



Pubs Code
Adjudicator

The Pubs Code Adjudicator

Annual Report and Accounts 2021 – 2022

For the period 1 April 2021 to 31 March 2022

HC 1007



CORRECTION SLIP

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Annual Report and Accounts

2021 – 2022

For the period 1 April 2021 to 31 March 2022

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

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Performance Report

Overview

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

On 7 February relevant Business Energy and Industrial Strategy (BEIS) functions moved to the Department of Business and Trade and references to BEIS and its functions should be read accordingly.



Foreword by Fiona Dickie, Pubs Code Adjudicator



This report marks my second year as the Pubs Code Adjudicator and once more it covers a period of immense challenge and change for the sector. Even as the strictest lockdown rules ended, the pub sector experienced major ongoing pressures on business as surges in new variants shook confidence. And there have been further impacts on the pub and hospitality trade post-Covid as rising prices, staffing shortages and supply chain difficulties have all had, and continue to have, their impact. I remain in awe of how so many tied tenants continue to demonstrate resilience and a desire to remain at the heart of their communities.

In July 2021 the PCA and the Pubs Code reached their five-year anniversary. There have been many changes in the way the PCA operates during that time and in December 2021 I introduced a major development designed to allow me and my team to have a greater focus on our regulatory agenda. I awarded the Chartered Institute of Arbitrators (CI Arb) the contract to provide the arbitration referral service on my behalf. This contract includes full end-to-end management and administration of the arbitration referral service, including being the point of contact for referral queries. Significantly, I have also charged the CI Arb with responsibility for developing Pubs Code training for arbitrators and others in the industry. I believe this can work as a model for enhancing training to other professionals in the future.

This innovative approach built on new arbitrator standards, which I trailed in last year's report, designed to promote timeliness, high quality and consistency in independent arbitration. The standards which were introduced at the beginning of this reporting period set out what the PCA expects from a Pubs Code arbitrator. They cover, among other things, how the arbitrator should communicate with the parties in a dispute, case progression and timescales.

Together, these important developments are intended to provide an efficient, quality dispute resolution service for Code disputes, as I understand how important that is to ensuring tenants' Code rights are respected.

Importantly, I am carefully monitoring arbitration documents for any evidence of non-compliance and for instances where I can provide further clarity to the industry on applying the Code. I continue to publish awards made in arbitrations to support transparency in the industry; this includes the first summaries published for example where party consent for publication has been withheld. However, it is pleasing to note that the number of arbitration disputes has continued to fall. At the end of the reporting year on 31 March 2022 there were 43 open arbitrations compared to 73 at the same point last year.

I have developed the PCA's regulatory and compliance approaches, including bringing in changes to the compliance reporting framework to ensure that more useful data and

comparisons can be drawn and to enable effective monitoring over time. I also expect the reports to provide more meaningful information and insights for the industry.

Throughout this year I maintained my formal monitoring of how Star Pubs & Bars is meeting the recommendations I made after my investigation into the stocking terms the pub company used in its proposed Market Rent Only (MRO) tenancies. This included the variation of those terms in executed leases in the market to ensure their compliance at no extra cost to tenants a successful example of the impact of the PCA's powers if an investigation finds a breach of the Code.

In a number of areas, I am also achieving progress in compliance from regulatory work without a formal investigation. These successes are published on my website as Pubs Code Action stories.

A further area of valuable ongoing regulatory work with the pub companies is designed to improve the presentation of information, training and business planning review to new tenants.

In March I reported on my consultation on proposals to issue statutory guidance in relation to the offer of a MRO tenancy. These proposals are aimed at removing potential financial barriers from tenants seeking to access MRO and as a result, I intend to produce statutory guidance. In July I published statutory advice on the timing of referrals for arbitration by tied tenants to offer clarity to independent arbitrators considering a case under the Pubs Code.

I have also engaged with the Department for Business, Energy and Industrial Strategy's (BEIS) consultation on amendments to the Pubs Code. I welcome the Government's changes which came into force on 1 April 2022 including streamlining the MRO process and creating more time for negotiation to encourage agreement by the parties.

In my previous report I said that improving communications with tied tenants and creating stronger awareness of the Pubs Code would be a priority for the coming year. Despite the limitations imposed by Covid I have taken action, including using the opportunity presented by the fifth anniversary of the Pubs Code to publicise tenants' rights and the progress made by the PCA. The PCA now has a dedicated Facebook page to provide instant information about changes and developments in the Pubs Code and there have been opportunities to meet me and my team. Throughout the reporting period I have continued to publish and improve our offer of easy-read factsheets explaining Code rights.

It is very important for me to have a strong understanding of tenant experiences and the impact on them of the Pubs Code. To achieve this, I have carried out a range of valuable research, including in January launching the first tenants' survey since the pandemic. For the first time tenants were asked to rate their level of satisfaction with their pub company relationship. In general, more than six out of ten (62%) tenants are satisfied with that relationship, while 19% are dissatisfied. It is interesting to note that the satisfaction rating of tenants is higher – 67% – among those who started their tenancy after the Code came into force. I was encouraged to see that a large majority of tenants consider their business development manager is fair in discussions with them. However, one area where there is less satisfaction is how pub companies handle repairs and dilapidations and requests for a MRO option. These are clearly areas for focus for the pub companies and the PCA in the coming year.

In my previous report I described how I had commissioned a user research company, Hive to explore the experiences of tenants who had used the MRO process between April 2019 and April 2021. Much has changed with the MRO process since the introduction of the Pubs Code because of the investment of time and resources by the PCA and it was important to get an indication of recent experiences. I learnt that for tenants getting the right advice was crucial and that the MRO process had positively affected tenants' ability to negotiate a tied offer with nine out of ten who had stayed tied having achieved this. One tenant reported he was £65,000 a year better off under the tie after using the process. However, 71% told me that they considered the MRO offer from the pub company to be unreasonable and there were common issues around dilapidation costs, stocking requirements and high up front rental deposits. New guidance on the MRO process will be designed to make it more accessible and straightforward for tenants as well as requiring pub companies to provide supporting evidence to justify any rent they offer.

As I look ahead to the coming year my profound hope is that the tied pubs sector can become more optimistic about the future post-Covid. I will redouble my focus on the PCA's regulatory agenda so that a culture of Code compliance becomes more embedded in the pub companies that I regulate. A central theme of this work will be to promote increasing transparency about how the PCA regulates and how the individual pub companies are performing. For the first time the tenant survey allowed for comparisons between pub companies, and I intend to build upon this.

Finally, I will take every opportunity to continue to strengthen the PCA's engagement across the industry and especially with tied tenants, and to play a part in ensuring that Code principles and compliance can assist the industry in meeting wide ranging issues. Although it was pleasing that the tenant survey showed increasing awareness of the Pubs Code and the PCA I want all tenants to know that the Pubs Code exists to support them and as the Adjudicator I am a strong and independent regulator ready to enforce their rights.



Fiona Dickie,
Pubs Code Adjudicator
22 February 2023



Purpose and activities of the PCA

1. The Pubs Code

The Pubs Code regulates the contractual relationships between all pub-owning businesses with 500 or more tied pubs in England and Wales and their tied pub tenants – of which on 31 December 2021 there were 8,828.

Pub-owning businesses/companies (POB)

A pub-owning business or pub company as defined in s.69 of the 2015 Act is a person or company who is the landlord of 500 or more tied pubs.

The six pub companies governed by the Pubs Code on 31 March 2022 were:

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

On 26 July 2021 Admiral Taverns announced the acquisition of Hawthorn, the Community Pub Company, from New River REIT PLC. The acquisition added 674 pubs to the Admiral Taverns estate. The acquisition was approved by the Competitions & Market Authority in October 2021 subject to certain conditions.

Tied pub tenants

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

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

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

An important element of the 'no worse off' principle is the right for a tied tenant to request a Market Rent Only (MRO) option. Under a MRO



tenancy a tenant pays only a commercial rent for the pub premises and is free to buy beer and other products and services on the open markets.

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

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

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

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

More detailed information on Pubs Code provisions can be found at:
<https://www.gov.uk/government/collections/pubs-code-factsheets>

2. The PCA

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

In August 2021 the PCA moved its registered office from Lower Ground, Victoria Square House, Birmingham B24AJ to:

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

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

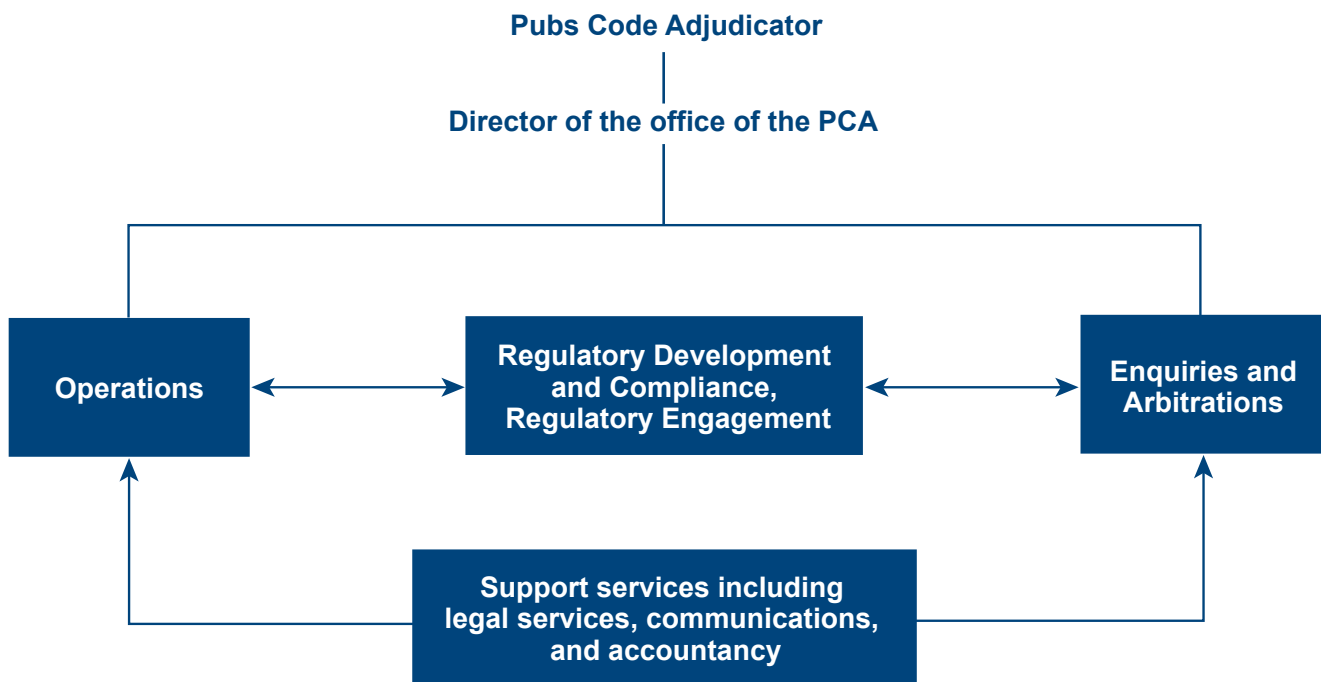
The Adjudicator has a statutory duty either to arbitrate disputes between tied tenants and their pub-owning businesses under the Pubs Code framework that are referred to the PCA or to appoint an alternative arbitrator. In December 2021 the PCA contracted with the Chartered Institute of Arbitrators (CIArb) to manage its arbitration function (see page 19).

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

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

3. The office of the PCA

The office of the PCA had the following operational structure for the reporting year, reflecting the delivery of its key statutory functions.



Operations: The Operations team continued to manage the systems and processes in place to ensure the smooth running of the PCA office throughout the reporting period.

Finance processes, adapted to facilitate full remote working arrangements in line with Government guidance on managing the impacts of the Covid-19 pandemic worked well and have since been adopted as standard practice.

All recruitment exercises were successfully completed online. Three new members of staff were recruited and inducted remotely during the year.

Throughout 2021-22 time was spent exploring the possibilities available for a new IT system to reflect the growing needs of the regulator and the change of emphasis away from arbitration case management.

The PCA’s 2020-21 audit was carried out remotely by the National Audit Office in November 2021. The 2020-2021 annual report and financial statements were certified and laid in the House on 28 January 2022 and that report can be found [here](#).

The continued restrictions imposed by Covid meant that the team has worked mainly from home during the year, but a major change was that we moved office during the pandemic. Despite the challenges this move was carried out efficiently and without any disruption to PCA activities. This achievement and the excellent service provided throughout the year is testament to the hard work and professionalism of the small team.

Performance measures, which were developed in 2020-21 were published on 1 April 2021 –and the PCA’s performance against the measures are monitored by the Operations team and reported on at the PCA’s monthly Management Board meetings.

PCA Published Performance Measure	1 April 21 – 31 March 22
<p>Correspondence and Enquiries</p> <p>1. 95% of correspondence (excluding regulatory interactions with POBs and arbitration case correspondence) responded to within 15 working days.</p> <p>2. 95% of enquiries (excluding regulatory interactions with POBs and arbitration case correspondence) responded to within 15 working days.</p>	<p>98.97%</p> <p>100%</p>
<p>Publication of Awards</p> <p>1. For 80% of awards for publication, in accordance with the PCA publication policy, consent is sought to publish no later than 6 weeks from the date the award is issued.</p> <p>2. 80% of awards and summaries will be published according to the PCA publication policy within 6 weeks of receipt of all appropriate consents (or of expiration of timescale for consent).</p>	<p>100%</p> <p>100%</p>



PCA Published Performance Measure	01 April 21 – 12 December 2021*
<p>Arbitration</p> <p>In 90% of cases the PCA will seek a recommendation from a suitable appointing body within 10 working days of acceptance of a referral and receipt of all relevant information from the parties.</p> <p>In 90% of cases the PCA will appoint a person to arbitrate a Pubs Code dispute within 10 working days of receipt of an appropriate recommendation from a suitable appointing body.</p> <p>* From 13 December 2021, to reflect the new contractual arrangements with CIArb, the Performance Measure changed to:</p> <p>In 90% of cases the PCA will appoint a person to arbitrate a dispute within 25 working days of acceptance of a referral and receipt of all relevant information from the parties.</p> <p>For the period 13 December 2021 to 31 March 2022, there were a total of six referrals and in five an arbitrator was appointed within 25 working days. In one referral, a second arbitrator recommendation from the Chartered Institute of Arbitrators was required. The PCA may seek a further recommendation where she is not satisfied that the recommended arbitrator has the required knowledge and experience to be appointed in that case.</p>	<p>95%</p> <p>100%</p>

Regulatory Development and Compliance: During the reporting year the PCA developed its Regulatory Compliance and Intelligence function, alongside the engagement function, recruiting a new Head of Regulatory Development and Compliance and three roles to support compliance and engagement.

Time has been invested in resolving quality and consistency of information in respect of historical reporting. A new policy for reporting breaches is under development.

As a modern regulator the PCA is taking a multi-faceted approach to ensuring compliance and improve outcomes for tenants. While the PCA always deploys the appropriate statutory powers when needed, including the power to investigate a suspected breach of the Code, the PCA must take a proportionate approach to non-compliance and seeks to be transparent about how it is doing this.

An example of positive regulatory outcomes is PCA intervention which resulted in the refund totalling £25,460 to affected tenants who had been charged for a schedule of dilapidations when they had requested a free of tie option. This has been publicised in a Pubs Code Action story, as well as PCA satisfaction that in July 2021 Greene King self-reported potential compliance failures because the POB could not verify that some of its

business development manager discussion notes had been sent to tied tenants. In response, Greene King sent a letter of explanation to affected tenants along with reissued BDM notes and reminded all its tied tenants about their Pubs Code rights to receive such notes. The pub company has committed to implement improved controls to minimise the risk of the error recurring. The PCA welcomes this as an example of the proactive engagement by this and other pub companies who have sought to ensure it is compliant with the Code; it is a development that promises future benefits.

Consistent with this promise, the PCA is developing a process that enables the PCA, where appropriate, to deal with breaches in formalised yet collaborative manner which is designed to provide a structured opportunity for POBs to identify and resolve the extent and impact of breaches under the oversight of the PCA transparently and in a timely way. The interests of TPTs and the potential impact of the breach on them are important to the PCA when deciding whether to offer this collaborative approach as an option to the POB. In March 2022, the PCA commenced its first inquiry of this type.

Building on past experiences and feedback from POBs this year has seen an updated Compliance Report framework issued to POBs, providing a consistent layout and approach, delivering a comprehensive set of information which can be understood and analysed by stakeholders once published on each POB's website. The consistent nature of the Compliance Report questions allows for important trend analysis to be conducted and provides valuable data for use across a wide spectrum of the PCA's range of activities.

Work has been ongoing to develop and refine the PCA's intelligence processes. This includes the identification and capture of key information from across multiple sources, the accurate and reliable storage of any identified information, and its assessment to support the PCA's decision-making process. Arbitration awards represent a source of information that can provide crucial intelligence for the PCA's role. The PCA has developed its processes over the last year to accurately and reliably capture and review this information for regulatory purposes.

An example of the PCA acting on an award involved an arbitration case in which Punch Pubs failed to recognise its statutory duty to provide a rent proposal to new tenants. In response to PCA intervention, Punch Pubs confirmed it recognised its statutory duty and in response to PCA instruction the Code Compliance Officer verified its compliance, updating its rent proposal template, staff training materials, literature and information to new tenants.

The PCA continued working with the regulated POBs to develop better provision of information and advice to new tenants. The PCA held workshops with CCO's to discuss and agree how new tenants can be supported to understand and use their Code rights. This includes reviewing how the pub companies ensure that pubs entry training is appropriate.

The PCA worked with POBs to review how the information required by Schedule 1 is provided and evaluated.

Regulatory Engagement: The PCA continues to explore new and innovative ways to engage with its stakeholders and to share information around the Pubs Code. Over the year, the PCA has been discovering ways of elevating its public profile and highlighting its work within the public domain. July 2021 marked five years of the Pubs Code and the PCA took the opportunity to emphasise its impact and raise awareness of tenants' code rights

through a series of communication activities, including an insightful recorded interview with Fiona Dickie bringing the Code to life. A tenant also shared their story of how they had successfully used their right to the market rent only option to negotiate a better tied deal. The PCA intends to share more stories of tenants who have successfully used their Code rights to empower others to do the same.

Following a period where in-person events were restricted due to the pandemic, the PCA took the opportunity to hold its first event at an historic pub in Manchester in March 2022. Fiona Dickie talked about the Pubs Code, and this was followed by a lively panel discussion with industry experts. The PCA office has also increased its attendance at other meetings and events run by related organisations, taking opportunities to raise awareness of the Pubs Code and listen to industry views. The PCA has also attended national trade shows to raise its profile and communicate to tenants the ways in which the Pubs Code supports them. This included attendance at Northern Restaurant and Bar as well as Fiona Dickie taking to the stage at the Pub22 event at London's Excel Centre in March 2022 where attendees were able to hear the PCA talk about the code, her work, and ask questions. The PCA has also attended events held by organisations such as the Society of Independent Brewers (SIBA) and the British Institute of Innkeeping (BII).

Research gives the PCA valuable insights into the views and experiences of tenants and others and helps to inform the direction it needs to take and its regulatory priorities. In January and February 2022, the PCA carried out its annual tenant survey, the first such survey since 2019 due to the need for the industry to focus on the pandemic. A short pulse survey looking at tied tenant awareness of the rights the Pubs Code gives them over premises insurance suggested that this awareness needs to improve and the [results](#) were published in August 2021. The PCA has published a factsheet setting out What Tied Pub Tenants Need to Know about insurance.

A deeper dive into a particular area can also be beneficial, and in November 2021 the PCA published the [results of independent research](#) it commissioned into the recent motivations of tenants who requested the Market Rent Only option, how they had used the process, and their overall experience.

The PCA aims to be as transparent as possible in the regulatory work it is doing. In some instances, it may be too early to talk publicly, or doing so may hinder current or future regulatory action. But where information can be shared with the industry, the PCA is committed to doing so through its Pubs Code Action Stories.

The PCA also uses social media channels to communicate important information to the industry and highlight new publications on its website. The PCA has produced a range of appropriate new products and amended existing ones to inform the industry about the Code, including the changes to the MRO procedure which came into force on 1 April 2022. New titles include What Tied Pub Tenants Need to Know about Significant Increase in Price and What Tied Pub Tenants Need to Know about Duties of a Pub-owning Business in Connection to Renewal of a Pub Agreement.

The PCA's Twitter following and engagement levels continue to grow and following [independent research](#), the PCA joined Facebook and LinkedIn this year. Over the coming year the PCA will build its communications and social listening activity across these platforms.

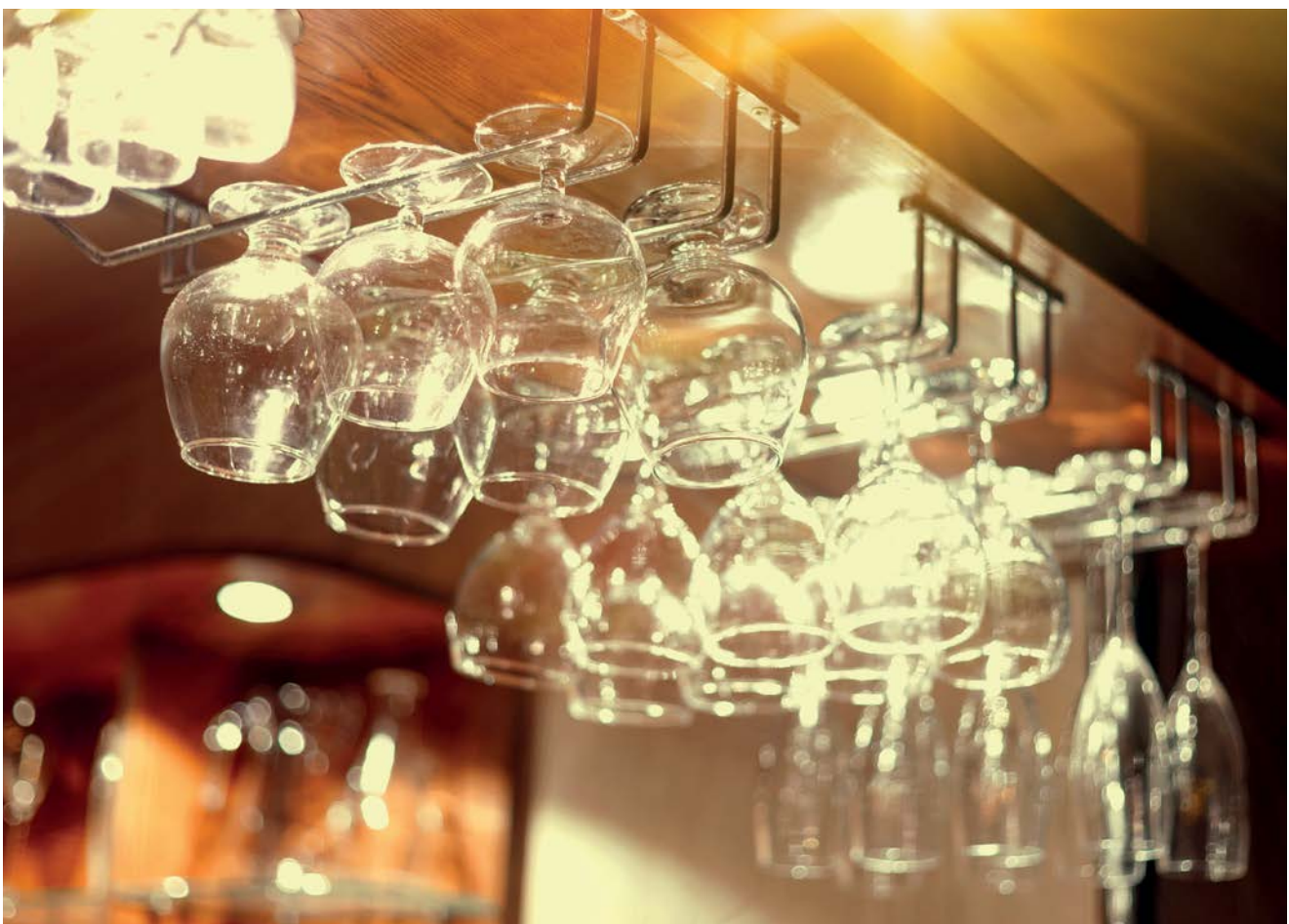
Enquiries and Arbitrations:

Enquiries: The PCA operates an enquiry service providing information on the Pubs Code and its processes (although one in five enquiries received this year was not about a Pubs Code matter). The enquiry service can be accessed through a call back request (which accounted for 38% of enquiries over the year) by email (31%) or by completing a web form (32%). Following recommendations from independent research commissioned by the PCA into its communications, the PCA reduced its email contact points to a single email address. This allows the PCA to measure, manage and triage enquiries more efficiently and ensure that no responses are delayed beyond reason. The enquiry service is available to all, but most enquiries received have been from tied pub tenants and their representatives.

The results of the PCA Annual Tied Tenant Survey 2022 (see pages 20–23) indicated that tenant usage of the enquiry service was low (5% recall using the PCA enquiry line in the past two years). However, the PCA encourages tenants to raise queries about the Code with their pub company’s Code Compliance Officer in the first instance. Code Compliance Officers have a duty under the Code to be reasonably available to tied tenants and anyone acting on their behalf who may have a query relating to the Code.

The PCA also regularly signposts tenants to its suite of factsheets, which are designed to answer everything tenants need to know about the Code and its processes.

Arbitration: Arbitration is dealt with in the Statutory Performance summary of the PCA – see page 25.



The Pubs Code Adjudicator: Strategic Objectives and Performance Analysis



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

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

In recent years the PCA has had four strategic objectives about the Code:

The PCA has four strategic objectives:

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

These remain relevant and echo the statutory powers and have informed the work of the PCA over the last year. In tandem, the PCA has begun a process of establishing its strategic priorities for the next 1 – 3 years, engaging with a wide ranging of stakeholders to develop short-, medium- and longer-term objectives over the period. These will be fully developed during the coming year.

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

The PCA publishes information, advice and guidance to help tenants understand and access their rights under the Code. In the current year the PCA has continued to work with stakeholders from across the regulated industry to inform the industry about the Code. This has included work on developing revised and new factsheets for tenants in the ‘What a Tied Tenant Needs to Know’ series. Where possible and in the public interest the PCA continues to make arbitration awards – or summaries of those awards – publicly available as well as public regulatory work in which the PCA has been engaged, in particular through Pubs Code Action Stories. The PCA has a monthly column that focuses on Code issues of the day in the leading industry press.

Information was gathered from a short discovery project to understand more recent experiences for tenants going through the MRO process which informed work on a consultation on statutory guidance designed to remove barriers to accessing the MRO option. The PCA’s tied tenant survey completed its field work and initial analysis providing

good evidence of tenant understanding of the Code, their view of the POB and the PCA to inform future focus for the PCA.

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

The PCA has over the year worked with Code Compliance Officers on improving the access of new tied tenants to information under the Code which was continued in light of the Secretary of State’s guidance to the PCA to have in mind the importance of new tenants fully understanding their Code rights and how they can learn about and access their rights. This remains work in progress. The PCA also engaged with the British Institute of Innkeeping (BII) in the set-up of their resource for tenants to ensure it was available to tenants in negotiation with the POB for a tenancy, not just those in situ.

In statutory arbitration the PCA has set standards (see page 19) to which appointed arbitrators must sign up, designed to ensure timely, Code-effective management of arbitrations. Following the appointment of the Chartered Institute of Arbitrators to run the arbitration management service and deliver training for arbitrators, cases have been transferred. Work to devise specific training modules will commence next reporting year.

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

The PCA will intervene where there is a suspected breach of the Code, arbitrating (or enabling arbitration) in individual disputes, taking informal action and through formal investigations where appropriate. Where a breach of the Code is found, the PCA will consider effective remedies and seek mechanisms to make those decisions and outputs understood across the industry. During the year the PCA has continued to monitor the steps taken by Star to comply with recommendations issued following the findings of the investigation in stocking terms which was published in October 2020. Removal of non-compliant terms from the market and revised processes for ensuring fair negotiations are well under way.





Consultation on statutory guidance to remove barriers to accessing MRO has been undertaken with that guidance intended to be completed shortly.

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

We have and continue to provide and facilitate training and experiences that enhance the skills of staff in relation to the Pubs Code and enables our people to grow and develop. Over this year in-house training has been developed in core code areas and staff supported in wider training and qualifications.

The PCA is Developing Strategy Guidance for the next three years.

PCA let a contract in December 2021 to Glow Innovations to support a review and listening process involving key sector stakeholders, both externally and internally. This insight-gathering process forms the backbone of the strategy setting out the PCA's strategic objectives for the next three years, and should provide the PCA with a good overview of:

- how the business landscape for the pub trade has changed over the past two years, and;
- how the context that tenants and pub-owning companies now operate in has become increasingly turbulent and complex at a macro level.

The final document was published in the summer of 2022-23 and can be found [here](#).

Key issues and risks



The PCA Management Board (see the Governance Statement on page 37) is responsible for supporting the PCA with identifying, monitoring and mitigating issues and risks associated with the operation and administration of the office of the PCA and the exercise of the statutory functions of the PCA during this reporting period.

The office of the PCA has an established process for the management of operational risks.

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

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

Staffing and Operational resilience

Continuity of resourcing continues to be the top risk for the PCA. Attracting and maintaining a core staff at the PCA with the skills and experience required for a small regulator remains an ongoing risk. The arrangements have been bolstered with the support of the sponsor department to provide a stable place from which to second staff during the year. Internal training continues its cycle of sessions for our core staff and further succession planning is in train to maintain central knowledge. Key specialist skills continue to be procured where required, and greater reliance has been placed on procured services in the last year to ensure major services and issues can be developed.

Regulating an industry post lockdown

Following a period of lockdown due to the COVID-19 pandemic, restrictions began to be lifted in England from 12 April 2021 (and thereafter in Wales). Indoor hospitality was permitted from 17 May. Effective regulation of an industry that was coming out of lockdown for a third time continued to be a significant challenge, with staff working remotely for much of the year. Regulatory engagement worked to a longer timetable to enable the industry to manage the impacts of wider re-opening issues, including work with CCOs on new tenant support. Annual compliance reporting moved to September and PCA auditing took place in the later part of the financial year. Development work for a consultation on removing financial barriers in the MRO process also took place later in the year. Field work on the tenant survey was completed and analysed in-year, with finalised reporting achieved after year end.

Statutory arbitrations

Statutory Pubs Code arbitrations are now routinely being undertaken by external arbitrators appointed by the PCA. The PCA recognises that following the first statutory review, the Secretary of State asked the PCA to have in mind whether there was sufficient availability of individuals with suitable experience and knowledge of the statutory framework for dispute resolution under the Code; and if there were any additional training requirements. There is an increased risk of inconsistent interpretation of the legal framework and differing approaches to costs and timetabling from appointing third-party arbitrators with the potential consequential impact on the level of service. To mitigate the risk, the PCA has successfully appointed a sole provider of the arbitration management service, with the aim of bringing oversight to the service provision and recommendations for appointment, and to release internal resource to focus on regulatory impacts. This year the PCA has implemented arbitration standards to which arbitrators sign up to in taking up appointments. The contract with the sole provider, Chartered Institute of Arbitrators, includes the provision of training for arbitrators, which will be progressed in the next financial year. Continued publication of arbitration awards and summaries offers a body of decisions from which to understand the Code's application in individual cases.

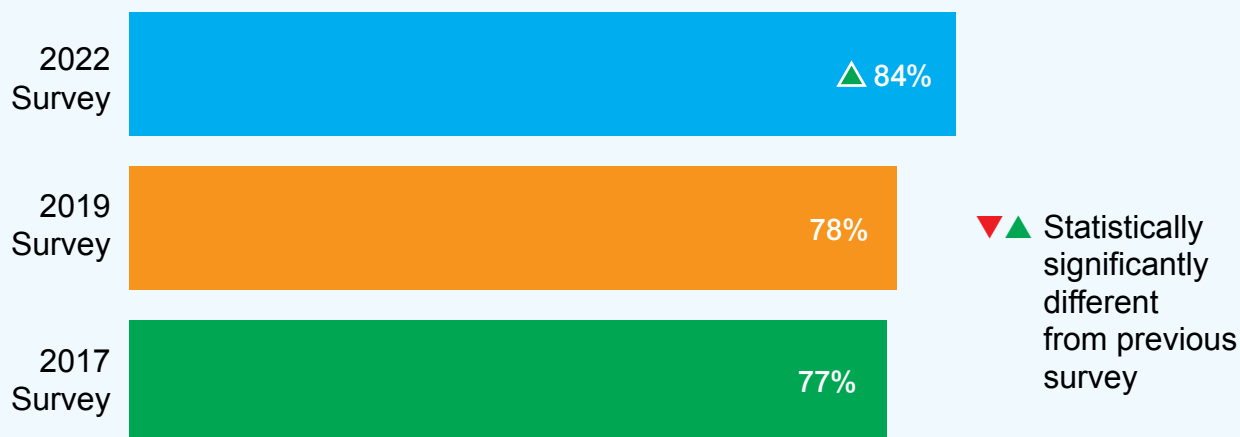


Tenant Survey Insights

Ipsos, on behalf of the PCA, interviewed a representative sample of 614 tenants across the six pub companies in January and February 2022, about their Awareness and Experience of the Pubs Code and their relationship to their pub company.

C1. Have you ever read, seen or heard anything in relation to the Pubs Code?

Figure A: Tenant Awareness of the Pubs Code

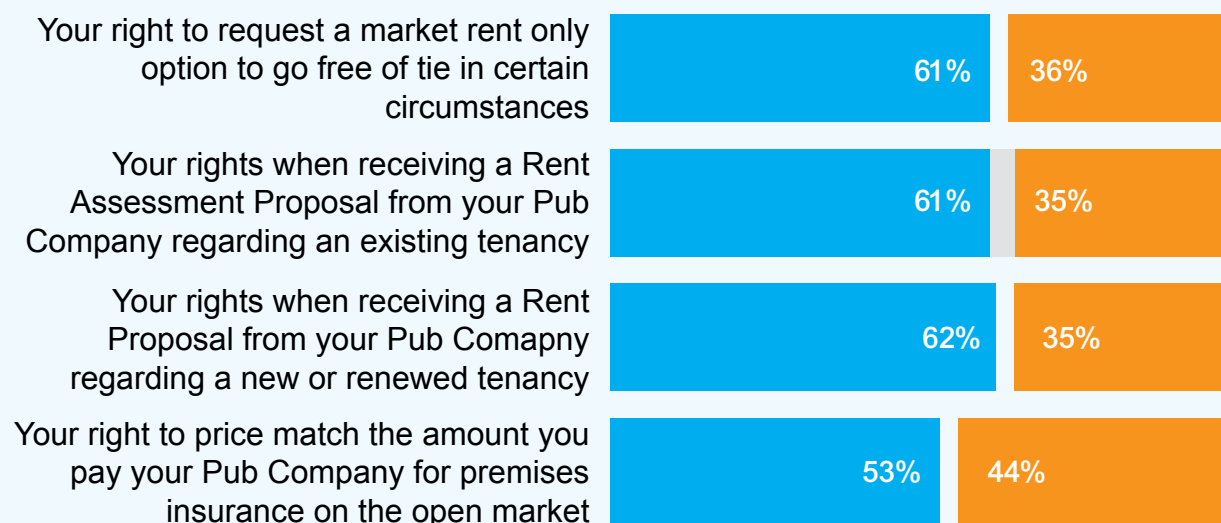


Encouragingly, tenants’ awareness of the Pubs Code has significantly increased since the last survey was conducted in 2019 – see the Figure A above. Overall, 84% of the tenants surveyed this year had read, seen, or heard information in relation to the Pubs Code, which is a significant increase from 78% in 2019.

While tenants have good levels of awareness of their Code rights overall, there is a significant percentage that were unfamiliar with key areas – see Figure B below.

C6. Before today, how familiar, or not, would you say you were within your rights as a tenant in the following areas of the Pub Code?

Figure B: Tenant Awareness of their Pubs Code Rights



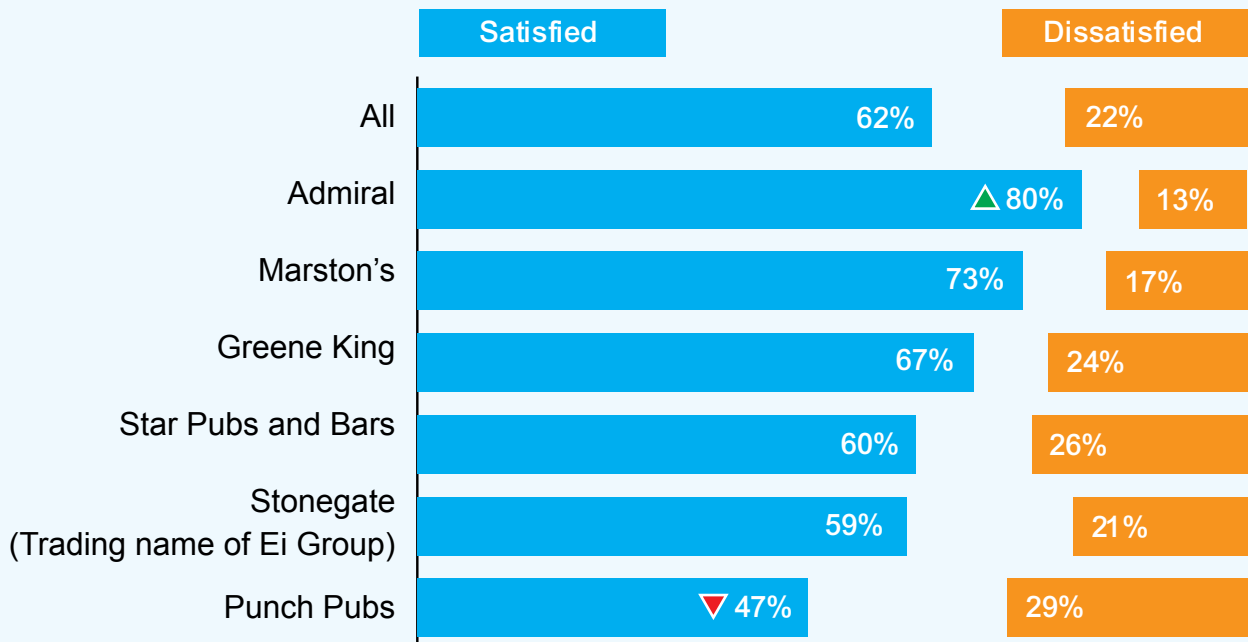
Tenant Survey Insights

The right to price match premises insurance on the open market appears to be the least understood. Just over one in three tenants are unfamiliar with other key rights such as the right to ask for the Market Rent Only option in certain circumstances, the right to a Rent Assessment Proposal in relation to an existing tenancy, and the right to a Rent Proposal for a new or renewed tenancy.

We know that tenants need to be familiar with their Code rights if they are to feel truly empowered to use them. So, the PCA has an important role to play in helping tenants understand how the Pubs Code can support them through the life of their tenancy. The pub companies and trade bodies also play a valuable part and, clearly, good work is happening, but it’s clear there is more to do.

D3. Overall, taking everything into account, how satisfied or dissatisfied are you with your relationship with your (PUB COMPANY) today?

Figure C. Tenant Satisfaction with their Pub Company



Base: All tied pub tenants (614) with Admiral (78), Marston’s (76), Punch Pubs (75), Star Pubs and Bars (123), Greene King (78), and Stonegate (184)

Key: ▼ ▲ Statistically significantly different compared to the average

The Pubs Code underpins the relationship between the tenant and the pub company, and 62% of tenants surveyed were satisfied with this relationship, 22% were not – see Figure C above. Satisfaction was slightly higher (67%) for those who started their tenancy after the Pubs Code came into force in 2016. Satisfied tenants should mean more productive business relationships, which benefits everyone.

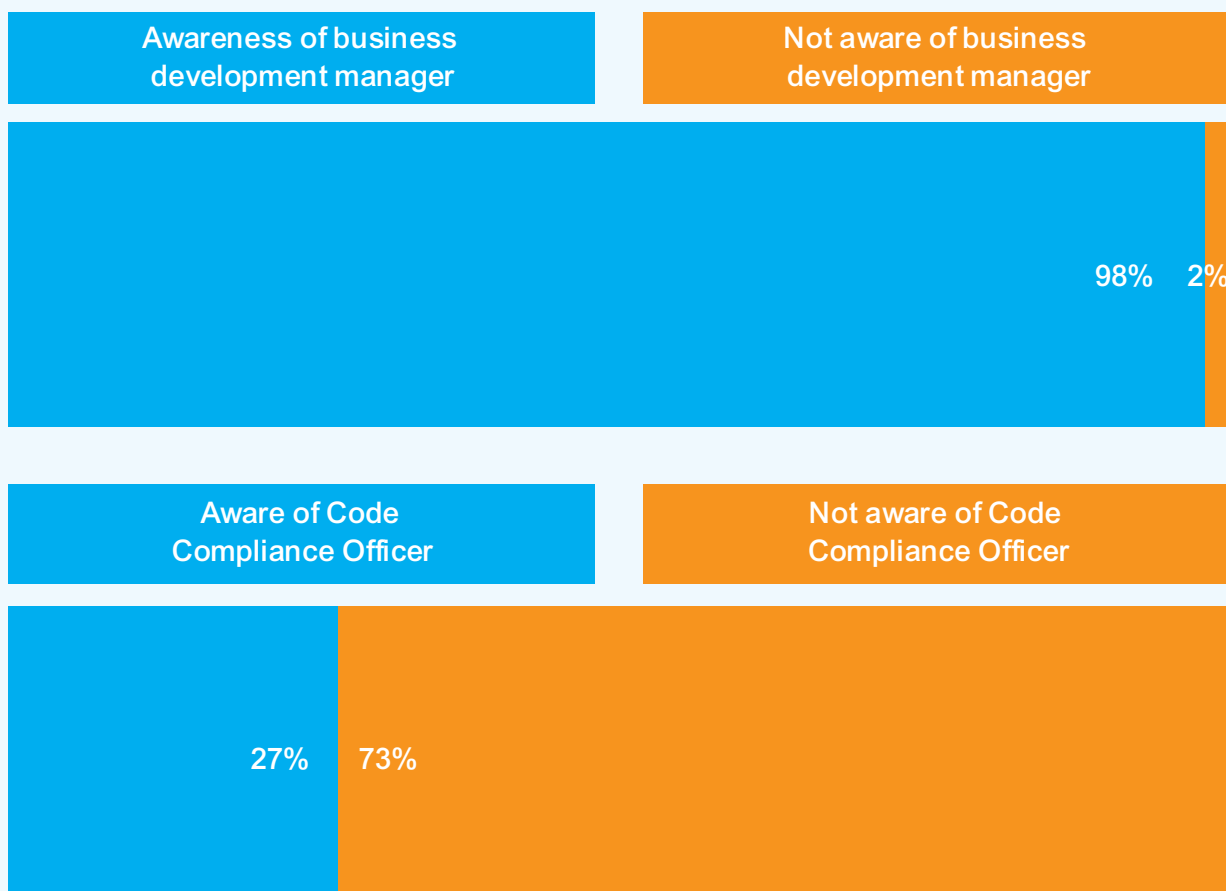
The results can be viewed in full on the PCA website at:
<https://www.gov.uk/government/organisations/pubs-code-adjudicator>

Tenant Survey Insights

D1/D2. To what extent, if at all, do you agree or disagree with the following statements about your business development manager/Code Compliance Officer?

Tenants were asked a series of statements about their business development manager (BDM) and Code Compliance Officer (CCO), and those that responded that they did not know who their BDM/CCO was, were excluded from the base. The proportion of tenants not aware of their BDM or CCO are displayed below in Figure D.

Figure D: Tenant Awareness of their Business Development Managers and Code Compliance Officers



Base: All tied pub tenants (614)

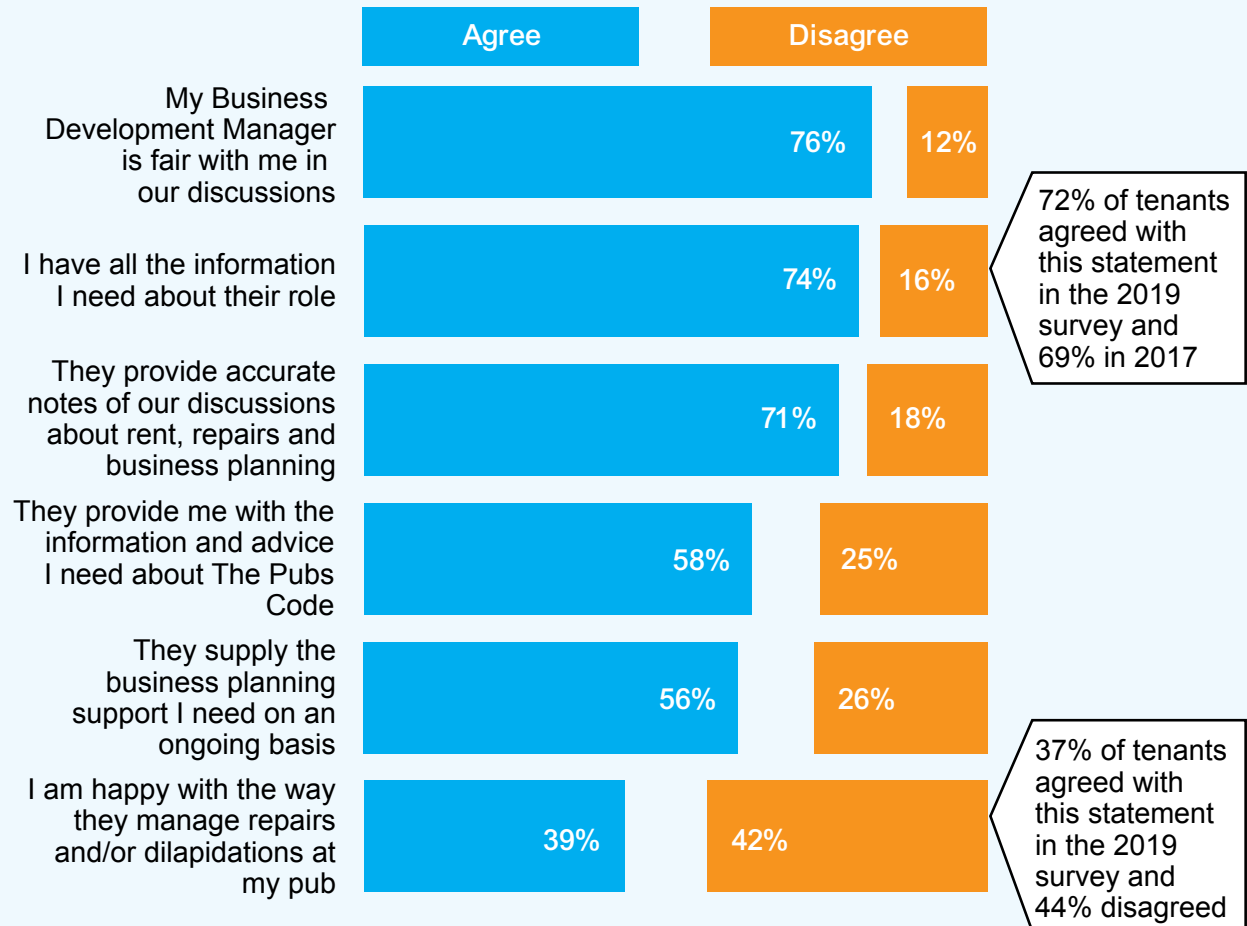
Business Development Managers (BDMs) are well known, with 98% of tenants surveyed aware of who their BDM is. This is not surprising as it is the person most likely to be in regular contact with them.

There needs to be more awareness of the pub company Code Compliance Officer (CCO) role, as only one in four tenants were aware of who this was. The CCO works for the pub company and has a dedicated role to make sure their company complies with the Code. CCOs know a lot about the Code, and are a useful contact for tenants with any questions or concerns.

Tenant Survey Insights

D1. To what extent, if at all, do you agree or disagree with the following statements about your business development manager?

Figure E: Tenant Perception of their Business Development Manager



The relationship with BDMs is positive, with 76% saying BDMs are fair in discussions – see Figure E above. These results suggest there is a solid foundation on which to build even better partnerships.

A pain point for many in the survey was the handling of repairs and dilapidations. Also of note, was the usefulness of the sustainable business plan in managing the tenancy, as while the majority found it useful, some did not. Several factors could be contributing to tenants’ views on these matters, and it may not be a problem the Code alone can solve.

Understanding how the Code works in the wider industry context is important, being mindful of the historic challenges and alive to the current pressures. The PCA recognises the benefits of working with others to understand the problems in the tenant and pub company relationship, and to finding the best solutions.

The results can be viewed in full on the PCA website at:

<https://www.gov.uk/government/publications/pca-investigation-into-star-pubs-bars>

Tied pub tenants across England and Wales have Pubs Code rights



Jamie – The Boot and Shoe, Ackworth, (Admiral Taverns)



Laura – The Bull and Bush, Shephed, (Admiral Taverns)



(L-R) Chris Nicholson (BDM), Jade Shilton, Zoe Shilton, MP Pauline Latham and Andy Shilton – The Old Kings Head, Belper, (Admiral Taverns)



Steve, Ruth and TJ Lewis – Robin Hood, Overseal, (Admiral Taverns)



Anna-Louise Clarke – Halley's Comet, Milton Keynes, (Greene King)



Chris Windle – Owner of your Friendly Local, Rotherham, (Greene King)



Tony & Beckie Bayliss – The Maldon Grey, Sudbury, (Greene King)



Ian Jones – The Romilly, Cardiff, (Marstons)



Sally Harris – The Gun Inn, Findon, (Marstons)

Statutory performance summary of PCA activity for the period 01 April 2021 to 31 March 2022

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

62 annual report

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

The reporting in this annual report covers the period 01 April 2021 to 31 March 2022. For the year 2021–22 the PCA is reporting on both:

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

On 12 July 2019 the PCA launched an investigation into Stars Pubs & Bars under section 53 SBEE Act 2015, with a report published in October 2020 (see page 29). The PCA exercised her powers of enforcement (see sections 56–58 SBEE Act 2015) requiring recommendations to be followed, issued a Penalty Notice imposing a financial penalty, and has required information to be published. Ongoing monitoring of recommendations has continued this year.

Summary of arbitrations conducted by the PCA during the period 01 April 2021 to 31 March 2022 (section 62(2)(a)) compared with the same reporting period in 2020–21:

	2021–22	2020–21
Total number of cases (including those related to the offer of a (market rent only option) accepted by the PCA for arbitration during the reporting period (** includes 43 self-referrals by POBs)	84	96**
Number of arbitration cases in which an award was made, including referrals received between 2016–2021 (** including 28 self-referral orders in 2020–21)	126	79***
Number of arbitration cases in which an award was made following the withdrawal of the referral by the referrer, including referrals received between 2016–2021	20	4
Number of arbitration cases in which the referral was withdrawn, due to a settlement being reached within the initial stay period (The offer of an initial stay was introduced in November 2018 for new MRO referrals)	6	7

Summary of cases in which the PCA has exercised functions in relation to the offer of a MRO option during the period 01 April 2021 to 31 March 2022. (section 62(2)(d)) compared with the same reporting period in 2020–21:

	2021–22	2020–21
Total number of cases accepted by the PCA for arbitration in relation to the offer of a market rent only option, during the reporting period	79	76
Number of arbitration cases in which an award was made (** includes 28 self-referrals)	104	67**
Number of arbitration cases in which an award was made following the withdrawal of the referral by the referrer, including referrals received in 2016/17, 2017/18, 2019/20, 2020/21 and 2021/22	18	2
Number of arbitration cases in which the referral was withdrawn due to a settlement being reached within the initial stay period *The offer of an initial stay was introduced in November 2018 for new MRO referrals	6	7



Duration of arbitration cases that were on-going on 31 March 2022 compared with 31 March 2021: (not a statutory reporting requirement)

	31.03.22	31.03.21
Number of arbitration referrals (accepted cases and referrals under consideration) on 31 March 2022	43	73
Of which:		
Less than 1 month	3	6
Between 1 and 3 months	6	22
Between 3 and 6 months	8	9
Between 6 and 12 months	20	12
Longer than 12 months	6	24

In April 2021, the PCA introduced and published performance measures on the website, to ensure the timely appointment of an arbitrator after accepting a referral. On CIArb taking over management of the arbitration service in December, these performance measures were consolidated into one measure: in 90% of cases the PCA will appoint an arbitrator within 25 working days of accepting the referral and receiving all relevant information from the parties. The PCA is working with CIArb to exceed this timescale wherever possible. The PCA's performance against this measure can be found on page 10.

Arbitrations: The PCA is committed to delivering a quality arbitration service and has made a number of improvements this year. CIArb now manages the arbitration service from referral to case closure. This includes the recommendation of suitable CIArb-accredited arbitrators to the PCA for appointment, where the PCA exercises her statutory power to appoint an alternative arbitrator. Over the year, the PCA has exercised this power in all cases to ensure the office can focus on the PCA's regulatory priorities.

Arbitration Standards: The PCA also introduced and published standards for Pubs Code arbitrators to promote timeliness, quality, and consistency in Pubs Code arbitrations, which can be found here. Arbitrators appointed from 1 April 2021 must agree to adhere to these standards. The standards cover, amongst other things, expectations for how the arbitrator will communicate with the parties, case progression and timescales and the use of the PCA's powers as regulator to require information about the arbitration. Adherence to these standards continues to be monitored and will form part of specialist Pubs Code training for arbitrators. This training will be developed and delivered by CIArb over the next reporting year. It will be followed by an assessment to ensure all arbitrators demonstrate a minimum standard of knowledge and understanding of Pubs Code arbitrations.

The number of open arbitration cases has reduced over the year with 43 open cases as of 31 March 2022, a reduction of 30 compared to the same point last year.

The PCA has worked with CIArb to develop a new Pubs Code Arbitration Quarterly report to offer more meaningful insights for the industry on Pubs Code arbitrations by pub company. The improved reporting style also shows progress over time providing a comparison to the previous quarter and total for the year.

In September 2021, the PCA ended the offer of a three-month Initial Stay of Proceedings on all new MRO full response referrals, which was first introduced in late 2018 to facilitate early settlement with conditions to incentivise this. If the parties reached a settlement during this time and the referral was withdrawn, there were no arbitrator costs charged and the referral fee was refunded (minus a £50 administration fee). Also, where the methodology for calculating the levy (by which the PCA is funded by the pub-owning businesses) was in whole or in part by reference to the number of accepted arbitration cases involving that pub-owning business, the case was treated as a referral only and not an accepted arbitration case.

There was moderate success for the initial stay initiative, with a settlement rate of approximately 25%. The measure was supported by the POBs, though not all tenant representatives sought to make tactical use of it. The government on 12 July 2021 issued a consultation on amendments to the Pubs Code which included options for additional time in the MRO process to allow the parties to negotiate.

Management of the number of MRO arbitration referrals in respect of which an initial stay was agreed, including party requests for extensions, required additional case management by the PCA. The PCA decided in the interests of proportionate use of her limited resources and those of her office to withdraw the initial stay option in September 2021, and the option formed the basis of some comments made in the statutory consultation.

Amendments to the Pubs Code effective from 1 April 2022 introduced a three-month upfront resolution period (amongst other changes to the MRO process). A tied tenant who receives an MRO proposal will have three months to consider the proposal and negotiate with the pub-owning business about the terms and rent, it now being a Code requirement to include the proposed rent as part of the MRO full response. This means the parties have more time to negotiate before deciding whether to make an arbitration referral in relation to disputes about the compliance of MRO terms. The impact of these changes will be monitored over the next reporting year.

The PCA continues to publish arbitration awards, or where appropriate summaries of the findings made in awards, to create greater transparency in the arbitration process. During the year, the PCA published 12 award summaries in relation to MRO full response and non-MRO disputes, where arbitrators had issued preliminary and substantive awards. The PCA introduced performance measures to ensure the timeliness of publication in April 2021 and continues to procure external legal support to achieve this. Awards issued before April 2021 have now also been published where appropriate in line with the PCA's publication policy.

To further aid tenant understanding of arbitrator findings, the PCA has changed how awards are displayed on its website, to include the name of the pub-owning business and key code areas, broken down by the year the award was issued. The PCA has also improved the publication format on its website for High Court judgments in appeals of decisions in Pubs Code arbitrations to include key code areas, and a summary of the main points, making it easier for tenants to access these. The PCA has seen that parties are referring to published awards in arbitration pleadings, indicating that the improved transparency is enabling a more equal understanding between pub-owning businesses and tenants as to the application of the Pubs Code.

Implementation of recommendations following investigation into conduct of Star Pubs & Bars

As reported in the annual report 2020–2021, on 15 October 2020 the PCA published a report following the PCA's first investigation under section 53(1)(a) of the SBEE Act 2015, which gives the PCA the power to carry out an investigation if it has reasonable grounds to suspect that a pub-owning business has failed to comply with the Pubs Code. Work on ensuring that the enforcement measures following that investigation are appropriately implemented has been ongoing throughout the year.

Detail of the investigation was reported in the 2021–2022 annual report and can be found [here](#).

As a result of breaches found by the PCA, the PCA required Star to publish information to its tenants about the findings and made 8 recommendations under s.56 of the SBEE Act 2015 in respect of action to be taken by Star Pubs & Bars.

This included that:

- Star must offer Code compliant stocking requirements to classes of tenants specified in the investigation report. Any actions taken by Star to remove or vary tenancy terms (should tenants agree to this), must be without cost to tenants.
- Star must, when issuing a MRO proposal, have evidenced grounds for the reasonableness of any stocking requirement, which must be in line with all guidance by the PCA. The evidence supporting that the requirement is reasonable should be made available to the tenant to ensure transparency in negotiations.
- Star must ensure that any conflict between the statutory responsibilities of the Code Compliance Officer (CCO), and objectives relating to the profitmaking functions of Star, is managed appropriately, and that the CCO is able to properly challenge decisions within the business that may be non-complaint with the Code.
- Star must formalise its monitoring of Code compliance to enable independent monitoring of its Code compliance approach, the recommendation of further opportunities for improvement and the creation of a framework where evidence-based assurance can be demonstrated.
- Star's administrative and record-keeping systems must support and evidence Code compliance.
- All Star personnel must be trained in the findings from the investigation in Star's next annual training cycle.

On 5 March 2021, Star published an action plan ([here](#)), setting out how Star Pubs & Bars intends to deal with each of the 8 binding recommendations made by the PCA. The PCA has been working with Star to ensure that all recommendations are implemented and direct detriment to affected tenants appropriately remedied. This has included Star providing regular reports updating the PCA throughout 2021–2022 on the tenants of 93 premises being provided with Code compliant Market Rent Only offers or amendments to their existing agreements following an audit by Star of existing offers or executed MRO agreements which were found to contain non-compliant terms. Star has taken steps in

accordance with its Action Plan of February 2021 and made progress in all areas of the recommendations.

As at March 2022 Star had reported that all identified tenants have been offered compliant stocking requirements, either by way of changes to their existing MRO lease or during negotiations following a tenant's request for a MRO-compliant tenancy. Many of these tenants have now agreed or completed a MRO lease or have agreed a new tied lease or rental figure with the benefit of having been able to consider whether a compliant MRO lease may be the right choice for their business. As at March 2022 Star reported to the PCA that of 17 tenants who had been offered changes to their existing MRO lease, 10 had either agreed or executed amended stocking requirements. Of the 76 tenants offered updated stocking terms during the negotiation of the MRO offer, at March 2022, 33 had completed or agreed MRO terms with Star, and 31 had either agreed a new tied lease or completed a tied rent review on their tied lease. The PCA continues to monitor Star's implementation of the recommendations.



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

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

Our commitment to the principles of the Modern Slavery Act 2015

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

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

Sustainability

The PCA is committed to sustainability in the way we make policy, procure goods and services. We use the Crown Commercial Service framework to procure goods and services where applicable. The procurement service keeps its policies under regular review and works with its partners individually to ensure sustainability goals are achieved.

The office of the PCA's accommodation is contractually managed by the Government Property Agency on behalf of BEIS and as a result we are committed to environmental sustainability of our office space.

Diversity

We follow the recruitment processes of our sponsor department BEIS, seconding staff through BEIS where appropriate. As BEIS is a Disability Confident Employer, we offer a guaranteed interview to any disabled candidate who meets the minimum criteria.



Fiona Dickie,
Pubs Code Adjudicator
 22 February 2023



Accountability Report



Corporate Governance Report

Format of the accounts

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

1. Accounting Officer Report

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

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

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

2. Risk and Audit Committee

The Risk and Audit Committee supports the Management Board and the Accounting Officer in my responsibility for control and governance, risk management and associated assurance.

Rob Powell, the Strategic Director for Resources at Warwickshire County Council was the independent Chair of the PCA's Risk and Audit Committee throughout the reporting year.

The main areas for the Committee's focus were:

- Risk management including a regular review of the PCA's risk register
- Recruitment and retention of staff
- Managing the work of the regulator post lockdown
- Statutory arbitrations and the transition to a new provider in the latter part of the year
- Finance management based on the quarterly finance reports
- Transition arrangements between the PCA and the CI Arb managing the Arbitration Services

- Certification and laying of the PCA's 2020-21 Annual Report and Financial Statements in January 2022
- The PCA's case management system provides a reporting function sufficient to provide the Risk and Audit Committee with the assurances that the data presented throughout the reporting period was correct.

For 2021–22 I managed risk using a Risk Register that was coordinated by the Director of the Office of the PCA and was a standing item on our monthly Management Board meetings.

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

3. Register of interests

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

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

No interests were registered and disclosed during the reporting period.

4. Personal data

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

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

5. Audit

The auditor of the PCA is the Comptroller and Auditor General. The audit fee for the period ended 31 March 2022 is £23,500 (2020–21: £16,500).

6. Statement of the PCA Accounting Officer Responsibilities

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

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

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

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

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

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

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

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



Governance Statement

PCA Governance Framework Approach 2021–22

1. PCA Governance Framework Approach

Fiona Dickie was the Pubs Code Adjudicator (PCA) throughout the reporting period.

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

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

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

2. Management Board

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

The office of the PCA is directed by a Management Board (the Board), the structure of which was revised at the beginning of the reporting year – April 2021, comprising of Management Board People and Finance (PF) and Management Board Regulation (R).

Membership of Management Board PF includes the PCA and Director of the Office, Membership of Management Board R includes the PCA, Director of the Office, the Head of Stakeholder Engagement and the Head of Regulation Development and Compliance. Attendance at Management Board PF by the Head of Stakeholder Engagement and the Head of Regulation Development and Compliance is facilitated as needed.

The Board is responsible for supporting the PCA in identifying, monitoring and mitigating issues and risks associated with the operation and administration of the office of the PCA and the exercise of the statutory functions of the PCA during the reporting period. The office of the PCA established a formal structure for the management of operational risks during 2019–20. This was reviewed in 2020–21 and further revised in 2021–22 within PCA structures.

PCA Management Board comprises:

Management Board People and Finance (PF) the PCA and the Director of the office of the PCA.

Management Board Regulation (R) the PCA, Director of the Office, the Head of Regulatory Engagement and the Head of Regulation Development and Compliance.

The Board met 11 times in the reporting year and was chaired by the PCA. Notes of Risk and Audit Committee meetings held throughout the year are reviewed at the next available Board meeting. The Board monitors, and receives regular reports and analysis for each area of business, providing the opportunity for robust and constructive challenge and debate amongst its members.

Management Board meeting attendance	
PCA	11
Director of the Office of the PCA	11
Head of Regulatory Policy and Compliance	11
Head of Regulatory Engagement	11

The PCA’s risk profile is disclosed in the Key issues and risks section on page 18.

The Management Board is supported by two other bodies:

Risk and Audit Committee

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

Governance Board

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

3. GIAA Internal Audit

The PCA planned to commission the GIAA to conduct a proportionate internal review on the Security of PCA's Information in January – March 2022. Due to circumstances beyond our control this had to be rescheduled into the 2022–23 reporting year. The final report and the action plan for completing the recommendations will be reported on in the PCA's next annual report.

4. PCA's Sources of Funding Income

Section 63 of the Small Business Enterprise and Employment Act 2015 (the SBEE Act 2015) requires the PCA to seek the consent of the Secretary of State to the raising of the levy for each financial year. Section 63 also requires the PCA to publish its levy methodology. In 2021–22 the Secretary of State approved the imposition of a levy as published here This included the repayment of 20% of the loan provided by BEIS in lieu of imposing a levy in 2020–21. In accordance with the Secretary of State's request levy invoices were not issued before the end of September 2021 in order to support the sector following the lifting of the national lockdown in August 2021.

5. Income

For 2021–22 the PCA received funding through the payment of fees by tied pub tenants when referring a case to the PCA for arbitration (£200 per referral).

The PCA received a total of £13,900 in referral fees during 2021–22.

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

Arbitration fees in the current year represent a net cost of £9,134.

The PCA's investigation into the use of stocking requirements by Star Pubs & Bars (Heineken UK) concluded in October 2020. A challenge has been brought against the issuing of the Penalty Notice following the conclusion of the investigation. That case was ongoing at 31 March 2022. All litigation costs due up to and including 31 March 2022 have been recognised in this financial year.

6. Tax Review IR35

Reporting on the Tax Arrangements of public sector appointees

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

7. Statement of Internal Financial Controls

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

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

- (1) Uses its resources efficiently, economically and effectively, avoiding waste and extravagance
- (2) Plan to use its resources on an affordable and sustainable path, within agreed limits
- (3) Carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for the Exchequer as a whole
- (4) Use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments
- (5) Avoid over-defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders
- (6) Have practical documented arrangements for controlling or working in partnership with other organisations as appropriate
- (7) Use internal and external audit to improve its internal controls and performance
- (8) The PCA has a Government Banking Services administered bank account. Expenses are payable electronically, using BACS in accordance with Managing Public Money. The PCA has adopted the expenses policy of BEIS, its sponsor department.

8. Accountant and auditor

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

9. Data management

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

10. Covid-19

The Covid-19 emergency has created significant challenges for the tied pub trade and therefore to the work of the PCA office. The PCA activated its Business Continuity Plan and followed government guidelines, continuing full homeworking for all staff until February 2022. The PCA-appointed Covid-19 coordinator continued to act as the PCA point of contact with the sponsor department Covid-19 team throughout the reporting year.

Statement by the PCA

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

Therefore, I have no disclosures of control or funding weaknesses to make for the 2021–22 financial year.



Fiona Dickie,
Pubs Code Adjudicator
22 February 2023



Remuneration and Staff Report

1. Remuneration policy

The PCA does not have any direct remuneration responsibilities.

As the PCA, Fiona Dickie's remuneration is determined by the Secretary of State for BEIS under Schedule 1 to the SBEE Act 2015 and as such she receives a Civil Service pension.

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

Katharine Diamond continued as Director of the Office of the PCA throughout the reporting year.

Throughout 2021–22 the majority of the PCA office team have been seconded from public sector organisations. One person is seconded from a private law firm under a framework agreement and a contingent worker was recruited via a government framework following an unsuccessful Expression of Interest (EOI) opportunity. All PCA office staff retain the terms and conditions of their home departments.

The PCA is a pensionable position. Pension commitments for secondees to the office of the PCA are met by their home departments. Remuneration decisions are taken by the relevant home department of the secondees.

Remuneration (salary*, other pension costs, pensions) (subject to audit)

Senior staff	Year	Salary £'000	Bonus payments £'000	Pension benefits (to the nearest £1,000)	Total £'000
Paul Newby**	2021 – 22	0.00	0	0	0
	2020 – 21	10 – 15	0	5	15 – 20
Fiona Dickie***	2021 – 22	135 – 140	0	53	185 – 190
	2020 – 21	120 – 125	0	48	170 – 175
Katharine Diamond	2021 – 22	80 – 85	0	20	100 – 105
	2020 – 21	80 – 85	0	54	130 – 135

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

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

*** Fiona Dickie the current PCA (ministerial appointee) was full time throughout the reporting year. Fiona Dickie's full year full time equivalent remuneration in 2020-21 as PCA from 3 May 2020 to 31 March 2021 was a salary of £135,000 to £140,000 and pension contributions of £37,000, with pro rata total remuneration of £170,000 - £175,000.

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

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

2. Benefits in kind (subject to audit)

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

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

Real increase in CETV

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

Senior staff	Accrued pension at age 65 as at 31 March 2022 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2022 £'000	CETV at 31 March 2021 £'000	Real increase in CETV £'000
Fiona Dickie	10 – 15	2.5 – 5	138	95	30
Katharine Diamond	30 – 35 Plus a lump sum of 5 – 10	0 – 2.5 Plus a lump sum of 0	444	413	5

3. Civil Service Pension Scheme

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

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

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

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

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



Staff Report

1. Staff Costs (subject to audit)

The cost of staff remuneration was:

Staff costs inclusive of VAT	Year ended 31-Mar-22 £	Year ended 31-Mar-21* £
Wages and salaries	742,543	885,127
Social security costs	89,948	17,236
Other pension	211,616	40,765
Total	1,044,107	943,128

* For the year ending 31 March 2021 wages and salary costs were not invoiced to the PCA. BEIS provided assistance in the form of staff, therefore social security and other pension costs were not a matter for the PCA.

The PCA is a ministerial appointment and VAT is charged on her salary invoices.

No member of staff has a permanent contract of employment with the office of the PCA. The PCA is paid through the BEIS payroll which is recharged to the PCA, including VAT. All PCA staff are seconded from their home organisation. Home organisations invoice the PCA for their employee's salary, ERNIC and pension contributions, and include VAT.

The PCA is not registered for VAT.

In 2021–22 when approval to raise a levy was not given, BEIS provided assistance through the provision of all seconded staff from BEIS without charge, which amounted to £Nil (2021: £650,426). These costs are included above.

There have been no severance payments in the year.

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

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

	2021/22	2020/21
Ministerial and public appointments	1.0	0.92
Other Staff*	8.84	10.2

(*) All other staff are secondees.

3. Staff composition

The SBEE Act 2015 allows the PCA to recruit staff on secondment from public or private sector organisations.

The composition of Ministerial and public appointments between 01 April 2021 and 31 March 2022 is:

	Male	Female
Pubs Code Adjudicator	0	1
between 01 April 2021 and 31 March 22 is:	3	12

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

Over this reporting period the Adjudicator recruited three new members of staff and four people left.

4. Fair pay disclosure (subject to audit)

The range for staff remuneration for 2021–22 and the previous year 2020–21 is recorded below:

	2021–22 £'000	2020–21 £'000
The range for staff remuneration is:	Min 25 – 30 Max 135 – 140	Min 20 – 25 Max 135 – 140

The following table shows the percentage change from the previous financial year for salaries and allowances and for performance pay and bonuses payable in respect of the highest paid director, based on the mid-point of the salary band.

	2021–22 (£)	2020–21 (£)	Change %
Salary and allowances	137,500	137,500	0
Performance pay and Bonuses	0	0	0

The following table shows the average percentage change from the previous financial year for salaries and allowances and for performance pay and bonuses in respect of all employees taken as a whole, excluding the highest paid director.

	2021–22 (£)	2020–21 (£)	Change %
Salary and allowances	78,638.67	60,750.30	29.9%
Performance pay and Bonuses	1,181	888	33.1%

The increase in the average percentage change figure for 2021-22 is due to the PCA recruiting additional staff at a higher grade than in 2020-21.

Reporting bodies are also required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation’s staff.

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

Pay and Benefits	25th percentile pay ratio	Median pay ratio	Median pay ratio	75th percentile ratio
	2021–22	2021–22	2020–21	2021–22
Total pay and benefits (ratio)	3.65	3.33	3.11	2.62
Total pay and benefits (£)	37,697	41,300	44,217	52,399
Salary ratio	3.74	3.37	3.20	2.93
Salary (£)	36,735	40,800	42,905	46,924

*The 2020-21 figure for median pay Total pay and benefits (£ and Ratio) has changed from the prior year report due to previously including pensions in the Total pay and benefits figures.

5. Exit packages (subject to audit)

No exit packages were paid during the reporting period.

6. Expenditure on consultants

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

7. General Data Protection Regulation (GDPR)

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

8. Reporting on the tax arrangements of public sector appointees

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

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

The following tables set out the status of off-payroll contractors engaged by the PCA using the standard reporting format.

Table 1: For all off-payroll engagements as of 31 March 2022, for more than £245 per day and that last for longer than six months.

Number of existing engagements as of 31 March 2022.	Pubs Code Adjudicator
Number of existing engagements as of 31 March 2022	1
Of which:	
Number that have existed for less than one year at the time of reporting	N/A
Number that have existed for between one and two years at the time of reporting	N/A
Number that have existed for between two and three years at the time of reporting	N/A
Number that have existed for between three and four years at the time of reporting	N/A
Number that have existed for between four and more years at the time of reporting	1

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 01 April 2021 and 31 March 2022, for more than £245 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, between 01 April 2021 and 31 March 2022.	Pubs Code Adjudicator
Number of existing engagements as of 31 March 2022	0
Of which:	
Number that have existed for less than one year at the time of reporting	N/A
Number that have existed for between one and two years at the time of reporting	N/A
Number that have existed for between two and three years at the time of reporting	N/A
Number that have existed for between three and four years at the time of reporting	N/A
Number that have existed for between four or more years at the time of reporting	N/A

9. Staff sickness absences

During the year the average number of working days lost to sickness across the PCA team for the 12 months to 31 March 2022 was 3 days. The PCA is committed to supporting the physical and mental health of the team and fostering wellbeing is a key element of our focus. During the last quarter of the reporting year a member of the PCA team was appointed as PCA's mental health and wellbeing champion.

10. Staff policies and other employee matters

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



Parliamentary Accountability Report

Parliamentary Accountability Disclosures (subject to audit)

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

The PCA has nothing to report in respect of losses and special payments, remote contingent liabilities, fees and charges, income or gifts. For contingent liabilities see page 72, Note 11 Contingent Liabilities.



Fiona Dickie,
Pubs Code Adjudicator
22 February 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 Pubs Code Adjudicator (PCA) for the year ended 31 March 2022 under the Small Business, Enterprise and Employment Act 2015.

The financial statements comprise Pubs Code Adjudicator's:

- Statement of Financial Position as at 31 March 2022;
- 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 Pubs Code Adjudicator's affairs as at 31 March 2022 and net expenditure after interest and tax for the year then ended; and
- have been properly prepared in accordance with the Small Business, Enterprise and Employment Act 2015 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

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

My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

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

Other Information

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

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Small Business, Enterprise and Employment Act 2015.

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

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Small Business, Enterprise and Employment Act 2015; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Pubs Code Adjudicator and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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, we considered the following:

- the nature of the sector, control environment and operational performance including the design of PCA’s accounting policies;
- Inquiring of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to the Pubs Code Adjudicator’s policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Pubs Code Adjudicator’s controls relating to the Small Business, Enterprise and Employment Act 2015 and Managing Public Money;
- discussing among the engagement team 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 PCA 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. 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 also obtained an understanding of Pubs Code Adjudicator's framework of authority as well as other legal and regulatory frameworks that the Pubs Code Adjudicator operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Pubs Code Adjudicator. The key laws and regulations I considered in this context included the Small Business, Enterprise and Employment Act 2015, Managing Public Money, employment Law, tax Legislation.

In addition, I considered compliance with HMT controls over the approval of senior remuneration.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

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

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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 income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

22 February 2023

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



Pubs Code Adjudicator Financial Statements for the year ended 31 March 2022.

Format of the accounts

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

	Note	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Expenditure			
Staff Costs	2	1,044,107	943,128
Other Expenditure	3	733,626	937,413
		1,777,733	1,880,541
Income			
Other income	4	(1,777,733)	(1,880,541)
Net Expenditure			
		–	–
Net Expenditure after interest			
		–	–
Net Expenditure after interest and tax			
		–	–
Total Comprehensive Expenditure for the year ended 31 March			
		–	–

The notes on pages 62 to 73 form part of these financial statements.

There was no other Comprehensive Expenditure.

Statement of Financial Position as at 31 March 2022

	Note	As at 31-Mar-22 £	As at 31-Mar-21 £
Non-current assets			
Accrued income	5	751,406	751,406
Total non-current assets		751,406	751,406
Current assets			
Contract asset	6	1,050	429,122
Receivables and other assets due within one year	6	17,548	23,052
Cash and cash equivalents	7	2,115,315	718,050
Total current assets		2,133,913	1,170,224
Total assets		2,885,319	1,921,630
Current liabilities			
Contract liability	8	1,084,179	–
Trade and other payables	8	703,140	549,630
Loan	8	1,098,000	274,000
Total current liabilities		2,885,319	823,630
Current assets less current liabilities		–	1,098,000
Non-current liabilities			
Loan	8	–	1,098,000
Assets less liabilities		–	–
Taxpayers' equity			
Income and expenditure reserve		–	–

The notes on pages 62 to 73 form part of these financial statements.



Fiona Dickie,
Pubs Code Adjudicator
22 February 2023

Statement of Cash Flows for the year ended 31 March 2022

	Note	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Cash flows from operating activities			
Net operating cost		–	–
Increase in accrued income	5	–	(751,406)
Decrease/(Increase) in receivables	6	433,576	(353,656)
(Increase)/(decrease) in payables	8	1,237,689	(837,012)
Net cash inflow/(outflow) from operating activities		1,671,265	(1,942,074)
Cash flows from financing activities			
(Repayments)/proceeds of BEIS loan	8	(274,000)	1,372,000
Net cash (outflow)/inflow from financing activities		(274,000)	1,372,000
Net increase/(decrease) in cash and cash equivalents in the year	7	1,397,265	(570,074)
Cash and cash equivalents at the beginning of the year		718,050	1,288,124
Cash and cash equivalents at the end of the year		2,115,315	718,050

The notes on pages 62 to 73 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

	I & E Reserve £	Total Reserves £
Balance as at 31 March 2020	–	–
Changes in Taxpayers' Equity comprehensive expenditure for the year		
Comprehensive expenditure for the year	–	–
Balance as at 31 March 2021	–	–
Changes in Taxpayers' Equity comprehensive expenditure for the year		
Comprehensive expenditure for the year	–	–
Balance as at 31 March 2022	–	–

Funding arrangements for 2020-21

The Secretary of State did not approve the raising of a levy in 2020–21. Approval was given for BEIS to provide assistance to the PCA pursuant to paragraph 17 of Schedule 1 to the SBEE Act 2015, and a loan for the remainder of the PCA's expenditure pursuant to s 64 of the SBEE Act 2015. Assistance was provided in the form of staffing, recruitment and IT costs and a loan (repayable through the levy in the next two financial years – 2021–22 and 2022–23 unless otherwise agreed) for the remainder of the PCA's expenditure.

Net expenditure after BEIS assistance was reflected as a contract asset.

Notes to the Financial Statements for the year ended 31 March 2022

1. Accounting Policies

These financial statements have been prepared in accordance with the direction from the Secretary of State for Business, Energy and Industrial Strategy (BEIS) and the 2021/22 Government Financial Reporting Manual (FReM). The particular policies adopted by the PCA for the purpose of financial reporting are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The Annual Accounts have been prepared as directed by the Secretary of State for Business, Energy and Industrial Strategy and certified by the Comptroller and Auditor General in accordance with paragraph 15 of Schedule 1 of the SBEE Act 2015; and have been laid before Parliament by the Secretary of State. The Small Business, Enterprise and Employment Act 2015 (“SBEEA 2015”) is the legislation under which the PCA is established and the Act from which her powers derive.

The PCA has the power to require costs of an investigation to be paid by a POB where a breach is found. It is for the PCA to decide whether and if so, how much is to be paid by the POB. The PCA has said it is committed to ensuring costs recovery where possible. The amount that can properly be required to be paid by Star may be affected by the outcome of the litigation – so no decision on costs recovery can be made until the outcome of the appeal is known. This is the same position as for last year’s audit.

The PCA received consent from the Secretary of State to raise a levy on the six pub-owning businesses for the 2022–23 period, including the remaining 2020–21 80% loan repayment amount. This is currently being sought from the POBs. The levy is recoverable as a debt. PCA’s levy in each year includes a forecast on legal costs for the year ahead and staffing costs.

There were no new standards issued up to 31 March 2022 and not applied that would materially affect the accounts. The PCA has also not adopted any standards early but has considered future changes in standards.

Accounting convention

These accounts have been prepared under the historical cost convention.

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

Standards not yet effective

IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ and will be applied by the PCA from 1 April 2022 as mandated, adapted and interpreted by the FReM. This will require recognition in the

Statement of Financial Position of operating leases other than those of low value or with a residual lease term of less than twelve months:

- a) a lease liability, measured at initial recognition at the present value of future lease payments and
- b) a right-of-use asset representing the contractual right to control the use of the underlying asset over the lease term, measured at initial recognition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the Statement of Financial Position immediately before the date of initial application.

Application of IFRS 16 is not expected to have a material impact on the financial statements. Only one lease is expected to be recognised, with a liability of £151,861 and right-of-use asset of £154,512. Annual depreciation expense on the asset together with expense resulting from unwind of the discount on the liability is expected to approximate the annualised rental expense in 2021–22 of £11,520. Future commitments for this operating lease as at 31 March 2022 are disclosed in note 10, Commitments under leases.

Standards effective in 2022–23.

IFRS 16 ‘Leases’ will be applied by the PCA from 1 April 2022 as mandated, adapted and interpreted by the FReM.

Income

The different income streams are laid out below.

Funding arrangements for 2021–22

The Secretary of State approved the imposition of a levy during the 2021–22 financial year, but in view of the continuing difficulties affecting the pubs sector due to the coronavirus pandemic the PCA was asked not to invoice the pub-owning businesses until end of September 2021. Towards the end of the 2021–22 financial year, and in line with the loan agreement, the PCA returned 20% of the 2020–21 loan payment to BEIS. The remaining 80% is due to be repaid in the 2022–23 financial year unless otherwise agreed in writing.

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

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

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

Funding arrangements for 2020–21

The Secretary of State did not approve the raising of a levy in 2020–21. Approval was given for BEIS to provide assistance to the PCA pursuant to paragraph 17 of Schedule 1 to the SBEE Act 2015, and a loan to the PCA to cover the operating costs for 2020–21 pursuant to s 64 of the SBEE Act 2015. Assistance was provided in the form of for staffing, recruitment

and IT costs; a loan (repayable through the levy in the next two financial years – 2021–22 and 2022–23 unless otherwise agreed) for the remainder of the PCA's expenditure.

From 1 April 2021 until mid-December 2021 the PCA received funding directly through the payment of fees by tied pub tenants when referring a case to the PCA for arbitration (£200 per referral).

From 14 December 2021 onwards the PCA received referral income from the Chartered Institute of Arbitrators (CI Arb), reflecting the change in contractual arrangements.

Arbitrations

The PCA is committed to delivering a quality arbitration service and has made a number of improvements this year. A significant change has been the successful transition of the arbitration referral service to the Chartered Institute of Arbitrators (CI Arb) in December 2021. CI Arb now manages the arbitration service from referral to case closure. This includes the recommendation of suitable CI Arb-accredited arbitrators to the PCA for appointment, where the PCA exercises her statutory power to appoint an alternative arbitrator. Over the year, the PCA has exercised this power in all cases to ensure the office can focus on the PCA's regulatory priorities.

The costs of arbitration are recognised in full over the course of the arbitration based on the enforceable right of the arbitrator to receive payment for performance completed to date. The number of cases where the PCA has acted as arbitrator has reduced. The income from arbitration cost recovery where the PCA acted as the arbitrator is recognised over the course of the arbitration based on time incurred and agreed recharge rates. The PCA has usually appointed an alternative arbitrator to arbitrate a case whose costs are paid directly by the paying party. Amounts receivable in respect of incomplete arbitrations where the PCA has acted as arbitrator are shown as a contract asset in note 6, Other Receivables and Other Assets.

Investigations

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

The income associated with the recoverable costs of an investigation is a variable consideration. Until the investigation process has been completed, costs cannot be ascertained with certainty. Any income from potential investigation cost recovery is to be recognised at the point the PCA determines the outcome. Costs associated with investigations are recognised in full over the course of the investigation.

Any penalty imposed by the PCA arising from an investigation is to be paid into the Consolidated Fund in accordance with s 58(5) of the SBEE Act 2015 and does not constitute income to the PCA.

The PCA launched an investigation in July 2019 against Star Pubs & Bars (Heineken UK), and whilst the investigation was concluded in October 2020 an appeal against the Penalty Notice was ongoing at 31 March 2022. The PCA anticipates exercise of her powers to require Star Pubs & Bars to pay costs of the investigation under s.59(1)(a) of the SBEE Act 2015. There has not yet been a final decision made on costs recovery, or a decision on

quantum. The PCA expects to recover investigation costs through the exercise of the power in section 59(1)(a) SBEE Act 2015 and/or through the statutory levy process.

Going concern

The PCA is a statutory body with ongoing duties and is a going concern with facilities for funding. The PCA is funded by a levy on the businesses it regulates. The levy can be imposed with Secretary of State consent. The PCA received consent and raised a levy on the six pub-owning businesses for the 2022–23 financial year, including the repayment of the outstanding loan.

Financial instruments

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

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

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

Financial assets

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

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

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

Financial liabilities

The PCA holds financial liabilities, which comprise of payables, contract liability and the BEIS loan. Contract liability relates to un-spent levy funds which is ordinarily brought forward against the levy amounts due in future periods. The BEIS loan has provided financial assistance to the PCA in the absence of consent to raise a levy on the pub-owning business in 2020–21 due to the uncertain effects of the COVID-19 pandemic on the pubs sector. Since the payables were expected to be settled within 12 months of the reporting date, there was no material difference between fair value, amortised cost and historical cost. The BEIS loan is to be repaid no later than 31 March 2023 (unless otherwise agreed in writing with BEIS). No agreement has been made to vary the terms of repayment of the loan. The 2022–23 levy makes provision in accordance with the agreement (and which has since be repaid in full).

Reserves

Income and expenditure reserve

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

Expenditure

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

VAT

As the PCA is not registered for VAT, all input VAT is irrecoverable and therefore charged via invoices to expenditure. The costs stated in note 3 "Other Expenditure" page 68 are inclusive of VAT.

Operating leases

The PCA occupies office space on a floorplate leased by BEIS under a 15 year agreement. There were no leasehold improvements or fit out costs. The PCA holds an occupancy agreement with the landlord.

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

2. Staff costs (inclusive of VAT)

The cost of staff remuneration was:

Staff costs inclusive of VAT	Year ended 31-Mar-22 Total £	Year ended 31-Mar-21* Total £
Wages and salaries	742,543	885,127
Social security costs	89,948	17,236
Other pension	211,616	40,765
Total	1,044,107	943,128

* For the year ending 31 March 2021 wages and salary costs were not invoiced to the PCA. BEIS provided assistance in the form of staff, therefore social security and other pension costs were not a matter for the PCA.

The PCA is a ministerial appointment and VAT is charged on her salary invoices.

No member of staff has a permanent contract of employment with the office of the PCA. The PCA is a ministerial appointment under paragraph 3 of Schedule 1 to the SBEE Act 2015. The PCA is paid through the BEIS payroll which is recharged to the PCA, including VAT. All PCA staff are seconded from their home organisation. Home organisations invoice the PCA for their employee's salary, ERNIC and pension contributions, and include VAT.

The PCA is not registered for VAT.

In 2021–22 when approval to raise a levy was not given, BEIS provided assistance through the provision of all seconded staff from BEIS without charge, which amounted to £Nil (2021: £650,426). These costs are included above.

There have been no severance payments in the year.

3. Other expenditure

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Accountancy fees	17,320	12,600
Arbitration case management & Alternative arbitrators *	47,114	18,805
Annual licence fees	1,444	1,070
Audit fees	23,500	16,500
Bank charges	631	473
Consultancy	2,730	4,938
Independent assessor fees	1,200	1,500
IT software & consumables	64,118	84,067
Legal fees **	148,743	49,940
Raising tenant awareness including the tied tenant survey & outreach events	112,672	17,508
Printing, postage & stationery	8,063	4,748
Procured legal resource ***	195,900	195,915
Recruitment	–	920
Regulatory activity	24,705	411,357
Rental costs	70,668	108,386
Staff training	5,525	4,248
Subscriptions	4,972	4,070
Travel & subsistence	4,321	368
Total other operating invoiced charges including VAT @ 20%	733,626	937,413

BEIS has provided assistance by funding IT and recruitment costs which amounted to £Nil (2021: £41,978). These costs are included above.

* The PCA let a contract in December 2021 to The Chartered Institute of Arbitrators (CI Arb) and these costs are included here. More information can be found on page 19.

** Invoiced legal costs received in year for external legal work. Invoiced GLD and Counsel costs and the Costs Order in the Star case up to 31 March 22 have been paid and are included here.

*** Includes procured legal staff under the Crown Commercial Service Legal Services Panel.

4. Income

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Levy raised	2,838,878	–
(Contract liability) contract asset	(1,084,179)	422,612
	1,754,699	422,612
Arbitration fees	9,134	(8433)
Referral fee income	13,900	22,552
Accrued income	–	751,406
BEIS assistance	–	692,404
Total income	1,777,733	1,880,541

5. Accrued income

Amounts falling due within one year

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Accrued income	751,406	751,406
Total	751,406	751,406

PCA estimated to recover this amount in accordance with the SBEE Act.

Accrued income relates to the investigation costs relating to Star Pubs & Bars (Heineken UK)'s use of stocking requirements. Accrued income is not past due nor impaired.

6. Receivables and other assets

Amounts falling due within one year

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Trade and other receivables	460	712
Prepayments	17,088	22,340
	17,548	23,052
Contract asset	1,050	429,122
Total	18,598	452,174

Within the amount shown as contract asset is £1,050 (2021: £6,510) accrued in respect of incomplete arbitrations and £Nil (2021: £422,612) relating to the contract asset recognised for net expenditure in the year which will be recovered from future levy. Trade and other receivables are not past due nor impaired. The expected credit losses on trade and other receivables are not considered to be material.

7. Cash and cash equivalents

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Balance at 1 April 2021	718,050	1,288,124
Net change in cash and cash equivalent balances	1,397,265	(570,074)
Balance at 31 March 2022	2,115,315	718,050

The following balances at 31 March 2022 were held at:

Government Banking Service	2,115,315	718,050
Balance at 31 March 2022	2,115,315	718,050

8. Trade payables and other liabilities

Amounts falling due within one year

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
Contract liability	1,084,179	–
Trade and other payables	132,976	116,789
Accruals	570,164	432,841
BEIS loan	1,098,000	274,000
Total	2,885,319	823,630

Amounts falling due after more than one year

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
BEIS loan	–	1,098,000
	–	1,098,000

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

The BEIS loan was received to support PCA in lieu of imposing a levy on pub-owning businesses in 2020/2021 given the effects on the pubs sector of the COVID-19 pandemic and no interest is payable on this loan. It is to be repaid in line with the terms of the loan agreement which is no later than 31 March 2023 unless otherwise agreed in writing.

9. Capital commitments

The PCA had no capital commitments (2021: none).

10. Commitments under leases

Obligations under operating leases for the following year, as at 31 March 2022 comprise:

	Year ended 31-Mar-22 £	Year ended 31-Mar-21 £
No later than one year	11,520	27,113
Later than one year and not later than five years	46,082	–
Later than five years	105,419	–
Total	163,021	27,113

The PCA has a service Memorandum of Terms of Occupancy agreement for rent and services for the new accommodation, 23 Stephenson Street. The initial lease term ends on 17 August 2036 but can be terminated at any time after 31 December 2022 subject to six months' notice by either party. The break clause on the previous accommodation, Victoria Square House, Birmingham was invoked in February 2021 by the PCA, as the organisation moved to new accommodation in the summer of 2021.

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

11. Contingent liabilities

An uncertainty exists in relation to ongoing litigation, the outcome of which cannot currently be reliably estimated. Future funding arrangements in any relevant year will take into account any impact of this uncertainty.

12. Related party transactions

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

Key management personnel are the members of the management board which include permanent staff. None of the PCA members of key management staff undertook any material transactions with BEIS during the year, except for remuneration paid for their services – see the Remuneration and Staff report on page 42.

13. Events after the reporting period and Accounting Officer declaration

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

There are no post-balance sheet events to report.

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





