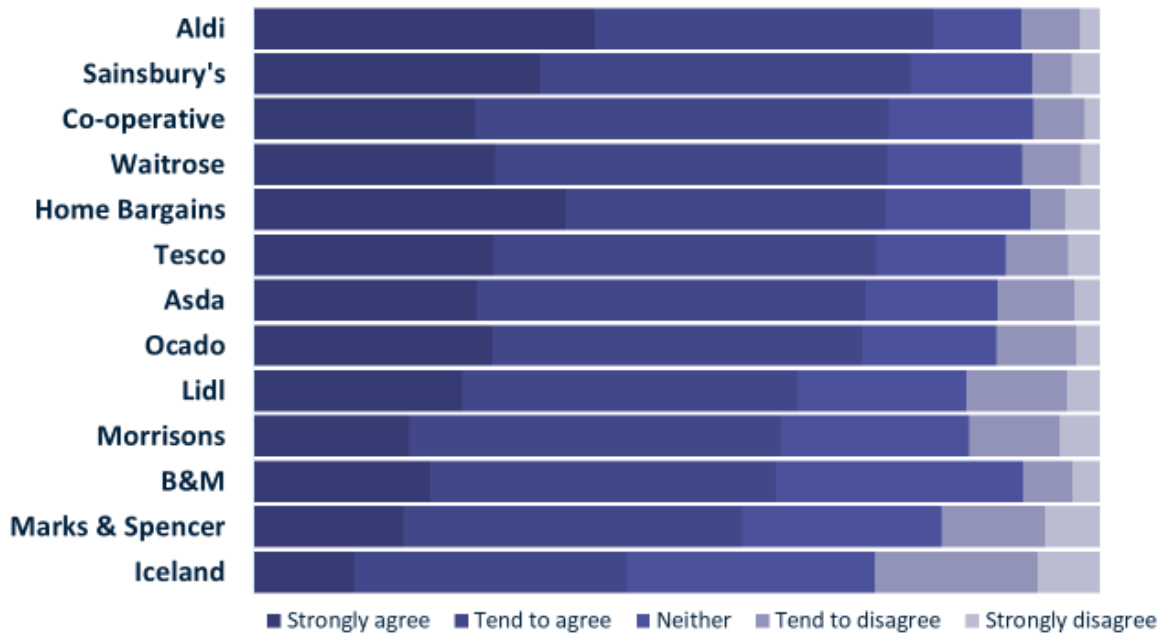
Table 2: Suppliers’ overall assessment of retailers’ compliance with the Code



In the 2019 survey results, B&M followed by Iceland were assessed by their suppliers as being the retailers least likely to comply with the Code. In the 2020 survey results, Iceland was assessed as the retailer least likely to comply with the Code followed by B&M. However, as with Iceland in 2017 and 2018, suppliers again reported no significant specific Code-related issue in relation to either retailer. The GCA has again worked with B&M and Iceland to seek to understand why suppliers ranked them in this way.

Partly as a result of this work with Iceland, the GCA in 2018 introduced a new question to the survey asking whether suppliers believed the retailers they supplied conducted trading relationships fairly, in good faith and without duress. The 2020 results are set out in Table 3.

Table 3: Suppliers’ perception as to whether retailers trade with them fairly, in good faith and without duress ranked by combined positive scores



Using data to drive better behaviour

As well as measuring overall performance, the survey focuses on specific Code-related issues by retailer. Table 4 shows the most striking results for 2020. The retailers are anonymised and presented in no particular order, and the issues are listed in the order they were most mentioned by suppliers. The results are colour coded to show where retailers are performing well, could do better and need improvement. Table 4 below shows the main issues on which improvement could be made.

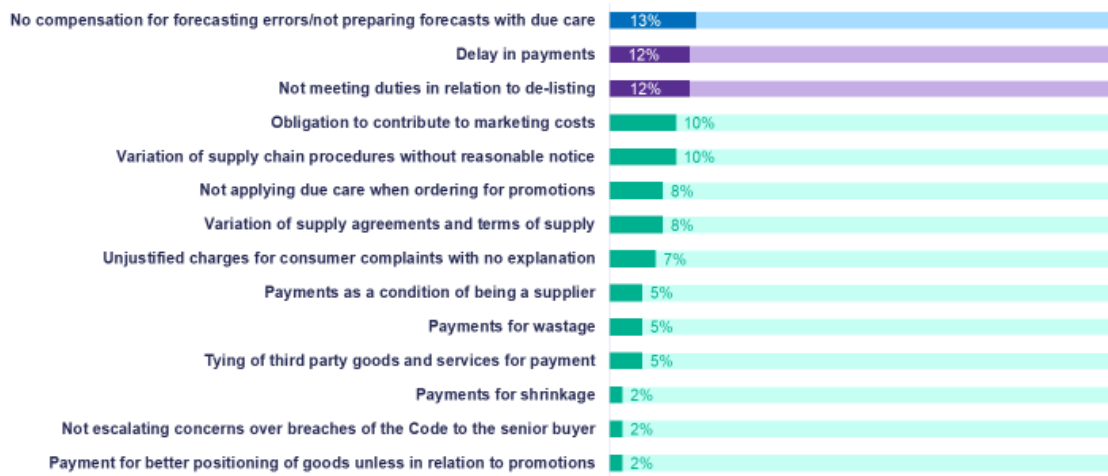
This information enables the GCA effectively to encourage regulated retailers to improve their performance in particular areas even if their overall rating is good. It also provides valuable insight for the CCOs.

Table 4: Specific Code-related issues by retailer as reported by suppliers

Issue	Retailer												
	1	2	3	4	5	6	7	8	9	10	11	12	13
Incurring significant costs when cause is inaccurate forecasting by the retailer	Red	Red	Yellow	Red	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green
De-listing, including significant reduction in volume without giving reasonable notice	Yellow	Green	Green	Yellow	Green	Yellow	Red	Red	Yellow	Green	Green	Yellow	Red
Inadequate processes and procedures in place to enable invoice discrepancies to be resolved promptly	Yellow	Green	Green	Red	Yellow	Yellow	Yellow	Red	Green	Red	Green	Green	Green
Requirement to predominantly fund the cost of a promotion	Yellow	Green	Yellow	Yellow	Red	Yellow	Red	Yellow	Green	Green	Red	Green	Green
Not allowing time (30 days) to challenge proposed invoice deductions, or deducting even if challenged	Green	Green	Green	Yellow	Green	Green	Yellow	Yellow	Green	Yellow	Green	Green	Green
Data input errors (e.g. pricing) not resolved promptly (7 days)	Green	Green	Green	Yellow	Green	Green	Yellow	Yellow	Green	Yellow	Green	Green	Green
Retrospective changes to supply agreements	Green	Green	Green	Green	Green	Yellow	Green	Yellow	Yellow	Green	Green	Green	Green
Undisputed invoices not paid according to agreed terms	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow	Green	Green	Green
Variation of supply chain procedures without reasonable notice	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green
Drop and drive: delays in, or not receiving, payment when there are disagreements about deliveries	Green	Green	Green	Green	Green	Yellow	Green	Yellow	Green	Yellow	Green	Green	Green
Unfair, unreasonable or unexpected charges for artwork and design	Green	Red	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green
Unilateral changes to supply agreements/terms of supply by retailers without reasonable notice	Green	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green
Running a promotional activity which varies from that agreed in length, positioning, distribution or type at supplier's cost	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green

Code-related issues

The annual survey identifies the most common Code-related issues experienced by suppliers. In both 2019 and 2020 these were: No compensation for forecasting errors/not preparing forecasts with due care, Delay in payments and Not meeting duties in relation to De-listing. Each of these issues, however, was reported at a record low, at 15%, 13% and 12% respectively in 2019, with further decreases in 2020. These results are shown in Table 5.

Table 5: Code-related issues experienced by suppliers

Training

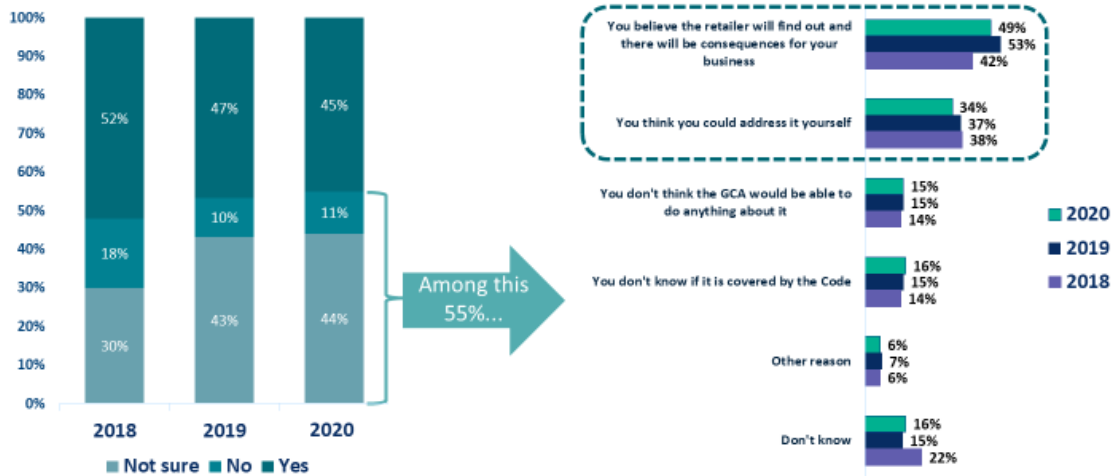
The GCA continued to promote to suppliers the importance of training so that they could become Code confident. The 2018 survey had shown a rise in the percentage of direct suppliers undertaking training, at 49%, increased from 39% in 2017. The 2019 and 2020 surveys showed this remained at a similar level, at 47%.

Raising an issue with the GCA

The percentage of direct suppliers responding that felt they had a good or fair understanding of the Code declined slightly but still remained at a relatively high level, exceeding 70% in both 2019 and 2020. There was a slight decline in the percentage of suppliers saying they had good or fair awareness of the GCA's role and responsibilities, at 73% in 2019 and 67% in 2020.

The percentage of suppliers that said they would not raise an issue with the GCA or were unsure whether they would do so rose from 48% in 2018 to 53% in 2019 and 55% in 2020. In the 2020 survey, the suppliers that said they would not raise an issue with the GCA or were not sure if they would indicated the reasons for this were a fear the retailer would find out and there might be adverse consequences or that they could simply address the issues themselves (Table 6). Encouragingly, the percentage of suppliers that said they would not raise an issue fell significantly, from 18% in 2018 to 10% in 2019 and 11% in 2020.

Table 6: Would you raise an issue with the GCA?



The GCA has continued to work hard to reassure suppliers that they can bring issues to her confident that their identities will be protected. At all public engagements the GCA offers suppliers the opportunity of one-to-one meetings during which the duty to maintain supplier confidentiality is reiterated.

Significant activities

GCA investigation into Co-operative Group Limited (Co-op) – progress towards following GCA recommendations

On 25 March 2019 the GCA published the report of the investigation into Co-op. The full report is available at www.gov.uk/gca.

In January 2020 the GCA published her view on the progress made by Co-op towards following the recommendations set out in the report. The GCA concluded that Co-op had taken appropriate action to meet each of the requirements and was no longer required to report formally against the recommendations. The published summary is set out below.

Requirements of Co-operative Group Limited to enable me to monitor its compliance with my recommendations (paragraph 59 of the report of my investigation)	GCA view as of 9 December 2019
<p>I required Co-op to provide a detailed implementation plan within four weeks of the publication of the report of my investigation setting out how it would comply with my recommendations.</p> <p>I required a response from Co-op to the recommendations on a quarterly basis.</p>	<p>I consider that Co-op has met this requirement.</p> <p>I moved monitoring of Co-op compliance with my recommendations to business as usual.</p>
Recommendations	
<p>Recommendation 1: Co-op must have adequate governance to oversee and manage its compliance with the Code.</p>	<p>I consider that Co-op has an appropriate approach to following this recommendation.</p>
<p>Recommendation 2: Co-op legal, compliance and audit functions must have sufficient co-ordinated oversight of Co-op systems to ensure Code compliance.</p>	<p>I consider that Co-op has an appropriate approach to following this recommendation.</p>
<p>Recommendation 3: Co-op IT systems must support Code compliance.</p>	<p>I consider that Co-op has an appropriate approach to following this recommendation.</p>
<p>Recommendation 4: Co-op must adequately train on the Code all employees who make decisions which affect a Supplier's commercial arrangements with Co-op.</p>	<p>I consider that Co-op has an appropriate approach to following this recommendation.</p>
<p>Recommendation 5: Co-op must in any potential De-listing situation communicate with affected suppliers to enable Co-op to decide what is a significant reduction in volume and reasonable notice.</p>	<p>I consider that Co-op has an appropriate approach to following this recommendation.</p>

GCA position statement on current supply arrangements

On 17 March 2020 in response to the considerable challenges faced by retailers and their suppliers in working together to ensure people have access to food and other essentials during the COVID-19 outbreak, the GCA published a position statement on current supply arrangements. The statement is available at www.gov.uk/gca and is set out below in full.

The GCA is aware of the considerable challenges facing retailers and suppliers as they work together to ensure customers have access to food and other essentials during the COVID-19 outbreak.

The GCA is also aware of co-ordinated work across government to respond to the situation. Nothing in this position statement is intended to interfere with that in any way.

The GCA is nonetheless able to offer the following guiding principles to assist retailers and suppliers deliver continuity of supply to consumers, as far as this remains possible given significant pressures on staffing and some customer buying habits:

- Nothing in the Groceries Supply Code of Practice (the Code) requires any regulated retailer to break any other legal requirement. The Code should be read compatibly with all other legal obligations placed on regulated retailers.
- The GCA cannot offer a view as to whether current circumstances amount to force majeure.
- From a practical point of view, retailers will want to agree a way with suppliers to meet the most pressing objectives of the situation as it develops. The GCA would expect all parties to work together constructively to achieve this.
- Examples include effective communication on both sides, and an appreciation that e.g. reasonable notice provisions in the Code will need to be considered in light of the rapidly changing situation. Notice periods may need to be short to address challenges at the earliest possible opportunity. Suppliers should not wait to raise issues with retailers.

GCA letter to retailers about payment terms

On 26 March 2020 the GCA published a letter sent to all regulated retailers about payment terms.

The letter is available at www.gov.uk/gca and is set out below in full.

Dear CCO,

Payment terms

As you know, the Code covers delay in payments and your business has over the time I have been GCA worked hard to improve performance, but one of the areas in which I am frequently asked to intervene is in relation to payment terms, which are not covered by the Code.

I have always resisted saying anything about them as a result. In the current groceries supply situation, however, cash flow is critical for many of your suppliers.

Some retailers already pay small suppliers within 14 days and have recently accelerated those payments still further, which is appreciated. Anything else you are able to offer your suppliers to help them through this extremely difficult time would be very welcome.

Yours sincerely,

Christine Tacon

GCA action relating to particular paragraphs of the Code

The GCA has continued to monitor and encourage compliance with the Code by regulated retailers. This section of the report summarises activity since the GCA was established in relation to eight practice-specific paragraphs of the Code and other issues raised by suppliers.

Paragraph 3 – Variation of supply agreements

The Code sets out that a retailer must not vary a supply agreement retrospectively unless the parties have already agreed what can be changed and in what circumstances. For prospective unilateral variations to supply agreements, retailers must provide suppliers with reasonable notice.

The GCA has published a number of Code clarification case studies that relate to variation of supply agreements.

In January 2014, the GCA published a case study about a retailer seeking supplier payments for failure to meet target service levels. This clarified that requesting supplier payments for failure to meet target service levels not set out in the relevant supply agreement was not consistent with paragraph 3 of the Code.

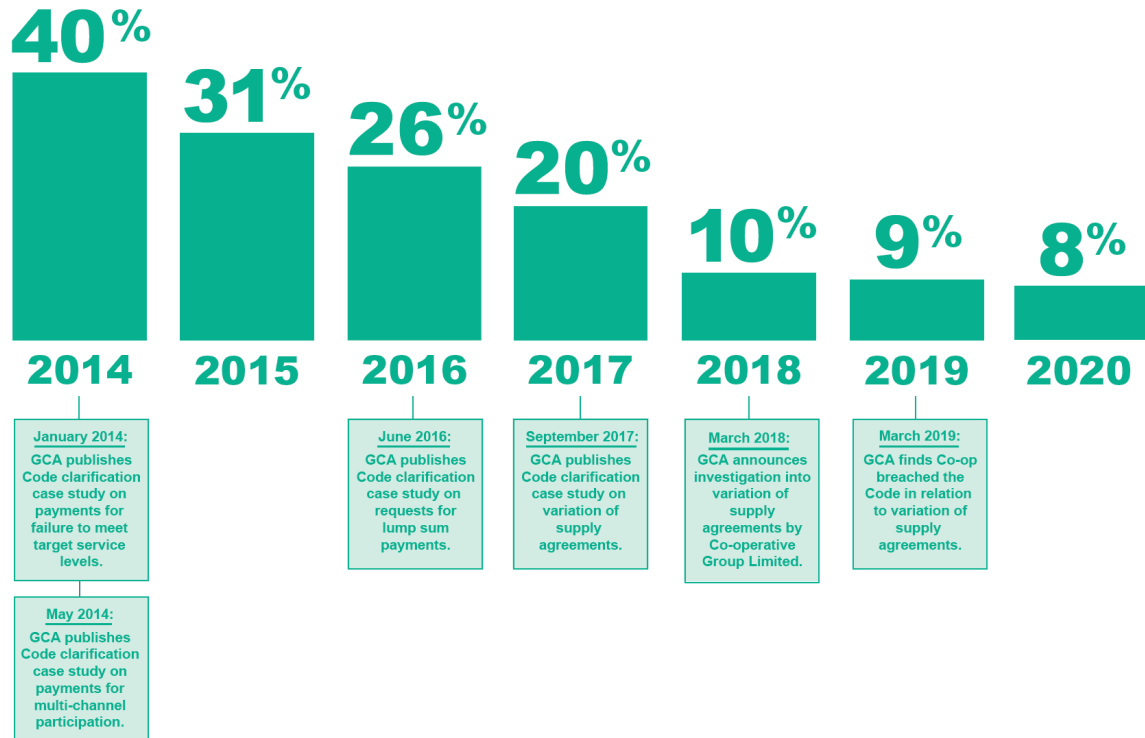
In June 2016, the GCA published another case study clarifying paragraph 3 of the Code. A different retailer had requested lump sum payments from suppliers which were not supported by the supply agreement. The GCA noted that while retailers retained the right to vary a supply agreement unilaterally, there must be provision for this in the supply agreement and reasonable notice must be given to the supplier.

In September 2017, the GCA published a further case study on paragraph 3 of the Code. This related to another of the retailers implementing a project to deliver cost price savings and range reductions which resulted in variation of supply agreements. In this case the variation took the form of retailer requests to suppliers to make significant financial contributions to keep their business with the retailer, with very little time allowed to agree to the proposed changes. The GCA concluded that the retailer had made unilateral variations to supply agreements or had made variations without reasonable notice being given.

In March 2018 the GCA launched an investigation into Co-op. The report of that investigation published in March 2019 set out the GCA's findings as to how Co-op had broken the Code. The GCA made five recommendations to the retailer designed to ensure breaches of paragraph 3 did not happen again in future.

The annual survey asks suppliers if they have experienced an issue with variation of supply agreements in the past 12 months. As shown in Figure 1, the percentage of suppliers that have experienced an issue has declined each year, with only 8% of suppliers experiencing this issue in 2019/2020.

Figure 1: Variation of supply agreements, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Margin maintenance

The report of the investigation into Tesco identified a number of practices occurring as a result of a focus on hitting budgeted or aspirational margin targets. Suppliers provided information to the GCA that other regulated retailers occasionally engaged in this practice.

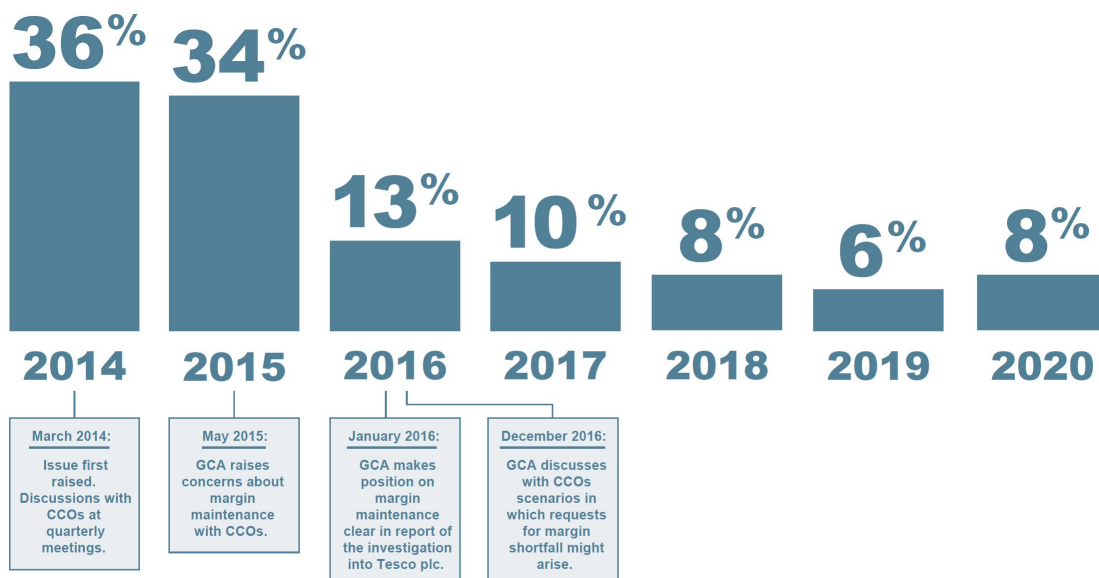
The GCA made clear in the report of the investigation into Tesco how the Code will be interpreted and that unilateral deductions made in order to satisfy an unachieved aspirational margin target are unreasonable. The GCA set out that requests for margin maintenance must be unambiguously supported by the supply agreement.

Since the GCA issued the report of the investigation into Tesco, it has been listening to suppliers on this issue. The GCA wrote to all retailers in November 2016 requesting information about practices that related to margin made on a particular product and the impact of those practices on suppliers. The responses from retailers showed that their practices were generally compliant with the Code and feedback from suppliers indicated that margin maintenance was less of an issue for them.

In 2017 the GCA decided to move this issue to the previous category. It was nonetheless made clear to retailers that as the issue had been explored and the GCA had promulgated a clear interpretation of the Code in this area, if the GCA found evidence of the practice reoccurring it may indicate the collaborative approach had been effectively exhausted, making further regulatory action likely.

The 2019 and 2020 annual surveys continued to show that this was not a significant area of concern to suppliers, with only 6% of suppliers in 2019 and 8% in 2020 stating they had experienced an issue.

Figure 2: Margin maintenance, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months.



Paragraph 5 – No delay in payments

The report of the investigation into Tesco stated clearly for the benefit of all in the sector how the GCA interpreted the practices found to have taken place in relation to delay in payments. Some of the practices that might lead to delay in payments are unilateral deductions relating to drop and drive disputes, duplicate invoices, alleged short deliveries, unknown or unagreed items; current and historic promotion fees. Further practices that might lead to delay in payments include delays in paying entire invoices where only part of an invoice is disputed, not paying in the period set out in the supply agreement, the length of time taken by the retailer to resolve an issue, and depot and retailer haulier practices.

The interpretation of the Code set out in the report of the investigation into Tesco is a clear statement of the GCA's view as to what is and is not Code-compliant behaviour and as such, is the regulatory standard required to be met by all regulated retailers. This makes clear that suppliers should be given at least 30 days to challenge any proposed deduction and where this is challenged, a retailer is not entitled to deduct the disputed sum from the supplier's trading account until the query is resolved. Data input errors should be resolved promptly and in particular, pricing errors should be resolved within seven days of notification by the supplier.

Delay in payments remained the number one concern highlighted by suppliers in the 2018 survey, as it was in 2017, and continued to be an issue reported directly to the GCA by suppliers. In particular, the GCA continued to hear that not all retailers had adequate systems and processes in place fully to demonstrate compliance with the GCA's interpretation of the Code on delay in payments as set out in the report of the investigation into Tesco. Recurring themes involving delay in payments included the persistence of unilateral deductions and the practice of holding back entire invoices while one element is queried, as well as too much time taken to resolve disputes.

As a result of the Tesco investigation, the GCA recommended the retailer set up a single point of contact for suppliers to resolve queries and went on to suggest that an effective way to do this would be to set up a supplier helpline to handle payment disputes without involving its buying teams. To facilitate finance-to-finance conversations between retailers and suppliers the GCA asked all retailers to explain what arrangements they have in place for a supplier helpline or other means to enable disputes and queries to be handled without the involvement of commercial teams and publicised these arrangements on its website.

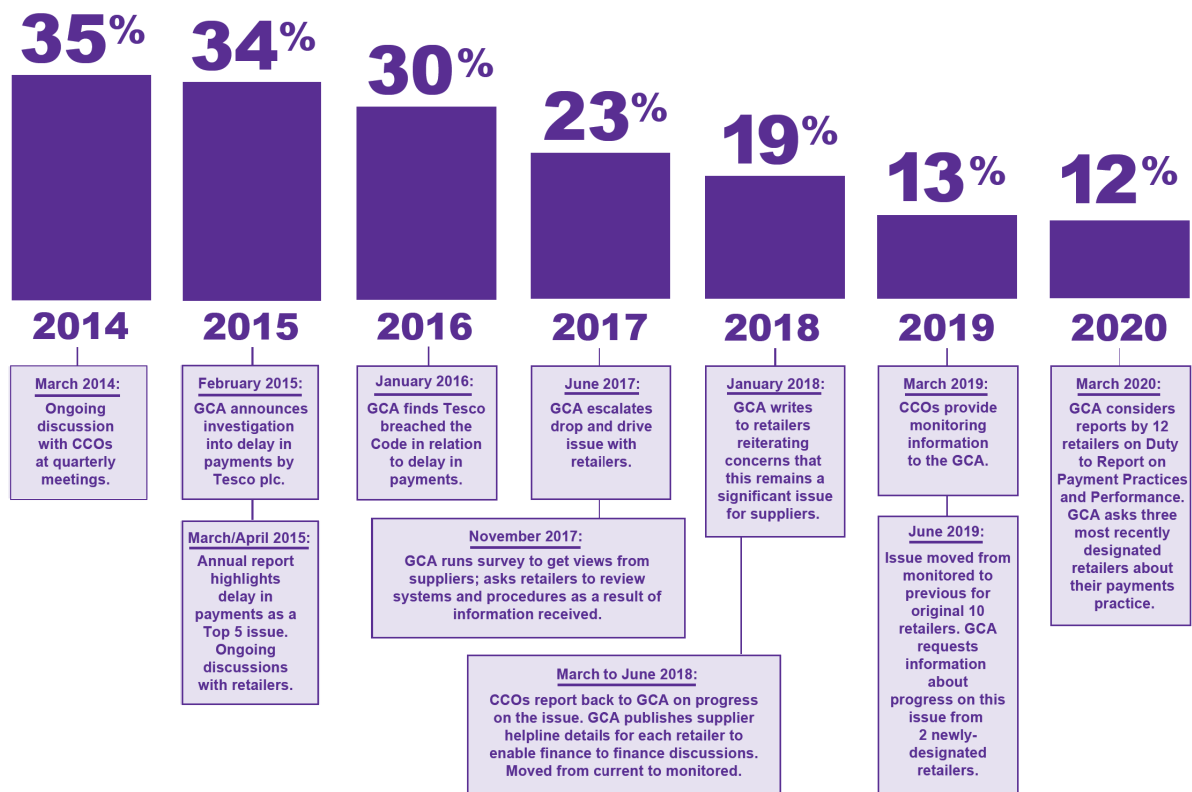
The GCA continued to monitor retailer compliance on this issue and provided retailers with examples of practices reported by suppliers where delays in being paid could arise. In particular, the GCA escalated the issue of drop and drive (see separate issue under Previous Top Issues) and all retailers that engage in it explained the actions they are taking to minimise the risk of breaches of the Code arising as a result of that practice. The GCA gathered more detailed feedback from suppliers about delay in payments in a mini survey.

Following continuing progress on this issue as reported by suppliers in the 2018 annual survey and taking into account the GCA's engagement and clarity with retailers on the issue, it was decided to move delay in payments to the monitored category.

In July 2018, the GCA wrote to the 10 original regulated retailers setting out how progress on this issue would be monitored and asked for retailer responses to be provided in March 2019. The GCA assessed this information together with the results of the 2019 annual survey and determined that this issue could be moved to previous. This means it has been closed as an issue in its own right because the GCA’s position or interpretation of the Code has been made clear and the Adjudicator no longer considers that ongoing monitoring or active work on the issue is merited.

The GCA has read with interest the regulated retailers’ submissions to BEIS made under the Duty to Report on Payment Practices and Performance, which applies to 12 of the 13 regulated retailers. This information, especially when compared with that submitted by suppliers shows the regulated retailers now lead the way on paying on time.

Figure 3: Delay in payments, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Drop and drive

Suppliers reported that they experienced problems where there was a disparity between what suppliers said they had delivered and invoiced, and what the relevant regulated retailer said had been received. In some cases retailers appeared to make automatic deductions from invoices for alleged shortages. These deductions were difficult to challenge, depending on the haulage method and particularly where no proof of delivery had been issued.

Suppliers informed the GCA that this was a major issue for them. There appeared to be different patterns of deductions among retailers in respect of the same suppliers; and varying error rates being recorded despite suppliers using the same processes with each retailer.

Drop and drive continues to be considered as an example of a practice which can lead to delay in payments.

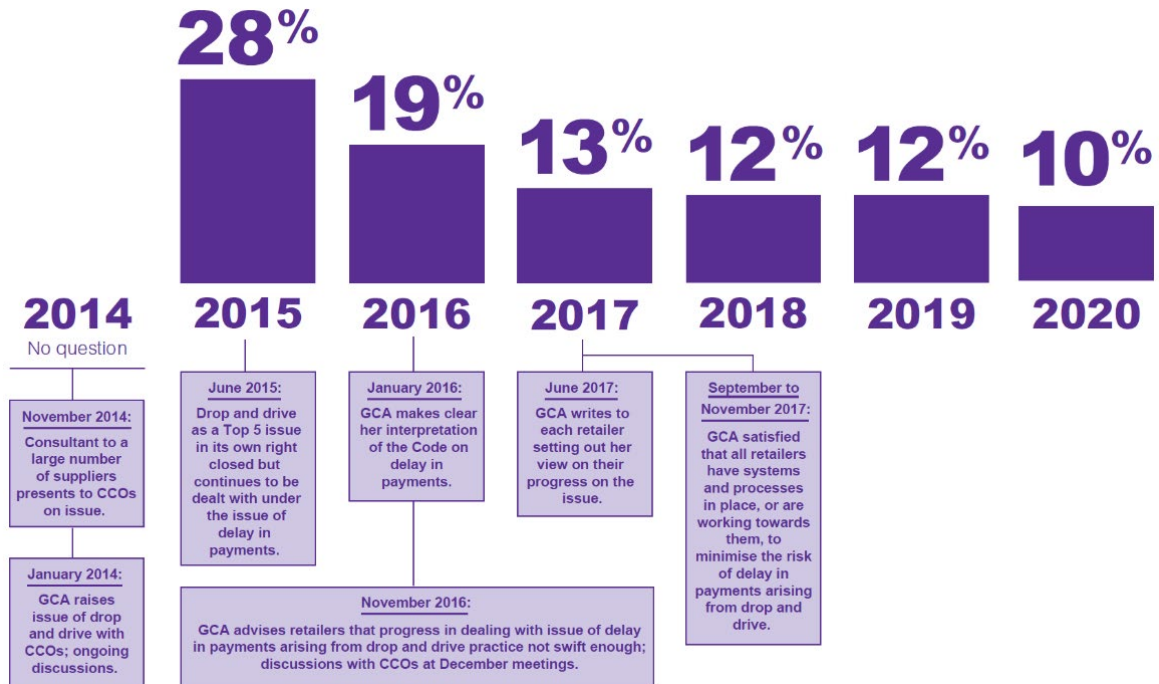
The GCA received more information on this issue from retailers and suppliers. While some progress had been made on this issue, it was clear that some retailers' progress in responding to supplier concerns had been too slow and the GCA accordingly escalated its concerns on drop and drive.

The GCA intensified its collaborative engagement and in May 2017 wrote to all regulated retailers setting out its view on their progress in actively managing the risk of breaches of the Code occurring under paragraph 5 (no delay in payments) arising from the practice of drop and drive.

The GCA received detailed responses from those retailers whose progress on tackling delay in payments arising from drop and drive was causing most concern. The GCA was satisfied that based on the information provided by retailers and the updated evidence received from suppliers, that all retailers that carry out drop and drive appeared to have adequate systems and processes in place to minimise the risk of delay in payments arising. For example, some retailers chose to implement good faith receiving for suppliers as a commercial solution to drop and drive issues.

The 2019 and 2020 annual surveys continue to show that fewer suppliers are experiencing this issue year on year.

Figure 4: Drop and drive, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months.

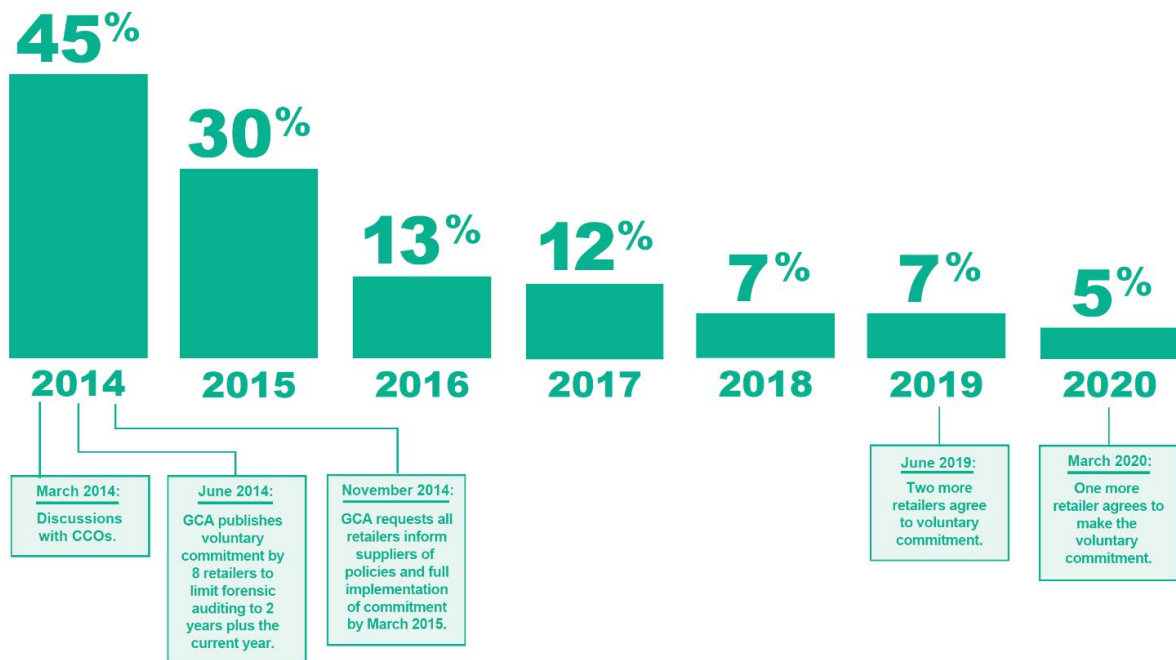


Forensic auditing

Under the Limitation Act 1980, contracting parties are able to make claims against one another going back up to six years. The GCA heard this was being used proactively by some regulated retailers to make claims against suppliers for historic invoicing errors or omissions. Suppliers were being asked for significant sums of money with the burden of proof falling on them to show that alleged discrepancies were not valid claims. It was noted that the documentary audit trail was often complex and difficult to piece together after a long period of time. Suppliers reported that deductions would be applied with little or no notice.

In 2014, eight out of the original 10 regulated retailers signed up to the GCA’s voluntary commitment to limit the auditing of suppliers’ trading accounts in search of missed claims to no more than the current and previous two financial years, on a reciprocal basis with those suppliers. In 2019 three additional retailers also made the voluntary commitment, followed by another retailer in 2020. Each of those retailers which signed up has set out how it would implement the voluntary commitment on a continuing basis. The GCA continues to monitor what suppliers say, particularly in relation to Sainsbury’s, the only regulated retailer which has not signed up to the voluntary commitment.

Figure 5: Forensic auditing, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Paragraph 9 – Limited circumstances for payments as a condition of being a supplier (pay to stay)

Suppliers raised concerns about potential pay to stay arrangements. The terminology has been used informally in the context of lump sum payments being requested or required and the supplier feeling they would experience detriment if they refused. A GCA Code clarification case study on requests for lump sum payments made by one retailer highlighted instances where payments were requested for the first half of the financial year and suppliers felt they would suffer a detriment if these payments were not made. The GCA was also informed about other payments that suppliers might make to retailers which those suppliers saw as contributions they had to make in order to do business with the retailer, such as to participate in social events or marketing initiatives, payments made immediately prior to or at the time of a tender not as part of the tender or bidding process and payments to secure exclusivity.

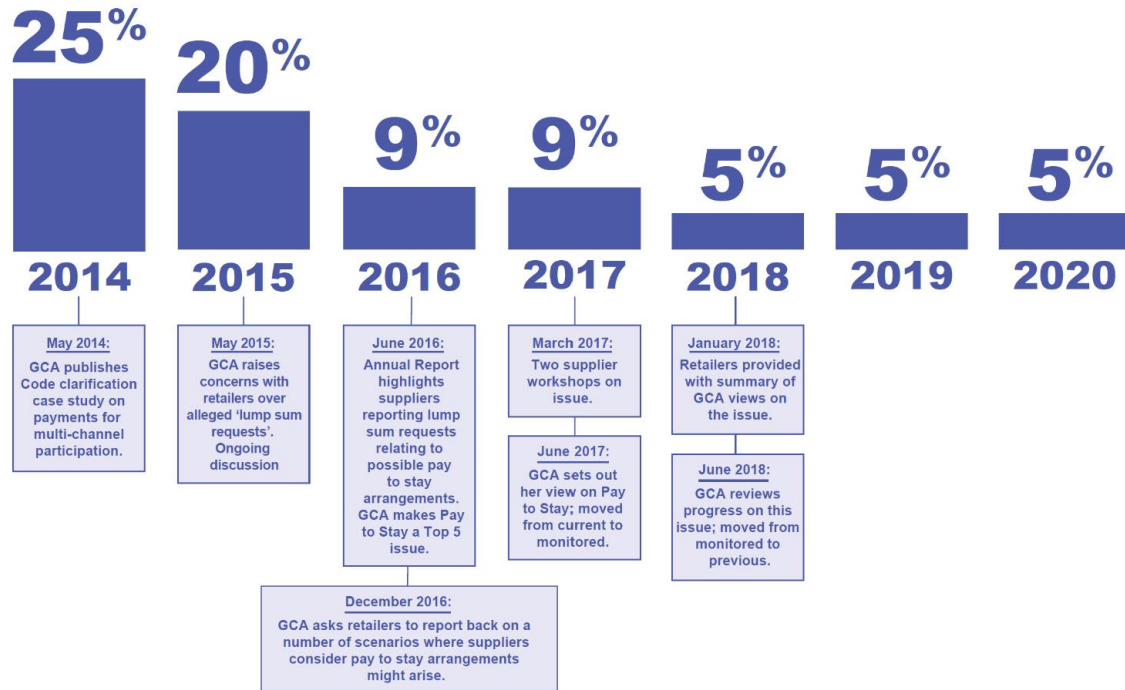
The GCA sought views from retailers on their practices in a range of circumstances and also from direct suppliers in one-to-one meetings and workshops arranged specifically to discuss pay to stay. Examples were raised in each context that retailers clearly saw as normal commercial negotiations but suppliers saw differently.

The GCA clarified the meaning of pay to stay and what behaviours are not considered to be Code compliant. The GCA emphasised that retailers needed carefully to consider when making any request for lump sum payment, not only what the payment was for and the basis for it in the supply agreement, but also how it would appear to the supplier and how payment was documented to provide clarity about the arrangement.

Following the GCA's annual survey 2017 and what was reported to the GCA by suppliers and retailers on the issue of pay to stay, the GCA moved it to the monitored category as it was not a major issue reported in the survey.

The GCA continued to monitor feedback from suppliers on this issue and in December 2017 informed all retailers that although the issue of pay to stay appeared to be of less concern to suppliers now, some suppliers still reported they felt pressured, for example, to agree to a promotion in order to keep their business with a retailer. The GCA effectively saw this as a pay to stay arrangement. The GCA advised retailers that accordingly, in seeking to manage their compliance risk, retailers should avoid these differences in understanding wherever possible, whether by avoiding lump sum payments altogether or by clear communication between the retailer and supplier about what any money paid is for. The GCA also urged retailers to ensure that their training was properly updated. Following further monitoring of progress on this issue again in summer 2018 the GCA moved it to the previous category. Pay to stay has remained an issue for 5% of suppliers responding each year since 2018.

Figure 6: Pay to stay, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Paragraph 10 – Compensation for forecasting errors

Suppliers experiencing issues with forecasting reported difficulties communicating with buying teams, retailers not taking enough responsibility for forecasts after they have been set and often making last-minute changes, little or no engagement when sales are not meeting forecasts, and inadequate retailer systems which do not take into account known or past issues. Suppliers reported that the accuracy of regulated retailers' forecasts was poor and that significant variations occurred between forecasts made and orders placed, sometimes at very short notice. In some cases, suppliers had been charged for non-delivery against orders when they had only been given an annual target and were then penalised for not meeting a 99% service level on each order, regardless of its variation from average. Suppliers also reported being left with significant amounts of stock through no fault of their own and that it was unclear how to seek compensation for inaccurate forecasting.

In 2015 the GCA reviewed the forecasting approach of the regulated retailers to assess their compliance with the Code. In March 2016 the GCA published a statement of best practice which the retailers should work towards, intended to promote better working practices by the retailers.

One year on, the GCA asked the retailers to provide information on their progress towards the best practice set out in the statement. Following monitoring, the GCA was unconvinced that sufficient improvements had been made. Forecasting was the second highest issue of concern to direct suppliers reported in the 2017 annual survey. For these reasons the issue was moved back to the current category.

The GCA continued to receive feedback from suppliers about this issue in workshops and from training courses held by third parties. The GCA wrote to retailers in October 2017 to give feedback on their progress and launched a mini survey to learn more about supplier experiences. In December 2017 the GCA reported to retailers at a high level the outcome of the mini survey and noted some recurring themes raised by suppliers.

In January 2018 the GCA wrote to retailers again and expressed its view that there would almost always be some circumstances in which compensation was appropriate as a result of a forecasting error, so a blanket exclusion in a supply agreement would be unlikely to be Code compliant. Because suppliers might be unlikely to ask for compensation, the GCA asked retailers to consider the extent to which they might offer it. The GCA also expressed its view that the due care test, as set out in paragraph 10(1)(a) of the Code, was unlikely to be met by a retailer that provided no way for a supplier to contribute to the forecasting process, whether collaboratively in reaching agreed volumes to be ordered or by ensuring suppliers could raise questions and queries if a forecast seemed to them to be inaccurate or to have resulted in an excessive order.

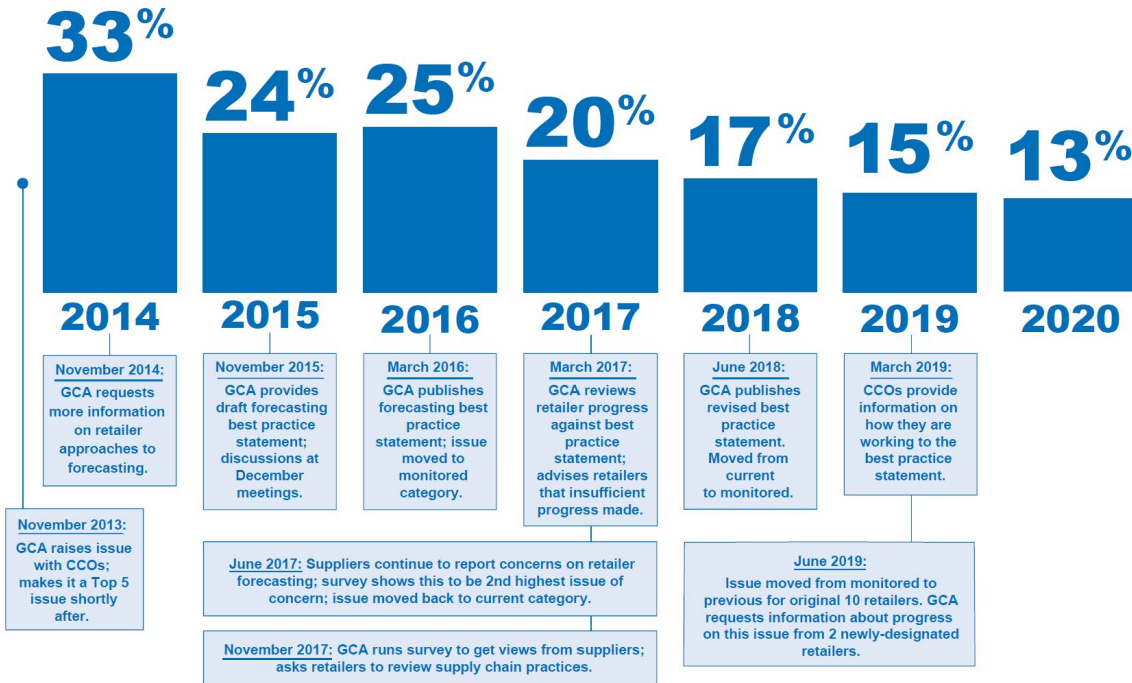
Taking into account these points, the GCA published a revised statement of best practice in June 2018, which also addressed the issue of promotions (see separate Top Issue). The GCA noted that retailers were looking at their systems, processes and staff training to ensure these are all consistent with the best practice statement.

In July 2018, the GCA wrote to the original 10 designated retailers setting out how progress on this issue would be monitored and asked for retailer responses to be provided in March 2019.

The GCA assessed this information together with the results of the 2019 annual survey and determined that this issue could be moved to previous. This means it has been closed as an issue in its own right because the GCA's position or interpretation of the Code has been made clear and the Adjudicator no longer considers that ongoing monitoring or active work on the issue is merited.

The GCA has been working with the additional regulated retailers on this issue.

Figure 7: Compensation for forecasting errors, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Paragraph 12 – No payments for better positioning of goods unless in relation to promotions

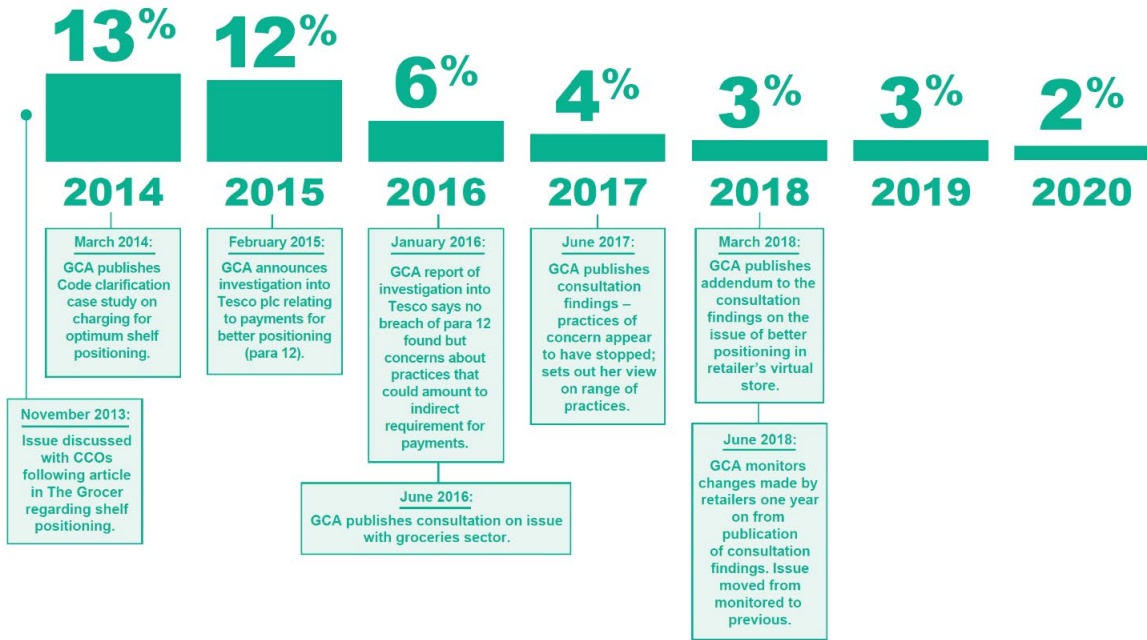
During the investigation into Tesco, the GCA was concerned to find evidence of practices that could amount to an indirect requirement for payments to be made by suppliers to secure better positioning or an increased allocation of shelf space. These practices included large suppliers negotiating better positioning and increased shelf space in response to requests for investment from the retailer, as well as paying for category captaincy and to participate in range reviews. No breach was found but the GCA determined to look into the issue across all regulated retailers.

The GCA consulted with the groceries sector on the proper scope of indirect requirements for payment to secure better positioning of goods or increased shelf space within a store. The GCA published its response in February 2017, noting that the practices that had caused concern appeared to have stopped and making clear what it considered to be Code compliant behaviour for the future.

Formal monitoring was carried out in February 2018 to evaluate the most recent supplier information and to identify whether retailers had decided to make any changes as a result of the GCA's published consultation response. At the same time, the GCA also considered the issue of better positioning of goods in relation to retailers' sales from their virtual stores, asking all retailers to provide information about their practices. In March 2018 the GCA issued an addendum to the conclusions published following the consultation on paragraph 12 of the Code. This made clear that the GCA will consider physical and virtual positioning of groceries in the same way when interpreting the Code and that retailers should consider whether their activities in relation to groceries for resale online are compliant with the Code. Retailers are expected to make clear on their websites where goods not on promotion appear more visible to customers as a result of advertising paid for by a supplier or any payment received from a supplier to secure more space or better positioning.

Following the GCA's annual survey 2018 and feedback by suppliers that this was not an issue of significant concern, the GCA moved it to the previous category. The 2020 annual survey showed that only 2% of suppliers experienced this as a significant issue during the previous year.

Figure 8: Payments for better positioning, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Paragraph 13 – Promotions

Suppliers reported forecasting in relation to promotions in particular was poor and that it led to overbuying at promotional prices or had the impact of suppliers predominantly funding the cost of a promotion. Suppliers were also concerned about a number of poor practices such as not adhering to timelines agreed for promotional activity, buyers not activating promotions in stores and failure to deliver on agreed promotional activity.

In 2017 the GCA put this issue in the current category to understand it further. Issues around promotions were closely related to forecasting, but also included concerns that buying-in periods exceeded the promotional period and the shelf life of products, and failure to deliver on commitments in store for promotions.

The GCA wrote to retailers asking for more information about their practices in relation to running promotions and sought comments from suppliers in a mini survey. Taking this into account the GCA informed retailers that there appeared to be limited evidence of deliberate over-buying for promotions and the way that most retailers ran their promotional activity helped to minimise the risk of Code breaches. However, because suppliers had raised some important issues which appeared to engage the Code, the GCA asked all retailers to report on what changes they were making to the way they managed promotional activity to ensure each was compliant with the Code and that any deductions made were consistent with the GCA's interpretation of paragraph 5 of the Code.

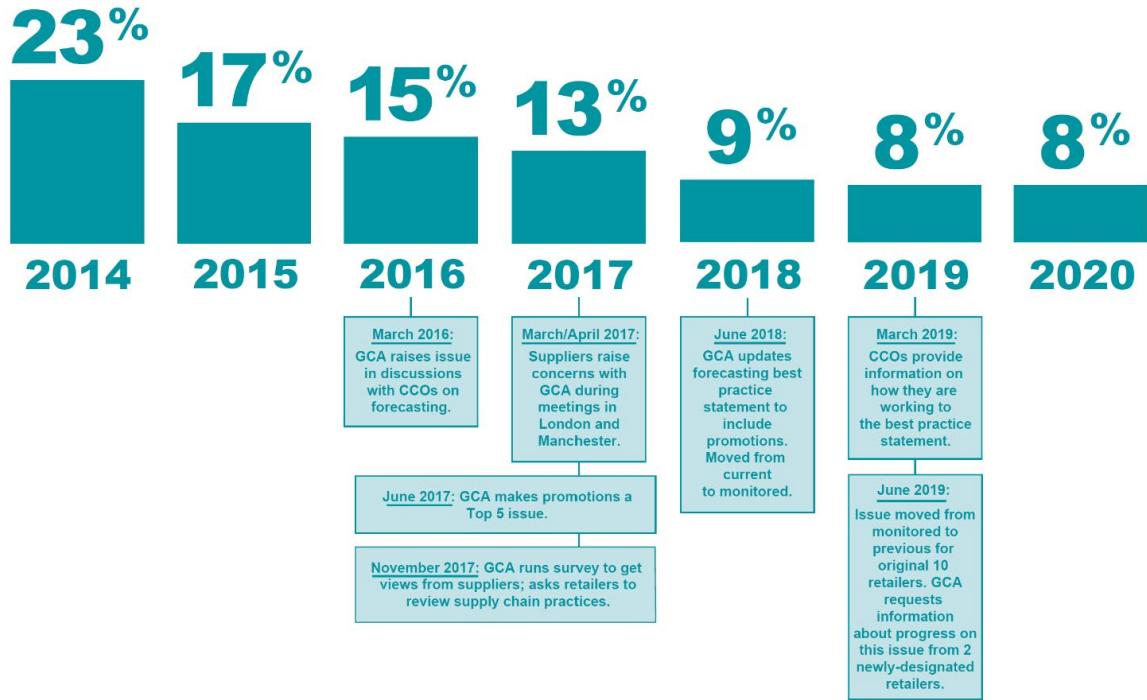
In June 2018 the GCA published a revised statement of best practice on forecasting, which also addressed the issue of promotions. The points made in relation to the issue of promotions largely reflected where retailers could improve their processes and were based on the practical experiences that suppliers had shared.

In July 2018, the GCA wrote to the original 10 regulated retailers setting out how progress on this issue would be monitored and asked for retailer responses to be provided in March 2019.

The GCA assessed this information together with the results of the 2019 annual survey and determined that this issue could be moved to previous. This means it has been closed as an issue in its own right because the GCA's position or interpretation of the Code has been made clear and the Adjudicator no longer considers that ongoing monitoring or active work on the issue is merited.

The GCA has been working with the additional regulated retailers on this issue.

Figure 9: Promotions, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Paragraph 15 – No unjustified payment for consumer complaints

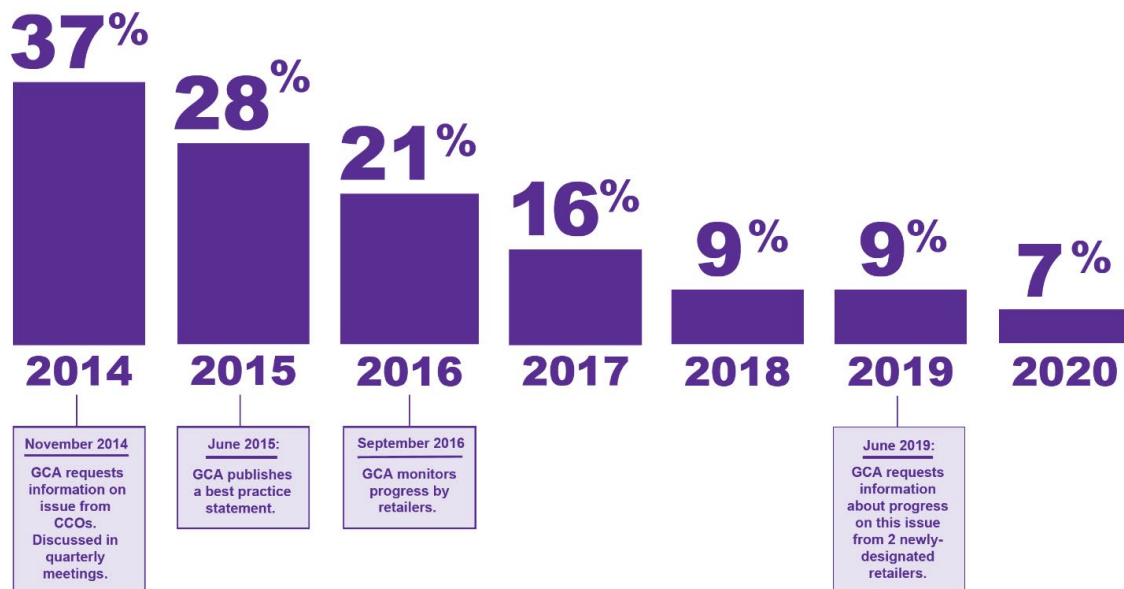
Suppliers reported that regulated retailers dealt with consumer complaints in different ways. Practices included applying fixed rates, applying variable rates depending on the seriousness of the complaint, while some made no charge. Suppliers were concerned that retailers may be overcharging for dealing with consumer complaints and deriving profit from them.

The GCA announced a best practice statement on consumer complaints at the 2015 conference. Since then the Adjudicator has been closely monitoring this issue and CCOs were asked to report back in September 2016 on what improvements they had made.

Following this monitoring, the Adjudicator has confirmed that retailers’ practices are broadly in line with the best practice statement and the issue is now categorised as previous.

The GCA has been working with the additional regulated retailers on this issue.

Figure 10: Consumer complaints, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



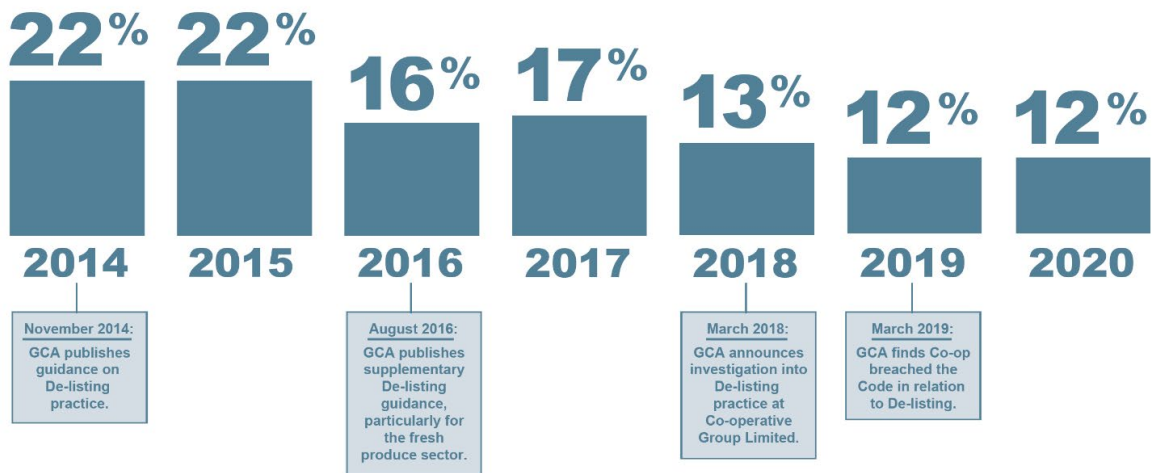
Paragraph 16 – Duties in relation to De-listing

The Code sets out requirements in relation to De-listing including that there must be a genuine commercial reason and that the supplier must be given reasonable notice. De-listing includes where there has been a significant reduction in volume of purchases made from a supplier.

In November 2014, the GCA published guidance on De-listing. In August 2017, the GCA published supplementary De-listing guidance to provide additional clarification, primarily for the fresh produce sector. This guidance sets out a number of factors for retailers to consider when making De-listing decisions, including that the significance to any supplier of any planned reduction in the volume of purchases made and what amounts to reasonable notice in the circumstances would vary from case to case.

In March 2018 the GCA launched an investigation into Co-op. The report of that investigation published in March 2019 set out the GCA’s findings as to how Co-op had broken the Code. The GCA made five recommendations to the retailer designed to ensure breaches of paragraph 16 did not happen again in future including that the retailer must, in any potential De-listing situation, communicate with affected suppliers to enable it to decide what is a significant reduction in volume and reasonable notice.

Figure 11: De-listing, showing the percentage of direct suppliers reporting having experienced an issue in the past 12 months



Retailer comments

The regulated retailers have provided the comments below.

Aldi Stores Limited

Whilst ALDI is incredibly proud to have been recognised as the 'Most Compliant Retailer' in each of the seven GCA supplier surveys, it continues to use the valuable feedback the survey and other sources provide, to consider where further improvements can be made. In particular, the 2019 survey led to a review of technical service providers (TSPs) utilised for the product approval process. This resulted in services being unbundled and awarded to the market leader, delivering greater expertise, enhanced IT functionality, and cost savings for both suppliers and ALDI.

Asda Stores Limited

Following the publication of the GCA's Best Practice Statement on Forecasting and Promotions, Asda has undertaken an in-depth review of how to improve forecasting accuracy. It has become a top business commitment to drive tangible improvements to work collaboratively with supplier partners and enhance the quality and timely nature of prepared forecasts. This has been delivered in a number of ways, as Asda has implemented changes to process, technology, reporting, structure and governance.

For example, in 2019 Asda's Supply Team launched a new Joint Supply Planning process which provides clearly defined opportunities for supplier partners to effectively input into the forecasting process. A promotions 'best way' process has been launched to streamline activity between Supply and Commercial teams and ultimately suppliers, complemented by forecast accuracy performance exceptions reporting. The new and improved ways of working have been implemented via bespoke colleague and supplier training, supplier conferences and ongoing collaboration tools. Additionally the recent amalgamation of Asda's merchandising and logistics divisions is promoting active supplier engagement in the end-to-end supply chain.

B&M European Value Retail S.A.

B&M has been actively working with the GCA since the summer of 2019 following our designation under the Code. During this time B&M has been ensuring that it is both compliant with the Code and that our buying and commercial teams have received appropriate training with regards to the Code.

There have been no emerging issues or themes concerning our relationships with our suppliers over the last year necessitating any particular action or changes to our practices. Our business model has not changed as a consequence of Covid-19, other than prioritising orders relating to Food and FMCG goods to replenish stores quickly to help keep pace with customer demand for those product categories in particular.

B&M works hard to build and improve on supplier relationships and ensuring the spirit of the Code forms part of our everyday business practices and suppliers are treated fairly. In the event there are any individual supplier issues then we would initially encourage engagement with the Trading Director and then if necessary direct contact can be made with the Code Compliance Officer.

Co-operative Group Limited

On 25 March 2019, the Groceries Code Adjudicator completed her investigation and published her report into the Co-op. We have continued to improve and sustain the big changes we started to make in 2018 and we are pleased that the GCA recognises the significant work that the Co-op has undertaken.

In January 2020 she published her view on the progress made by the Co-op towards following the recommendations set out in her investigation report. We note that she said that our detailed implementation plan had met her requirements, that our approach to following her recommendations was appropriate and that future monitoring would continue on the basis of business as usual.

In 2019, with direction from the GCA we also developed a suite of dashboards that demonstrate at all levels within our organisation how we ensure compliance with the Code. These are reviewed and monitored regularly by various governance fora. We value the positive engagement we've had with the GCA. She attended our annual supplier conference and our Code Compliance Officer was happy to share our whole organisation approach to compliance at her meeting with the other compliance officers.

We are committed to delivering long term, sustained, behavioural change and our focus is on supporting colleagues to embed and sustain this culture of self-sufficiency and self-regulation for the benefit of our suppliers.

Iceland Foods Limited

Compliance with the Code continues to be at the forefront of Iceland's trading relationships and business practices. The last 12 months have been challenging for the retail industry, and Iceland continues to work collaboratively with suppliers in relation to forecasts, orders, shorted deliveries, de-listing and forensic auditing challenges. Iceland welcomes, and acts upon, feedback from its suppliers and continues to build long-term commercial relationships with its key suppliers. Iceland has implemented an industry-recognised 'late fee' for deliveries that are late into its depots, as well as suppliers being credited if the depot does not unload their deliveries within the allocated time. We are working with our suppliers and the GCA to ensure that this arrangement is fair for all parties concerned.

J Sainsbury plc

Sainsbury's continues to work collaboratively with the GCA. We proactively review our processes to ensure we continually enhance our ways of working taking into consideration the GCA's feedback, Code clarifications and internal review of current processes.

Over the last year, we reviewed our GSCOP governance risk assurance framework which as a result, formalised the collaboration of the CCO, Legal, Internal Audit and the Commercial team who monitor Code compliance in key risk areas.

In addition, we launched our new supplier portal to make it easier for suppliers to find the information they need and to simplify interactions between them and Sainsbury's colleagues. The portal provides two key functions - a one stop shop for all the systems suppliers need to access when working with Sainsbury's and a supplier query facility supported by a dedicated Supplier Hotline team. This enables suppliers to locate the correct team to resolve any queries they may have. Relevant policies and GSCOP training are reviewed and updated on at least an annual basis to ensure they remain current.

Lidl GB Ltd

Over the last couple of years, Lidl has worked behind the scenes to strengthen its GSCOP compliance programme. Particular focus has been given to reviewing and updating GSCOP information sent to all Lidl suppliers prior to the start of all supply agreements, updating the guidance for de-listing situations, and extending GSCOP training across the business to ensure all supplier-facing departments are aware of the requirements under the Code. In addition, mechanisms have been put in place to further improve Lidl's ability to track and respond to invoice queries from suppliers.

Lidl has taken lessons from the GCA's investigation into Co-op, built stronger ties within the business and agreed further governance, reporting and audit responsibilities. Lidl is confident that it is working with its suppliers on a strong foundation of Code compliance.

Lidl relies on its suppliers to support its ambitious expansion plans across Great Britain and always wants to ensure that it maintains positive supplier relationships throughout all the market ups and downs. Therefore, should suppliers have any concerns, Lidl would like to encourage them to raise these early either with the (Senior) Buyer or the CCO before a dispute escalates. Typically, this has allowed issues to be resolved to the satisfaction of both parties.

Marks & Spencer plc

During Christine's tenure, the GCA annual survey has enabled Marks and Spencer to better understand the concerns of suppliers and focus our attention in the right areas. Supplier survey feedback has helped us to deliver a step change in our processes, particularly in relation to Good Faith Receipting and Data Accuracy. In addition the GCA's approach, which has combined straight talking with collaborative engagement, has facilitated the prioritisation of key projects.

M&S values the clear guidance given by the GCA, in particular the detailed investigation reports and case studies which have been reflected in the latest guidance and training to our Buying teams.

Ocado Retail Ltd

Ocado has been working with the GCA since November 2018. Working in collaboration with the GCA has been a great way for us to take a step back and understand our supplier relationships. We have made some significant changes to our processes and re-written our supplier manual to ensure transparency, fair charging mechanisms and clear communication.

We have taken on board all of the feedback from the GCA that we may not have been privy to in day to day trading, which has enabled us to tackle issues we were not aware of on the surface.

TJ Morris Limited (trading as Home Bargains)

Since designation in September 2019, TJ Morris Limited has been working closely with the GCA to proactively understand the key rules and principles which are the cornerstone of GSCOP. As a starting point, we have undergone a review of our current procedures and processes and considered any compliance challenges moving forward. The GCA has provided valuable knowledge, and hands-on guidance, and straight-to-the-solution examples to help us move from the evaluation stage to the implementation stage. We have recently signed up the voluntary commitment on forensic auditing; we have trained staff and we are looking to implement a supplier portal to help us manage any supplier issues. Continuous improvement lies at the heart of our business and we look forward to seeing the results of the annual survey 2020 to enable us to understand and identify any Code related issues and areas of improvement needed should they exist.

Tesco plc

We have continued to work closely with the GCA and suppliers to review our processes and internal policies. This year a key element has been the GCA's work to develop a "Whole Organisational Approach to Code Compliance". We have reviewed the GCA's helpful guidance on organisational compliance and are incorporating her suggestions into our Code Compliance program.

Separately, we have been continuing to strengthen and transform the way we work with suppliers through our Product Transformation programme, which is simplifying how we do business and strengthening our supplier relationships. We have implemented various new and/or improved supplier-facing systems to improve transparency and also accessibility with our suppliers, including translation of our systems into multiple foreign languages to make them easier for some suppliers to use.

Our buyers are at the forefront of our supplier relationships and therefore we regularly update and improve our internal resources and training materials to take account of updated guidance from the GCA in order to maintain the development of a Code-centred and supplier-focused team.

Waitrose Limited

In Spring 2019 we appointed a new Code Compliance Officer, which, together with the outcomes from the Co-op report and the GCA's work on a whole organisation approach to GSCoP compliance, presented Waitrose & Partners with a good opportunity to review ways of working.

As a result, we have taken a number of steps to improve our internal governance. This includes establishing key working groups to ensure appropriate oversight of Code-related issues and activities, ensuring supplier issues get dealt with promptly and fully while also creating an investigatory framework for identifying and remedying the root causes behind issues which could potentially affect more than one supplier.

We have also:

- allocated dedicated resource to help support our Code compliance;
- rolled out in-depth annual training in December which covered improving supplier communications, useful tips to apply in everyday dealings with suppliers and a key focus on how to de-list properly (with case studies based on real-life scenarios); and
- produced a series of guidance documents with the support of our Legal team, including an extensive FAQs document answering Partner (employee) questions off the back of the annual training, a framework for how to implement significant process changes which will impact suppliers (ensuring changes are rolled out with

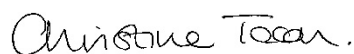
appropriate communications, supplier interaction and notice periods) and guidance for senior buyers on how to review a de-listing decision in a fair and consistent way.

Whilst we are very proud of the progress we have made in the past year, this is just the start of a reinvigorated approach to Code compliance by Waitrose & Partners. We have a plan to further improve key areas where we interact with suppliers, ranging from our onboarding and contracting processes, the content of our internal e-learning and the way important information is presented on our supplier-facing portal, Engage, with a view to making it more intuitive for suppliers to find what they need.

Wm Morrison Supermarkets plc

At Morrisons, listening and responding quickly to suppliers is really important to us and this extends to our work with the GCA. Suppliers have told us that we can do a better job in how we prepare and share forecasts with them, so we have been investing in our systems and process to address this. We've relaunched an improved Morrisons Supplier Database that provides more information to suppliers in a more user friendly format.

We've also continued to invest in and develop our Supplier Portal used to share supply agreements, invoice and payment details with suppliers in a convenient and easily accessible way. We've moved our Supplier Helpdesk to a freephone number and promoted this to suppliers (0800 0152600) so that it's easier and more straightforward for suppliers to contact us with any payment queries.



Christine Tacon
Groceries Code Adjudicator and Accounting Officer
21 May 2020

**SECTION B:
ACCOUNTABILITY
REPORT**

Corporate governance report

Director's report

The Groceries Code Adjudicator (GCA) is a corporation sole and is an independent regulator sponsored by BEIS. Christine Tacon CBE was appointed to the role in June 2013 and was appointed as the Accounting Officer.

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

Governance structure

The GCA governance structure combines efficient decision making with accountability and transparency. As Accounting Officer, I chair the Executive Board which is my governance body responsible for ensuring that the GCA's statutory obligations are met and that decision-making and financial management are carried out appropriately and that the office is managed effectively.

I also chair the Audit and Risk committee and the Operations committee which report to the Executive Board. I am personally responsible for promoting and safeguarding regularity, propriety, affordability, sustainability, risk and value for money; and accounting accurately and transparently for the GCA's financial position and transactions.

As the GCA is a corporation sole and a small regulator there are no non-executive directors. Further details about the governance structure are set out in the Governance Statement.

Register of interests

A register of interests of the GCA is maintained by the secretary to the Executive Board and is available on the GCA website. The Adjudicator is the only Senior Civil Service (SCS) level member of the Executive Board and is the only person subject to disclosure rules. The Adjudicator has no interest which is considered to give rise to any conflict.

Personal data

There were no personal data disclosure incidents in 2019/20 and therefore nothing was referred to the Information Commissioner.

Christine Tacon

Christine Tacon
Groceries Code Adjudicator and Accounting Officer
21 May 2020

Statement of the GCA Accounting Officer's responsibilities

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

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

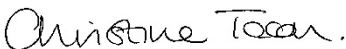
In preparing financial statements the GCA is required to comply with the requirements of the Government Financial Reporting Manual and in particular:

- i) Observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii) Make judgements and estimates on a reasonable basis;
- iii) State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- iv) Prepare the financial statements on a going concern basis.

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

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

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



Christine Tacon

Groceries Code Adjudicator and Accounting Officer
21 May 2020

Governance statement

The Groceries Code Adjudicator's responsibilities

The GCA was established on 25 June 2013 by the GCA Act. It was set up to ensure supermarkets treat their direct suppliers lawfully and fairly. The GCA was appointed by the then Secretary of State for Business, Innovation and Skills. It is a corporation sole based in the UK with a sole employee, the Adjudicator.

The GCA is responsible for monitoring and encouraging compliance with and enforcing the Code, which was introduced in 2010. It applies to retailers designated by the CMA under the Order. As at 31 March 2020 these were: Aldi, Asda, B&M, Co-op, Iceland, Lidl, Morrisons, M&S, Ocado Retail Ltd, Sainsbury's, Tesco, TJ Morris and Waitrose.

The GCA statutory purposes set out in the Act are to:

- Provide advice to both suppliers and regulated retailers on matters relating to the Code;
- Arbitrate in disputes between suppliers and regulated retailers;
- Investigate issues to ascertain whether there has been a breach of the Code;
- Impose sanctions and other remedies for breaches of the Code; and
- Publish an annual report on the Adjudicator's activities.

The Adjudicator is the Accounting Officer. Governance of the GCA is carried out through an Executive Board, Audit and Risk committee and an Operations committee.

A review of Board effectiveness is carried out on a biennial basis and was last carried out during 2018/19.

Governance framework: Executive Board

Executive Board

Ensures that the GCA's statutory obligations are met and that decision making and financial management are carried out appropriately.

Members: The Adjudicator; Head of Operations; and GCA Legal Adviser

The Executive Board discusses and takes strategic decisions which inform the decisions of the GCA and govern the actions of the GCA office. The Adjudicator chairs the Executive Board. There are two other members of the Executive Board: the Head of Operations and the GCA Legal Adviser. The Head of Operations left the role in September 2019 and a replacement was appointed in October 2019. From April 2019 to September 2019, two members of the Executive Board were female and one was male. One member of the Board identified as Lesbian, Gay, Bisexual or Transgendered (LGBT); all identified as being from a White British ethnic background. From October 2019, three members of the

Executive Board are female, and all identify as being from a White British ethnic background.

The Executive Board meets as and when merited by the business of the GCA, with five meetings in this reporting period with full attendance each time. Policy, financial and operational agenda items are scheduled as required. The Board ensures the GCA meets the statutory obligations set out in the Act. During the year, among the issues the Board considered were the annual levy, engagement with an additional regulated retailer, changes to the GCA website, and business continuity and succession planning. Robust information is provided to the Board in papers submitted for consideration. The Board is satisfied that this is of a quality which enables effective decision making. The Board's work is also informed by the Operations committee and the Audit and Risk committee.

The Board follows the Corporate Governance Code of Good Practice 2017, applying it in a way proportionate to the nature and size of the GCA.

Governance framework: Operations committee

Operations committee

Ensures the GCA has the right resources, efficient financial management and has the appropriate procedures in place for the effective running of the office.

Members: The Adjudicator; Head of Operations; and Operations and Policy Manager.

The Operations committee deals with all responsibilities associated with the running of the GCA office. Its main task is to ensure that the GCA has the right resources, practices, effective and efficient financial management and the appropriate procedures in place for the effective running of the office. The committee is chaired by the Adjudicator and other members are the Head of Operations and the Operations and Policy Manager. It met seven times in this reporting period with full attendance at each meeting. From April 2019 to September 2019, two of the members of the Operations committee were female and one male; one identified as LGBT and one from a Black, Asian or minority ethnic (BAME) background. From October 2019, all three members of the Operations committee are female and one is from a BAME background.

The responsibilities of the Operations committee are to ensure that the strategic objectives set by the Executive Board are reflected in the operations and financial planning of the office, to review team planning and to oversee the proportionate GCA internal audit approach. During the year the committee considered a range of issues including forecasting and budgets, events and awareness-raising activities, and the relocation of the GCA office to Cabot Square. A regular report is provided to the committee which contains relevant information. The committee is satisfied that this is of a quality which enables effective decision making.

Governance framework: Audit and Risk committee

Audit and Risk committee

Reviewing and monitoring risks and ensuring sound financial management of the GCA in meeting its statutory purposes.

Members: The Adjudicator; Head of Operations; GCA Legal Adviser; Operations and Policy Manager.

Observers: National Audit Office, GCA Accountants RSM UK Ltd, Director of Consumer and Competition Policy, BEIS (personal invitation).

The Audit and Risk committee meets twice a year. Its main tasks are to consider the GCA's financial position and financial management, review the risk register and approve the annual report and accounts. Rigorous consideration of these matters takes place at each meeting.

The committee is chaired by the Adjudicator and other members are the Head of Operations, the GCA Legal Adviser and the Operations and Policy Manager. The GCA Accountant, National Audit Office and Director of Consumer and Competition Policy from BEIS attend in an observation capacity. From April 2019 to September 2019, three members of the Audit and Risk committee were female and one male; one identified as LGBT; three are from a white British and one from a BAME background. From October 2019, all members of the Audit and Risk committee were female; three are from a white British and one from a BAME background. There was full attendance at both meetings.

Funding the GCA

GCA funding takes two forms: (i) a general levy on the regulated retailers; and (ii) recovery of costs of arbitrations undertaken, and of those investigations where one or more retailers are found to have breached the Code. Unspent levy funds at the end of the financial year are returned to the regulated retailers in the proportions in which they were contributed.

The GCA Act states that the consent of the Secretary of State for BEIS is required before a levy can be imposed on the retailers.

The levy methodology for this financial year was approved by the Secretary of State for BEIS and the budget set at £2,000,000. The methodology included provision that any additional retailer designated during the year 2019/20 would be charged a flat-rate levy payment of £200,000 pro-rated to reflect the portion of the GCA financial year remaining from the date of designation.

The methodology for calculating the levy in 2019/20 was broadly the same as that approved in 2018/19.

Each retailer is charged a variable amount. In line with section 19 of the GCA Act, this variable percentage was based on criteria broadly intended to reflect the expense and time that the Adjudicator, in the light of previous experience, expected to spend in dealing with matters relating to the different retailers.

In 2019/20, the levy methodology set out that:

- 50-80% of the levy was split in equal shares between each retailer;
- 20% of the levy was split in different shares per retailer based on a methodology which reflects the complexity and size of the retailer's business and of practices falling within the GCA's Top Issues, whether current or monitored; and
- 0-30% of the levy was split in different shares between those retailers that: had an open investigation at the beginning of the financial year; were being monitored at the beginning of the financial year as to whether they were following recommendations from a closed investigation; were a party to a chargeable arbitration opened in a previous financial year; or were the subject of a case study published in the previous financial year relating to practice at that retailer. The overall percentage of the levy applied against this variable element was based on the total number of qualifying events in that year, with 0% allocated for no events falling into this category, 10% for one or two events, 20% for three, four or five events and 30% for six events or more, with a corresponding change to the overall percentage of the levy applied against the flat rate element.

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

BEIS has also indicated previously that in the event that the GCA should find itself temporarily short of reserves, a loan facility would be provided. The levy nonetheless continues to be set at an amount estimated to provide the GCA with sufficient funds should the Adjudicator decide to launch an investigation under section 4 of the Act.

One arbitration was accepted this year. It also closed during the reporting period and costs have been recovered in full for the GCA as arbitrator.

The monitoring of how Co-op had followed the GCA recommendations made to it following the investigation ended in 2019/20 and costs associated with this activity have been recovered from the retailer during the period.

Format of the accounts

These accounts have been prepared in accordance with the direction from the Secretary of State for BEIS and HM Treasury's Financial Reporting Manual and Managing Public Money.

Financial position

The GCA's expenditure for 2019/20 was £761,062 and decreased from £1,835,898 in 2018/19. This decrease reflects the conclusion of the investigation into Co-op, the costs of which were recovered in 2018/19. Staff costs were £506,968 in 2019/20 compared to £537,682 in 2018/19. The decreased figure for staff costs in 2019/20 is due to staff leaving the GCA in year and the periods during which staff recruitment took place to fill those positions. Staff costs as a proportion of total expenditure equated to 67% in the financial year 2019/20 (in line with previous years when there was no investigation expenditure), compared to 29% in 2018/19, reflecting the significant decrease in spending as a result of the conclusion of the investigation. Other operating costs include finance, Information Communications Technology (ICT) and accommodation; and spending to support policy activities including the annual supplier survey.

Remuneration of the GCA is in the range £80,000-£85,000 pro-rated from an annual salary within the band £135,000-£140,000 for a full-time equivalent.

The levy to be applied between the regulated retailers was set at £2,000,000. This was the same as the previous year. In addition, one retailer was designated during 2019/20 and its levy contribution was set at £116,667. The total levy raised was accordingly £2,116,667.

Going concern

The GCA will receive levy income for 2020/21 to fund its activities. Consent to the proposed GCA levy for 2020/21 was received from the Secretary of State for BEIS on 28 April 2020. The total proposed levy for 2020/21 is set at £2 million and is evenly split between the regulated retailers with no variable element. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements. Budget pressures are possible should investigations or arbitrations result in accruals where the GCA has not recovered its costs within the year. As stated in the 'Funding the GCA' section above, the GCA has set the levy at an amount estimated to provide the GCA with sufficient funds to cover these circumstances with additional support from BEIS where necessary.

VAT

The GCA is not registered for VAT.

Audit

The auditor of the GCA is the Comptroller and Auditor General. The audit fee for the period ended 31 March 2020 is £12,000 (2018/19: £9,000), as disclosed in Note 3 to the Financial Statements.

A proportionate internal audit-like mechanism is implemented by the GCA, consisting of a regular review of the risk register, an audit of financial controls and the periodic review of GCA policies and publications.

Payment practices

The GCA has committed to pay all undisputed invoices within a maximum of 30 days. The GCA approved and processed 99% of invoices within 30 days of receipt, failing on one invoice.

On average it took 4.95 days to pay each invoice, an increase on the average of 3.34 days in 2018/19.

Risks

The risk register is reviewed every six months. The risk categories are finance, procurement and audit, HR and recruitment, operational, relations with regulated retailers, stakeholder management, governance, reputation and legislation.

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

Risks in the 2019/20 risk register include:

- Ineffective business continuity arrangements lead to unnecessary interruption of GCA business.

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

The current Adjudicator's term of office comes to an end on 24 June 2020. In response to the uncertainty created as a result of COVID-19 and particular pressure placed on groceries supply arrangements during the early stages of the pandemic, the GCA offered to extend her term for a short period, specifically to deal with any issues arising as a result. As at year-end, this was under consideration by the Secretary of State for BEIS.

Sustainability

The GCA does not fall within scope of the Greening Government Commitments. As a tenant of the CMA, reporting associated with the GCA will be incorporated into the CMA annual report and accounts.

Statement by the Adjudicator

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

I have considered the evidence that supports this Governance Statement and I am assured the GCA has a strong system of controls to support the achievement of my statutory purposes. I therefore have no disclosures of control weaknesses to make for the 2019/20 financial year.

Christine Tacon.

Christine Tacon

Groceries Code Adjudicator and Accounting Officer

21 May 2020

Remuneration and staff report

Overview and remuneration policy

The GCA has no remuneration responsibilities. The remuneration of the Adjudicator is determined by the Secretary of State for BEIS under Schedule 1 to the Act.

The Adjudicator is designated as Office Holder and is a corporation sole.

The GCA team, all of which are on secondment from public bodies, retain the terms and conditions of their parent departments. Note 2 to the financial statements provides further information about this. Remuneration decisions are taken by the relevant department of the secondee.

The Adjudicator's salary payments in this financial year were in the band of £80,000 to £85,000 pro-rated from an annual salary within the band of £135,000 to £140,000 for a full-time equivalent.

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

Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration (audited)										
Public appointee	Salary (in £5k bandings)		Bonus payments (in £5k bandings)		Non cash benefits (to the nearest £100)		Accrued pension benefits (to the nearest £'000)		Total (in £5k bandings)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Christine Tacon	£80-85,000 (£135-140,000 for a full time equivalent)	£75-80,000 (£130-135,000 for a full time equivalent)	-	-	-	-	32	31	115-120	110-115

This table has been subject to audit.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the GCA and thus recorded in these accounts.

Benefits in kind

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

The Cash Equivalent Transfer Value (CETV)

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

Pension Benefits (audited)						
Officials	Accrued pension at pension age as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	Nearest £1,000	Nearest £1,000	Nearest £1,000	Nearest £100
Christine Tacon	10 - 15	0 - 2.5	195	159	24	0

This table has been subject to audit.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS).

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

Employee contributions are salary-related and range between 4.6% and 8.05% for members of nuvos and alpha. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Pension age is 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (As the Adjudicator has benefits in both the PCSPS – nuvos – and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages).

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

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

Fair pay disclosure

The GCA only has one employee. All other staff during the year were seconded from other public bodies.

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

The banded remuneration of the highest-paid 'director' at the GCA (i.e. the Adjudicator) in the financial year 2019/20 was £135,000 to £140,000. This was 2.5 times the median remuneration of the workforce, the same as the previous financial year.

No remuneration range has been provided as this would disclose the salaries of those individuals that work at the GCA.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The GCA notes that the salaries of seconded staff will also be included in assessments of pay multiples at the public bodies they are employed by. The Adjudicator maintains the view, as reported in previous annual report and accounts, that it is inappropriate to calculate a median staff pay figure for the year for the GCA office as there is only one member of staff and the GCA has no control over the remuneration of seconded staff.

This has been subject to audit.

Staff report

Staff numbers, costs and composition

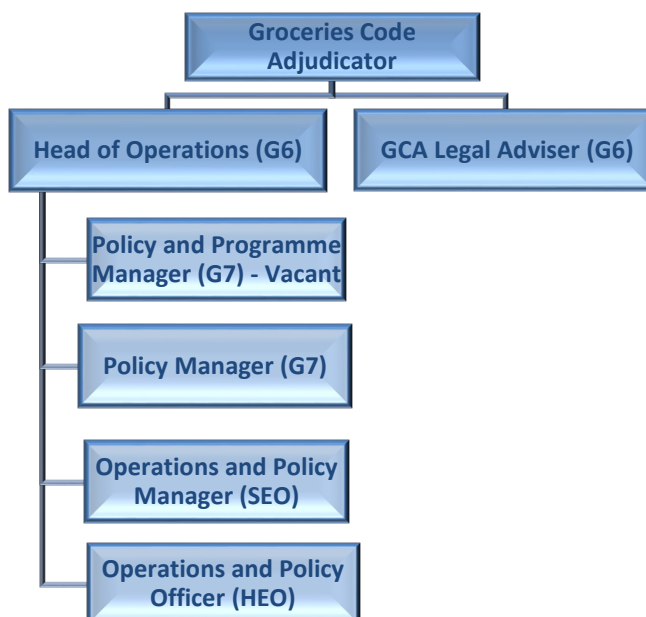
The GCA is designated as a corporation sole and therefore the Adjudicator is the only employee of the GCA. Staff supporting the GCA are seconded from public bodies, with occasional support from temporary contractors. The guiding principle in resourcing the GCA has been to recruit the resources needed in a phased way based on anticipated workload. In the model of the GCA designed by BEIS it was predicted that a staff of eight would be required, including the GCA. Staff costs for 2019/20 were £506,968 comprising of: £115,759 permanent staff costs and £391,209 other staff costs for secondees and agency staff.

The GCA is employed for three days each week and is a senior civil servant equivalent and is female. At the start of the reporting year, there was a team of six secondees: a part-time GCA Legal Adviser, a full-time Head of Operations, a full-time Policy Manager, a full-time Policy and Programme Manager, a full-time Operations and Policy Manager and a full-time Operations and Policy Officer. By the end of the reporting year, the Policy and Programme Manager had left the team and has not yet been replaced. Media and communications support is provided on a temporary basis when required, using an agency member of staff.

Every effort has been made to ensure that the office has the right skills and resources and has a diverse representation. In the GCA team at the end of the reporting year there were five females; one from a BAME background. The learning and development plan continues to be reviewed during the year to ensure all staff have the right skills and experience to perform their roles.

The GCA continues to review the resources required to meet its objectives.

The organisation chart at the end of the reporting period was:



A new Head of Operations was recruited during the year, and the Policy and Programme Manager position became vacant in February 2020. This position may be filled at a later date after the staffing needs of the GCA office have been reviewed by the new Adjudicator on or soon after taking office.

A budget is held by the GCA Legal Adviser to obtain additional specialist legal support as and when necessary. This again may be reviewed by the new Adjudicator as part of his or her consideration of how best to source legal and other specialist advice.

Staff numbers and related costs tables are included in Note 2 of the Financial Statements on page 91.

This has been subject to audit.

Sickness absence

There has been no sickness absence at the GCA.

Staff policies and other employee matters

As staff working in the GCA office remain employees of the public bodies from which they are seconded, they are primarily subject to the staff policies of those organisations. The GCA ensures it meets its commitments on equality and diversity, health and safety and wellbeing for staff working in the office. The GCA gives full and fair consideration to applications to be seconded to the office from disabled persons and will implement relevant policies for training and career development where necessary.

Consultancy expenditure

There was no consultancy expenditure during 2019/20. Expenditure relating to the procurement contract for the annual GCA survey are shown in Note 3 of the accounts.

All government departments and their arm's length bodies that employ individuals 'off payroll' for more than six months have to 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 GCA has reviewed the way it makes these appointments to ensure its processes are robust. The GCA has the right to request assurances, and do so, from the individual in relation to monies received from HMRC. The GCA can terminate any contract if these assurances are not provided.

Reporting on the tax arrangements of public sector appointees

Legislation which came into effect from April 2017 apportions the responsibility for deciding whether tax and NI are due from the individual contractor to the organisation for whom the contractor will work. The GCA 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 assurances are sought.

The tables below set out the status of off-payroll contractors engaged by the GCA using the standard reporting format. This records new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months.

Table A: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

No. of existing engagements as of 31 March 2020	1
Of which...	
No. that have existed for less than one year at time of reporting.	0
No. that have existed for between one and two years at time of reporting.	1
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	0

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

Table B: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

Nil return

Table C: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	1

Exit packages

Any exit packages would be the responsibility of the public bodies seconding staff to the GCA or for BEIS. This has been subject to audit.

Parliamentary accountability and audit report

Parliamentary Accountability Disclosures

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

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

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

Wider government and Parliamentary input

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

The Regulators' Code

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

Growth duty

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

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

Business Impact Target

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

The Enterprise Act 2016 brought a number of regulators, including the GCA, into scope for this target. The GCA published its response for the reporting period of 21 June 2018 to 20 June 2019. The GCA had no qualifying regulatory provisions.

Review of business appeals procedure

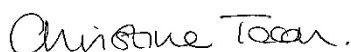
The Small Business, Enterprise and Employment Act 2015 contained the introduction of a new review mechanism for the appeals procedure of each non-economic regulator, which includes the GCA. The law provides for the appointment of a reviewer by the Secretary of State to:

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

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

Parliamentary and Ministerial engagement

During the reporting year the Adjudicator appeared at a hearing of the BEIS committee in the House of Commons. The Adjudicator also met with Kelly Tolhurst on 29 April 2019, the former Parliamentary Under Secretary of State (Minister for Small Business, Consumers and Corporate Responsibility).



Christine Tacon

Groceries Code Adjudicator and Accounting Officer

21 May 2020

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

Opinion on financial statements

I certify that I have audited the financial statements of the Groceries Code Adjudicator for the year ended 31 March 2020 under the Groceries Code Adjudicator Act 2013 the financial statements comprise: the Statement 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 Groceries Code Adjudicator's affairs as at 31 March 2020 and net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Groceries Code Adjudicator Act 2013 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis 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'.

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 Groceries 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Groceries Code Adjudicator's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Groceries Code Adjudicator have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements 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 Groceries Code Adjudicator Act 2013.

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 Groceries 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.
- Conclude on the appropriateness of the Groceries Code Adjudicator'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 Groceries Code Adjudicator's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Groceries Code Adjudicator to cease to continue as a going concern.

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 Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's 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 Groceries Code Adjudicator Act 2013;
- in the light of the knowledge and understanding of the Groceries Code Adjudicator and its environment obtained in the course of the audit, I have not identified 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

Date 29 May 2020

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

**SECTION C:
FINANCIAL
STATEMENTS**

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	Year ended 31-Mar-20 £	Year ended 31-Mar-19 £
Expenditure			
Staff Costs	2	506,968	537,682
Other Expenditure	3	254,094	1,298,216
		<u>761,062</u>	<u>1,835,898</u>
Income			
Other income	4	<u>(872,927)</u>	<u>(1,835,898)</u>
Net Income		<u>(111,865)</u>	<u>-</u>
Total Comprehensive Income for the year ended 31 March		<u>(111,865)</u>	<u>-</u>

The notes on pages 87 to 96 form part of these financial statements.

There was no other comprehensive expenditure.

Statement of financial position as at 31 March 2020

	Note	As at 31-Mar-20 £	As at 31-Mar-19 £
Non-current assets:			
Tangible fixed assets	5	111,865	-
Current assets:			
Other receivables due within one year	7	4,093	1,335,218
Cash	8	1,633,268	502,796
Total current assets		<u>1,637,361</u>	<u>1,838,014</u>
Total assets		<u>1,749,226</u>	<u>1,838,014</u>
Current liabilities:			
Contract liability	9	1,288,341	1,712,262
Other payables and accruals	9	329,410	125,752
Total current liabilities		<u>1,617,751</u>	<u>1,838,014</u>
Total assets less current liabilities		<u>131,475</u>	<u>-</u>
Non-current liabilities:			
Other payables and accruals	9	19,610	-
Total non-current liabilities		<u>19,610</u>	<u>-</u>
Total assets less total liabilities		111,865	-
Taxpayers' equity			
Income and expenditure reserve		<u>111,865</u>	<u>-</u>
Total equity		<u>111,865</u>	<u>-</u>

The notes on pages 87 to 96 form part of these financial statements.

Christine Tacon

Christine Tacon
Groceries Code Adjudicator and Accounting Officer
 21 May 2020

Statement of cash flows for the year ended 31 March 2020

	Note	Year ended 31-Mar-20 £	Year ended 31-Mar-19 £
Cash flows from operating activities			
Net operating income		111,865	-
Depreciation	5	5,735	-
Decrease/(increase) in receivables	7	1,331,125	(1,327,524)
(Decrease)/increase in payables	9	(200,653)	291,604
Net cash inflow/(outflow) from operating activities		1,248,072	(1,035,920)
Investing activities			
Purchase of tangible fixed assets	5	(117,600)	-
Net cash used in investing activities		(117,600)	-
There are no cashflows from financing activities			
Net increase/(decrease) in cash and cash equivalents in the period	8	1,130,472	(1,035,920)
Cash at the beginning of the period		502,796	1,538,716
Cash at the end of the period		1,633,268	502,796

The notes on pages 87 to 96 form part of these financial statements.

Statement of changes in Taxpayers' Equity

	I & E Reserve £	Total Reserves £
	<u> </u>	<u> </u>
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	<u> </u>	<u> </u>
Changes in Taxpayers' Equity comprehensive income for the year		
Comprehensive income for the year	<u>111,865</u>	<u> </u>
Balance as at 31 March 2020	<u>111,865</u>	<u> </u>

GCA is levy funded and unspent levy is reflected in contract liability.

Notes to the financial statements

1. Accounting policies

These financial statements have been prepared in accordance with the 2019/20 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the GCA for the purposes of giving a true and fair view has been selected. The particular policies adopted by the GCA for the purpose of financial reporting are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts have been prepared under the direction of BEIS.

There were no new standards issued up to 31 March 2020 and not applied that would materially affect the accounts. The GCA has also not adopted any standards early but has considered future changes in standards.

Standards not yet effective

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

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

Income

General levy

The GCA received levy income for 2019/20 to fund its activities. Approval for the levy for the year 2019/20 was received on 10 April 2019. The levy is invoiced once audited accounts are published. Section 19 of the GCA Act provides that the full costs of the GCA will be funded through a levy on the retailers that are designated under the Order. As at 31 March 2020 these were: Aldi, Asda, B&M, Co-op, Iceland, Lidl, Morrisons, M&S, Ocado Retail Ltd, Sainsbury's, Tesco, TJ Morris and Waitrose.

TJ Morris was designated under the Order on 3 September 2019.

The GCA raises income by levy on the retailers it regulates. The levy is applied and invoiced to retailers at the start of each financial year. Any unspent levy at the end of the

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

Investigations

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

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

There were no investigations in 2019/20.

The monitoring of how Co-op had followed the GCA recommendations made to it following the investigation ended in 2019/20 and costs associated with this activity have been recovered from the retailer during the period.

Arbitrations

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

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

One arbitration was accepted this year. It was resolved during the reporting period and costs have been recovered in full for the GCA as arbitrator.

Going concern

The GCA will receive levy income for 2020/21 to fund its activities. Consent to the proposed GCA levy for 2020/21 was received from the Secretary of State for BEIS on 28 April 2020, and there is no reason to believe that future approval will not be granted. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to,

12 months from the end of the reporting period. It has been accordingly considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Tangible fixed assets

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

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

Expenditure on leasehold property - straight line over lease term.

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

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

Financial instruments

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

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

Financial assets

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

Financial liabilities

The GCA holds financial liabilities, which comprise of payables and contract liability. Since these balances are expected to be settled within 12 months of the reporting date, there are no material differences between fair value, amortised cost and historical cost.

Reserves

Income and expenditure reserve

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

Expenditure

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

Staff costs

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

Value Added Tax

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

Leases

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

Provisions and contingent liabilities

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

Key judgements and estimates

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

2. Staff numbers and related costs

The cost of staff remuneration was:

	Year ended 31-Mar-20	Year ended 31-Mar-20	Year ended 31-Mar-20	Year ended 31-Mar-19
	£	£	£	£
	<i>Permanent Staff</i>	<i>Other Staff</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	81,159	298,499	379,658	415,602
Social security costs	10,009	30,922	40,931	43,632
Pension costs	24,591	61,788	86,379	78,448
Total	115,759	391,209	506,968	537,682

- (i) The remuneration of the Adjudicator is the only permanent staff cost.
- (ii) There have been no severance payments in the year.
- (iii) Other staff includes the costs for the staff seconded to the GCA and for agency staff.

Average number of staff employed

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

	2019/20	2018/19
Employed on references:	FTE	FTE
Permanent staff	0.6	0.6
Other staff	5.40	5.80
	6.00	6.40

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

3. Other expenditure

	Year ended 31-Mar-2020 £	Year ended 31-Mar-2019 £
Investigation into Co-operative Group Limited	17,721	1,110,261
Accountancy fees	11,640	7,878
Arbitration	1,010	5,197
Audit fee	12,000	9,000
Conferences & events	20,724	18,874
Corporates Services from BEIS	24,960	19,090
Legal costs	18,000	554
Licences	1,844	1,571
Marketing and Promotion Materials	22,525	30,598
Office equipment (IT and other consumables)	579	549
Other expenditure	1,868	855
Photocopying & Printing	1,084	939
Press Cuttings	178	457
Rentals under the terms of occupation lease	28,663	15,313
Running costs - Victoria House/Cabot Square	29,821	10,855
Staff training	8,967	4,596
Subscriptions	2,268	1,765
Survey & Consultancy	38,760	51,570
Travel, subsistence and hospitality	5,747	8,294
Non-cash items:		
Depreciation	5,735	-
Total other operating charges	254,094	1,298,216

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

4. Income

	Year ended 31-Mar-20 £	Year ended 31-Mar-19 £
Levy raised	2,116,667	2,166,666
Contract liability (Note 9)	(1,288,341)	(1,710,605)
	<u>828,326</u>	<u>456,061</u>
Arbitration costs recovery	10,457	53,722
Investigation costs recovery	34,144	1,326,115
	<u>872,927</u>	<u>1,835,898</u>
Total income	<u>872,927</u>	<u>1,835,898</u>

5. Tangible fixed assets

	Expenditure on leasehold property £	Total £
Cost		
At 1 April 2019	-	-
Additions	117,600	117,600
At 31 March 2020	<u>117,600</u>	<u>117,600</u>
Depreciation		
At 1 April 2019	-	-
Depreciation charged in the year	5,735	5,735
At 31 March 2020	<u>5,735</u>	<u>5,735</u>
Carrying value		
At 31 March 2020	<u>111,865</u>	<u>111,865</u>
At 31 March 2019	-	-
Asset financing:		
Owned	<u>111,865</u>	<u>111,865</u>
Finance leased	-	-
On-balance sheet PFI contracts	-	-
Carrying value at 31 March 2020	<u>111,865</u>	<u>111,865</u>

6. Financial instruments

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

7. Receivables and other assets

Amounts falling due within one year

	As at 31-Mar- 20 £	As at 31-Mar- 19 £
Prepayments	4,093	9,103
Investigation receivable	-	1,326,115
	<u>4,093</u>	<u>1,335,218</u>

8. Cash

	As at 31-Mar-20 £	As at 31-Mar-19 £
Balance at 1 April 2019	502,796	1,538,716
Net change in cash balances	1,130,472	(1,035,920)
Balance at 31 March 2020	<u>1,633,268</u>	<u>502,796</u>

The following balances at 31 March 2020 were held at:

Government Banking Service	<u>1,633,268</u>	<u>502,796</u>
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The GCA's bank account is an account with the Government Banking Service.

9. Other payables and liabilities

Amounts falling due within one year

	As at 31-Mar-20 £	As at 31-Mar-19 £
Contract liability	1,288,341	1,712,262
Accruals	317,268	125,752
Trade payables	12,142	-
	<u>1,617,751</u>	<u>1,838,014</u>
Analysis of accruals		
Balances with other central government organisations	273,087	59,913
Balances with bodies external to government	44,181	65,839
	<u>317,268</u>	<u>125,752</u>

Amounts falling due after more than one year

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

Contract liability solely relates to the unspent levy due to be returned to the retailers in the proportions in which it was contributed. The accruals relate to invoices for the secondment of staff and additions to fixed assets.

10. Other commitments

The GCA had no capital commitments (2018/19: none) and no other financial commitments (2018/19: none).

11. Commitments under operating leases

	As at 31-Mar-20 £	As at 31-Mar-19 £
Other leases:		
Not later than one year	3,496	3,828
Later than one year and not later than five years	137,471	-
Later than five years	-	-
	140,967	3,828

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

12. Contingent liabilities & assets

There are no contingent liabilities and assets to report.

13. Related party transactions

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

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

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

14. Events after the reporting period

There are no post-balance sheet events to report.

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

The Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor Generals' audit certificate.

APPENDIX: ISSUES RAISED ON CODE COMPLIANCE

The GCA has continued to hear from direct and indirect suppliers, trade associations, other bodies and the media about a range of issues covered by the Code and relating to large retailer practices. These issues form part of the growing GCA evidence base which will inform future action. All the issues that have been raised with the GCA since its establishment in June 2013 are reflected below.

The GCA maintains a full set of issues raised so that retailers can remain aware of what suppliers are facing and for suppliers to be aware they may not be alone in the event that they too face similar challenges. It also allows suppliers to provide the GCA with new information on issues which have not previously been raised but which are causing problems.

In order to ensure we meet the duty to preserve the confidentiality of those who provide information to the GCA, the GCA will not publish statistical information on issues raised.

Issues raised under Part 3 of the Code – Variation:

- (3) Of supply agreements and terms of supply
- (4) To supply chain procedures

Terms of supply varied during the contract term:

- Written supply agreements not in place
- Request for lump sum payments, often at key accounting periods
- Request for lump sums for previous periods, not previously agreed
- Retailer margin maintenance: inclusion in agreements (contracts and Joint Business Plans) of elements over which suppliers have no influence
- Attempts to alter prices paid to suppliers once agreement/contract is in place
- Request to agree to a retrospective overrider for new supply
- Use of service levels: not agreed with supplier or unclear methodology applied; and where penalties are applied for allegedly failing to meet targets
- Inclusion of terms of supply notified only after supply agreement has been negotiated and terms agreed (particular to new suppliers); administration charges for trading accounts; product testing; packaging/artwork charges
- Introduction of audits paid for by suppliers, e.g. ethical, traceability
- Changes to payment terms and method of payment

Issues raised under Part 4 of the Code – Prices and payments:

- (5) No delay in payments (includes unilateral deductions and deductions without notice)
- (6) No obligation to contribute to marketing costs (including artwork and design of packaging; market research; retailer hospitality)
- (7) No payments for shrinkage
- (8) No payments for wastage (unless set out in the supply agreement)
- (9) No payments as a condition of being a supplier (including listing fees)
- Compensation for forecasting errors
- (11) No tying of third party goods and services for payment (including payment of packaging and haulage costs)

Payment terms not adhered to**Automatic deductions from invoices or trading accounts:**

- Without notice and sometimes before supplier requests payment for goods
- Without sufficient or any explanation (particularly where large sums of money are involved or where deductions are acute for smaller supplier cash flows)
- Withholding payment for entire invoice where only one element of invoice is in dispute
- Disproportionate charges for late delivery of small quantities delivered through a consolidator
- Drop and drive: deductions for alleged delivery discrepancies where there is little or no ability to check or challenge retailer's paperwork
- Not providing suppliers with thirty days to challenge any proposed deductions or deducting even if a supplier challenges the deduction

Erroneous deductions and delays in repaying:

- Lack of supplier access to decision-maker in respect of deductions, to understand the deduction and recover monies taken in error
- Delay in refund of money deducted in error due to 'failure' to hit agreed Service Level
- Third party and internal audit practices
- Repeated chasing required for agreed refunds to be processed and refunds not processed until after closure of key accounting periods
- Delay in reverting pricing systems to standard price after promotions
- Delays in changing prices, resulting in delays in resolving queries
- Individual invoices in multiple batches regularly going missing
- Charges for use of a supplier portal to query a disputed invoice
- Delay in repayment when invoice discrepancy identified and agreed

Perceived high charges for mandated packaging and artwork, where supplier believes it can secure cheaper service of comparable quality elsewhere:

- Flat rate charge for images
- Charges for artwork much higher than open market
- Numerous design changes through the year; lack of reasonable notice of change resulting in cost of excess packaging stock being borne by supplier
- Charge for packaging changes invoiced without prior agreement that this would be required
- Pressure to use 'recommended suppliers' for packaging
- Preferred supplier packaging suppliers more expensive than comparable competitors
- Cost of use of plastic crates (e.g. for fresh produce) and reasonableness of hire conditions
- Compulsory spend of marketing costs through retailer product e.g. in-house magazines

Payments for wastage:

- Request for deficit due to wastage to be covered in full by supplier

Request for listing fees:

- Requests by retailer for supplier to stop supplying specific competitors
- Fees requested not reflecting the risk of listing a new product
- Multi-channel charges – listing fees for additional channels to market for products already stocked
- Fees to access retailer order/forecasting systems
- Lump sum requested to secure arrangements in a range review

Poor forecasting accuracy:

- Disclaimers by retailers that all forecasts are prepared in good faith being added to email footers
- Lack of clarity about what is a forecast and what constitutes an order
- Lack of information about what lies behind retailers' forecasts making it difficult for suppliers to challenge whether they are prepared in good faith and with due care and attention
- No mechanism in place whereby suppliers can challenge retailer forecasts – particularly difficult for small suppliers to get access “air-time” with buyers to help improve accuracy
- Retailers' practice of ordering fresh produce daily but only forecasting on longer time scales undermines suppliers planning to get the right produce in place
- Retailers very late in confirming details of quantities and stores in forecasting for promotions
- Retailers have different systems for forecasting and ordering making it difficult to compare forward looking data with what actually happened to learn from experience and improve forecasting practice
- Excessive charges applied for short delivery, particularly when the forecast volume has been met, but the order considerably exceeded the volume forecast
- Failure by large retailers to take account of compensation for the impact of poor forecasting on suppliers, including changes to agreed distribution levels, over-ordering prior to a promotion or at the start of a listing
- Poor forecasting results in suppliers being left with over-ordered packaging
- No evidence of compensation for suppliers

Lack of choice on haulage provider:

- Where supplier has access to a cheaper alternative
- Poor service levels by haulier mandated or provided by retailers resulting in supplier penalty

Issues raised under Part 5 of the Code – Promotions:

- (12) No payments for better positioning of goods unless in relation to promotions
- (13) No requirement to predominantly fund a promotion
- (14) Not applying due care when ordering for promotions

Attempted charges for better shelf position not related to a promotion:

- Payments for Category Captaincy and range reviews
- Better positioning being negotiated in response to retailer requests for investment

Over-ordering at promotional price:

- Over-buying at discounted price agreed for promotions linked to poor forecasting practice

Changes to promotions at short notice or not actioning agreed promotions:

- Distribution, price, quantities, timing and funding

Request to fund a promotion:

- Concern that impact of over-buying at discounted prices means suppliers end up funding promotions

Issues raised under Part 6 of the Code – Other duties:

- (15) No unjustified charges for consumer complaints
- (16) Not meeting duties in relation to De-listing (*including giving commercial reasons for the decision and reasonable notice*)
- (17) Not escalating concerns over breaches of the Code to the Senior Buyer

Lack of transparency on customer complaint charges:

- Different flat fees charged which do not appear to relate to retailer's cost of handling complaints

Unclear large retailer De-listing practice:

- Different perspectives (retailers compared to suppliers) on reasonable notice periods
- Short notice periods may not take account of supplier circumstances
- De-listing following supplier investment to meet retailer demands
- De-listing following competitor lump sum payment to obtain business and to increase share of shelf space
- Compensation for short notice De-listing decisions do not take account of all associated costs to the supplier
- Standard De-listing notice periods not in line with GCA published interpretive guidance
- Suppliers being asked to identify competitor SKUs for De-listing

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