



Pubs Code  
Adjudicator

# The Pubs Code Adjudicator

## Annual Report and Accounts

For the period 1 April 2020 to 31 March 2021





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## **Annual Report and Accounts**

For the period 1 April 2020 to 31 March 2021

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

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# Performance Report

## Overview

This section of the report explains the role and purpose of the Pubs Code Adjudicator (PCA). The Performance Analysis sets out how the PCA has performed during the year against its statutory reporting requirements along with other key activities. The main risks to the achievement of the PCA's objectives and the adoption of the going concern basis are set out in the Governance Statement.



# Foreword by Fiona Dickie, Pubs Code Adjudicator



This Annual Report marks my first year as the Pubs Code Adjudicator and fully covers the period when Covid-19 posed the most severe challenge ever faced by pubs. Closure of all pubs, and the support many publicans provided to their communities during lockdowns, has given us all the opportunity to reflect on the importance of pubs to those communities, to our way of life and national identity. Now, more than ever, I am acutely aware of the part pubs play in enriching our lives.

The first lockdown came just three weeks after the Government announced I would be appointed as the next PCA. So when I stepped into the role, many of my plans – like those of everyone in the trade – had to take a different course. I had to be fully focused on how the Pubs Code could promote the interests of tied tenants during the pandemic. As Covid-19 forced the lockdown of pubs throughout England and Wales, pub companies responded with measures to support their tied tenants who were understandably anxious to get the help that they needed for their businesses to survive. I challenged the six regulated pub companies, in doing as much as they were able to support their tied tenants through the emergency, to be clear and consistent about how they did this. That way, individual tenants could know what treatment they could expect. One by one, all of the regulated pub companies followed the lead of Admiral in being public about their support arrangements.

Pressing home that Pubs Code compliant decisions about Covid-19 support must be fair, I made sure that those pub companies who required confidentiality as a precondition or refused help to tenants alleged to have broken a term of their tenancy, changed their approach. An important message I shared with tenants was that they had a Code right to receive agreed written records of conversations with their pub company representatives about their discretionary support and business plans for recovery.

I would like to express my appreciation to the pub companies for adopting the principles of transparency and fairness in their support for tied tenants. Where tenants feel they have been treated fairly and their Pubs Code rights respected, there are tangible benefits for the pub company. Relationships are improved and all enjoy better outcomes.

Though the pandemic brought a sudden halt to trading and the furloughing of many pub company representatives, the Pubs Code duties and the deadlines that applied to them remained in place. Preserving Pubs Codes rights for tenants, especially when all parties in the tied pub sector had to direct their energies into responding to the Covid-19 threat, was a priority for me. I negotiated a formal agreement from the six pub companies to pause and protect many important tenant rights that were ongoing or would arise during lockdown.

The result – a Declaration signed by all the regulated pub companies – stopped the clock on legal time limits for tenants accessing significant rights, such as requesting a free-of-tie option, obtaining a Rent Proposal or referring a dispute to arbitration. While not preventing a tenant from taking any Code step, it protected them, within the provisions of the Code, if they did not do so. It originally applied from 16th March 2020 last year when the Prime Minister advised the public not to visit pubs in the UK and ended on 30th June 2020 as pubs reopened. As the country entered two more lockdowns, I asked the pub companies to sign two further identical Declarations. The final Declaration ended on 31st March 2021 and I alerted tenants about what they need to do now to access their rights.

I have also encouraged tenants to take professional advice over whether they have experienced a trigger event as a result of the pandemic that can give them the right to a rent assessment and to request a free-of-tie option. This is a complex issue which requires solid analysis to pursue, and I have published a factsheet setting out the conditions in detail.

Covid-19 obviously did have some impact on the PCA's work this year which was re-focused in the light of the unfolding pandemic. I had to postpone the annual survey and completion of the pub companies' compliance reports was delayed. I also slowed some of my plans for regulatory activity given the need to consider proportionality and the impact of Covid-19 on the pub companies. However, I am proud to report that my small but dedicated team continued throughout the year to deliver a highly professional service by working remotely, ensuring we operated effectively, including providing an uninterrupted arbitration service.

And the pandemic did not halt the most important regulatory activity of the year, which was the completion of my first investigation. On 15th October 2020 I published my findings that Star Pubs & Bars had seriously and repeatedly breached the Pubs Code over nearly three years. Star – which operates the pub estate business of Heineken in the UK – had persisted in forcing its tenants to sell unreasonable levels of Heineken beers and ciders when they requested to go free of tie, so putting up barriers to tenants exercising their Pubs Code rights. This was despite repeated regulatory interventions and clear arbitration rulings from me.

As well as imposing a £2 million fine on the company I made a number of binding recommendations. These include ordering Star to offer to make all the stocking terms in its free-of-tie tenancies Pubs Code compliant, without any cost to the tenant, and to ensure future Code compliance. Star is currently appealing the fine, but the company is following the action plan I required from it to implement my recommendations.

The outcome of this investigation is I believe a game changer for the PCA as regulator and the industry. It has demonstrated that the regulator can and will act robustly to protect the rights that Parliament has given to tied tenants.

In November, the Secretary of State for Business, Energy and Industrial Strategy (BEIS) published the outcome of the first triennial review of the Pubs Code and the Adjudicator. While many stakeholders had commented that the Pubs Code had had a slow start, they acknowledged that when the Code is effectively regulated it represents an important step in re-balancing the relationship between pub-owning businesses and their tied tenants. The report also acknowledged the PCA had made good progress in reducing the number of live



arbitrations since the end of the review period and had taken significant regulatory action in completing the Star investigation.

The Secretary of State tasked me to ensure tenants had better access to clear information to enable them to make informed decisions as well as continuing to make progress in speeding up arbitrations. Delivering on these responsibilities has been another priority this year. I am determined to demonstrate that the Pubs Code has entered a fresh chapter.

Before the start of this financial year, I had already commissioned independent research to better understand what communications tenants want from the PCA. I am now acting on the findings, improving communication through digital channels such as Twitter and Facebook and making the PCA website an essential and effective hub of information. I have also published new factsheets dealing with issues such as insurance and the role of business development managers and Code Compliance Officers in straightforward, engaging language. I am very grateful to the Morning Advertiser which is widely read by the industry for inviting me to write a monthly column in which I discuss relevant issues that matter to tenants.

It has also been important to publicise areas where the PCA is having an impact by taking steps short of an investigation. I have begun to publish a series of Pubs Code Action stories to demonstrate this.

Since the statutory review I have also updated the Regulatory Compliance Handbook and worked on developing standards for external arbitrators accepting Pubs Code disputes so that they could be introduced at the end of the reporting period. Engaging external arbitrators has played a significant role in freeing up PCA resources to concentrate on regulation. It is crucial that the work of the external arbitrators is timely, consistent and high quality. The standards set out among other things my expectations for case progression, timescales and how the arbitrator will communicate with the parties in a dispute. This year has been important for me to get processes and procedures right for the long term. Much has been done but I am the first to acknowledge there is more to do.

As this Annual Report is published the pubs sector is facing ongoing challenges from the surge in cases of the new Covid-19 variant. This is desperately disappointing for tenants who had been hoping for better times ahead. Once again I am watching carefully how the regulated pub companies respond in the immediate and longer term. For example, I will be looking at how they are dealing with their tenants' pandemic-related debts and how they comply with Pubs Code requirements at rent assessment to make reasonable trading forecasts in these uncertain times.

I will continue my efforts to improve tenants' understanding of what the Code can do for them. A priority for me will be to ensure new tenants have the right information to make the decisions that are best for their businesses, and this is another example of where respecting Code rights brings rewards for pub companies. Plainly, it is in their interests that new tenants' businesses are successful, so up-front investment of time and effort should be a win-win. Raising awareness of Code rights is essential to effective regulation. If tenants do not know what the Code can do for them, they will not assert their rights or bring me information that will help me regulate and enforce the Code.

And regulate the Code I will, using the intelligence I receive to ensure that the pub companies are meeting their duties. Those companies now have no doubts that I am ready to use my regulatory powers all the way to an investigation if necessary and I want tenants to recognise me as the independent regulator ready and willing to enforce their Code rights.



Fiona Dickie,  
**Pubs Code Adjudicator**  
24 January 2022



# Purpose and activities of the PCA

## 1. The Pubs Code Regulations

The Pubs Code regulates the contractual relationships between all pub-owning businesses with 500 or more tied pubs in England and Wales and their tied pub tenants – of which on 31 December 2020 there were 8,745.

### Pub-owning businesses/companies

The six pub companies governed by the Pubs Code on 31 March 2021 were:

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

Ei Group Plc was acquired by Stonegate Pub Company and was delisted in March 2020.

Two regulated pub-owning businesses changed ownership but remain governed by the Pubs Code during the reporting period. Greene King Plc was acquired by CK Asset Holdings and was delisted in October 2019.

### Tied pub tenants

Tied tenants covered by the Pubs Code are those who are obliged to purchase some or all of their alcohol from their pub company landlord

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

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

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



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

In addition to the MRO option, the Pubs Code provides for transparency in respect of the financial and other information about the tenancy that pub-owning businesses must provide to new and existing tenants. Specifically, the Pubs Code prescribes the form and content of the tied rent proposals that must be provided to new tenants and the tied rent assessment proposals that must be provided to existing tenants as part of their regular rent reviews under the tenancy. In all cases, these must include a forecast profit and loss statement for the pub in question. The Pubs Code further specifies that a tenant can request a rent assessment in connection with their rent review where no assessment has been concluded within a five year period, ensuring an assessment of rent can take place every five years.

The Pubs Code framework includes further provisions governing the compliance obligations of the pub-owning business – including the submission to the PCA of an annual Compliance Report; the training of their staff who have business dealings with tenants; and the duties and responsibilities of their Business Development Managers. Amongst the other obligations on pub-owning businesses are the duty not to require a tied pub tenant to purchase or rent gaming machines in its new tenancies or renewals; requirements in relation to premises insurance, the use to which pub-owning businesses may put evidence gained from flow monitoring equipment and circumstances in which terms in a tenancy will be deemed void or unenforceable.

The Pubs Code also sets out the nature and duration of the Pubs Code protections that a tied tenant will continue to enjoy if their tenancy ceases to be held by a pub-owning business with more than 500 tied tenants; and the circumstances in which certain types of agreement by which the tenant occupies and operates the pub will be exempt from the Pubs Code.

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

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

## 2. The PCA



Paul Newby was the independent, statutory PCA in England and Wales until 02 May 2020. The Adjudicator is a Ministerial appointment and a corporation sole. The statutory office of the Adjudicator was created by section 41 of the Small Business, Enterprise and Employment Act 2015 (SBEE Act 2015), which places statutory, financial and reporting obligations on the holder of the office. Fiona Dickie succeeded Paul Newby as the Adjudicator on 03 May 2020. She was the Deputy Pubs Code Adjudicator in England and Wales prior to her appointment as the PCA. The Deputy Adjudicator was a public appointment pursuant to paragraph 4 of Schedule 1 to the SBEE Act 2015.

The PCA moved offices on 18 August 2021. The Registered office is now:

4th Floor,  
23, Stephenson Street,  
Birmingham  
B2 4BJ.

The PCA is responsible for ensuring compliance with the Pubs Code. To do this, the Adjudicator has broad statutory powers to issue advice and guidance on aspects of the Pubs Code and the regulatory framework; to require pub-owning businesses to provide information on their compliance with the Pubs Code and on the management of their tied pub estates covered by the Pubs Code; and to monitor the day-to-day operation of the Pubs Code.

The Adjudicator has a statutory duty either to arbitrate disputes between tied tenants and their pub-owning businesses under the Pubs Code framework that are referred to the PCA or to appoint an alternative arbitrator.

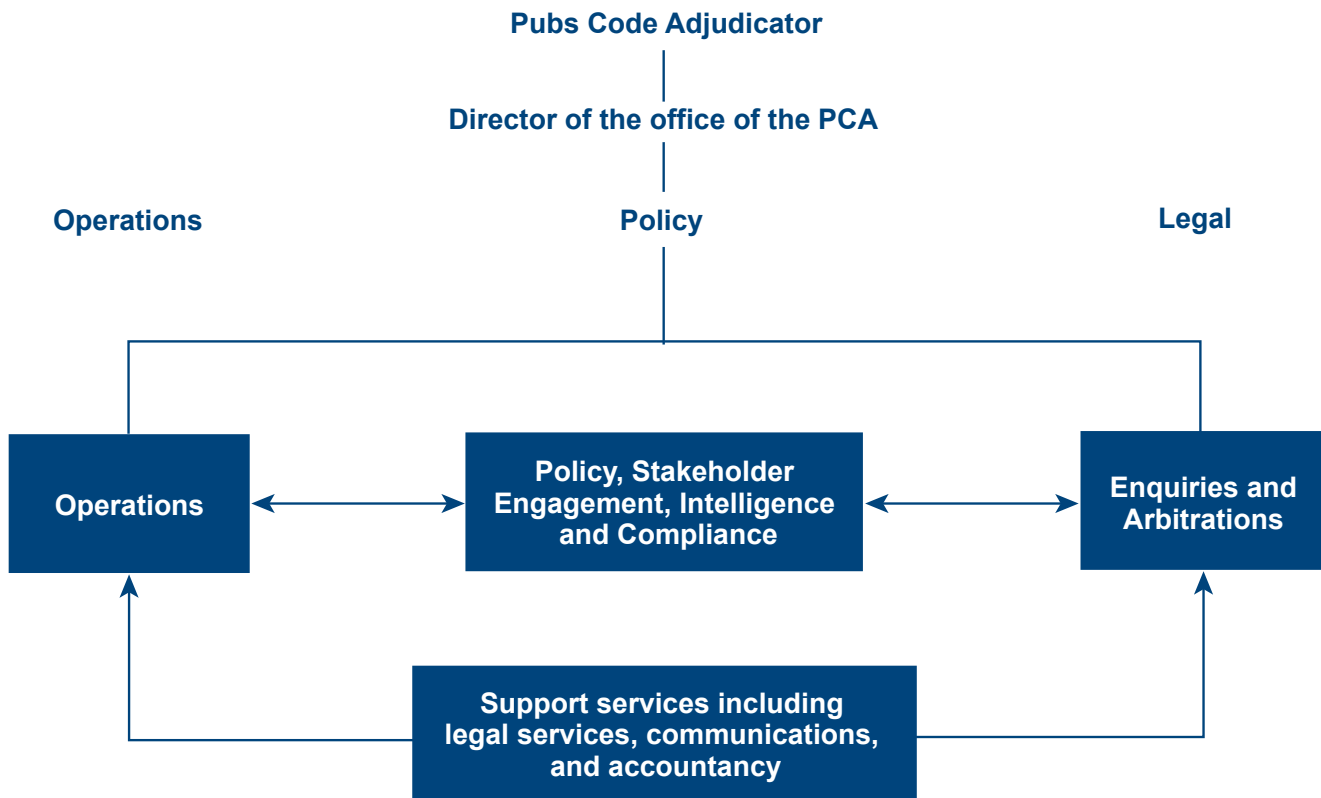
The PCA has statutory powers to investigate, where the Adjudicator has reasonable grounds to suspect that there have been breaches of the Pubs Code; and subsequently to take the enforcement action the PCA considers necessary in the event that a breach is found.

The PCA has a statutory duty to report to the Secretary of State any practices by pub-owning businesses that, while Pubs Code-compliant, the Adjudicator believes meets the test for an unfair business practice set out in section 71A of the SBEE Act 2015.

### 3. The office of the PCA

From 1 April to 02 May 2020, the office of the PCA's operational structure included a Deputy PCA. This position was removed from the structure with the appointment of Fiona Dickie as the Pubs Code Adjudicator and who had previously been the Deputy.

The office of the PCA had the following operational structure from 3 May 2020, reflecting the delivery of its key statutory functions.



**Enquiries and Arbitrations:** The PCA continued to operate an enquiry call back service providing information on the Pubs Code and its processes, but it was and continues to be operated remotely during the pandemic. This service was accessed by telephone, email, or via an online form on the website. While the service was mainly used by tied pub tenants, it was available to anyone needing information about the Pubs Code or the PCA.

The PCA recognised that during the COVID-19 emergency everyone in the regulated tied pub sector needed to focus their energies on meeting the challenges of the pandemic safe in the knowledge that important Pubs Code rights were preserved and protected and could be activated once the COVID-19 emergency period was over.

The Pubs Code Adjudicator engaged with each of the six pub-owning businesses (POBs) covered by the Pubs Code and a number of stakeholders to introduce three Declarations during the emergency period which protected the Code rights of tied pub tenants. This was a formalised measure signed by a Director of each of the POBs. Nothing in the Declaration prevented a tied pub tenant from exercising a right under the Pubs Code or making a referral for arbitration to the Pubs Code Adjudicator (PCA) at any time. However, the aim of the Declaration was to preserve certain tenants' rights during the emergency period. It did this by stopping the clock on some important deadlines.

The Adjudicator actively monitored the impact of the emergency on the regulated tied sector and was willing to take further steps to support and maintain tenants' Pubs Code rights if and when they became necessary. In line with the Declaration by POBs on preserving the rights of tied pub tenants during the Covid 19 emergency 43 self-referrals were made by the POBs. However, as in previous years, most referrals still related to the Market Rent Only (MRO) option. The PCA updated the referral form in November 2020 to make it clearer and easier for tied pub tenants to make a referral.

To enable an increased focus on regulatory activity, the PCA continued to exercise her statutory powers, appointing alternative arbitrators in all new and existing cases.

Where a referral was made in relation to a MRO Full Response (which included a proposed MRO compliant tenancy) a three-month initial stay was offered. This offer of an initial stay was introduced in November 2018. It allowed the parties to agree this further period to negotiate the proposed tenancy. If the parties reached a settlement during this time and the referral was withdrawn, there were no arbitrator costs charged and the referral fee was refunded (minus a £50 administration fee). Also, where the methodology for calculating the levy (by which the PCA is funded by the pub-owning businesses) was in whole or in part by reference to the number of accepted arbitration cases involving that pub-owning business, the case was treated as a referral only and not an accepted arbitration case. This recognised that a timely settlement not only benefitted the parties, but also reduced the impact on the PCA's resources.

The PCA continued to publish arbitration awards on its website where possible and increased its resource capacity to do this. The publication of awards continued to help the industry to understand previous decisions made by arbitrators. Tenants have increasingly referred to published awards, indicating that the improved transparency enabled a more equal understanding between pub-owning businesses and tenants as to the application



of the Pubs Code. The PCA continued to work towards the timely publication of awards in the fullest detail possible.

Following the government's statutory review of the PCA's performance and effectiveness of the Pubs Code, the PCA has been working to act on the recommendations in 3 key areas, namely preparing for the introduction of performance measures in a number of areas of work including arbitrations, the publication of awards and the introduction of arbitrator standards, which all arbitrators will need to agree to adhere to when taking on any new appointment.

The performance measures will show how the PCA is performing against clearly defined standards and will in some cases create a baseline from which to measure change. This will help the PCA to identify areas for improvement as well as being more transparent in the way the office works. The PCA will report on the measures annually.

In line with the continued focus on regulatory work, the PCA began work on the tender for Arbitration Referral and Management Services. The PCA is looking to appoint a sole provider that will take on the end-to-end case management and administration of the arbitration service.

**Policy, Stakeholder Engagement, Intelligence and Compliance:** The PCA has continued to regulate in line with the principles-based framework outlined in the Regulator's Code.

At the beginning of the COVID-19 outbreak, the PCA had quickly to understand the issues facing the industry and put steps in place to preserve the rights of tied pub tenants during the crisis and beyond.

The PCA worked with the POBs and the wider community of tied tenants and tenant groups to ensure that the principles of the Pubs Code continue to be upheld in the face of the very difficult circumstances of the COVID-19 outbreak. As mentioned above, three Declarations were signed by each pub company, coinciding with the three lockdown periods, to protect certain rights afforded to the tenants under the Pubs Code. The PCA recognised that tenants and the pub companies would need to focus their energies on meeting the challenges of COVID-19, in the knowledge that Pubs Code rights were preserved. The Declarations have ensured that tenants' rights have been preserved during each lockdown period and these measures have been effective.

The PCA has worked collaboratively, where appropriate, with POBs to bring about beneficial change in the sector. It is therefore important that the PCA had regular contact with senior leaders of all the pub-owning businesses to maintain a dialogue with those regulated under the Pubs Code.

The PCA is committed to being transparent about the outcome of regulatory interactions with POBs and what this means for TPTs. An example of this has been the Pubs Code Action stories that are published on the PCA website. Transparency is important for everyone across the industry and the Action stories are one way in which the PCA has made the operation of the Code clearer for all.

During the reporting period the PCA engaged in discussions with pub-owning businesses on regulatory issues arising out of arbitration cases, statutory compliance reports and other sources of intelligence.

**Operations:** The Operations team continued to manage the systems and processes in place to ensure the smooth running of the PCA office throughout the reporting period. Performance measures were published on 1 April 2021 and can be found [here](#), and a reporting process developed.

Finance processes, previously managed in the office, were quickly adapted to facilitate the 100% remote working arrangement following Covid-19 and government guidance to work from home. Online recruitment exercises were successfully completed, and three new members of staff inducted remotely. The PCA's 2019–20 audit was carried out remotely in November 2020, and the 2019–20 annual report and financial statements were certified and laid in the House on 28 January 2021 and the document can be found [here](#)

Since the inception of the Code, the Adjudicators have been very careful never to discuss individual cases which are or may be the subject of arbitration under the Pubs Code.





# Key issues and risks



The PCA Management Board (see page 27 Governance Statement) is responsible for supporting the PCA with identifying, monitoring and mitigating issues and risks associated with the operation and administration of the office of the PCA and the exercise of the statutory functions of the PCA during this reporting period.

The office of the PCA established a formal structure for the management of operational risks during 2019–20.

This was reviewed during the autumn of 2020 and further checks and balances were incorporated to enhance the process.

As in previous years, an important challenge for the office of the PCA has remained the reputational risk associated with managing stakeholder expectations about the impact of the Pubs Code in general, including the take-up of MRO.

The key strategic risks which impacted on the reputation of the PCA during this reporting period were:

## Staffing and Operational resilience

The office of the PCA continued to face challenges during the 2020/21 reporting period in recruiting and retaining staff in key operational and policy positions. The PCA worked hard to mitigate these constraints on its capacity by building resilience through adopting more flexible and innovative ways of working. Throughout the whole of the reporting period, the PCA followed government guidance and worked remotely due to the global impact of Covid-19 pandemic. The BEIS sponsorship team and the PCA agreed to and developed first arrangements for a people-strategy to better support the recruitment and retention of its staff enabling the PCA to second employees through BEIS. Effective learning and development objectives for staff linked to the PCA's strategic objectives and the development and delivery of cyclical in-house Code training were put in place for PCA staff.

## Managing the responsibilities of arbitrator and regulator

Cases have continued to be referred to the PCA for arbitration in significant numbers throughout 2020–21. Alternative arbitrators have been appointed for all new referrals made during the reporting period and the majority of existing in-house arbitration cases have been sent to alternative arbitrators to arbitrate. However the administrative burden remained significant throughout the year, so plans were put in train to develop Arbitration Standards and procure a third-party contractor to manage the administration of the PCA's arbitration service in the next financial year.

# The Pubs Code Adjudicator: Strategic Objectives and Performance Analysis



The principal purpose of the PCA is to be an effective enforcer of the Pubs Code in line with the core Code principles: fair and lawful dealing by pub-owning businesses in relation to their tied pub tenants; and that tied pub tenants should be no worse off than if they were “free of the tie”.

In achieving this, the PCA strives to be an excellent place to work where our people can thrive and fulfil their potential.

The PCA has four strategic objectives:

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

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

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

The PCA publishes information, advice and guidance to help tenants understand and access their rights under the Code. Where possible and in the public interest the PCA makes arbitration awards publicly available and makes clear to pub-owning businesses the PCA's expectations regarding Code compliance. Information obtained from stakeholders tells the PCA how well the Code is understood and is used to guide the PCA's approach to disseminating information. In February 2020, a tender was released to procure a third-party organisation to undertake an Agile Discovery project to understand how tied tenants want to

receive information from the PCA.

The successful organisation started work in early June and the output from this project is providing the PCA with recommendations on the next steps.

The PCA joined Facebook and Twitter and continues to develop its on-line presence.



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

The PCA is in regular contact with the Code Compliance Officers, convening all six of them together where this supports communication and regulatory development; and holds regular bilateral meetings with their chief executives to discuss matters relating to Code compliance. The PCA issues specific advice on Code compliance individually and collectively to the industry as required.

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

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

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

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



## Statutory performance summary of PCA activity for the period 01 April 2020 to 31 March 2021

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

62 annual report

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

The reporting in this annual report covers the period 01 April 2020 to 31 March 2021. For the year 2020–21 the PCA is reporting on both:

- the arbitration activity specified in section 62(2)(a);
- investigations carried out by the PCA and section 55 enforcement measures (section 62(2)(b) and (c); and
- the cases in which the specific arbitration functions under section 45(1) in relation to the MRO option have been exercised (as required in section 62(2)(d)).

On 12 July 2019 the PCA launched an investigation into Stars Pubs and Bars under section 53 SBEE Act 2015, with a report published in October 2020 (see page 19). The PCA has exercised her powers of enforcement (see sections 56–58 SBEE Act 2015) requiring recommendations to be followed, issued a Penalty Notice imposing a financial penalty, and has required information to be published.

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

**Summary of arbitrations conducted by the PCA during the period 01 April 2020 to 31 March 2021 (section 62(2)(a)) compared with the same reporting period in 2019–20:**

	2020–21	2019–20
Total number of cases (including those related to the offer of a (market rent only option) accepted by the PCA for arbitration during the reporting period (** includes 43 self-referrals by POBs)	96**	82
Number of arbitration cases in which an award was made, including referrals received between 2016–2020 (***) including 28 self-referral orders in 2020–21)	79***	101
Number of arbitration cases in which an award was made following the withdrawal of the referral by the referrer, including referrals received between 2016–2020	4	3
Number of arbitration cases in which the referral was withdrawn, due to a settlement being reached within the initial stay period (The offer of an initial stay was introduced in November 2018 for new MRO referrals)	7	15

**Summary of cases in which the PCA has exercised functions in relation to the offer of a MRO option during the period 01 April 2020 to 31 March 2021. (section 62(2)(d)) compared with the same reporting period in 2019–20:**

	2020–21	2019–20
Total number of cases accepted by the PCA for arbitration in relation to the offer of a market rent only option, during the reporting period	76	73
Number of arbitration cases in which an award was made (** includes 28 self-referrals)	67**	85
Number of arbitration cases in which an award was made following the withdrawal of the referral by the referrer, including referrals received in 2016/17, 2017/18 and 2019/20	2	3
Number of arbitration cases in which the referral was withdrawn due to a settlement being reached within the initial stay period *The offer of an initial stay was introduced in November 2018 for new MRO referrals	7	15

## Duration of arbitration cases that were on-going on 31 March 2021 compared with 31 March 2020: (not a statutory reporting requirement)

	31.03.21	31.03.20
Number of arbitration referrals (accepted cases and referrals under consideration) on 31 March 2021	73	73
Of which:		
Less than 1 month	6	6
Between 1 and 3 months	22	9
Between 3 and 6 months	9	24
Between 6 and 12 months	12	15
Longer than 12 months	24	19

The PCA recognises the extreme circumstances caused by the COVID-19 pandemic and the impact this has had on the length of arbitration cases, particularly with many of the proceedings being stayed (on hold) as a result of refocussing of the parties' time and resource on managing the impact of the pandemic.

The PCA recognises that the length of arbitrations is often impacted by the parties making repeated requests to place the proceedings on hold. In many cases these requests are in addition to the three-month upfront 'initial stay', which is optional to the parties where a referral has been made in relation to a MRO Full Response. The PCA has continued to monitor the impact of the initial stay on early settlements. It is recognised that there is more to do to ensure that disputes are avoided or resolved by the parties, and where they recur that they are resolved with reasonable time and expense.

There remains a significant number of arbitration referrals in relation to the Market Rent Only (MRO) option, with 74 accepted this year. In November 2019, the PCA introduced a new Regulatory Compliance Handbook chapter on MRO proposals, which included a MRO Compliance Record and Declaration to be completed in respect of each MRO proposal, a copy of which is provided to the arbitrator.

## Investigation report into conduct of Star Pubs & Bars was published – recommendations and financial penalty were imposed.

The PCA announced a statutory investigation into Star Pubs & Bars (Heineken UK) in July 2019. This was the PCA's first investigation under section 53(1)(a) of the SBEE Act 2015, which gives the PCA the power to carry out an investigation if it has reasonable grounds to suspect that a pub-owning business has failed to comply with the Pubs Code. The investigation concluded and a detailed report setting out the PCA's findings was published on 15 October 2020. The report is published [here](#).

The PCA found that Star committed 12 breaches of the Pubs Code in respect of various aspects of its approach to the inclusion of stocking terms in its Market Rent Only proposals between July 2016 and July 2019. While a stocking term is permitted in a MRO agreement, to be compliant it must both meet the statutory definition of a stocking requirement in section 68(7) of the 2015 Act and satisfy the tests of reasonableness in regulation 31(2)(c) of the Pubs Code. The PCA found that, in addition to the impact on any individual tenants

who received terms that breached the Code, the policies and practices adopted by Star would have acted as a deterrent to Star tenants seeking to access their Pubs Code rights to go free of tie. The PCA also found a fundamental failure of culture and oversight in respect of Code duties, including not ensuring the Code Compliance Officer's role could be properly effective.

As a result of the breaches, the PCA required Star to publish information to its tenants about the findings and made 8 recommendations under s.56 of the SBEE Act 2015 in respect of action to be taken by Star Pubs & Bars. This included that Star Pub & Bars must offer Code-compliant stocking requirements to classes of tenants specified in the investigation report. Any actions taken by Star to remove or vary tenancy terms (should tenants agree to this), must be without cost to tenants.

The PCA is engaging with Star Pubs & Bars about its Action Plan for complying with the recommendations effectively and efficiently. The Action Plan (published [here](#)) sets out how and by when Star Pubs & Bars intends to deal with each of the 8 binding recommendations made by the PCA. The PCA continues to engage with Star Pubs & Bars to ensure successful implementation of the recommendations, including via regular reporting from the pub-owning business as to progress made towards full implementation. This work continues.

By way of sanction under s.58 of the SBEE Act 2015, following the findings of breach the PCA also imposed a financial penalty of £2 million. The grounds for the imposition of the fine is set out in a Financial Penalty Notice published on 15 October 2020 (published [here](#)). Star Pubs & Bars has launched an appeal in the High Court under s.58(3) against the imposition of the Financial Penalty Notice. This appeal is ongoing.

The PCA was supported by Fieldfisher LLP in the conduct of the investigation. Invoiced costs to the PCA (not including other associated investigation costs) in 2020–21 amounted to £358,655.

The PCA expects to exercise her powers to require Star Pubs & Bars to pay costs of the investigation under s.59(1)(a) of the SBEE Act 2015. There has not yet been a final decision made on costs recovery, or a decision on quantum.

## **Our commitment to the principles of the Modern Slavery Act 2015**

The PCA is committed to the principles of the Modern Slavery Act 2015 and the abolition of modern slavery and human trafficking. As an Equal Opportunities Employer, we are committed to creating and ensuring a non-discriminatory and respectful working environment for our staff.

### **Sustainability**

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

## Diversity

We follow the recruitment processes of our sponsor department BEIS seconding staff through BEIS where appropriate. As BEIS is a Disability Confident Employer, we offer a guaranteed interview to any disabled candidate who meets the minimum criteria. All staff are required to undertake unconscious bias training to increase overall awareness of diversity issues.

## Modern Slavery

Through robust policies and procedures, we continue to take steps to ensure that neither slavery nor human trafficking (together, referred to as 'modern slavery') take place in our organisation or supply chains. This includes the recruitment of colleagues and in our contracts with suppliers.

## Sustainable procurement

We use the Crown Commercial Service framework to procure goods and services where applicable. The procurement service keeps its policies under regular review and works with its partners individually to ensure sustainability goals are achieved.



Fiona Dickie,  
**Pubs Code Adjudicator**  
24 January 2022







# Accountability Report



# Corporate Governance Report

*The following Corporate Governance Report and Governance Statement represent the arrangements in place for the majority of 2020/21 reporting and accounting period. The office of Pubs Code Adjudicator was held by Paul Newby for one month of the reporting period, until 2 May 2020. Fiona Dickie was appointed as the Pubs Code Adjudicator on 3 May 2020.*

## Format of the accounts

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

## 1. Accounting Officer Report

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

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

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

## Risk and Audit Committee

The Risk and Audit Committee supports the Management Board and the Accounting Officer in her responsibility for control and governance, risk management and associated assurance. The composition of these boards is detailed in the Governance Statement on pages 27–29.

Rob Powell, the Strategic Director for Resources at Warwickshire County Council was appointed as Chair of the Risk and Audit Committee in February 2021.

The main areas for the Committee's focus were:

- Risk management including a regular review of the PCA's risk register.
- Recruitment and retention of staff.

- Finance management based on the quarterly finance reports. Embedding the findings from the GIAA's Internal Audit Report, which was issued to the PCA in April 2020.
- Transition arrangements between the PCA and the DPCA at the end of April 2020.
- Certification and laying of the PCA's 2019–20 Annual Report and Financial Statements and an interim 2020–21 audit in January 2021.

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

The composition of this committee is detailed in the Governance Statement on page 27.

For 2020–21 I managed risk using a Risk Register that was coordinated by the Director of the Office of the PCA and was a standing item on our monthly Management Board meetings.

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

### Register of interests:

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

All relevant Senior Civil Service level members of the Management Board were subject to disclosure rules throughout the period.

No interests were registered and disclosed during the reporting period.

### Personal data

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

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

### Audit

The auditor of the PCA is the Comptroller and Auditor General. The audit fee for the period ended 31 March 2021 is £16,500 (2019–20: £12,500).

## 2. Statement of the PCA Accounting Officer Responsibilities

Schedule 1, paragraph 15(1) of the SBEE Act 2015 requires the PCA to keep proper accounts and records in relation to those accounts. For each financial year, the PCA must prepare a statement of accounts in respect of that financial year. That statement must be in

whatever form is directed by the Secretary of State for BEIS; and must be sent by the PCA within the period specified by the Secretary of State to both the Secretary of State and the Comptroller and Auditor General.

The statement of accounts, when certified by the Comptroller and Auditor General, must be laid before Parliament by the Secretary of State.

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

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

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

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

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

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



# Governance Statement

## PCA Governance Framework Approach

### **PCA Governance Statement 2020–21**

#### **PCA Governance Framework Approach**

Paul Newby was the PCA (PCA) at the beginning of the financial year until the end of his term of office on 2 May 2020. Fiona Dickie was the Deputy PCA during that period. Ms Dickie was appointed as the Pubs Code Adjudicator from 3 May 2020. No appointment was made to the role of Deputy PCA following Ms Dickie's appointment as PCA.

The PCA is Accounting Officer for the office of the PCA and is responsible for safeguarding the public funds for which the office has charge and for the day-to-day operations and management of the organisation. A letter of assurance as to the financial arrangements of the PCA was provided by the former PCA to Ms Dickie at the time of her appointment. Throughout 2020–21 the PCA was supported by a Director of the Office of the PCA (initially an interim role which was made substantive within year).

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

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

Transition arrangements between the outgoing and incoming PCA included relevant signed assurances enabling the current PCA to sign the accounts covering the 2019–20 accounting period.

#### **Management Board**

The office of the PCA is directed by a Management Board (the Board) made up of senior members of the PCA. The Board is responsible for supporting the PCA in identifying, monitoring and mitigating issues and risks associated with the operation and administration of the office of the PCA and the exercise of the statutory functions of the PCA during the reporting period. The office of the PCA established a formal structure for the management of operational risks during 2019–20, which was reviewed and revised in 2020–21.

The Board is also responsible for supporting the PCA in the day-to-day operations, including oversight and responsibility for regulatory decisions, finance and people. For the reporting period the Board consisted of the PCA, the Director of the Office of the PCA and, until the end of November 2020, the Head of Regulatory Policy. Two senior appointments with Management Board responsibilities were made at the end of the reporting year, a

Head of Regulatory Engagement appointed and taking up post in February 2021 and a Head of Regulatory Compliance appointed in March 2021 and taking up post after year end. A revised Management Board structure is expected for the next financial year.

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

### PCA Management Board

Comprises the PCA, the Director of the office of the PCA and (until end November 2020) the Head of Regulatory Policy and Compliance. A Head of Regulatory Engagement was appointed in February 2021 and attended the March 2021 meeting. The Board supports the PCA in ensuring the PCA's statutory operations and strategic objectives are met, and decision-making and financial management are carried out appropriately.

The Board met 10 times in the reporting year and was chaired by the PCA. It oversees the management of the strategic risks and closely monitors income and expenditure. Notes of Risk and Audit Committee meetings held throughout the year are reviewed at the next available Board meeting. The Board monitors and receives regular reports and analysis for each area of business, providing the opportunity for robust and constructive challenge and debate amongst its members.

Management Board meeting attendance	
PCA	10
Director of the Office of the PCA	10
Head of Regulatory Policy and Compliance	6
Head of Regulatory Engagement	1

The PCA's risk profile is disclosed in the Performance Report – see page 3.

The Management Board is supported by two other bodies:

### Risk and Audit Committee

The Risk and Audit Committee (RAC) has a pivotal role in ensuring the PCA applies appropriate accounting and auditing standards and adopts an appropriate risk management strategy. The role of the RAC is to provide critical challenge and support to the PCA on the effectiveness of the risk and financial management arrangements. The risk management framework was established by the PCA Management Board to identify, assess and manage risk; playing an important role in ensuring the PCA's reputation for excellent financial and risk management is maintained. The National Audit Office (NAO) attend RAC meetings as Observers. The RAC annually assesses its effectiveness using the NAO's Risk and Audit Committee Effectiveness Checklist tool.

### Governance Board

This Board facilitates the relationship between the PCA and its sponsor body within Government including supporting advice to the Principal Accounting Officer and responsible Minister within the Department for Business Energy and Industrial Strategy on the operation of the PCA and the HM Treasury's Code of Good Practice for Corporate Governance. The Board comprises staff from the office of the PCA and officials from the Consumer and Competition Policy Directorate in BEIS and is chaired by the PCA and BEIS on a rotational basis.

### GIAA Internal Audit

The PCA commissioned the GIAA to conduct a proportionate internal review in 2019. The audit covered the governance and risk management arrangements for the Pubs Code Adjudicator (PCA) and provides an opinion on their adequacy and effectiveness. The final report and the action plan for completing the recommendations was presented at the July 20 RAC meeting. In 2020–21 the PCA's Management Board agreed a proportionate, biennial approach to undertaking an Internal Audit and will consider the timing and focus in the next reporting period.

### PCA's Sources of Funding in 2020–21

Section 63 of the Small Business Enterprise and Employment Act 2015 (the SBEE Act 2015) requires the PCA to seek the consent of the Secretary of State to the raising of the levy for each financial year, based on a business case submitted by the PCA setting out the overall amount of the levy and the shares in which it is to be paid. Section 63 also requires the PCA to publish its levy methodology. Due to the impact of the Covid-19 pandemic and the difficulties affecting the pubs sector, the Secretary of State did not provide approval for the imposition of a levy during the 2020–21 financial year because of the uncertain position for pubs and the decision to close hospitality businesses.

### Funding arrangements for 2020–21

In the absence of raising a levy in 2020–21, Ministers agreed that BEIS would provide "assistance" under paragraph 17 of Schedule 1 to the Small Business, Enterprise, and Employment Act 2015 ("assistance"), and a loan to the PCA to cover the operating costs for 2020–21. PCA funding was based on direct assistance (including staffing, recruitment and IT costs) and a loan (repayable through the levy in the financial years 2021–22 and 2022–23) to cover the rest of the PCA's expenses.

The final loan figure to the PCA for 2020–21 is £1.37m. In addition, BEIS has provided assistance to the value of £0.69m. Total cost to BEIS in 2020/21 was £2.06m with £1.37m repayable via future levies.



## Income

For 2020–21 the PCA received funding through the payment of fees by tied pub tenants when referring a case to the PCA for arbitration (£200 per referral).

The PCA received a total of £22,552 in referral fees during 2020–21.

The PCA also recoups PCA arbitration costs from pub-owning businesses – in this year predominantly small sums relating to the appointment of an arbitrator in cases where tied pub tenants have referred a case to the PCA for arbitration and the PCA has exercised her discretion to appoint an alternative arbitrator.

Arbitration fees in the current year represent a net cost of £8,443 following a reassessment of accrued income at 31 March 2020.

The PCA launched an investigation in July 2019 against Star Pubs & Bars (Heineken UK), and whilst the investigation was concluded in October 2020 the case was ongoing at 31 March 2021. All costs up to and including 31 March have been recognised in this financial year.

## Tax Review IR35

Reporting on the Tax Arrangements of public sector appointees

All government departments and their arm's length bodies that employ individuals 'off payroll' for more than six months must report to HM Treasury about the financial arrangement, to make sure it is transparent and that the individual in question is paying the right amount of tax and National Insurance (NI). During the reporting period the PCA had 2 off payroll individuals and assurances were obtained that these people were compliant. All other PCA staff are secondees who pay tax and national insurance through their home Department's payroll.

## Statement of Internal Financial Controls

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

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

- (1) Uses its resources efficiently, economically and effectively, avoiding waste and extravagance
- (2) Plan to use its resources on an affordable and sustainable path, within agreed limits
- (3) Carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for the Exchequer as a whole
- (4) Use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments
- (5) Avoid over-defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders

(6) Have practical documented arrangements for controlling or working in partnership with other organisations as appropriate

(7) Use internal and external audit to improve its internal controls and performance

The PCA has a Government Banking Services administered bank account. Expenses are payable, preferably using BACS in accordance with Managing Public Money. The PCA has adopted the expenses policy of BEIS, its sponsor department.

## Accountant and auditor

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

## Data management

The PCA has processes in place consistent with the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018. The PCA continues to progress a Memorandum of Understanding (MoU) with BEIS in respect of the data controller and data processor relationship.

## Covid-19

The Covid-19 emergency created and continues to create unprecedented challenges to the tied pub trade and therefore to the work of the PCA office. The PCA activated its Business Continuity Plan and followed government guidelines, continuing full homeworking for all staff for the entire reporting year. The PCA-appointed Covid-19 coordinator acted as the PCA point of contact with the sponsor department Covid-19 team throughout 2020–21. The impact of the COVID-19 emergency on the activities of the regulated POBs will continue to be a main focus of the PCA into the new financial year.

The Tied Tenant survey has always been an important tool for understanding the impact of the Pubs Code on those it was introduced to protect. The 2018/19 Tied Tenant survey was devised and run by Ipsos Mori (the successor company to GfK who conducted the 2017/18 survey), with input from the BEIS analysts and sign off from the PCA Management Board. As with the 2017/18 survey both the survey questions and the overall results have been made public. This approach to commissioning and running this research represents a proportionate and compliant approach to the MacPherson Review of Quality Assurance (QA) of Government Analytical Models. The PCA considered it inappropriate to undertake a tied tenant survey in 2020 due to the imposition of three national lockdowns and Covid-19's impact on the pubs sector for much of the year. The PCA intends to procure an independent contractor to deliver a Tenants Survey in 2021–22.

The PCA published her first investigation report in October 2020, relating to the use of stocking requirements by Star Pubs & Bars in its market rent only proposals under the Pubs Code. While the PCA continues to engage with Star as to compliance with the PCA's required recommendations following the investigation, Star is appealing the penalty imposed as a result of finding multiple Code breaches. That litigation is ongoing.

## Statement by the PCA

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

Therefore I have no disclosures of control or funding weaknesses to make for the 2020–21 financial year.



Fiona Dickie,  
**Pubs Code Adjudicator**  
24 January 2022



# Remuneration and Staff Report

## 1. Remuneration policy

The PCA does not have any direct remuneration responsibilities. As the PCA, Fiona Dickie's remuneration is determined by the Secretary of State for BEIS under Schedule 1 to the SBEE Act 2015 and as such she receives a Civil Service pension.

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

The DPCA was a public appointment and was in place until 02 May 2020.

Katharine Diamond was appointed as Director of the Office of the PCA within the reporting year.

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

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

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

Public appointee	Year	Salary £'000	Bonus payments £'000	Pension benefits (to the nearest £1,000)	Total £'000
Paul Newby**	2020 – 21	10 – 15	0	5	15 – 20
	2019 – 20	135 – 140	0	53	185 – 190
Fiona Dickie***	2020 – 21	120 – 125	0	48	170 – 175
	2019 – 20	85 – 90	0	34	120 – 125
Katharine Diamond**** Director (not a public appointee)	2020 – 21	80 – 85	0	54	130 – 135
	2019 – 20	70 – 75	0	59	125 – 130

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

\*\* Paul Newby the former PCA stepped down from office on 2 May 2020. His full year equivalent remuneration for 2020–21 was a salary of £135,000 – 140,000, pension contribution of £57,000, and total remuneration of £190,000 – £195,000.

\*\*\* Fiona Dickie's full year full time equivalent remuneration in 2020-21 as PCA from 3 May 2020 to 31 March 2021 was salary of £135,000 to £140,000 and pension contributions of £37,000, with pro rata total remuneration of £170,000 – £175,000. Her salary as Deputy PCA for the period 1 April – 2 May 2020 was £5,000 to £10,000 (full year equivalent £80,000 – £85,000) and pension contributions of £3,000 (full year equivalent £34,000) with total remuneration £120,000 – £125,000.

\*\*\*\* Salary quoted included employers' NI and employers pension contributions.

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

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

## 2. Benefits in kind (subject to audit)

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

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

### Real increase in CETV

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

<b>Public appointee</b>	<b>Accrued pension at age 65 as at 31 March 2021 and related lump sum £'000</b>	<b>Real increase in pension and related lump sum at pension age £'000</b>	<b>CETV at 31 March 2021 £'000</b>	<b>CETV at 31 March 2020 £'000</b>	<b>Real increase in CETV £'000</b>
Paul Newby	10 – 15	0 – 2.5	204	200	4
Fiona Dickie	5 – 10	2.5 – 5	95	57	27
Katharine Diamond (not a public appointee)	25 – 30 Plus a lump sum of 5 – 10	2.5 – 5.0 Plus a lump sum of 0 – 2.5	413	365	31

### 3. Civil Service Pension Scheme

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

From 01 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCA is in the alpha scheme.

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

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



## Staff Report

### 1. Staff Costs (subject to audit)

The cost of staff remuneration was:

	Year ending 31-Mar-21 £	Year ending 31-Mar-21 £	Year ending 31-Mar-21 £	Year ending 31-Mar-20 £
	<i>Permanent staff</i>	<i>Other Staff</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	134,868	750,259	885,127	1,395,697
Social security costs	17,236	–	17,236	28,430
Other pension	40,765	–	40,765	67,688
<b>Total</b>	<b>192,869</b>	<b>750,259</b>	<b>943,128</b>	<b>1,491,815</b>

(i) There have been no severance / retirement payments in the reporting year.

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

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

	2020/21	2019/20
Ministerial and public appointments	0.92	1.44
Other Staff*	10.2	11.21

(i) All other staff are secondees.

### 3. Staff composition

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

The composition of Ministerial and public appointments between 01 April 2020 and 02 May 2020 is:

01 April – 02 May 2020	Male	Female
Pubs Code Adjudicator	1	
Deputy Pubs Code Adjudicator		1

The composition of Ministerial and public appointments between 03 May 2020 and 02 March 2021:

03 May – 31 March 2021	Male	Female
Pubs Code Adjudicator	0	1

The composition of the office of the PCA staff is:

Male	3
Female	9

The PCA was supported by specialist advice. This included advice from a press and media specialist, legal services and accountancy support.

Over this reporting period the Adjudicator recruited three new members of staff. There was one internal promotion and two contingent workers contracts covering vacant posts were not renewed.

#### 4. Fair pay disclosure (subject to audit)

The median staff pay figure for the year (based on the lowest to highest but one of the PCA staff as the highest salary has been discounted for this calculation), the range for staff remuneration and the ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid for 2020–21 and the previous year 2019–20 are recorded in the table below:

	2020–21	2019–20
The median staff pay figure (£)	52,697	56,913
The range for staff remuneration is from (£)	Min 20 – 25k Max 135–140k	Min 25 – 30k Max 135 – 140k
The ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid	1:2.61	1:2.42

#### 5. Exit packages (subject to audit)

No exit packages were paid during the reporting period.

#### 6. Expenditure on consultants

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

#### 7. General Data Protection Regulation (GDPR)

The PCA has reviewed all contracts procured with third party organisations to ensure compliance with the General Data Protection Regulation 2018.

No instances of non-compliance were identified.

#### 8. Reporting on the tax arrangements of public sector appointees

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

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



The following tables set out the status of off-payroll contractors engaged by the PCA using the standard reporting format. Recorded off-payroll engagements, or those that reached six months duration between 01 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months.

**Table 1: For all off-payroll engagements as of 31 March 2021, for more than £245 per day and that last for longer than six months.**

<b>Number of existing engagements as of 31 March 2021.</b>	<b>Pubs Code Adjudicator</b>
Number of existing engagements as of 31 March 2021	2
<b>Of which:</b>	
Number that have existed for less than one year at the time of reporting	N/A
Number that have existed for between one and two years at the time of reporting	N/A
Number that have existed for between two and three years at the time of reporting	N/A
Number that have existed for between three and four years at the time of reporting	1
Number that have existed for between four and more years at the time of reporting	1

**Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 01 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months.**

<b>Number of new engagements, or those that reached six months in duration, between 01 April 2020 and 31 March 2021.</b>	<b>Pubs Code Adjudicator</b>
Number of existing engagements as of 31 March 2021	0
<b>Of which:</b>	
Number that have existed for less than one year at the time of reporting	N/A
Number that have existed for between one and two years at the time of reporting	N/A
Number that have existed for between two and three years at the time of reporting	N/A
Number that have existed for between three and four years at the time of reporting	N/A
Number that have existed for between four or more years at the time of reporting	N/A

## 9. Staff sickness absences

During the year the average proportion of working days lost to sickness for the PCA for the 12 months to 31 March 2021 was 3 days. The PCA is committed to supporting the physical and mental health of the team and fostering wellbeing is a key element of our focus.

## 10. Staff policies and other employee matters

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



# Parliamentary Accountability Report

## Parliamentary Accountability Disclosures (subject to audit)

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 PCA has nothing to report in respect of losses and special payments, remote contingent liabilities, fees and charges, income or gifts. For contingent assets see page 60, Note 11 Contingent Liabilities & Assets.



Fiona Dickie,  
**Pubs Code Adjudicator**  
24 January 2022



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

## Opinion on financial statements

I certify that I have audited the financial statements of The Pubs Code Adjudicator for the year ended 31 March 2021 under the Small Business, Enterprise and Employment Act 2015. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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

In my opinion, the financial statements:

- give a true and fair view of the state of The Pub Code Adjudicator's affairs as at 31 March 2021 and of its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Small Business, Enterprise and Employment Act 2015 and Secretary of State directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Pubs Code Adjudicator in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Pubs Code Adjudicator's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pubs Code Adjudicator's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Adjudicator with respect to going concern are described in the relevant sections of this certificate.

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

## Other Information

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Adjudicator, as Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

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

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Small Business, Enterprise and Employment Act 2015; 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

In the light of the knowledge and understanding of the Pubs Code Adjudicator and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury’s Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury’s guidance.

## Responsibilities of the Adjudicator for the financial statements

As explained more fully in the Statement of PCA Accounting Officer’s Responsibilities, the Adjudicator, as Accounting Officer, is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Adjudicator determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error.
- assessing the Pubs Code Adjudicator’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Adjudicator anticipates that the services provided by the Pubs Code Adjudicator will not continue to be provided in the future.

## Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Small Business, Enterprise and Employment Act 2015.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

My procedures included the following:

- Inquiring of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to the Pubs Code Adjudicator's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Pubs Code Adjudicator's controls relating to the Small Business, Enterprise and Employment Act 2015 and Managing Public Money;
- discussing among the engagement team and involving relevant external specialists, including taxation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
- obtaining an understanding of Pubs Code Adjudicator's framework of authority as well as other legal and regulatory frameworks that the audited entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the audited entity. The key laws and regulations I considered in this context included the Small Business, Enterprise and Employment Act 2015, Managing Public Money, Employment Law, tax Legislation.

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

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

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

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

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

## Report

I have no observations to make on these financial statements.

**Gareth Davies**

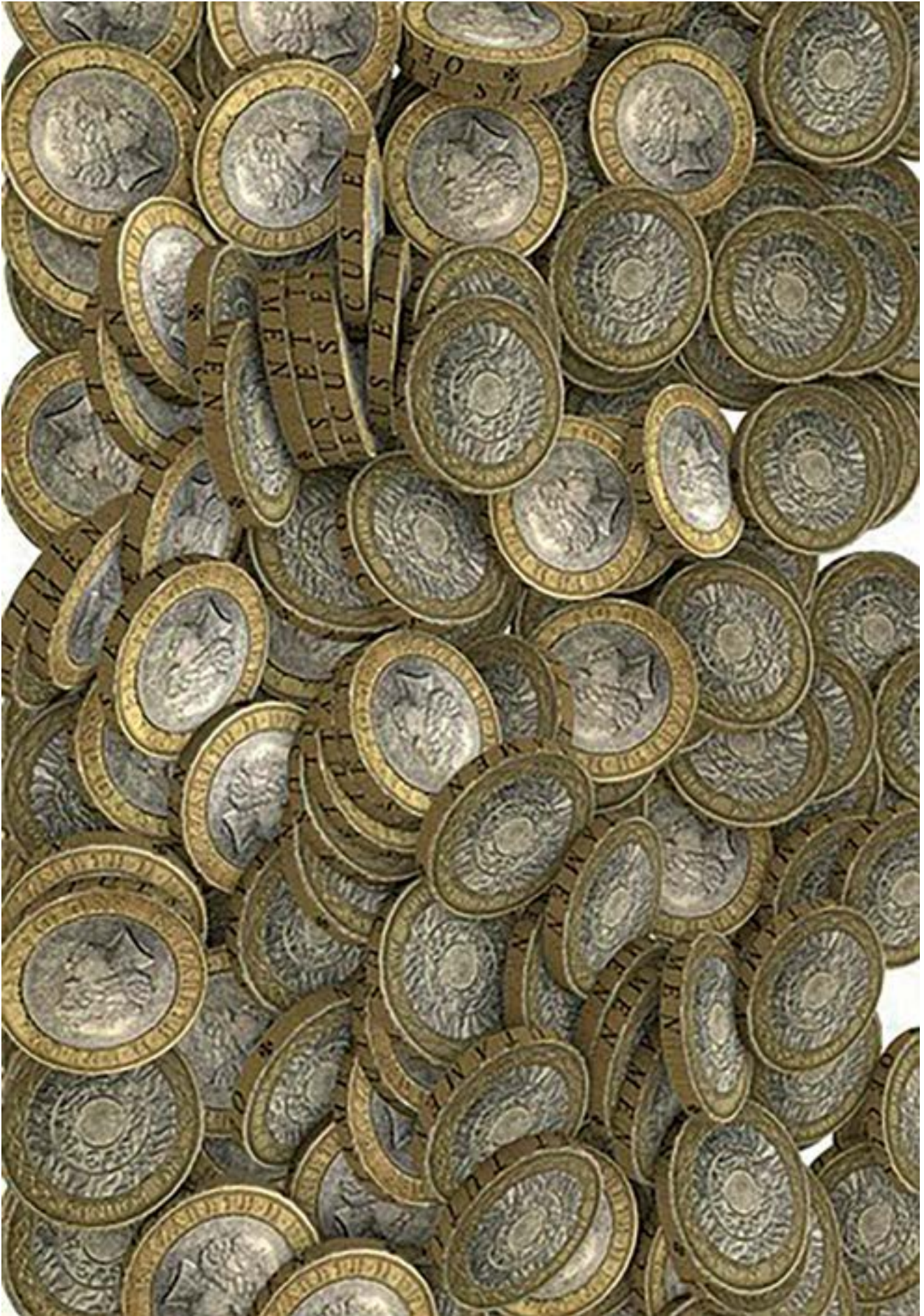
27 January 2022

**Comptroller and Auditor General**

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







# Pubs Code Adjudicator Financial Statements for the year ended 31 March 2021.

## **Format of the accounts**

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



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

	Note	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
<b>Expenditure</b>			
Staff Costs	2	943,128	1,491,815
Other Expenditure	3	937,413	796,073
		1,880,541	2,287,888
<b>Income</b>			
Other income	4	(1,880,541)	(2,287,888)
<b>Net Expenditure</b>		–	–
<b>Net Expenditure after interest</b>		–	–
<b>Net Expenditure after interest and tax</b>		–	–
<b>Total Comprehensive Expenditure for the year ended 31 March</b>		–	–

The notes on pages 52 to 61 form part of these financial statements.

There was no other Comprehensive Expenditure.

# Statement of Financial Position as at 31 March 2021

	Note	As at 31-Mar-21 £	As at 31-Mar-20 £
<b>Non-current assets</b>			
Accrued income	5	751,406	–
<b>Total non-current assets</b>		751,406	–
<b>Current assets</b>			
Contract asset	6	429,122	–
Receivables and other assets due within one year	6	23,052	98,518
Cash and cash equivalents	7	718,050	1,288,124
<b>Total current assets</b>		1,170,224	1,386,642
<b>Total assets</b>		1,921,630	1,386,642
<b>Current liabilities</b>			
Contract liability	8	–	767,065
Trade and other payables	8	549,630	619,577
Loan	8	274,000	–
<b>Total current liabilities</b>		823,630	1,386,642
<b>Current assets less current liabilities</b>		1,098,000	–
<b>Non-current liabilities</b>			
Loan	8	1,098,000	–
<b>Assets less liabilities</b>		–	–
<b>Taxpayers' equity</b>			
Income and expenditure reserve		–	–

The notes on pages 52 to 61 form part of these financial statements.



Fiona Dickie,  
**Pubs Code Adjudicator**  
24 January 2022

# Statement of Cash Flows for the year ended 31 March 2021

	Note	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
<b>Cash flows from operating activities</b>			
Net operating cost		–	–
(Increase)/decrease in accrued income	5	(751,406)	–
(Increase)/decrease in receivables	6	(353,656)	17,360
(Decrease)/Increase in payables	8	(837,012)	77,253
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1,942,074)</b>	<b>94,613</b>
<b>Cash flows from financing activities</b>			
Proceeds of BEIS loan	8	1,372,000	–
<b>Net cash inflow from financing activities</b>		<b>1,372,000</b>	<b>–</b>
<b>Net (decrease)/increase in cash and cash equivalents in the year</b>	7	<b>(570,074)</b>	<b>94,613</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,288,124</b>	<b>1,193,511</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>718,050</b>	<b>1,288,124</b>

The notes on pages 52 to 61 form part of these financial statements.

# Statement of Changes in Taxpayers' Equity

	I & E Reserve £	Total Reserves £
<b>Balance as at 31 March 2019</b>	–	–
<b>Changes in Taxpayers' Equity comprehensive expenditure for the year</b>		
Comprehensive expenditure for the year	–	–
<b>Balance as at 31 March 2020</b>	–	–
<b>Changes in Taxpayers' Equity comprehensive expenditure for the year</b>		
Comprehensive expenditure for the year	–	–
<b>Balance as at 31 March 2021</b>	–	–

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

The Secretary of State did not approve the raising of a levy in 2020–21, therefore net expenditure after BEIS assistance is reflected as a contract asset.

# Notes to the Financial Statements for the year ended 31 March 2021

## 1. Accounting Policies

These financial statements have been prepared in accordance with the direction from the Secretary of State for Business, Energy and Industrial Strategy (BEIS) and the 2020/21 Government Financial Reporting Manual (FReM). The particular policies adopted by the PCA for the purpose of financial reporting are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The Annual Accounts have been prepared as directed by the Secretary of State for Business, Energy and Industrial Strategy and certified by the Comptroller and Auditor General in accordance with paragraph 15 of Schedule 1 of the SBEE Act 2015; and have been laid before Parliament by the Secretary of State.

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

### Accounting convention

These accounts have been prepared under the historical cost convention.

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

### Standards not yet effective

IFRS 16 Leases as applied by the Government Financial Reporting Manual (“the FReM”) will be effective for PCA from 1 April 2022. 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.

Current obligations under operating leases are as shown in note 10, Commitments under leases. All lease liabilities are to be measured with reference to an estimate of the lease term, which includes operational lease periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The adoption of IFRS 16 is not expected to have a material impact on the financial statements of the PCA.

### Income

The different income streams are laid out below.

### *Funding arrangements for 2020–21*

The Secretary of State decided not to approve the imposition of a levy during the 2020/21 financial year in view of the difficulties affecting the pubs sector due to the coronavirus pandemic. As a result, BEIS and the PCA agreed an approach to PCA funding providing assistance of £692,404 directly to the PCA and making a loan available of £1,372,000 to cover the rest of the PCA's expenses.

The general levy and associated rebate are variable consideration under IFRS 15. The variable consideration is determined using the most likely amount, being the net expenditure incurred in a levy period.

There is a constraint on the variable consideration, with the income from the general levy determined at the end of the financial year once the financial statements have been finalised and the uncertainty associated with the levy rebate has been resolved.

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

### **Arbitrations**

The costs of arbitration are recognised in full over the course of the arbitration based on the enforceable right to receive payment for performance completed to date. The income from arbitration cost recovery is recognised over the course of the arbitration based on time incurred and agreed recharge rates. Amounts receivable in respect of incomplete arbitrations is shown as a contract asset in note 6, Other Receivables and Other Assets.

### **Investigations**

The PCA has the power to require a pub-owning business(es) to pay some or all of the costs of an investigation, if satisfied that there has been a failure to comply with the Code. Costs required to be paid are recoverable by the Adjudicator as a debt.

The income associated with the recoverable costs of an investigation is a variable consideration. Until the investigation has been completed, including the agreement on a plan for managing the recommendations costs, cannot be ascertained with certainty. Any income from potential investigation cost recovery is to be recognised at the point the PCA determines the outcome. Costs associated with investigations are recognised in full over the course of the investigation. Any fines raised by the PCA arising from investigations are remitted to central government and do not constitute income to the PCA.

The PCA launched an investigation in July 2019 against Star Pubs & Bars (Heineken UK), and whilst the investigation was concluded in October 2020 the case was ongoing at 31 March 2021. All costs up to and including 31 March have been recognised in this financial year.

### **Accrued income**

Investigation income has been accrued and the PCA will determine how this will be recovered following the conclusion of the litigation against Star Pubs & Bars (Heineken UK).



## Going concern

The PCA is a statutory body with ongoing duties and therefore is a going concern with facilities for funding. The Secretary of State confirmed that a levy will not be raised on the pub-owning businesses during 2020–21 due to the uncertain effect of COVID-19 on the pubs sector. The Secretary of State agreed to the imposition of a levy on the six pub-owning businesses on 12 July 2021. In 2020–21 the PCA was funded by the provision of assistance from BEIS and a loan.

## Financial instruments

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

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired. Management determine the categorisation of assets and liabilities at initial recognition and re-evaluate this designation at each reporting date.

The categorisation of financial assets is determined based on both the business model and nature of the contractual cash flows.

### *Financial assets*

The PCA holds financial assets, which comprise of cash at bank, contract asset and other receivables. The contract asset relates to expenses incurred which will be collected from levy due in future periods.

These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Since these balances are normally expected to be realised within 12 months of the reporting date, there was no material difference between fair value, amortised cost and historical cost.

The PCA applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables are grouped based on days overdue.

### *Financial liabilities*

The PCA holds financial liabilities, which comprise of payables, contract liability and the BEIS loan. Contract liability relates to un-spent levy funds which will be brought forward against the levy amounts due in future periods. The BEIS loan is to help support PCA following the pandemic. The BEIS loan has provided financial assistance to the PCA when the Secretary of State confirmed that a levy would not be raised on the pub-owning business in 2020–21 due to the uncertain effect of COVID-19 on the pubs sector. Since the payables were expected to be settled within 12 months of the reporting date, there was no material difference between fair value, amortised cost and historical cost. The final repayable amount of the BEIS loan should be paid back no later than the end of FY22/23 (unless otherwise agreed in writing with BEIS).

## Reserves

### *Income and expenditure reserve*

The Adjudicator accounts for the PCA's accumulated surplus or deficit in the income and expenditure reserve. In the current and previous year, the PCA's expenditure has equalled its income, so the income and expenditure is nil.

## Expenditure

All expenditure is recognised on an accruals basis. Purchases of capital items over £2,000 will be recognised in the accounts as an asset and appropriately depreciated or amortised. There is no property, plant and equipment in these financial statements as there has been no qualifying expenditure.

## VAT

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

## Operating leases

Rental payments for the building lease and the PCA's case management system are accounted for as an operating lease and therefore charged to expenditure on a straight-line basis over the term of the relevant lease.

## 2. Staff costs

### The cost of staff remuneration was:

	Year ended 31-Mar-21 £	Year ended 31-Mar-21 £	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
	<i>Permanent Staff</i>	<i>Other Staff</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	134,868	750,259	885,127	1,395,697
Social security costs	17,236	–	17,236	28,430
Other pension	40,765	–	40,765	67,688
<b>Total</b>	<b>192,869</b>	<b>750,259</b>	<b>943,128</b>	<b>1,491,815</b>

(i) The PCA is a ministerial appointment.

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

(iii) BEIS has provided assistance by funding the salaries which amounted to £650,426 (2020: £Nil). These costs are included above.

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

### 3. Other expenditure

	<b>Year ended 31-Mar-21 £</b>	<b>Year ended 31-Mar-20 £</b>
Accountancy fees	12,600	9,100
Alternative arbitrators	18,805	24,955
Annual licence fees	1,070	1,274
Audit fees	16,500	12,500
Bank charges	473	723
Consultancy	4,938	17,462
General expenses	–	50
Independent assessor fees	1,500	5,880
IT software & consumables.	84,067	77,604
Legal fees	49,940	57,542
Raising tenant awareness	17,508	75,504
Printing, postage & stationery	4,748	6,044
Procured legal resource	195,915	42,300
Recruitment	920	1,164
Regulatory activity	411,357	381,934
Rental costs	108,386	53,540
Repairs and maintenance	–	482
Staff training	4,248	2,871
Subscriptions	4,070	2,153
Travel & subsistence	368	22,991
<b>Total other operating charges</b>	<b>937,413</b>	<b>796,073</b>

In addition BEIS provided IT and recruitment assistance, the costs of which amounted to £41,978 (2020: £Nil). These costs are included above.

## 4. Income

	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
Levy raised	–	3,000,000
Contract asset (contract liability)	422,612	(767,065)
	422,612	2,232,935
Arbitration fees	(8,433)	40,353
Referral fee income	22,552	14,600
Accrued income	751,406	–
BEIS assistance	692,404	–
Total income	1,880,541	2,287,888

Arbitration fees in the current year represent a net cost following a reassessment of accrued income at 31 March 2020.

## 5. Accrued income

Amounts falling due within one year

	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
Accrued income	751,406	–
Total	751,406	–

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

Accrued income relates to the investigation costs into Star Pubs & Bars (Heineken UK). Whilst the investigation was concluded in October 2020, the case is ongoing and the timing of receipt of the £751,406 is uncertain. Accrued income is not past due nor impaired.

## 6. Receivables and other assets

Amounts falling due within one year

	<b>Year ended 31-Mar-21 £</b>	<b>Year ended 31-Mar-20 £</b>
Trade and other receivables	712	53,933
Prepayments	22,340	16,572
	<u>23,052</u>	<u>70,505</u>
Contract asset	429,122	28,013
Total	<u>452,174</u>	<u>98,518</u>

Within the amount shown as contract asset is £6,510 (2020: £28,013) accrued in respect of incomplete arbitrations and £422,612 (2020: £Nil) relating to the contract asset recognised for net expenditure in the year which will be recovered from future levy. Trade and other receivables are not past due nor impaired. The expected credit losses on trade and other receivables are not considered to be material.

## 7. Cash and cash equivalents

	<b>Year ended 31-Mar-21 £</b>	<b>Year ended 31-Mar-20 £</b>
Balance at 1 April 2020	1,288,124	1,193,511
Net change in cash and cash equivalent balances	(570,074)	94,613
Balance at 31 March 2021	<u>718,050</u>	<u>1,288,124</u>

The following balances at 31 March 2021 were held at:

Government Banking Service	<u>718,050</u>	<u>1,288,124</u>
Balance at 31 March 2021	<u>718,050</u>	<u>1,288,124</u>

## 8. Trade payables and other liabilities

### Amounts falling due within one year

	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
Contract liability	–	767,065
Trade and other payables	116,789	79,357
Accruals	432,841	540,220
BEIS loan	274,000	–
<b>Total</b>	<b>823,630</b>	<b>1,386,642</b>

### Amounts falling due after more than one year

	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
BEIS loan	1,098,000	–
	1,098,000	–

Contract liability solely relates to the un-spent levy due to be returned to the pub-owning businesses. The accruals mainly relate to invoices for the secondment of staff and a more detailed explanation can be found in the Performance Report on page 3.

The BEIS loan was received to support PCA following the pandemic and no interest is payable on this loan. It is to be repaid in line with the terms of the loan agreement which is no later than 31 March 2023. In July 2021, the Secretary of State determined the levy for 21/22 and directed that £274,000 of the levy proposal would be set aside for the purpose of loan repayment.

## 9. Capital commitments

The PCA had no capital commitments (2020: none).

## 10. Commitments under leases

Obligations under operating leases for the following year, as at 31 March 2021 comprise:

	Year ended 31-Mar-21 £	Year ended 31-Mar-20 £
No later than one year	27,113	48,804
Later than one year and not later than five years	–	–
<b>Total</b>	<b>27,113</b>	<b>48,804</b>

The PCA has a service Memorandum of Terms of Occupancy agreement for rent and services. The initial lease term ends on 13 July 2023 but can be terminated at any time after 31 December 2020 subject to six months' notice by either party. The break clause was invoked in February 2021 by the PCA, as the organisation moved to new accommodation in the summer of 2021.

The note shows only the lease commitments for the PCA's building lease. The PCA also holds a lease for their case management system, but these commitments are not material so have not been included in the note.

## 11. Contingent liabilities & assets

An uncertainty exists in relation to ongoing litigation, the outcome of which cannot currently be reliably estimated. The uncertainty affects both the value and timing of receivables relating to an investigation and the possibility of further litigation costs. Future funding arrangements in any relevant year will take into account any impact of this uncertainty.

## 12. Related party transactions

The PCA is a corporation sole funded in the current reporting year by a loan (see note 8) and assistance from BEIS. The PCA has had various material transactions with BEIS, through the provision of payroll for the Adjudicator and ICT services.

Key management personnel are the members of the management board which include permanent staff. None of the PCA members of key management staff undertook any material transactions with BEIS during the year, except for remuneration paid for their services – see the Remuneration and Staff report on page 33.

### 13. Events after the reporting period and Accounting Officer declaration

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

There are no post-balance sheet events to report.

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







