



Groceries Code
Adjudicator



Annual Report and Accounts

Improving
fairness for
suppliers

HC 1326

1 April 2022 –
31 March 2023

Groceries Code Adjudicator Annual Report and Accounts

1 April 2022 – 31 March 2023

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

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Table of Contents

Performance report

- 7 Overview**
- 8 Foreword**
- 12 GCA at a glance**
- 13 2022/23 highlights**
- 14 About the Groceries Code Adjudicator**
 - 15 Background**
 - 16 Purpose and activities of the GCA**
 - 19 The office of the GCA**
 - 20 Risks**
 - 23 Going concern**
- 24 Performance Analysis**
 - 25 Statutory reporting requirements**
 - 25 Strategic objectives**
 - 30 Annual Survey**

Accountability Report

- 37 Corporate governance report**
 - 37 Director's report**
 - 38 Statement of Accounting Officer's responsibilities**
 - 39 Governance statement**
- 47 Remuneration and staff report**
- 54 Parliamentary accountability and audit report**
- 56 The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

Financial Statements

- 63 Statement of Comprehensive Net Expenditure for the year ended 31 March 2023**
- 64 Statement of financial position as at 31 March 2023**
- 65 Statement of cash flows for the year ended 31 March 2023**
- 66 Statement of changes in Taxpayers' Equity for the year ended 31 March 2023**
- 67 Notes to the financial statements**

Contact the GCA

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enquiries@groceriescode.gov.uk

020 7215 6537

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

Performance report

Overview

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

The performance report opens with a foreword from the Adjudicator, Mark White.

For information on significant activities relating to past reporting periods please refer to the Annual Report and Accounts for 2021/22 and preceding years.

Section overview

/8

Foreword

/12-13

GCA at a glance & 2022/23 highlights

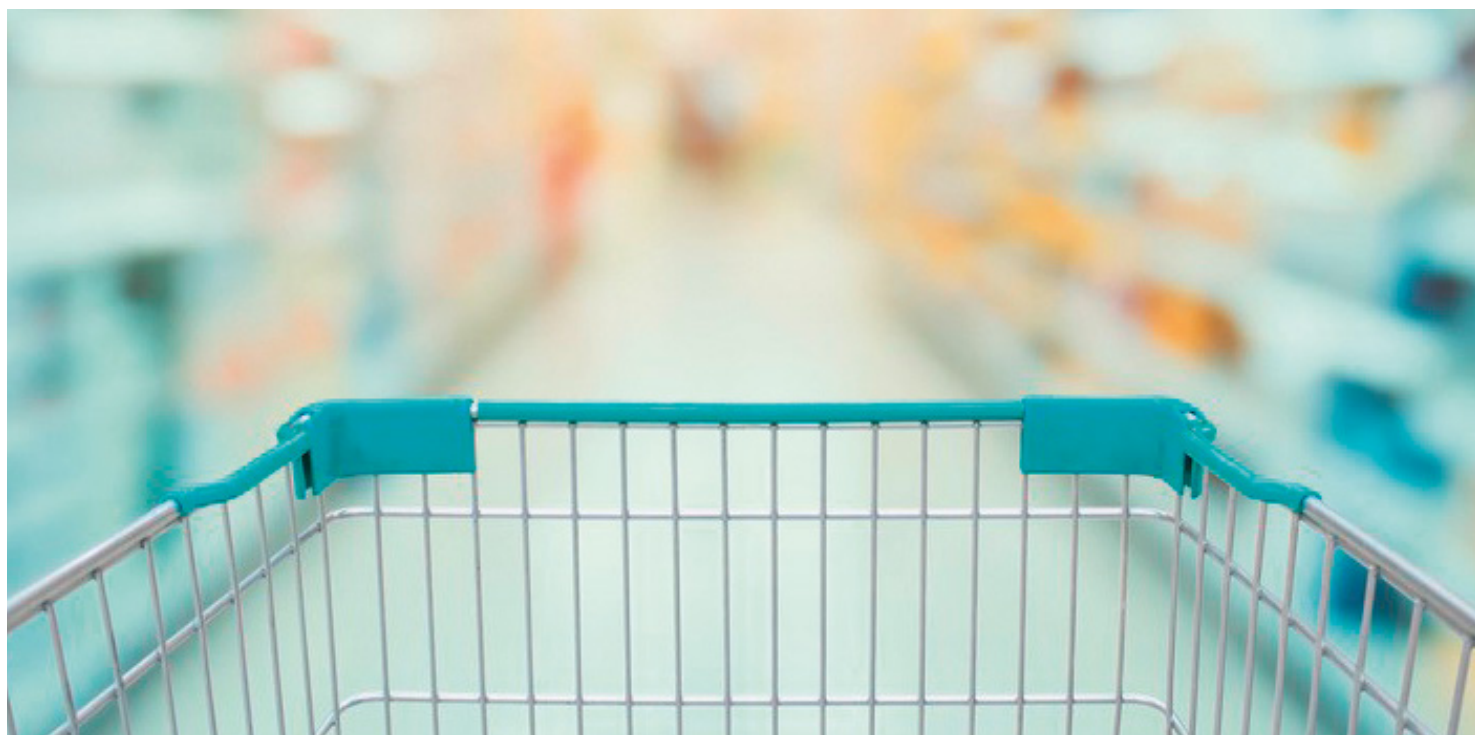
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About the Groceries Code Adjudicator

/24

Performance analysis

Machinery of government changes announced on 7 February 2023 mean sponsorship of the GCA transferred from the Department for Business, Energy & Industrial Strategy (BEIS) to the newly-created Department for Business and Trade (DBT) during the reporting period. References to BEIS in this document may include when an issue arose prior to the changes or where BEIS legacy policies, structures or responsibilities remain relevant.



Foreword

This, the GCA's tenth annual report, provides an opportunity to reflect on the GCA's success over the last decade in improving the treatment of suppliers by designated retailers (Retailers), the challenges faced by the sector in recent years and future challenges during these uncertain times.

The Groceries Code Adjudicator Act, which created the GCA, came into force on 25 June 2013. Suppliers' concerns about fair and lawful treatment by Retailers when the GCA was established were clearly shown in the results of the GCA's first grocery sector survey, conducted in 2014. Scores for overall compliance with the Code for the ten then-designated Retailers averaged 73%. In the 2023 survey, after a decade of action by the GCA, suppliers reported improved compliance, with an average of 92%.

This improved performance also includes four additional retailers designated by the Competition and Markets Authority, most recently Amazon.com, Inc. in 2022.

The annual survey results also show the GCA's success in driving down the incidence of individual issues. In 2014 79% of suppliers had a Code-related issue, including 40% reporting retrospective variation of supply agreements (Paragraph 3 of the Code), 37% reporting unjustified charges for consumer complaints (Paragraph 15) and 36% of suppliers reporting being obligated to contribute to marketing costs (Paragraph 14).

By 2023 reporting of these issues had fallen dramatically, with only 36% of suppliers having any Code-related issue. The most significant Code-related issue in the 2023 annual survey was delays in payments (Paragraph 5) which affected 15% of suppliers. No compensation for forecasting errors or not preparing forecasts with due care (Paragraph 10) was the only other issue affecting more than 10% of suppliers.

Of course, these scores are still too high, and I am determined to improve them. However despite 2022/23 being one of the most difficult trading years since the GCA was created, the direction of travel is still clearly positive.

In the statutory review of the GCA published in 2019 (at the time of publication, the 2022 review is yet to be concluded), the Department for Business, Energy and Industrial Strategy (BEIS) found the GCA to be "highly effective" in enforcing the Code and highlighted the collaborative approach to resolving issues between Retailers and suppliers. I believe that this collaborative approach has been key to the GCA's success in improving relations between Retailers and suppliers and in resolving Code issues.

I have continued this approach since the publication of the 2019 review, including by publishing guidance and best practice documents in response to various issues. These include a voluntary commitment to



confidentiality (agreed by all Retailers and extended during the year to protect suppliers who come forward with Code-related issues), a best practice statement on forensic auditing and 7 Golden Rules for managing cost price increase (CPI) requests. I have continued to work closely with suppliers and their representatives to understand their concerns, which shape the GCA's priorities. I am pleased that ten years after its establishment most suppliers know about the GCA and my role and would come to me if they faced a Code issue.

The regulatory approach developed by the GCA over the last decade has continued to be effective through 2022/23, which has been a challenging year for the entire sector. Inflation remained stubbornly high throughout the year, reaching almost 17% for food and non-alcoholic drinks in the year to December 2022 according to the Office of National Statistics.

This inflation has tested the relationships between suppliers and the 14 Retailers. Suppliers have seen their input costs rise, and most have therefore requested CPIs from Retailers. Retailers have described efforts to respond to these requests from suppliers, while seeking to keep down retail prices and remaining competitive. Some of these negotiations have been difficult. Some have failed, leading to goods not being available to consumers and I have heard first hand from suppliers about the challenges they have faced in negotiating CPIs with Retailers.

Regardless of the outcome of the CPI request, which is not covered by the Code, Retailers must treat suppliers fairly and lawfully during negotiations. Throughout 2022/23 I have worked with Retailers to ensure they are moving towards best practice, as set out in my 7 Golden Rules, which all Retailers agreed to in January 2022. I have focussed on those issues that suppliers told me were most important

to them, including excessive requests for information, a lack of communication around predicted timelines and delayed implementation of agreed price rises.

My annual survey is a key moment for the GCA and provides vital information on suppliers' concerns and Retailers' behaviour. I was glad to receive more than 2,000 responses for the third successive year and I am grateful to all the suppliers who took the time to respond, and the Retailers and trade associations who helped to promote it. With the previous survey showing worsening relationships between Retailers and suppliers, I was pleased that the 2023 survey results show compliance with the Code holding steady despite the challenges facing the sector.

The survey results show that, despite their prominence, CPI negotiations were not the only issue that suppliers were concerned about.

In some cases the challenges created by higher inflation have exacerbated issues that were already affecting the sector. For example, some inexperienced buyers have been ill-prepared to manage the sheer number of CPI requests being received, and seem not always to have received the support they needed from the Retailer. This may have contributed to slow responses to requests from suppliers, delaying negotiations and increasing risk for suppliers. Throughout the year I have encouraged Retailers to support their buyers, including through improved training, mentoring and management.

Suppliers also continue to report concerns about Retailers' approach to de-listing. I have discussed the requirements of the Code with Retailers, including reminding them of the need to provide reasonable notice. During 2022/23 my team and I also visited Retailer distribution centres to better understand and to rectify issues reported by suppliers that

relate to the delivery of, and payment for, their products.

I want to hear from suppliers that are facing these, or any other Code-related, issues. I also encourage suppliers to contact Retailer Code Compliance Officers, in confidence and I am confident that the Retailers are committed to protecting relationships with those suppliers that do raise Code issues.

I look forward to continuing to work with Retailers, suppliers and trade bodies in the coming year. The last few years have shown how quickly new challenges can arise, but also how quickly the sector can respond when we work together effectively. I hope that the work done by suppliers, Retailers, and the GCA to reinforce relationships that were under strain will leave a stronger groceries sector when inflation falls to a more sustainable level.

While the groceries sector has changed over the past ten years, the GCA's focus on improving treatment of suppliers by the Retailers has been a constant. Looking ahead, while we cannot predict all the challenges that the sector will face, I look forward to continuing as GCA to play this vital role and ensuring Retailers treat their suppliers fairly and lawfully.



Mark White

**Groceries Code Adjudicator and
Accounting Officer**

13 July 2023

GCA at a glance

Designated
retailers



£2m

levy from
Retailers
per annum



13 years of
the Code

13
arbitrations
2013 to 2023



10
sector
surveys



c.£0.8m
operational
expenditure

**Tens of
thousands**
of direct suppliers



formal
investigations
2013 to 2023

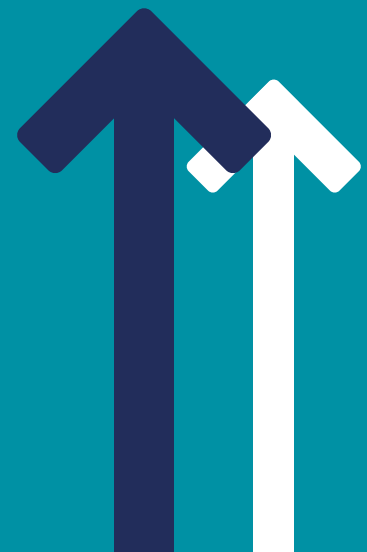
2022/23 highlights



Retailers signed up to extension of the CCO confidentiality commitment

Over 2,300 responses to the GCA annual survey

Visited 7 Retailers' distribution centres



c.500 participants at the GCA annual conference

Newsletters sent to over

1,350

recipients



Engaged with suppliers across the UK, including suppliers in Northern Ireland, Scotland, Yorkshire & the Humber, the West Midlands, London and the South East.



meetings and supplier events

About the Groceries Code Adjudicator

Background

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

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

The Code regulates the relationship between the retailers designated as falling within the remit of the Code (Retailers) and their direct suppliers. The Competition and Markets Authority (CMA) designates those that come under the Code, reviewing the market each year and designating any retailer which has UK annual groceries turnover of more than £1 billion (as defined by the Order).

At the commencement of the Order in February 2010, there were ten designated retailers. This has since increased to 14 Retailers listed below.

Retailers regulated by the GCA (as at 31 March 2023)
















The original 10 Retailers had some time to set up a voluntary ombudsman. When no voluntary ombudsman was set up, the GCA was established on a statutory basis by the GCA Act.

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

The GCA is funded by a levy on the Retailers. The levy methodology is reviewed each year and requires the consent of the Secretary of State (SoS) of the department with responsibility for the GCA (currently the Department for Business and Trade (DBT) but in 2022/23 it was BEIS).

In 2016, the Government undertook a statutory review of the GCA's performance and effectiveness and at the same time called for evidence on both the extension of the GCA's powers and on transfer of its functions to another public body. The [results of the review](#) published in July 2017 concluded that the GCA was regarded as an 'exemplary modern regulator with an international reputation'. Following the call for evidence in 2016, Ministers decided not to extend the remit of the GCA or transfer its functions to another public body.

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

- The GCA continued to be highly effective in enforcing the Code and in exercising its powers.
- The Government would not amend or replace the Groceries Code Adjudicator (Permitted Maximum Financial Penalty)

Order 2015 which provides the maximum financial penalty the GCA may impose.

- No order would be made to restrict the information the GCA may consider in deciding whether to carry out an investigation.
- There was still a need for the GCA to ensure Retailers comply with the requirements of the Code.
- The Government would maintain the GCA and ensure it is funded and resourced to carry out its statutory functions under the GCA Act. It would also work with the GCA to continue to raise awareness of the Code to help suppliers feel empowered to raise issues with the GCA and their Retailers directly.
- The then Department for Business, Energy and Industrial Strategy (BEIS) would work with the Insolvency Service to help raise awareness of the Code and the GCA with insolvency practitioners and their regulators.

From 2022, the government conducted a third statutory review of the GCA covering the period 1 April 2019 to 31 March 2022. On 16 May 2023 the Prime Minister's Office announced that, following the statutory review consultation, the GCA would not be merged with the CMA. DBT plans to publish further results later in 2023.

Purpose and activities of the GCA

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

The GCA works with suppliers and the Retailers to respond quickly to issues and relies on suppliers and others to bring evidence of potential non-compliance to the GCA to achieve this goal. The GCA encourages suppliers, trade associations and other representative bodies to provide information and evidence about how the Retailers are treating their direct suppliers. The GCA treats all information that it receives confidentially and has a legal duty to preserve anonymity.

The GCA also urges suppliers to undertake training on the Code and to follow the latest developments and GCA announcements.

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

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

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

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

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

GCA prioritisation principles

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

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

GCA three stage collaborative approach

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

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

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

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

Stage 3: Take formal action if the practice continues.

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

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

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

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

Litigation between suppliers and Retailers may raise issues of importance to the GCA. In cases where the GCA considers that court proceedings are of relevance to the regulatory regime and may affect the application of its rules generally, the GCA may apply to intervene in those proceedings and may be able to offer assistance to the court in resolving the issues in question.

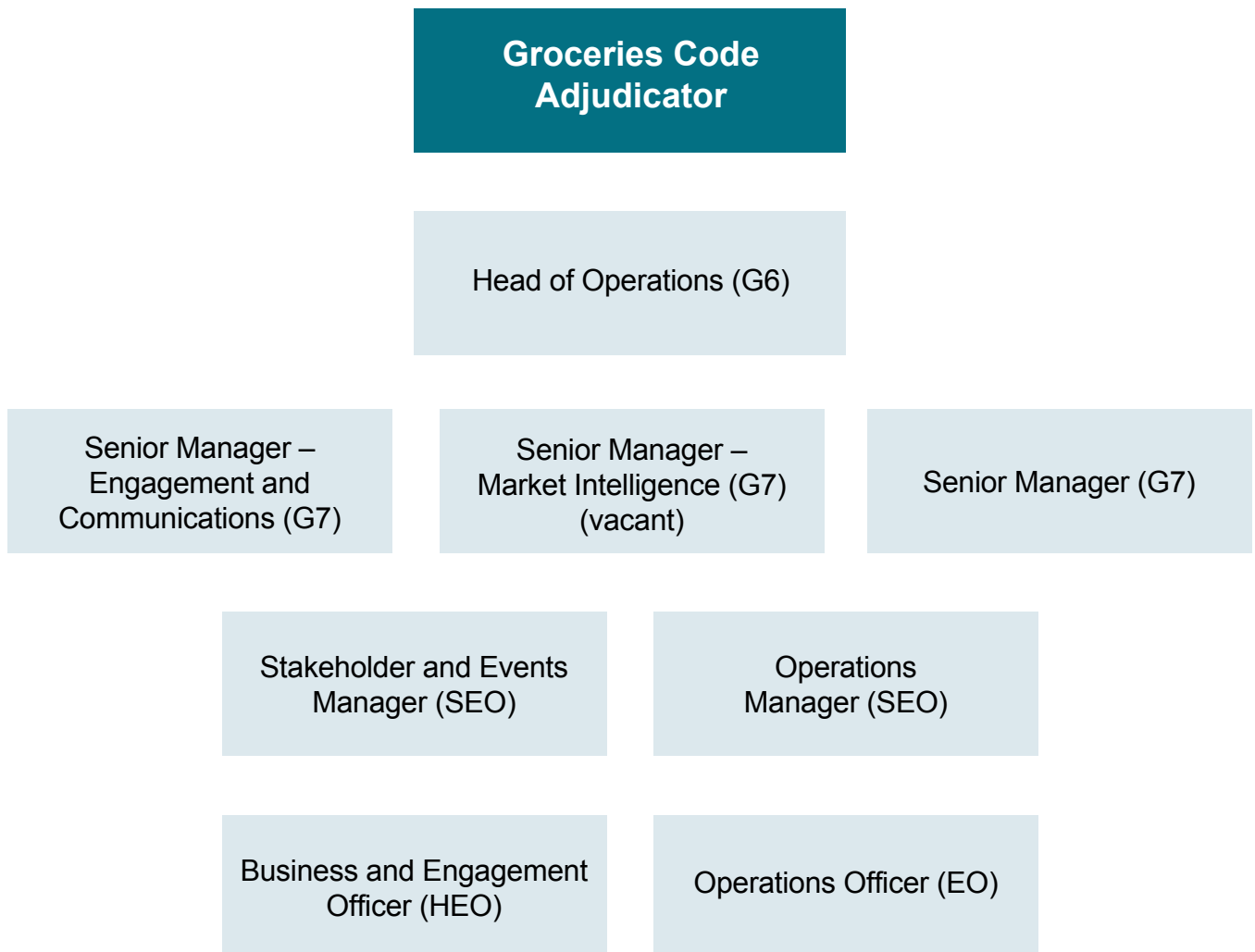
More information is available on the GCA website: www.gov.uk/gca.

The office of the GCA

The GCA is a Corporation Sole and an independent regulator sponsored by DBT. The Adjudicator is supported by a small team of staff, all of whom are seconded from public bodies. Occasionally the GCA calls on additional support from temporary contractors.

Increased spend on staffing in 2022/23 was to take account of greater workload associated with an increased number of Retailers and a return towards normal historical staffing levels.

The current organisation chart is shown below.







Risks

The GCA Audit and Risk Committee (see Governance Statement, page 39) is responsible for identifying, monitoring and mitigating issues and risks associated with the operation and administration of the office of the GCA and the exercise of the GCA’s statutory functions.

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

GCA principal risks						
Key						
Relation of risk to key objectives	Promoting the work of the GCA	Providing advice and guidance	Acting on suppliers’ issues and information	Improving the culture of Code compliance	Relates to all four objectives	
Risk movement		Risk increase		Risk decrease		No risk movement
Risk theme/ description	Strategic objective	Key controls and activities to manage risks	Risk rating			
			RAG	Movement		
Stakeholder management Suppliers do not come forward with evidence		<ul style="list-style-type: none"> The Adjudicator has intensified communications to highlight his legal duty to preserve anonymity and has strengthened relationships with organisations representing suppliers. The Adjudicator has improved messaging to suppliers (including overseas) to enhance their knowledge of the Code, including through the Code Confident campaign and the GCA conference. The ‘tellthegca.co.uk’ online reporting platform allows stakeholders to anonymously raise issues with the GCA 24/7. The GCA publishes on its website Retailer CCO contact details and details of their commitment to confidentiality. 	Green			

Risk theme/ description	Strategic objective	Key controls and activities to manage risks	Risk rating	
			RAG	Movement
		<ul style="list-style-type: none"> All Retailers have agreed to an extension of the CCO confidentiality commitment to ensure that suppliers do not face negative consequences as a result of raising issues. 		
Operational resilience High staff turnover impedes the delivery of the GCA objectives		<ul style="list-style-type: none"> High staff turnover, recruitment or HR issues impeding the delivery of the GCA objectives remains the highest rated risk at the GCA. The GCA has focused on retention and staffing of the GCA team was largely stable in 2022/23. As the GCA's small size and statutory footing continue to contribute to resourcing challenges, the GCA works to mitigate the impact and likelihood of this risk including by: <ul style="list-style-type: none"> Placing more emphasis on succession planning. Using better recruitment options in consultation with DBT. Improving mechanisms for staff handover and knowledge retention. 	Red	➔
Relations with Retailers Established collaborative approach and/or regulatory framework is challenged by existing or additional designated Retailers		<ul style="list-style-type: none"> The Adjudicator has worked with Retailers to improve understanding of the benefits of the collaborative approach and established regulatory framework through: <ul style="list-style-type: none"> regular meetings throughout the year with Retailer CCOs and additional meetings on an ad-hoc basis when specific issues arise. direct engagement with Retailer Audit Chairs, CEOs and buyers as well as CCOs to ensure a culture of compliance throughout the business. 	Amber	➔

Risk theme/ description	Strategic objective	Key controls and activities to manage risks	Risk rating	
			RAG	Movement
		<ul style="list-style-type: none"> The Adjudicator has successfully worked with newly designated retailers (most recently Amazon) to promote a good understanding of the GCA’s approach to regulation throughout the businesses. The GCA has increased face-to-face engagement with Retailers, meeting 12 of 14 Retailers in person in the reporting period. 		
<p>Legal or policy changes</p> <p>Changes in the legal or policy environment impede the delivery of GCA objectives.</p>		<ul style="list-style-type: none"> The Adjudicator remained abreast of issues affecting the grocery sector and the Code. The GCA engaged directly with government decision makers to communicate and understand emerging issues and the possible impact on the delivery of GCA objectives. The GCA engaged with the DBT statutory review of the GCA 2019-2022 to develop a strong sponsor department understanding of current delivery of objectives and the likely impact of any change in the legal status of the GCA. The GCA continued to closely manage its relationship with DBT, including through regular meetings with relevant officials. 	<p>Amber</p>	

Going concern

The GCA will receive levy income for 2023/24 to fund its activities. The SoS gave consent to the proposed GCA levy for 2023/24 on 8 June 2023. The total proposed levy for 2023/24 is set at £2 million and is evenly split between the Retailers with no variable element. Any additional retailer designated under the Order by the CMA during the year will pay 1/14 of the total levy, pro-rated to reflect the proportion of that GCA financial year remaining. Any levy funds received because of additional designations will increase the size of the total levy for the year to over £2 million. These additional levy funds are necessary to allow the GCA to increase the level of resource required to regulate additional Retailers effectively. A going concern basis for the preparation of these financial statements has been adopted as appropriate.

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



Performance Analysis

This section of the GCA Annual Report reviews the GCA's performance during the 2022/23 reporting period.

Statutory reporting requirements

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

GCA statutory reporting requirements and performance in 2022/23

Disputes referred to arbitration under the Order

- There was one ongoing arbitration at the end of the prior year reporting period. This was ongoing at the end of the 2022/23 reporting period.
- The GCA accepted appointment as arbitrator in two further arbitrations, one of which was concluded within the 2022/23 reporting period, and one of which was ongoing at the end of the reporting period.

Investigations carried out by the GCA

- No new investigations were launched during the reporting period.

Cases in which the GCA has used enforcement measures

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

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

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

Strategic objectives

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

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

The GCA considers that these objectives remain fit for purpose. A summary of performance against these objectives is provided in the table below. The following pages provide a more detailed analysis.

GCA performance against strategic objectives in 2022/23

Objective 1: Promoting the work of the GCA

- The GCA held more than 170 meetings with Retailers, suppliers, trade bodies and other stakeholders.
- The Adjudicator regularly engaged with stakeholders through multiple channels. For example, he conducted several media interviews, including with The Grocer and the BBC Radio 4 Today programme, published four news stories on GOV.UK and four newsletters which were circulated to over 1,350 subscribers. The GCA also held a virtual annual conference, attracting almost 500 participants.
- The GCA regularly refreshed its Code Confidential pack and other information on the GCA website to ensure it remained up to date and useful.

Objective 2: Providing advice and guidance

- The GCA updated the CCO confidentiality commitment, with all 14 Retailers committing to also protecting relationships with suppliers if a supplier raises issues with the business directly or with the CCO.
- The GCA worked with all 14 Retailers to ensure their buying teams were following the 7 Golden Rules when managing CPI requests and monitored the effectiveness of the Rules.
- Amazon UK (Amazon.com, Inc. was designated by the Competition and Markets Authority with effect from 1 March 2022) adhered to the Voluntary Commitment on Forensic Auditing with effect from 16 December 2022 and confirmed that it is committed to achieving best practice in the UK as set out in the Best Practice Statement on Forensic Auditing.
- The GCA presented to a range of trade associations throughout the year, including visiting Scotland to speak to Scottish trade associations and suppliers.

Objective 3: Acting on suppliers' issues and information

- The GCA gathered insight from a range of stakeholders including suppliers and trade associations and raised issues with CCOs (including as detailed in the published minutes of meetings between the GCA and CCOs) and members of the senior management team at the Retailers.
- Retailers made improvements to systems and processes in response to the issues raised by the GCA and informed the GCA about the action they had taken.

Objective 4: Improving the culture of Code compliance

- The GCA held regular meetings with Retailer CCOs, and met Retailer Audit Chairs and CEOs, discussing, among other issues, ensuring suppliers were treated fairly during CPI negotiations.
- The GCA met the Amazon UK Country Manager and held regular meetings with the CCO to support Amazon's transition to Code compliance following its designation.

Objective 1: Promoting the work of the GCA



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

- The GCA annual survey for 2023 shows that 83% of direct supplier respondents were aware of the GCA and 74% had a good or fair understanding of the Code.

Meetings

- During the reporting period, the GCA held:
 - 105 Retailer meetings
 - 20 meetings with suppliers to discuss an issue or issues with a Retailer or Retailers.
 - 46 meetings or events with trade associations and other stakeholders
- These meetings included discussions with relevant stakeholders from Australia, Canada, and Japan about regulation of the groceries sector.

Supplier events

- 15 of the 46 meetings or events above were supplier and trade association events that enabled the GCA to promote its work directly to multiple suppliers and provided an opportunity for suppliers to share their experiences of working with the Retailers.

Code Confident campaign

- The GCA has also continued to promote its Code Confident message directly to suppliers, as well as stressing the importance of being trained in the Code.



- The Code Confident pack is available online and can be downloaded from the GCA website. A QR code allows it to be easily shared, for example through Retailer onboarding packs.
- The Code Confident pack is regularly updated to ensure it accurately reflects the most up to date information that suppliers may need.

Media and communications

- There have been regular articles about the GCA in key trade magazines in addition to the national media. The Adjudicator has conducted several interviews including for The Grocer and the Today Programme on BBC Radio 4.
- The GCA website, YouTube channel and regular newsletters continue to play an essential part in promoting the role of the GCA. In this reporting period, the GCA distributed four newsletters to over 1,350 subscribers. The GCA continually reviews and refreshes the GCA website, attracting more than 5,400 unique page views to the GCA's homepage during the reporting period.

GCA annual conference

- The GCA held its annual conference online on 28 September 2022. Almost 500 guests from the UK and overseas had the opportunity to watch the Adjudicator's keynote address, YouGov's presentation of the GCA survey results, a speech by a BEIS minister and panel discussions on issues facing the sector and support available to suppliers. The panel speakers included several CCOs and other representatives on behalf of the Retailers, and leaders from a wide range of trade associations.

Objective 2: Providing advice and guidance



Advice and guidance to Retailers

- In response to supplier concerns about raising issues directly with the Retailers, the GCA worked with all 14 Retailers to expand the CCO confidentiality commitment to also cover protecting relationships with suppliers. All 14 Retailers confirmed they want to hear from suppliers and work with them to resolve issues. To help accomplish this, they have committed to ensuring that suppliers do not face negative consequences as a result of raising issues with the business directly or with the CCO.
- In December 2022, Amazon UK adhered to the Voluntary Commitment on Forensic Auditing and has confirmed that it is committed to achieving best practice in the UK as set out in the Best Practice Statement on Forensic Auditing. Amazon joined the other 13 Retailers in agreeing to limit the time that each party can reopen audit claims to the current year and the previous two financial years and will conduct audits in a transparent way to reduce the number of invalid claims.
- Following the publication of the 7 Golden Rules for managing CPI requests (in the previous reporting period), the GCA

worked with all the Retailers to ensure their buying teams understood and followed the rules when responding to requests. The GCA has monitored Retailer adherence to the Rules and supplier perceptions of their effectiveness.

GCA website

- The GCA has provided advice and guidance information through its website, including:
 - Information about the updated commitment to confidentiality and protecting relationships with suppliers, Retailer responses to CPI requests, and other issues discussed with Retailers by the GCA.
 - Updated versions of the Code Confident pack including Retailer CCO contact details.
 - Updated guidance on contact details for Retailers' supplier helplines.

Events and meetings

- The meetings and events referred to under objective 1 above enable the GCA to provide advice to suppliers, Retailers and other stakeholders.

Objective 3: Acting on supplier issues and information



Make Retailers aware of issues reported by suppliers

- The GCA gathered insights on supplier issues from a range of sources including the annual survey, meetings with suppliers, trade associations and

other stakeholders, and from direct engagement including through the Tell the GCA platform.

- When the issues fell within the scope of the Code, the GCA raised the issue with the relevant Retailers' CCOs (when

this was possible while appropriately protecting suppliers' confidentiality).

- The GCA's collaborative approach includes regular progress meetings with the CCOs. In the reporting period, the GCA held these in April, July and November 2022 and March 2023. The GCA also met with the chair of each Retailer's audit committee, or CEO or equivalent where the Retailer did not have an Audit Committee chair.

Request that the CCOs investigate the issue and report back to the GCA

- The GCA raised Code issues with the Retailers, including through regular meetings with CCOs and specific meetings about significant issues.

- Retailers reported back on issues raised by the GCA, including in their regular progress reports. Actions taken by Retailers included making improvements to systems and processes, communicating with buying teams to remind them of expected behaviours and running training sessions to reduce the risk of issues occurring or recurring.
- During the reporting period, the GCA worked with the Retailers on issues including responding to CPI requests in line with the 7 Golden Rules, de-listing procedures, buyer behaviour and training, goods-in processes, retrospective audits, and encouraging feedback from suppliers.

Objective 4: Improving the culture of Code compliance



Annual Compliance Reports (ACRs)

- The GCA analysed the ACRs from 13 Retailers (excluding Amazon, which was not required by the Order to submit an ACR in this GCA reporting period) and provided feedback, including about themes identified across all Retailers.
- The number of new issues reported by suppliers in the ACRs rose from 167 in 2020/21 to 206 in 2021/22.

Working with Amazon.com, Inc.

- The GCA met with the Amazon CCO eight times during the reporting period. The GCA also met the UK Country Manager and other Amazon employees.
- The meetings were focused on ensuring Amazon's timely transition to Code compliance.

Focus on the issues that are important to suppliers

- The 2023 annual GCA survey showed more than one quarter of suppliers are facing issues relating to requests for CPIs. This was, together with invoice discrepancies and forecasting, reported as one of the most commonly faced issues. The GCA focussed on the issues that were most important to suppliers in engagement with each Retailer.

Annual Survey

The annual survey is one of the most important ways that the GCA hears about Code-related issues faced by suppliers and changes in Retailer behaviour. The tenth GCA survey was open from 16 January to 26 February 2023 and was carried out by the independent polling company YouGov.

Survey overview

The 2023 survey was the first GCA survey to include direct suppliers' experience of working with Amazon. To continue benchmarking progress it posed similar questions to previous surveys. As in the past two years, YouGov will follow up the survey by interviewing some direct suppliers to explore findings in greater depth.

For the third successive year the survey attracted over 2,000 responses. In 2023 there were responses from 2,115 direct suppliers, 148 indirect suppliers and 23 trade associations. To encourage responses, the GCA worked with trade associations and secured a range of coverage in industry media. Retailers supported the survey by promoting it to their direct suppliers.

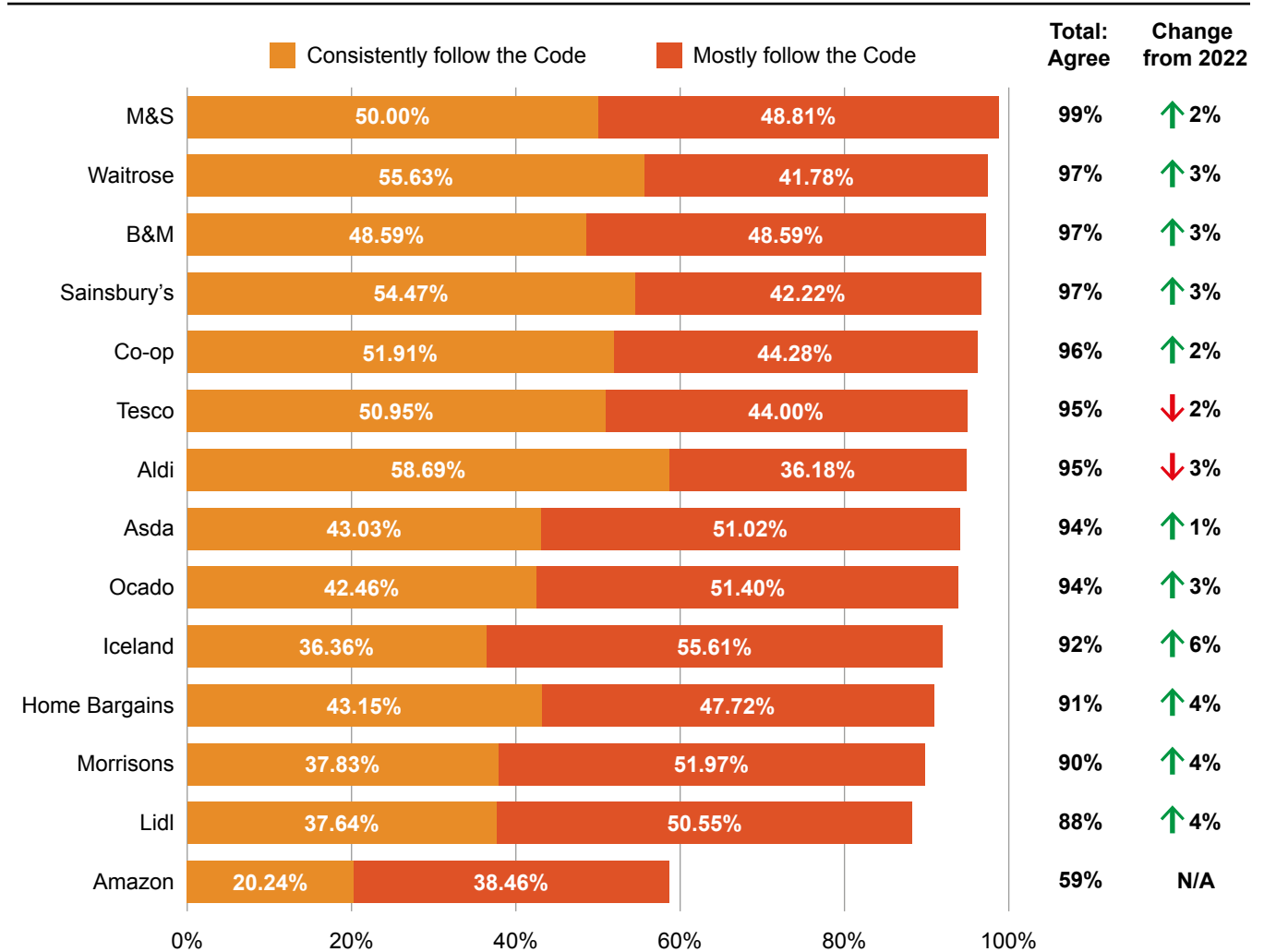
Inflation created challenges for the groceries sector in the year covered by the survey and had differing impacts on Retailers and suppliers. This complexity is reflected in the survey results. Average overall perceived compliance by Retailers who were also covered in the 2022 survey improved, and there were significant shifts in the perceived relative performance of individual Retailers. When asked about specific issues 36% of respondents said they had experienced Code issues in the past year, slightly up compared to 2022 (35%) and 2021 (29%) – however these results need to be viewed against the impact that the inclusion for the first time of Amazon in the survey has had, which is considered below.

How suppliers rank Retailers' compliance with the Code

In each annual survey, suppliers have provided an overall assessment of each Retailer's compliance with the Code. In the 2023 survey, the percentage scores for 'mostly or consistently' complying with the Code ranged from a record high of 99% to 59%. The majority of Retailers who were included in the 2022 survey improved their compliance scores, with eight Retailers seeing an improvement of 3% or more. Of all the Retailers, Iceland saw the greatest improvement in their performance from 2022 (up by 6%). Only two Retailers scored below 90%, with Lidl on 88% and newcomer Amazon scoring 59%, comparable to the lowest scoring Retailer when the first GCA survey was run in 2014.

Suppliers' concerns about Amazon's compliance can be seen throughout the survey results and affected the overall results. The percentage of respondents saying they had experienced Code issues (above) was 32% rather than 36% if Amazon-related responses are disregarded, and responses from Amazon suppliers caused a one or two percent increase in the overall percentage of suppliers reporting many individual Code or supplier issues. The GCA continues to work with Amazon to ensure compliance and encourages suppliers to report to the Amazon CCO and to the GCA any specific issues that they face.

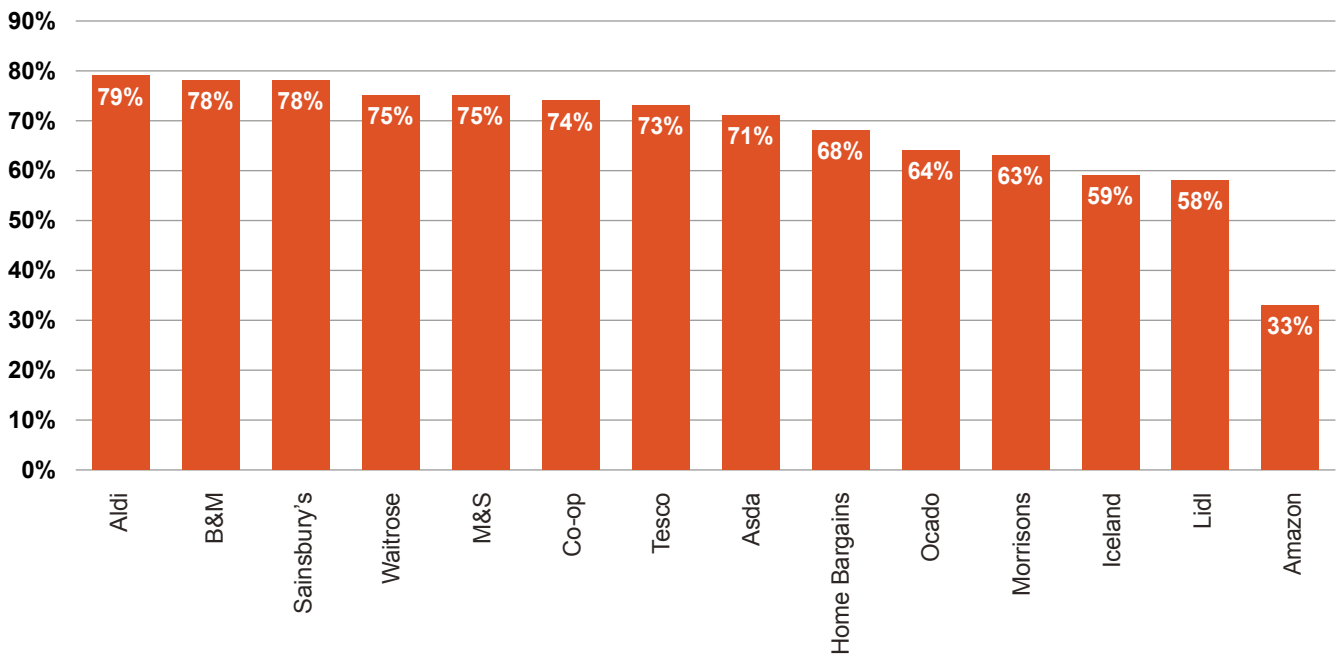
Suppliers with a positive perception of overall Retailer Code compliance



Source: GCA annual survey 2023 and 2022

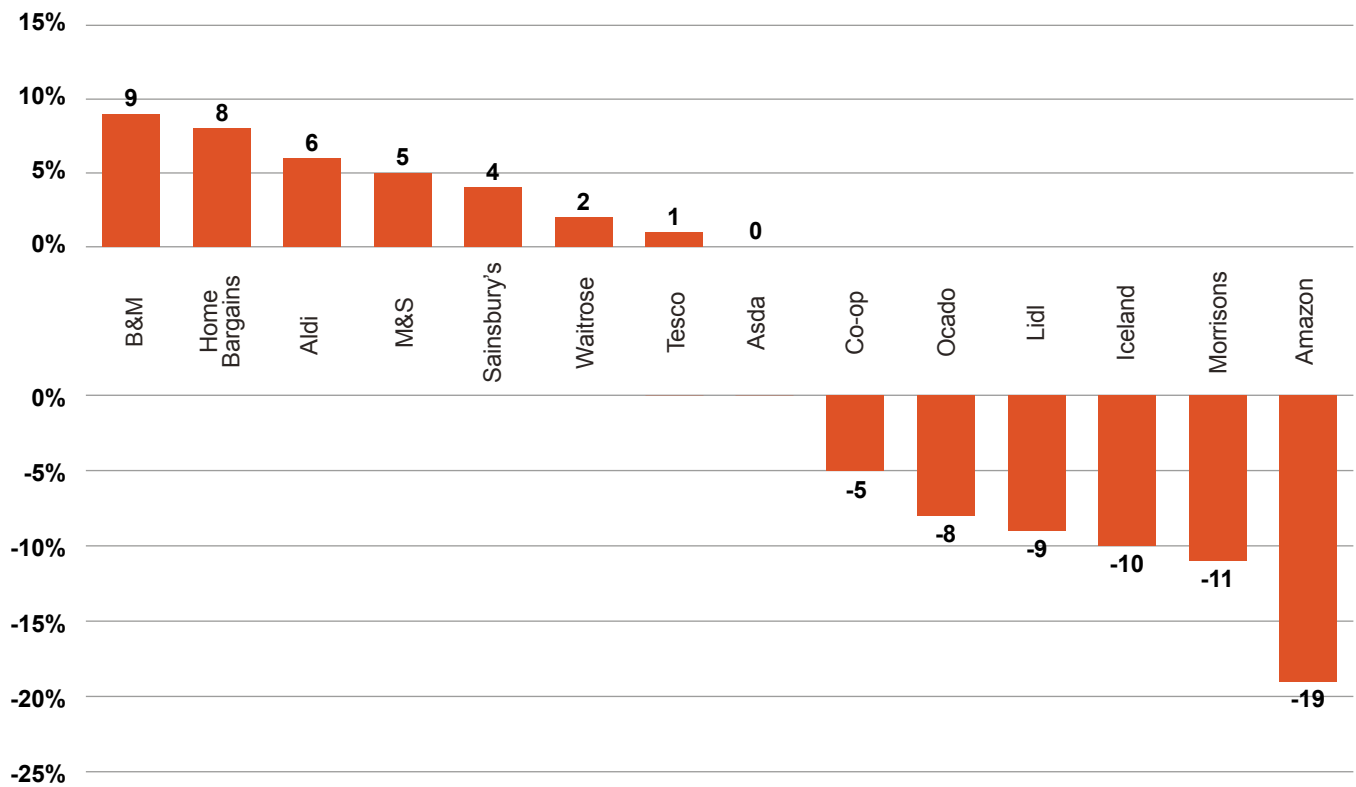
In 2023 there is a new Retailer at the top of the overall league table. M&S scored a record high of 99%, closely followed by Waitrose, B&M and Sainsbury's on 97%. Aldi, which previously held the top spot, dropped to seventh although suppliers were most likely to say that Aldi complied with the Code 'consistently'. Suppliers also rated Aldi highest when asked whether the Retailers conducted trading relationships fairly, in good faith and without duress. Amazon scored lowest on this measure, with 33% of suppliers agreeing with that statement.

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



Source: GCA annual survey 2023

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



Source: GCA annual survey 2023

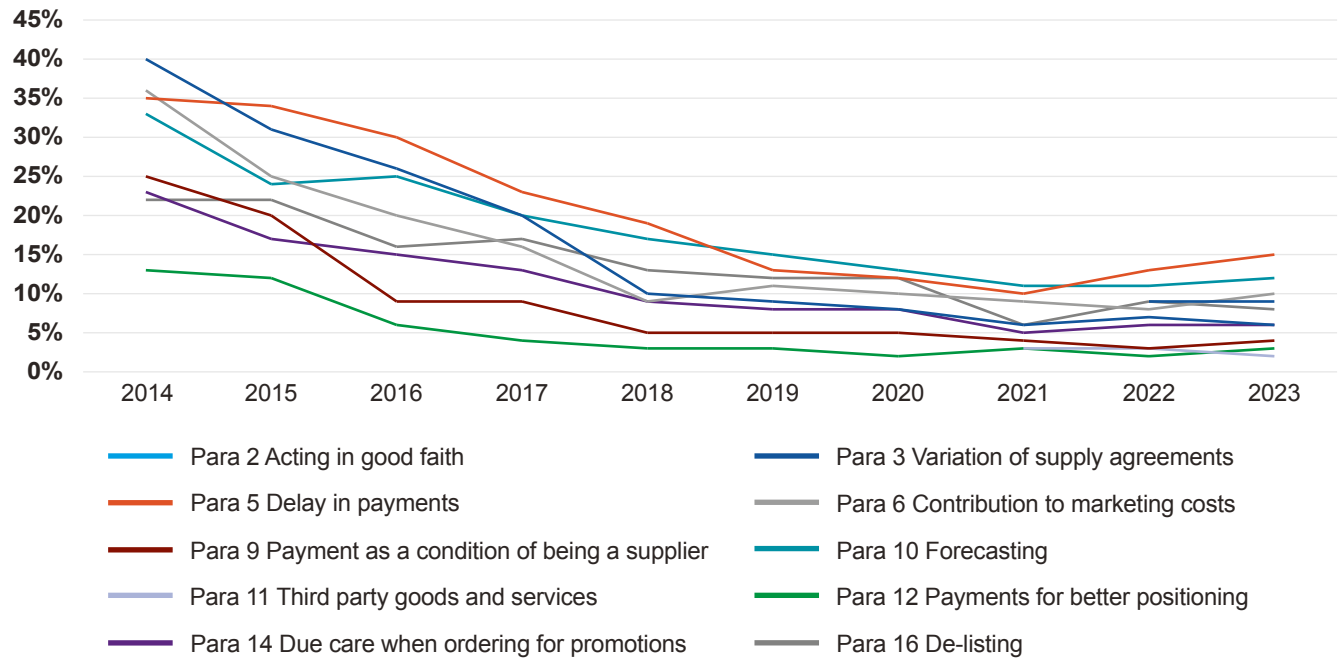
Suppliers responding to the survey are also asked to say whether they believe Retailers' practices have improved or worsened in the last year. The range of net improvement scores (subtracting the percentage of suppliers reporting worsening practice from that reporting improvement) was similar to 2022. Half of the Retailers had positive net improvement scores while six Retailers' practice was seen by suppliers as having worsened.

Code Issues

The top two issues in Code language concerning suppliers continue to be delay in payments (15%) and forecasting (12%). The third most reported issue was an obligation to contribute to marketing costs (10%).

Changes between 2022 and 2023 in the percentage of suppliers reporting they had experienced individual Code-related issues were generally small. For issues where there was an increase, it was often partly or wholly due to suppliers to Amazon experiencing those issues.

Suppliers that report an issue with these Code paragraphs 2014–2023



Source: GCA annual surveys 2014–2023

Supplier issues

In 2023, 91% of suppliers reported they had asked for a CPI in the past 12 months (up from 80% in 2022). A refusal to consider a CPI or an unreasonable delay in reaching a decision on a CPI request remained the highest reported issue in 2023 (28% of respondents).

The outcome of CPI requests is a commercial matter for Retailers and suppliers to agree, not itself a Code issue. However, CPI requests are having a significant impact on the relationships between suppliers and Retailers and may be creating downstream Code issues related to payment. The 2023 survey showed increases in the percentage of suppliers reporting inadequate processes to resolve invoice discrepancies (up to 25% from 18%) and reporting slow resolution of data input errors (e.g. pricing) (up to 16% from 10%).

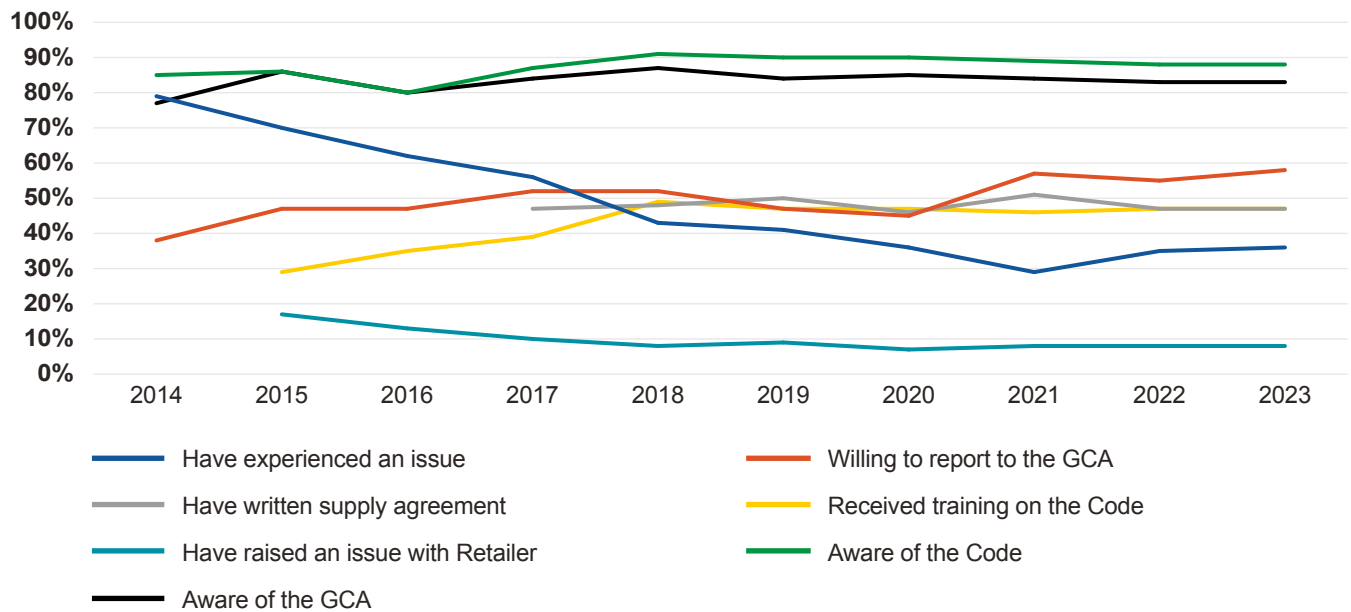
Suppliers and the Code

The 2023 survey revealed improved confidence in suppliers raising an issue with the GCA (up to 58% from 55%). The percentage of suppliers that reported they knew the GCA operated confidentially remained stable at 81%. Believing that the Retailer will find out and there will be consequences for their business was again reported as the main reason suppliers would not raise an issue with the GCA (41% of suppliers saying they would not or were unsure about raising issues with the GCA), although this decreased by 1% from last year and has decreased by 12% since 2019. Suppliers believing they could address the issue themselves remained the second highest reported reason for not raising issues with 30% of suppliers responding in this way.

At 47%, there was no change between 2022 and 2023 in the number of suppliers who have received Code training. The main reason given for not having Code training

remained not knowing that it is available (47%). A list of training providers of which the GCA is aware is available on the GCA website.

Supplier attitudes towards the Code & GCA



Source: GCA annual surveys 2014–2023

The grocery sector has seen many changes in recent years and this year has been no different. As always, the GCA will discuss with each Retailer what the results mean for their business and seek regular updates on related work plans, especially those where the survey has demonstrated greater supplier concern.

Mark White
Groceries Code Adjudicator and Accounting Officer

13 July 2023

Accountability Report

Corporate governance report

Director's report

The Groceries Code Adjudicator (GCA) is a Statutory Office and Corporation Sole and is an independent regulator sponsored by the Department for Business and Trade (DBT). I was appointed to the role in October 2020 and was simultaneously appointed as the Accounting Officer.

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

Governance structure

The GCA governance structure combines efficient decision making with accountability and transparency. As Accounting Officer, I chair the Governance Board (the Board) which is my governance body responsible for ensuring that the GCA's statutory obligations are met, that decision-making and financial management are carried out appropriately and that the office is managed effectively. Board membership also includes the GCA Head of Operations and a representative from DBT as a non-executive director. The DBT representative can look at governance through a sponsorship body lens and brings a valuable external viewpoint as well as constructive challenge to the Board.

I also chair the Audit and Risk Committee (ARC) and the Executive Committee which report to the Board. Paula Mills continued as the independent member on the

ARC and provides external objectivity in overseeing audit and risk in line with good governance practice.

The GCA does not remunerate the independent members of the Board or the ARC.

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

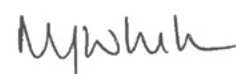
Further details about the governance structure are set out in the Governance Statement, and additionally a [summary of our governance](#) is available on the GCA website.

Register of interests

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

Personal data

There were no personal data disclosure incidents in 2022/23. Accordingly, the GCA did not refer anything to the Information Commissioner.



Mark White
Groceries Code Adjudicator and
Accounting Officer

13 July 2023

Statement of Accounting Officer's responsibilities

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

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

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

- Observe the accounts direction issued by the SoS for BEIS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards set out in the FReM have been followed, and disclose and explain any material departures in the financial statements; and

- Prepare the financial statements on a going concern basis.

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

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

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



Mark White
Groceries Code Adjudicator and
Accounting Officer

13 July 2023

Governance statement

Scope of responsibility

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

Mark White was appointed as the Adjudicator from 31 October 2020 and received a ministerial letter of appointment pursuant to the GCA Act. In addition, he received a letter from the Permanent Secretary to BEIS, appointing him as Accounting Officer, together with a letter from the BEIS Director General for Market Frameworks providing

him with financial delegations. From time to time, the financial delegations letter is updated.

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

Governance Framework

GCA governance is conducted through a Governance Board, an Audit and Risk Committee and an Executive Committee. A review of Board effectiveness is carried out annually in line with best practice released by the Cabinet Office in April 2022.



Governance Board (the Board)

Purpose

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

The Board will:

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

Membership

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

Additional information

- The Chair attended each meeting held during the year. Both other members attended meetings, each appointing a deputy on one occasion.
- The Board meets at least three times a year, proportionate to the size of the GCA.
- The Board's work is informed by the ARC and the Executive Committee.
- During the year the Board considered issues including: financial performance and the annual levy, board effectiveness, people and recruitment, this annual report and the Adjudicator's update reports.
- Robust information is provided to the Board in papers submitted for consideration. The Board is satisfied that this is of a quality that enables effective decision making.
- The Board follows the Corporate Governance Code of Good Practice 2017, applying it in a way proportionate to the nature and size of the GCA.

Executive Committee (the Committee)

Purpose

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

Membership

- Chair: Groceries Code Adjudicator.
- GCA Head of Operations.
- GCA team member, one individual to be appointed by the Chair for a term of one year from the start of each GCA financial year.

Additional information

- The overall decision-making body for performance and delivery, under delegated authority from the Board.
- As required by the business of the GCA, the Committee met seven times during the reporting period. Each meeting held was quorate.
- During the year the Committee considered issues including: people and learning & development, board effectiveness, the annual levy, a regular finance update, the GCA annual conference and survey, intelligence about the groceries sector, and engagement and communications activity.
- Papers are provided to the Committee which contain relevant information. The Committee is satisfied that these are of a quality that enables effective decision making.

Audit and Risk Committee (ARC)

Purpose

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

Membership

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

Observers

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

Additional information

- The ARC met twice during the reporting period (proportionate to the size of the GCA). Each meeting held was quorate.
- The ARC's main tasks are to consider the GCA's financial position and financial management, review of the risk register and approval of the annual report and accounts. Rigorous consideration of these matters takes place at each meeting, supported by papers containing relevant information.
- The ARC is satisfied that committee papers are of a quality that enables effective decision making, confirmed by the review of board effectiveness.

Funding the GCA

Levy on designated retailers

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

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

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

split evenly between the 14 Retailers, with no variable element.

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

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

The SoS for Business and Trade agreed to the proposed GCA levy for 2023/24 on 8 June 2023. The total levy for 2023/24 is set at £2 million. The levy will be evenly split between the Retailers with no variable

element. This is the same amount and methodology as in 2022/23. It is accordingly considered appropriate to adopt the going concern basis for the preparation of these financial statements.

Cost recoverable activity

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

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

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

During the reporting period the GCA accordingly recovered costs incurred conducting arbitrations. Two arbitrations were ongoing as at 31 March 2023, and the GCA continues to monitor costs that will be dealt with in the final award of each arbitration, if appropriate.

Going concern

The GCA will receive levy income for 2023/24 to fund its activities as noted above. The GCA therefore considers it appropriate to adopt a going concern basis for the preparation of these financial statements. Budget pressures are possible should investigations or arbitrations result in accruals where the GCA has not recovered its costs within the year.

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

VAT

The GCA is not registered for VAT.

Audit

The auditor of the GCA is the Comptroller and Auditor General. The audit fee for the period ended 31 March 2023 is £15,000 (2021/22: £12,750).

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

Risk management

Risk management strategy and how the risk profile is managed

The GCA has identified 19 risks which impact on the reputation of the GCA and the delivery of its objectives. The identification, mitigation and escalation of risks is embedded as a key activity of the GCA team. The ARC discusses the approach to risk management at each meeting. Risk management is aligned with government best practice as set out in the [HM Treasury guidance 'Management of Risk: Principles and Concepts'](#) (the Orange Book).

The GCA risk profile is summarised in the table below as at December 2022.

GCA risk profile			Impact	
1				Significant
7	6	1		Moderate
4				Minor
Unlikely	Possible	Likely		
Likelihood				

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

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

In line with other public sector bodies the GCA has a business continuity plan.

Accountability and responsibility framework for risk management

The GCA ARC reviewed the GCA risk register in August and December 2022. The internal perspective is provided by the GCA Executive Committee which reviewed the risk register in July and November 2022.

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

Other control and governance structures

Internal financial control

The GCA has committed to pay all undisputed invoices within a maximum of 30 days. During the reporting period, the GCA approved and processed 100% of invoices within 30 days of receipt. On average it took 2.99 days to pay each invoice.

The GCA maintains an internal financial controls checklist which is reviewed and completed annually. This was last reviewed in December 2022 and was considered by the GCA ARC.

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

The GCA reviewed and updated the sub-delegations and financial procedures policy in August 2022.

Internal audit

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

Given the size of the GCA and the existing assurance mechanisms, the GCA has implemented a proportionate approach to internal audit. This approach is based on the principles of internal audit but is adapted for the size of the GCA.

In November 2020 the ARC agreed to commission the GIAA to conduct a third-party internal audit of GCA controls and governance arrangements. Following the audit, the GIAA gave the GCA a substantial assurance rating, with no recommendations made. Given the stability of the GCA's governance arrangements since the GIAA substantial assurance rating, and the well-designed processes and procedures for internal audit already in place, the ARC agreed in December 2022 that no independent review was necessary in 2022/23. The ARC will continue to consider commissioning an independent review annually, next in October 2023.

Board effectiveness

The GCA conducted an externally-led review of board effectiveness in 2022/23 covering how the Board and its sub-committees support the Accounting Officer in meeting the requirements set out within Managing Public Money and a selection of other key topics identified by members of the Board and its sub-committees as helpful to consider as part of the review.

The results of the review evidenced the strong governance arrangements and internal controls already in place at the GCA that ensure the Adjudicator is in the best position to achieve his statutory purpose. Nevertheless, the Board and the ARC each agreed a clear programme of follow up actions in response to respondents' feedback. The agreed actions seek to make minor improvements to the risk management process and level of support provided to the Adjudicator by members of the Board and its sub-committees.

An externally-led effectiveness review will take place in 2023/24.

Whistleblowing

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

Functional standards

The GCA has reviewed each of the UK Government Functional Standards and, in accordance with "Dear Accounting Officer letter 05/21" issued by HM Treasury in September 2021, has had a plan in place since the end of March 2022 to comply with each functional standard in a way that meets its business needs and priorities.

Analytical models

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

Implementation of the Alexander Tax Review

Numbers of off-payroll engagements and board members and senior officials with significant financial responsibilities are provided in tables 1, 2 and 3 in the remuneration and staff report (pages 52 and 53).

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

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

Sustainability

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

EU Exit

EU Exit has not affected the GCA's ability to achieve its objectives. The GCA has continued to monitor the impact of EU Exit on the groceries sector.

Statement by the Adjudicator

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

I have considered the evidence that supports this Governance Statement, and I am assured the GCA has a strong system of controls to support the achievement of my statutory purposes, evidenced by the outcome of the externally-led board effectiveness review. I therefore have no disclosures of control weaknesses to make for the 2022/23 financial year.



Mark White
Groceries Code Adjudicator and
Accounting Officer

13 July 2023

Remuneration and staff report

Overview and remuneration policy

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

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

The current Adjudicator's salary payments in this financial year were in the band of £105,000 to £110,000 pro-rated from an annual salary within the band of £130,000 to £135,000 for a full-time equivalent. The salary payments are higher in 2022/23 because the Adjudicator worked 4 days per week compared to 3 days per week in 2021/22.

The Adjudicator chose not to join the Civil Service pension arrangements during the previous or current reporting period. Other pension commitments are met by the home departments of the secondees to the GCA.

Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration (audited)										
Officials	Salary (£'000) (in £5k bandings)		Bonus payments (in £5k bandings)		Benefits in kind (to the nearest £100)		Pension benefits (to the nearest £'000)		Total (£'000) (in £5k bandings)	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Mark White	105–110 (130–135 for a full time equivalent)	75–80 (130–135 for a full time equivalent)	–	–	–	–	–	–	105–110	75–80

Salary

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

Benefits in kind

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

The cash equivalent transfer value (CETV)

Mark White chose not to join the Civil Service pension arrangements upon appointment. Accordingly, no pension benefits were accrued during the reporting period.

Fair pay disclosure (audited)

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

The GCA is required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid 'director' at the GCA (the Adjudicator) in the financial year 2022/23 was £130,000 to

£135,000 (2021/22: £130,000 to £135,000). This was 2.8 times the median remuneration of the workforce, which was between £45,000 to £50,000 (2021/22: £50,000 to £55,000).

In 2022/23, no employees received remuneration in excess of the highest paid director (2021/22: nil).

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

GCA fair pay disclosure for the period ending 31 March 2023 (audited)

Banded remuneration of the Adjudicator and the GCA team

	2022/23 (£'000) (bands of £5,000)	2021/22 (£'000) (bands of £5,000)	Percentage change (2022/23 vs. 2021/22)
Band of highest paid directors' remuneration (composed of salary, allowances, performance pay and bonuses payable)	130–135	130–135	0%
Band of highest paid directors' salary & allowances	130–135	130–135	0%
Band of highest paid directors' performance pay and bonuses payable	0–5	0–5	0%
Band of average GCA teams' remuneration (composed of salary, allowances, performance pay and bonuses payable)	45–50	40–45	12%
Band of average GCA teams' remuneration (salary & allowances)	45–50	40–45	12%
Band of average GCA teams' (performance pay and bonuses payable only)	0–5	0–5	0%
Pay ratios			
	Banded remuneration (£'000) (bands of £5,000)	2022/23 pay ratio	2021/22 pay ratio
Median pay ratio (total remuneration composed of salary, allowances, performance pay and bonuses payable)	45–50	2.8	2.5
Median pay ratio (remuneration composed of salary and allowances only)	45–50	2.8	2.5

The increase in the median remuneration ratio in 2022/23 (compared to 2021/2022) is due to junior positions within the GCA team (that were previously vacant) being filled and senior positions within the GCA team remaining vacant. No remuneration range, 25th or 75th percentile pay ratio have been provided as this would disclose the salaries of individuals who work in the Adjudicator's team.

Staff report

Staff numbers, costs and composition

The GCA is employed for four days each week and is a senior civil servant equivalent.

Staff supporting the GCA are seconded from public bodies, with occasional support from temporary contractors.

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

The organisation chart as at the end of the reporting period is provided in the Performance Review on page 19. Staff numbers and composition as at 31 March 2023 and 31 March 2022 are summarised in the table below. Average number of full time equivalent staff (audited) is disclosed in note 2 to the accounts.

GCA staff numbers and composition as at 31 March 2023 and 2022

	Female	Male	31 March 2023	Total 31 March 2022
The Adjudicator	0	0.8	0.8	0.6
GCA Staff	5	2	7	7

Notes

- For comparison, the female: male composition of the GCA committees as at 31 March 2023 is 0:3 (Governance Board), 1:2 (Audit and Risk Committee) and 0:3 (Executive Committee).

During the reporting period one member of staff left the GCA team, one member returned from maternity leave, and one new member was recruited. Media and communications support was provided on a temporary agency basis when required. The GCA continues to review the resources required to meet its objectives.

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

GCA staff costs are shown in the table below.

GCA staff costs 2022/23 and 2021/22 (audited)

	2022/23	2021/22
Salaries, performance related pay and allowances	£417,959	£315,827
Social security costs	£50,072	£38,300
Pension	£90,433	£62,181
Temporary/agency costs	£4,404	£14,013
Total	£562,868	£430,321

Notes

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

Sickness absence

The GCA team recorded a total of 3.5 days of sickness absence during the reporting period.

Staff policies and other employee matters

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

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

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

Consultancy expenditure

There was no consultancy expenditure during 2022/23. Expenditure relating to the contract for the annual GCA survey is shown in Note 3 of the accounts.

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

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

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

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

and senior officials to ensure its processes are robust.

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

Table 1: Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater

No. of existing engagements as at 31 March 2023	1
Of which...	
No. that have existed for less than one year at time of reporting.	0
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	1

Declaration

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

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

No. of existing engagements as at 31 March 2023	1
Of which...	
No. that have existed for less than one year at time of reporting.	0
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	1

Declaration

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

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on-payroll* and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both on-payroll and off-payroll engagements.	2
*The GCA does not operate its own payroll function and is recharged for such services. The individuals disclosed are therefore classed as on-payroll.	

Exit packages

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

This has been subject to audit.

Parliamentary accountability and audit report

Parliamentary accountability disclosures

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

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

Details of the GCA's statutory reporting requirements are set out in the performance report (see page 25).

Wider government and Parliamentary input

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

The Regulators' Code

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

Growth duty

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

- In the exercise of the function have regard to the desirability of promoting economic growth.
- Consider the importance for the promotion of economic growth of exercising the regulatory function in a way which ensures that:
 - Regulatory action is taken only when it is needed, and
 - Any action taken is proportionate.

Business Impact Target

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

The Enterprise Act 2016 brought a number of regulators, including the GCA, into scope for this target. The GCA published its response for the reporting period of 17 December 2021 to 16 December 2022. The GCA had no qualifying regulatory provisions.

Review of business appeals procedure

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

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

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

Parliamentary and Ministerial engagement

The Adjudicator met Kevin Hollinrake MP (the then Parliamentary Under Secretary of State (Minister for Enterprise, Markets and Small Business) at the Department for Business, Energy and Industrial Strategy) on 16 November 2022 and 8 February 2023.

Parliamentary Ombudsman

The GCA is not aware of any complaints made to the Parliamentary Ombudsman about the GCA.



Mark White
Groceries Code Adjudicator and
Accounting Officer

13 July 2023

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

Opinion on financial statements

I certify that I have audited the financial statements of the Groceries Code Adjudicator for the year ended 31 March 2023 under the Groceries Code Adjudicator Act 2013.

The financial statements comprise the Groceries Code Adjudicator's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Groceries Code Adjudicator's affairs as at 31 March 2023 and its net expense for the year then ended; and
- have been properly prepared in accordance with the Groceries Code Adjudicator Act 2013 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Groceries Code Adjudicator in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

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

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in

my certificate, I do not express any form of assurance conclusion thereon.

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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Groceries Code Adjudicator Act 2013.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Groceries Code Adjudicator Act 2013; and
- the information given in the Performance and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Groceries Code Adjudicator Act 2013 and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Groceries Code Adjudicator from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Groceries Code Adjudicator Act 2013;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Groceries Code Adjudicator Act 2013; and
- assessing the Groceries Code Adjudicator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Groceries Code Adjudicator will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Groceries Code Adjudicator Act 2013.

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Groceries Code Adjudicator's accounting policies and key performance indicators.
- inquired of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Groceries Code Adjudicator's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Groceries Code Adjudicator's controls relating to the Groceries Code Adjudicator's compliance with the Groceries Code Adjudicator Act 2013 and Managing Public Money;
- inquired of management and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;

- discussed with the engagement team and the relevant regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Groceries Code Adjudicator for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Groceries Code Adjudicator's framework of authority and other legal and regulatory frameworks in which the Groceries Code Adjudicator operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Groceries Code Adjudicator. The key laws and regulations I considered in this context included Groceries Code Adjudicator Act 2013, Managing Public Money and employment law.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

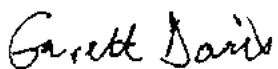
Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.



Gareth Davies

Date 13 July 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

	Note	Year ended 31-Mar-23 £	Year ended 31-Mar-22 £
Expenditure			
Staff Costs	2	562,868	430,321
Other Expenditure	3	324,492	218,700
		<u>887,360</u>	<u>649,021</u>
Finance costs			
Interest expense	4	196	–
		<u>196</u>	<u>–</u>
Income			
Other income	5	<u>(851,078)</u>	<u>(640,330)</u>
Net expense		<u>36,478</u>	<u>8,691</u>
Total Comprehensive expense for the year ended 31 March		<u>36,478</u>	<u>8,691</u>

The notes on pages 67 to 82 form part of these financial statements.

Statement of financial position as at 31 March 2023

	Note	As at 31-Mar-23 £	As at 31-Mar-22 £
Non-current assets:			
Property, plant and equipment	6	47,038	95,683
Right-of-use assets	7	12,167	–
Total non-current assets		59,205	95,683
Current assets:			
Other receivables	9	62,394	25,341
Cash	10	1,299,673	1,446,827
Total current assets		1,362,067	1,472,168
Total assets		1,421,272	1,567,851
Current liabilities:			
Lease liabilities	7	4,092	–
Contract liability	11	1,191,547	1,307,630
Other payables	11	166,428	164,538
Total current liabilities		1,362,067	1,472,168
Net current assets		–	–
Net assets		59,205	95,683
Taxpayers' equity			
Income and expenditure reserve		59,205	95,683
Total equity		59,205	95,683

The notes on pages 67 to 82 form part of these financial statements.



Mark White
Groceries Code Adjudicator and Accounting Officer

13 July 2023

Statement of cash flows for the year ended 31 March 2023

	Note	Year ended 31-Mar-23 £	Year ended 31-Mar-22 £
Cash flows from operating activities			
Net operating income/(expense)		(36,478)	(8,691)
Depreciation	6, 7	85,673	8,691
Interest on lease liabilities	4	196	–
Increase in receivables	9	(37,053)	(6,722)
Decrease in payables	7, 11	(107,420)	(36,745)
Net cash outflow from operating activities		<u>(95,082)</u>	<u>(43,467)</u>
Investing activities			
Purchase of property, plant and equipment	6	(4,730)	–
Net cash used in investing activities		<u>(4,730)</u>	<u>–</u>
Financing activities			
Capital element of payments in respect of leases	7	(47,342)	–
Net cash used in financing activities		<u>(47,342)</u>	<u>–</u>
Net decrease in cash and cash equivalents in the period	10	<u>(147,154)</u>	<u>(43,467)</u>
Cash at the beginning of the period		<u>1,446,827</u>	<u>1,490,294</u>
Cash at the end of the period		<u>1,299,673</u>	<u>1,446,827</u>

The notes on pages 67 to 82 form part of these financial statements.

Statement of changes in Taxpayers' Equity for the year ended 31 March 2023

	I & E Reserve £	Total Reserves £
Balance as at 31 March 2021	104,374	104,374
Changes in Taxpayers' Equity comprehensive expense for the year		
Comprehensive expense for the year	(8,691)	(8,691)
Balance as at 31 March 2022	<u>95,683</u>	<u>95,683</u>
Changes in Taxpayers' Equity comprehensive expense for the year		
Comprehensive expense for the year	<u>(36,478)</u>	<u>(36,478)</u>
Balance as at 31 March 2023	<u>59,205</u>	<u>59,205</u>

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

Notes to the financial statements

1. Accounting policies

These financial statements have been prepared in accordance with the 2022/23 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the GCA for the purposes of giving a true and fair view has been selected. The particular policies adopted by the GCA for the purpose of financial reporting are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts have been prepared under the direction of the Department for Business and Trade (DBT).

There were no new standards issued up to 31 March 2023 and not applied that would materially affect the accounts. The GCA has also not adopted any standards early but has considered future changes in standards.

Accounting convention

These financial statements have been prepared on an accruals basis under the historical cost convention.

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

First time adoption of IFRS 16 Leases

During the year, the GCA adopted IFRS 16 'Leases' (IFRS 16) for the first time. IFRS 16 replaces IAS 17 'Leases'. The GCA adopted IFRS 16 Leases as applied by the FReM effective 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 GCA's current property rental agreement, which was entered into during August 2019, is the only leasing arrangement within the scope of IFRS 16 which exists at the transition date of 1 April 2022. The property lease is the only lease disclosed in the leases note (note 7) as at 31 March 2023.

The FReM states that the following aspects of IFRS 16 must be utilised:

- On initial application an entity should use the modified retrospective approach. Under this approach the GCA will calculate its lease assets and liabilities at the date of transition as determined by IFRS 16, does not restate comparatives and recognises an adjustment in equity at the beginning of the period.
- To not reassess whether a contract is, or contains, a lease at the date of initial application.
- No adjustments for leases for which the underlying asset is of low value that will be accounted for.
- No adjustment for leases for which the lease term ends within 12 months of the date of initial application.

- Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

On an ongoing basis, entities applying the FReM must expense costs associated with leases with a lease term under 12 months (short term leases) over the term of the lease, and where lessees cannot readily determine the interest rate implicit in the lease, they are instead required to use the HM Treasury discount rates promulgated in Public Expenditure Systems (PES) papers as their incremental borrowing rate in most cases.

The GCA has a single lease, a property lease, which had an option to terminate, that could have been activated by the lessor or lessee with 3 months' notice, in August 2022. As a result, on transition at 1 April 2022, the GCA had a single lease that meets the definition of a short-term lease under IFRS 16. Accordingly, the lease will be expensed on a straight-line basis over the lease term and there is, therefore, no anticipated impact on the financial statements on transition.

Initial and subsequent measurement of the right-of-use asset

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the GCA.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Leasehold property – on a straight-line basis over the life of the lease.

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below:

- An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the GCA incurs the obligation for these costs.
- The costs are incurred at the start of the lease or over the lease term. The provision is measured at the best estimate of the expenditure required to settle the obligation.

Leases – the GCA as a lessee

On commencement of a contract (or part of a contract) which gives the GCA the right to use an asset for a period of time in exchange for consideration, the GCA recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

The property lease has been treated as a short-term lease between 1 April 2022 and 12 May 2022. As the break clause was not activated on this date a new lease was formed on 13 May 2022, this has a break date of July 2023 and therefore does not meet the requirement of the 12-month practical expedient.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental

borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the GCA is reasonably certain to exercise and termination periods that the GCA is reasonably certain not to exercise.

Termination penalties are included in the lease payments if the lease term has been adjusted because the GCA reasonably expects to exercise an option to terminate the lease.

The exercise price of an option to purchase the leased asset is included in the lease liability when the GCA is reasonably certain to exercise that option.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss.

Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the GCA's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to

purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect, and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate use is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

Going concern

The GCA will receive levy income for 2023/24 to fund its activities. Consent to the proposed GCA levy for 2023/24 was received from the Secretary of State for DBT on 8 June 2023, and there is no reason to believe that future approval will not be granted. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the date the accounts were authorised for issue. It has been accordingly considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Income

General levy

The GCA received levy income for 2022/23 to fund its activities. Approval for the levy for the year 2022/23 was received on 10 June 2022. The levy is invoiced once audited accounts are published. Section 19 of the Groceries Code Adjudicator Act 2013 provides that the full costs of the GCA will be funded through a levy on the retailers that are designated under the Groceries (Supply Chain Practices) Market Investigation Order 2009 (the Order) (Retailers). As at 31 March 2023 these were: Aldi, Amazon, Asda, B&M, Co-op, Iceland, Lidl, Morrisons, M&S, Ocado, Sainsbury's, Tesco, Home Bargains and Waitrose. Any unspent levy at the end of the financial year is returned to the Retailers in the proportions in which it was contributed.

The general levy and associated rebate are variable consideration under IFRS 15. The variable consideration is determined using the most likely amount. There is a constraint on the variable consideration with the income from the general levy determined at the end of the financial year once the

uncertainty associated with the levy rebate has been resolved.

Investigations

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

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

There were no investigations in 2022/23.

Arbitrations

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

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

There were three cost recoverable arbitrations in 2022/23, two of which were ongoing at the end of the financial year.

Property, plant and equipment

Property, plant and equipment are stated at fair value. As permitted by the FReM, depreciated historical cost basis is used as a proxy for fair value as non-property assets have a short useful life or are of relatively low value.

Depreciation is recognised to reflect the consumption of the economic benefit of the assets, less their residual values, over their useful lives on the following bases:

Expenditure on a leasehold property – straight-line over the lease term.

Computer equipment – 5 years straight-line basis.

Fixtures and fittings – 15 years straight-line basis.

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

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

Financial instruments

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

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability is held or acquired. Management determine the categorisation of

assets and liabilities at initial recognition and re-evaluate this designation at each reporting date. The categorisation of financial assets is determined based on both the business model and the nature of the contractual cash flows.

Financial assets

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

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

Financial liabilities

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

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

Reserves

Income and expenditure reserve

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

Expenditure

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

Value Added Tax

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

Provisions and contingent liabilities

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

Key judgements and estimates

The GCA makes judgements and estimates in the preparation of the financial statements:

Critical judgements – Lease term

The GCA's only lease within the scope of IFRS 16 is the property lease for its offices at The Cabot. As part of the adoption of IFRS 16, the GCA needed to assess the lease term.

The lease's maximum potential term is from August 2019 to February 2033, but the lease also contains break clauses which can be exercised by the GCA or their landlord at the following dates:

- 12 August 2022, subject to giving at least three months' notice;
- at any time after 31 July 2023, subject to giving at least three months' notice; or
- at any time if the GCA ceases to be a Crown Body.

IFRS 16:B34 says: In determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

The GCA are satisfied that the lessee and the lessor each have the right to terminate the lease without permission from the other party, and that there are no direct contractual penalties of early termination. In line with the guidance related to IFRS 16, the GCA also considered the wider context of the contract and whether it creates an economic incentive not to exercise its option to terminate the lease.

The GCA has a carrying value of £16,224 (2022: £64,896) related to capital expenditure on leasehold property, a large proportion of which are non-removable and would be lost if the GCA were to move to a different location. This expenditure primarily relates to the fit-out of the office completed at the commencement of the lease. In particular, the GCA has reviewed whether a write-off of these assets would serve as a significant penalty. The GCA has concluded that these do not represent a significant penalty on the following basis:

- The GCA's primary function is set out in the Performance report (see pages 15-18) and the GCA's primary goal will always be to serve that primary function. Therefore, the fundamental driver for any future change in office will always be to service that primary function more effectively.
- As a Government organisation, the GCA could be disbanded or its function substantially altered. The flexibility in the lease agreement is designed to allow the GCA to maximise the

effective use of its funds by terminating the lease in the event such a change means that alternative offices would be more effective. For example, the list of designated retailers (which is determined by the CMA) may change, meaning that the size of the GCA's staff and the size of the primary office for those staff will need to change with it.

- Rental prices in the local area of The Cabot are at a similar level to those we currently pay for The Cabot and a number of the available properties are rented on a fully-serviced basis meaning that expenditure of a similar nature is not likely to be required to the same extent.

On the basis that the GCA have concluded there is no more than an insignificant penalty, the lease is not considered enforceable at the points where a mutual termination option exists.

The impact of this conclusion is that:

- The mutual termination option in August 2022 was within 12 months of the transition to IFRS 16 at 1 April 2022. IFRS 16, as applied by the FReM, requires that any leases with a lease term of less than 12 months from the date of transition are accounted for as short-term leases and lease payments are expensed on a straight-line basis of the lease term. Therefore, there was no impact of the transition to IFRS 16.
- In May 2022, when the deadline for serving notice expired and no such notice was given or received, the GCA reassessed the lease term to end at the next available mutual break clause in July 2023 – 14 months from the date of reassessment. As the lease no longer qualified as a short-term lease, a right-of-use asset and lease liability were recognised at that time. Further disclosures in respect of the right-of-use

asset and lease liability are given in the accounting policies and Note 7.

- After 31 July 2023 the lease is cancellable on giving three months' notice. On that basis, the lease term will be assessed as three months at any given time. IFRS 16 as applied by the FReM requires that all leases with a term under 12 months are expensed on a straight line basis over the lease term.

At the date of signing these financial statements, no notice terminating our lease at The Cabot has been given or received. The GCA does not have any plans to terminate the lease, but as set out above, the situation is highly uncertain and may change at any time.

Applicable interest rate – Leases

The GCA uses judgement to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the GCA uses the HM Treasury discount rates promulgated in PES papers as their incremental borrowing rate of 0.95%.

Critical estimates – useful economic life of capital expenditure on leasehold property

As noted above, the capital expenditure on leasehold property are primarily related to the fit out of our leased office at The Cabot and our accounting policy is to depreciate the assets over the lease term.

We have updated our estimate of the useful economic lives of assets considering both application of guidance related to IFRS 16 concerning determination of a lease term implemented from 1 April 2022 and our assessment of our expected future use of these assets, considering our future priorities and historical experience. We have concluded that it is appropriate to match the expected useful economic life of the non-removable capital expenditure on leasehold

property to the lease term determined by IFRS 16 and as set out above. This decision to change the estimate related to useful economic lives was made in 2022/23 and as a result is a change in accounting estimate. As a result, these costs will be depreciated over the period to 31 July 2023, historically, we have depreciated the fit-out costs over the period to the end of the lease in February 2033.

As part of the update to our estimate we have also assessed separately items within the fit-out costs that are removable assets. GCA would not expect to dispose of these should we choose to terminate the lease at any point after 31 July 2023, subject to 3 months' notice. As such, these assets have been split out and disclosed as separate categories, being furniture and computer equipment with useful economic lives of fifteen and five years respectively.

At 31 March 2023, the non-removable capital expenditure on leasehold property has a carrying value of £16,224 (2022: £64,896) and has incurred depreciation of £48,672 (2022: £5,944) in the year. Had the useful economic life of these assets been assessed as ending in February 2033, the carrying value at 31 March 2023 would have been £58,952 (2022: £64,896) and incurred depreciation for the year ended 31 March 2023 would have been £5,944 (2022: £5,944).

2. Staff numbers and related costs

The cost of staff remuneration was:

	Year ended 31-Mar-23 £	Year ended 31-Mar-23 £	Year ended 31-Mar-23 £	Year ended 31-Mar-22 £
	<i>Permanent Staff</i>	<i>Other Staff</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	106,080	316,283	422,363	329,840
Social security costs	14,076	35,996	50,072	38,300
Pension costs	–	90,433	90,433	62,181
Total	120,156	442,712	562,868	430,321

- (i) The remuneration of the Adjudicator is the only permanent staff cost.
(ii) There have been no severance payments in the year.
(iii) Other staff includes the costs for the staff seconded to the GCA (£438,308) and for agency staff (£4,404).
See Note 15.

Average number of staff employed

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

	2022/23 FTE	2021/22 FTE
Permanent staff	0.8	0.6
Other staff	7.1	4.7
	7.9	5.3

- (i) The total number of staff reported elsewhere in this annual report is based on head count, whereas the above figures are average FTEs for the year.

More detailed information relating to cost of staff is provided in the Remuneration and Staff report on page 51.

3. Other expenditure

	Year ended 31-Mar-23 £	Year ended 31-Mar-22 £
Accountancy fees	15,462	21,144
Arbitration	29,050	23,881
Audit fee	15,000	12,750
Conferences & events	10,244	10,654
Corporate Services from BEIS	16,356	10,451
Legal costs	9,157	1,938
Licences	10,507	10,179
Marketing and promotion materials	9,667	21,678
Office equipment (IT and other consumables)	3,123	1,094
Bank charges	562	500
Photocopying, printing and postage	577	330
Press cuttings	312	298
Rentals under the terms of occupation lease	1,902	(9,503)
Running costs – Cabot Square	44,938	42,073
Staff training	8,516	9,366
Subscriptions	3,474	2,299
Survey & consultancy	53,700	49,113
Travel, subsistence and hospitality	6,272	1,764
Non-cash items:		
Depreciation	85,673	8,691
Total other operating charges	324,492	218,700

4. Finance costs

	Year ended 31-Mar-23 £	Year ended 31-Mar-22 £
Interest on lease liabilities	196	–
	196	–

5. Income

	Year ended 31-Mar-23 £	Year ended 31-Mar-22 £
Levy raised	2,000,000	1,912,180
Contract liability (See Note 11)	(1,191,547)	(1,307,630)
	<u>808,453</u>	<u>604,550</u>
Arbitration costs recovery	42,625	35,780
Investigation costs recovery	–	–
	<u>851,078</u>	<u>640,330</u>

6. Property, plant and equipment

	Expenditure on leasehold property £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 April 2022	118,800	–	–	118,800
Additions	–	4,730	–	4,730
Re-analysis	(38,225)	4,004	34,221	–
At 31 March 2023	<u>80,575</u>	<u>8,734</u>	<u>34,221</u>	<u>123,530</u>
Depreciation				
At 1 April 2022	23,117	–	–	23,117
Charge for the year	48,672	2,391	2,312	53,375
Re-analysis	(7,438)	779	6,659	–
At 31 March 2023	<u>64,351</u>	<u>3,170</u>	<u>8,971</u>	<u>76,492</u>
Carrying value				
At 31 March 2023	<u>16,224</u>	<u>5,564</u>	<u>25,250</u>	<u>47,038</u>
At 31 March 2022	<u>95,683</u>	<u>–</u>	<u>–</u>	<u>95,683</u>

During the year, as part of the adoption of IFRS 16, the GCA undertook an analysis of fixed assets and a review of useful economic lives, as further disclosed in Note 1 – critical judgements and estimates. This has resulted in an update to our estimate of the useful economic lives of certain assets. We have disclosed these assets in categories that reflect the nature of the underlying assets. Previously, all assets were grouped within expenditure on leasehold property but they have now been disaggregated based on their respective useful economic lives.

	Expenditure on leasehold property £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 April 2021	118,800	–	–	118,800
Additions	–	–	–	–
Re-analysis	–	–	–	–
At 31 March 2022	<u>118,800</u>	<u>–</u>	<u>–</u>	<u>118,800</u>
Depreciation				
At 1 April 2021	14,426	–	–	14,426
Charge for the year	8,691	–	–	8,691
Re-analysis	–	–	–	–
At 31 March 2022	<u>23,117</u>	<u>–</u>	<u>–</u>	<u>23,117</u>
Carrying value				
At 31 March 2022	<u>95,683</u>	<u>–</u>	<u>–</u>	<u>95,683</u>
At 31 March 2021	<u>104,374</u>	<u>–</u>	<u>–</u>	<u>104,374</u>

7. Leases

Right-of-use assets	Leasehold property £	Total £
Cost		
At 1 April 2022	–	–
Additions – new lease	44,608	44,608
Additions – lease modification	(143)	(143)
At 31 March 2023	44,465	44,465
Depreciation		
At 1 April 2022	–	–
Charge for the year	32,298	32,298
At 31 March 2023	32,298	32,298
Carrying value		
At 31 March 2023	12,167	12,167
At 31 March 2022	–	–
Lease liabilities		
	As at 31-Mar- 23 £	As at 31-Mar-22 £
Current	4,092	–
Non-current	–	–
	4,092	–

The GCA has a single property lease, with a break clause that could have been activated by the lessor or lessee with 3 months' notice in August 2022. This lease was disclosed in the comparative financial statements as an operating lease with £10,772 non-cancellable future lease payments. As a result, on transition at 1 April 2022, the GCA had a single lease that met the definition of a short-term lease under IFRS 16. Accordingly, the lease has been expensed on a straight-line basis over the lease term and there is, therefore, no impact on the financial statements on transition.

Management reassessed the lease term in May 2022 because the three months' notice had not been given or received. At that time, the next break date was in July 2023. Accordingly, the lease ceased to qualify as a short-term lease and the GCA recognised a right-of-use asset and lease liability. As there was no intrinsic rate within the lease, the GCA used the incremental borrowing rate of 0.95% as specified in the FReM for leases commencing in the 2022 calendar year. The initial value of the right-of-use asset of £44,608 is comprised of the transfer of prepaid rent of £31,757 and the calculated lease liability of £12,851.

In October 2022, the GCA and their landlord agreed to vary the lease agreement. The variation solely related to the timing but not the amount of the lease payments due under the lease. A

reduction of £143 was recognised in the lease liability and right-of-use asset in respect of this modification.

At the reporting date, the GCA has not given or received notice to terminate the lease agreement. The lease is subject to a three month notice period ending no earlier than 31 July 2023, but will otherwise conclude in February 2033.

8. Financial instruments

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

9. Receivables and other assets

Amounts falling due within one year

	As at 31-Mar-23 £	As at 31-Mar-22 £
Prepayments	23,346	23,872
Accrued income	39,048	–
Trade receivables	–	1,469
	<u>62,394</u>	<u>25,341</u>

10. Cash

	As at 31-Mar-23 £	As at 31-Mar-22 £
Balance at 1 April 2022	1,446,827	1,490,294
Net change in cash balances	(147,154)	(43,467)
Balance at 31 March 2023	<u>1,299,673</u>	<u>1,446,827</u>
The following balances at 31 March 2023 were held at:		
Government Banking Service	<u>1,299,673</u>	<u>1,446,827</u>

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

11. Payables and other liabilities

Amounts falling due within one year

	As at 31-Mar-23 £	As at 31-Mar-22 £
Contract liability (Note 5)	1,191,547	1,307,630
Recoverable in respect of prior year	—	—
	<u>1,191,547</u>	<u>1,307,630</u>
Accruals	166,428	164,538
	<u>1,357,975</u>	<u>1,472,168</u>
Analysis of accruals		
Balances with other central government organisations	135,248	144,289
Balances with bodies external to government	31,180	20,249
	<u>166,428</u>	<u>164,538</u>

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

12. Other commitments

The GCA had no capital commitments (2021/22: none) and no other financial commitments (2021/22: none).

13. Contingent liabilities & assets

There are no contingent liabilities and assets to report.

14. Related party transactions

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

The GCA also has related party transactions with the CMA, these related to accommodation as the GCA is co-located with the CMA. The GCA also had transactions with the Department for Transport, Housing Ombudsman Service and BEIS for the secondment of staff.

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

15. Events after the reporting period

At the reporting date and the date of signing the financial statements, the GCA has not given or received notice to terminate the lease agreement. The lease is subject to a three month notice period ending no earlier than 31 July 2023, but will otherwise conclude in February 2033.

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



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