



The Pubs Code Adjudicator

Annual Report and Accounts 2022–2023

For the period 01 April 2022 to 31 March 2023





Pubs Code
Adjudicator

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

Ordered by the House of Commons to be printed 18th December 2023



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

ISBN 978-1-5286-4597-3

E03032874

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

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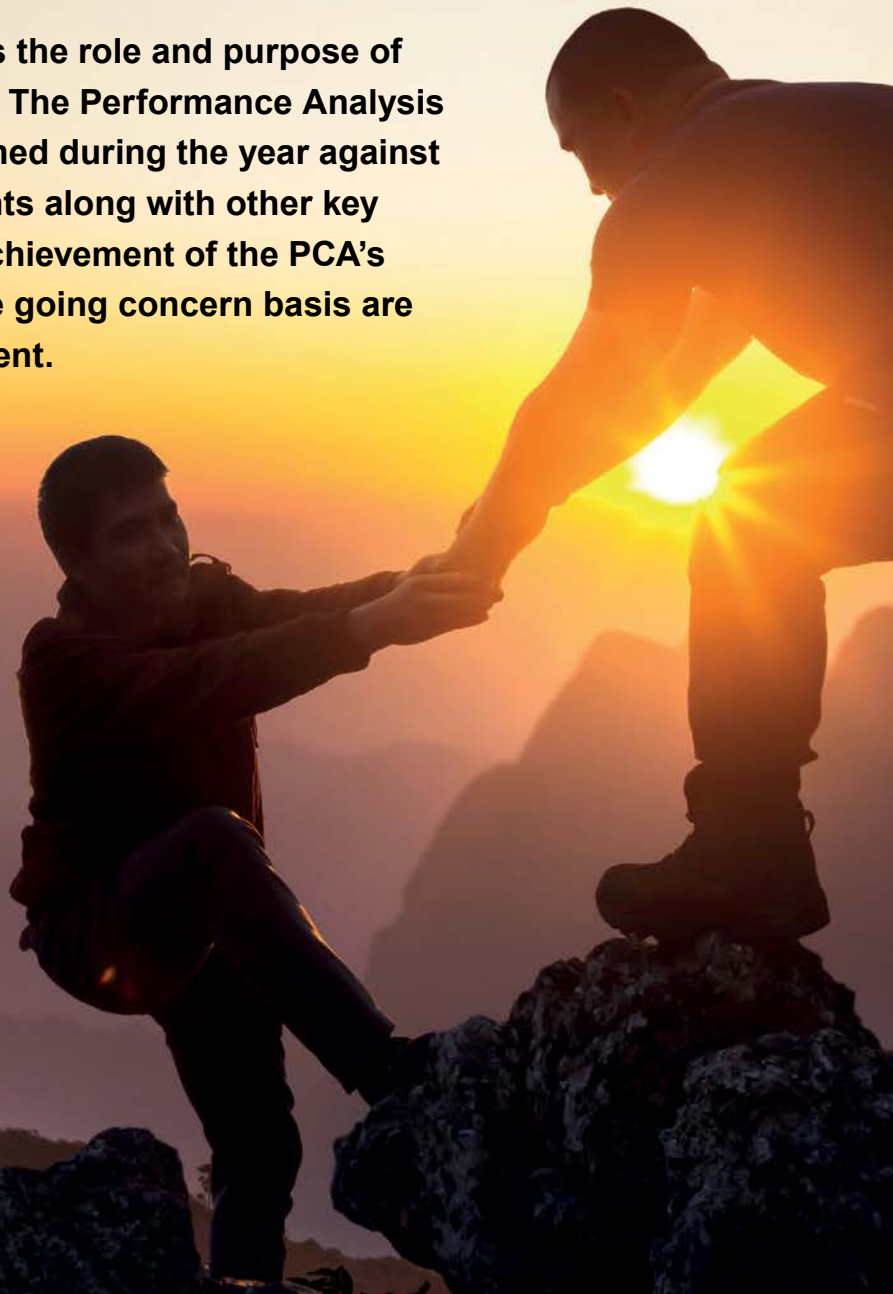


Performance Report

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 2023 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 annual report, my third as Pubs Code Adjudicator, marks another year which brought additional pressures for tied tenants and for the pub sector as a whole. As the industry could finally move on from the effects that Covid 19 restrictions had on hospitality businesses, the dramatic worldwide economic changes which began with invasion of Ukraine by Russia have defined the trading environment throughout the last year. Sharp rises in the cost of living suppressed consumer confidence, and inflation in energy and food costs in particular has hit the pub sector hard. Once again, the dedication of tied pub tenants, who have worked so hard to rise to meet these serious challenges, has my respect and admiration. I know from engaging with tenants, and with their regulated pub companies, how much

both partners in the tied business relationship have done to innovate and find new solutions to this difficult trading environment.

In August 2022 I published my first 3-year strategy report, setting out what the PCA aims to achieve in the short, medium and long term to deliver on its priorities and make sure that the Code works to continue to rebalance the relationship between large pub companies and their tied tenants. That it does so is even more important when trading conditions are difficult, and the tied tenant's energies must be focussed on their business. The aim of the Pubs Code is to provide a fair and supportive tied relationship. Specifically, Parliament intended that it would further the core principles underpinning the Code. Those principles are that there should be fair and lawful dealing by pub-owning businesses in relation to their tied pub tenants, and that those tenants should be no worse off than if they were free of tie. This year saw the end of the three year period at the end of which the Secretary of State must conduct their second statutory review of the Pubs Code and the performance of the PCA. The Secretary of State's report on the statutory review can be found [here](https://www.gov.uk/government/publications/pubs-code-and-pubs-code-adjudicator-statutory-review-2019-to-2022) <https://www.gov.uk/government/publications/pubs-code-and-pubs-code-adjudicator-statutory-review-2019-to-2022>.

In considering the performance of the PCA, the report concludes "Overall, the Government considers that the PCA has been effective in enforcing the Code over the review period, with particular success in reducing arbitration cases and successfully completing the first investigation under the Code." It is gratifying that the Secretary of State has recognised the result of the efforts of the whole PCA team in working to deliver on Parliament's intention and the core Code principles.

In developing the PCA's strategy to further embed these principles, contributions from in-depth interviews with many sector stakeholders were considered. The PCA can achieve more by collaborating with others and this strategy promotes stronger partnership working across the industry to better understand current issues affecting it, problem solve and raise awareness of how the Code can support tied tenants.

A quality arbitration service to resolve Code disputes remains key to delivery of the PCA's objectives. The ongoing partnership with the Chartered Institute of Arbitrators for outsourced arbitration case

management has enabled the PCA this year to further develop a consistent and high-quality dispute resolution service. Central to this has been the delivery of arbitrator training to ensure that all members of the panel of available arbitrators have demonstrated sufficient knowledge of the relevant provisions of the Pubs Code. Where dispute resolution is fair, effective and accessible to tied tenants, it encourages a culture of compliance by pub companies. I am pleased to say that this year saw a continuation of the downward trend of disputes referred for Pubs Code arbitration. At the commencement of this year there were 43 open arbitration cases, and at the end of the year this number had fallen to only 9. This significant reduction is largely represented by a downturn in the number of disputes over the Market Rent Only (MRO) process and the terms of compliant free of tie agreements. When comparing this with the figure of 118 disputes at their peak in mid-2018, it is possible to see just how much has changed over time.

This reduction is a positive indicator that the MRO process is working more smoothly for tenants. That means an environment in which tied tenants, when entitled, can have meaningful access to their right under the Code to compare their tied rent with a free of tie alternative and decide what is right for their business. On 1 April 2022 amendments to the Pubs Code came into force and have been well received by the industry. Changes aimed at improving the Market Rent Only (MRO) procedure have allowed the parties more time to negotiate on the MRO proposal before deciding whether to make a referral for arbitration. The changes also require the pub company to make the MRO rent offer with the free of tie tenancy terms. I have issued statutory guidance this year to ensure consistent and clear support for that rent offer is provided to the tenant to help in negotiations. The guidance also seeks to address up-front costs to MRO (such as increased deposits, rent in advance and dilapidations where the MRO is through a new agreement), to remove perceived barriers to MRO for tenants.

Throughout the year I continued to monitor Star Pubs & bars compliance with the binding recommendations I issued after I found them to be in breach of the Pubs Code in respect of their use of unreasonable stocking terms in their MRO tenancies. These recommendations were designed to improve processes, governance and overall compliance at Star, which fully cooperated with the PCA during the year in implementing them for the benefit of its tenants.

This work showed the impact the Pubs Code has on bringing about cultural change in the regulated pub companies, alongside the exercise of my regulatory powers short of investigation. During the year I sought to develop industry understanding of how I approach use of those powers, publishing a clear overview of the PCA's approach to regulation, including how I would respond to suspected breaches of the Pubs Code and those breaches which a pub company itself reports to me. In this way, I seek to further develop an environment for responsible compliance behaviours, in which pub companies can demonstrate to the PCA and their tenants that they are effectively monitoring their discharge of their regulatory duties, taking appropriate and timely action in response to breaches they identify and putting matters right for tenants.

Through the PCA's annual survey this year I tested tied tenant satisfaction with their relationship with their pub company, as well as their awareness of the Pubs Code and the PCA. This survey provides robust data which informs the industry and to take this even further, this year I doubled the number of participating tenants surveyed to 1200, which is around 15% of the regulated tied pub trade. Fieldwork took place in the last quarter of the year, and I am grateful to all tenants who took part. Importantly, the results of this survey for the first time enabled me to publish statistically reliable comparisons between all six regulated pub companies. The results provided many valuable insights, and assistance to the PCA and pub companies in setting priorities for improvements in the year

ahead. I intend to continue to make the annual survey a key tool for the industry, in particular for the pub companies who can see from the results the positive benefits of fair and compliant behaviours on their tied business relationship. Worthy of note is that 81% of all tenants surveyed think their Business Development Manager (BDM), who provides the day-to-day contact from their pub company on matters such as business planning, rent negotiations and repairs, is fair in discussions with them. That figure is a 5% increase on last year. To put this in context, the Pubs Code was introduced against a backdrop of negative reports from tied tenants about BDM behaviour, so these results are a powerful indicator that the Pubs Code is having a real and positive impact on the tied business relationship.

It is important that I am not complacent. My team continues to monitor compliance and I stand ready to respond to any suspected breaches of the Code. Collaborating with industry, including regulated pub companies, to promote best practice and problem solving is an increasingly important part of the PCA's role. That collaboration necessarily includes with tied tenants, through the survey and all our communications work. Strengthening the PCA's engagement to listen to tied tenants has been a focus over the past year and runs throughout our strategic priorities. Overall, this year has seen progress in a maturing regulatory environment, as high standards of conduct towards tied tenants and good practice that come from compliant Pubs Code behaviours become further woven into the fabric of pub company business practices.



Fiona Dickie,
Pubs Code Adjudicator
13th December 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 2022 there were 8267.

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 2023 were:

- Admiral Taverns
- Stonegate (trading name of Ei Group)
- Greene King
- Marston's Plc
- Punch Pubs & Co
- Star Pubs & Bars

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 at certain points in their tenancy. 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. Fiona Dickie was the Deputy Pubs Code Adjudicator in England and Wales prior to her appointment as the PCA.

The registered office for the PCA is:

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.

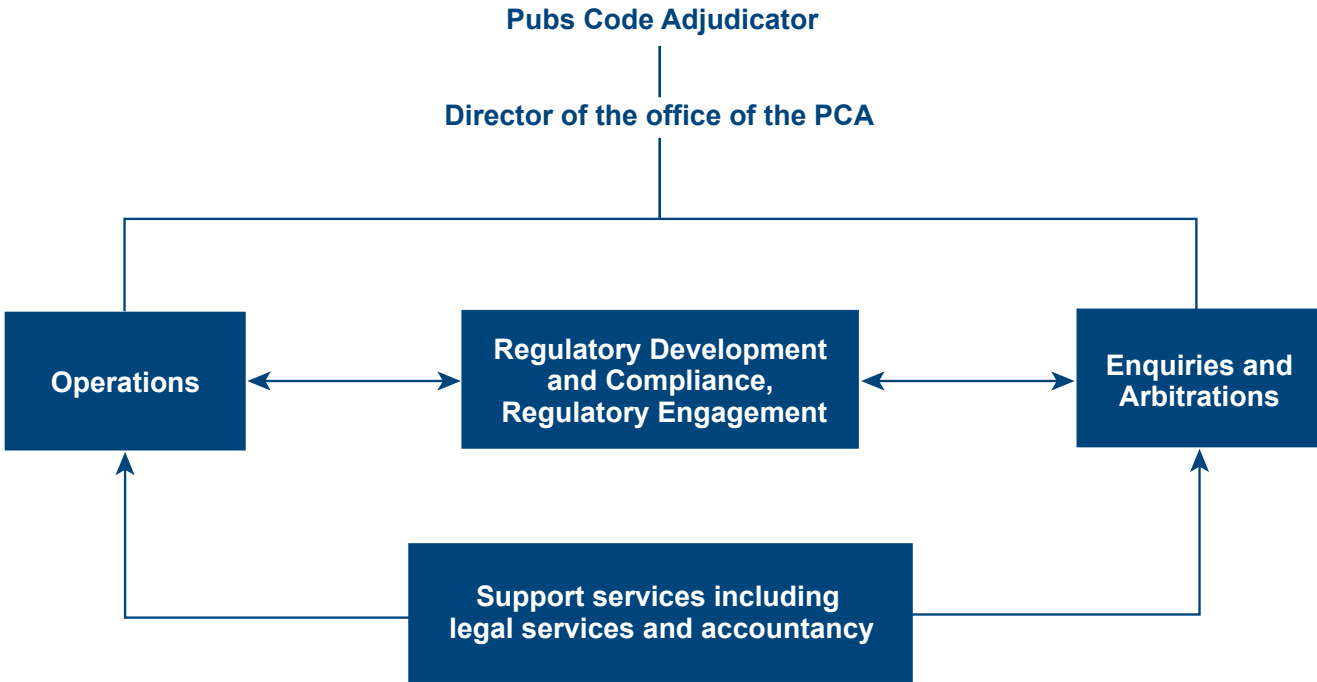
The Adjudicator has a statutory duty either to arbitrate disputes between tied tenants and their pub-owning businesses under the Pubs Code framework that are referred to the PCA or to appoint an alternative arbitrator. In December 2021 the PCA contracted with the Chartered Institute of Arbitrators (Ciarb) to manage its arbitration function (see page 24).

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.



4. PCA’s 2022–23 Tied Tenant Survey and Findings at a Glance

In 2023, Ipsos interviewed 1,206 tenants across the six pub companies that own more than 500 tied pubs in England and Wales. Interviews took place by telephone between January and March 2023. Ipsos ensured a representative sample by randomly approaching tenants within quotas set to ensure the right mix were surveyed. Topics included awareness of and familiarity with the Pubs Code, tenant satisfaction with the pub company relationship, the experiences of new tenants and perceptions of the PCA and how it communicates.

A representative mix of tenants were surveyed by region and the estate size of the various pub companies. In terms of demographics, the tenant profile was similar to 2022. Most were men, however there were more women tenants in 2023 compared to 2022. Six in ten tenants surveyed were men (61%) vs two-thirds of tenants (67%) in 2022. Tenants tended to be older – 70% were aged

45 and over, although one in ten were aged 16–34 (9%). Tenants surveyed were overwhelmingly white (95%). One in ten said their day-to-day activities were limited ‘a little’ or ‘a lot’ because of a health problem or disability lasting at least 12 months (10%). Most tenants surveyed were single operator outfits (88%), with just over half (52%) having held tenancies, either at their pub or another, for ten years or more. Almost two thirds of tenants (62%) started their tenancy following the introduction of the Pubs Code in 2016.

Awareness of the Pubs Code remained high at around 4 in 5 tenants and most are familiar with their rights in four key areas of the code. Six in ten tenants are satisfied with their relationship with their pub company overall and they typically afford good scores to BDMs too. Meanwhile, the overwhelming majority consider information received as new tenants to have been useful and almost six in ten think their sustainable business plan is useful in managing their tenancy. Newer tenants also find pre-tenancy information and their sustainable business plan more useful, suggesting recent efforts here may have been impactful. In terms of the PCA, a majority trust the PCA to regulate the industry independent of government and the pub companies and those tenants that have used the PCA website in the past year seem to have had a reasonably positive experience.

Survey Findings Explained

The survey indicated that 62% of tenants are happy with the current relationship they have with their pub company – a figure that is unchanged from last year’s survey. The areas where tenants feel pub companies are performing best include fair and transparent treatment of tenants (with four in five tenants saying their BDM is fair with them in discussions), providing quick response times to concerns and issues raised, and the provision of information.

The data reveals that tenants at Marston’s have the highest overall satisfaction rates at 85%, a +12 percentage point increase on last year. This is followed by Greene King (75%, +8 year-on-year), Admiral (75%, -5 YOY), Punch (60%, +13 YOY), Star (55%, -5 YOY), and Stonegate (50%, -9 YOY).

When focusing on tenant satisfaction with their tenancy agreement, 62% of respondents are currently satisfied, while 19% are actively unsatisfied. Typically, tenants with a tied lease agreement are least satisfied (56%), while tied tenancies, franchises and other similar types of agreements are leaving tenants more satisfied (67%). Tenants at Marston’s have the highest levels of satisfaction with their agreement (79%).





A clear majority of new tenants feel they are being set up for success by their pub companies. The data indicates that 86% of respondents whose tenancies started in the last two years found the information they received from their pub company to be useful, while 64% of new tenants found the sustainable business plan useful. 94% of Marston’s tenants and 92% of Greene King tenants were satisfied with the information and materials provided to them at the start of their tenancies, suggesting that the better prepared tenants are from the outset, the higher the likelihood that they will be satisfied with their tenancies in the longer term.

Tenants were also asked a series of questions about their Business Development Manager (BDM) and Code Compliance Officer (CCO) and 81% of all surveyed tenants think their BDM is fair and reasonable (+5 percentage points on last year), with Greene King showing the highest increase from 77% satisfaction in 2022, to 88% this year, just below Marston’s at 92%. Star, Punch and Stonegate all performed better in this area than last year, with Star up to 83% from 75% and Punch up to 78% from 72%. Stonegate was at 73% compared to 71% last year.

Furthermore, 55% claimed they provide the requisite level of business planning support (-1 percentage point on last year), with Marston’s (81%), Admiral (67%) and Greene King (67%) all scoring above average; however only 37% of tenants are happy with the way they manage repairs and dilapidations (-2 percentage points on last year), but tenancy type could be driving this as tenants with a tied lease agreement recorded just 26% satisfaction, followed by tied tenancy (40%), and other types of agreement (51%).

Turning to the CCOs, just one in four tenants know who their CCO is. Of those who can name them, 56% are satisfied with the information and advice provided to them about the Pubs Code (+4 percentage points on last year), and 51% are confident in how their CCO handles matters related to the Pubs Code (+7 percentage points on last year).

The full survey results can be accessed [here](#).

Survey Findings at a Glance



Pubs Code Adjudicator

PCA Tied Tenants Survey 2023

Relationship with Pub Company

Ipsos interviewed a representative sample of 1206 tied tenants by telephone between 10th January and 17th March, 2023.

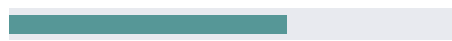
One topic of discussion was their relationship with their Pub Company.

6 in 10 tenants are satisfied with their pub company relationship

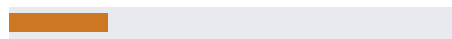
Overall satisfaction has remained the same since 2022



62% are satisfied



22% are dissatisfied



Marston's tenants are most satisfied with their relationship, while Stonegate tenants are least satisfied



▲ ▼ These show statistically significant differences between 2022 and 2023



For more information, read the full report and get the data at the PCA website.
<https://www.gov.uk/government/organisations/pubs-code-adjudicator>





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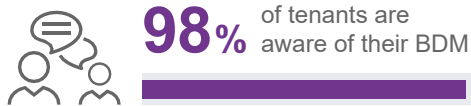
PCA Tied Tenants Survey 2023

Business Development Manager and Code Compliance Officer

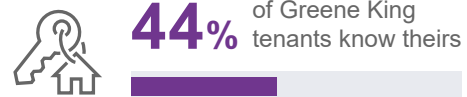
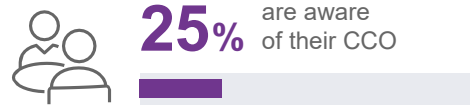
Ipsos interviewed a representative sample of 1206 tied tenants by telephone between 10th January and 17th March, 2023.

One topic of discussion was the tenants' relationship with their Business Development Manager and Code Compliance Officer.

Almost all tenants know their Business Development Manager



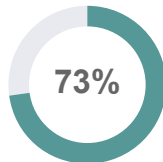
1 in 4 tenants know their Code Compliance Officer. Greene King tenants are most likely to know them



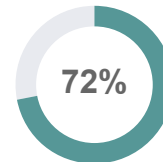
4 in 5 tenants agree their BDM is fair in discussions, but only just over a third are happy with how they manage repairs and/or dilapidations



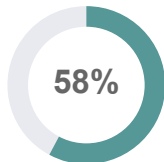
agree BDM is fair in discussions



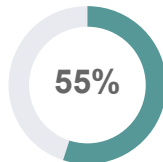
agree they have all the information about BDM's role



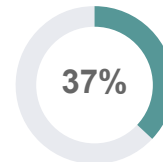
agree BDM provides accurate notes of discussions about rent, repairs and business planning



agree BDM provides the information and advice they need about The Pubs Code



agree BDM supplies the business planning support they need on an ongoing basis



are happy with the way BDM manages repairs and/or dilapidations

▲ ▼ These show statistically significant differences between 2022 and 2023



For more information, read the full report and get the data at the PCA website.
<https://www.gov.uk/government/organisations/pubs-code-adjudicator>





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PCA Tied Tenants Survey 2023

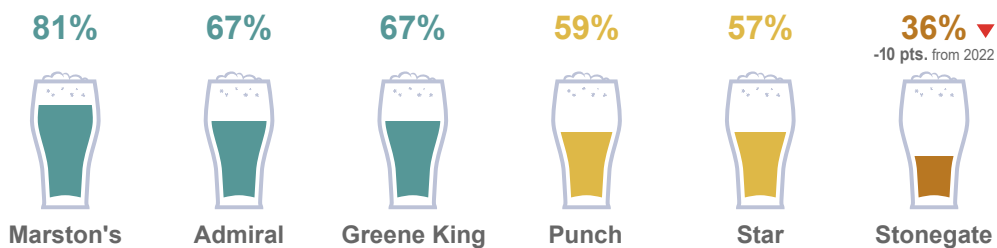
Business Development Manager and Code Compliance Officer

Ipsos interviewed a representative sample of 1206 tied tenants by telephone between 10th January and 17th March, 2023.

In this survey, we are able to compare tenant views of BDM fairness in discussions and the business support they provide by pub company.

55% of tenants agree their BDM supplies the business planning support they need on an ongoing basis

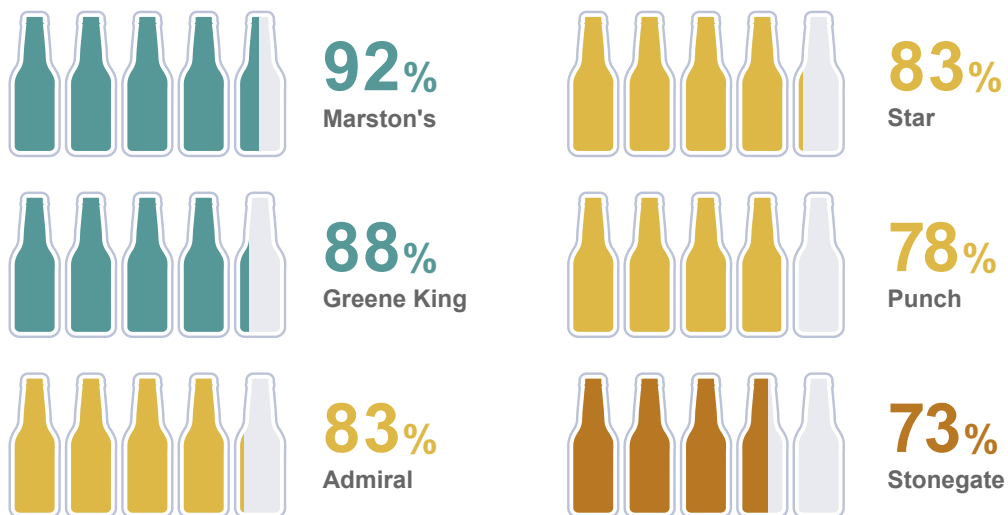
Marston's, Admiral and Greene King score above average for BDMs providing ongoing business support



▲ ▼ These show statistically significant differences between 2022 and 2023

81% of tenants agree their BDM is fair with them in their discussions

There is generally a high level of agreement that BDMs are fair with tenants in their discussions across the pub companies (with a significant 5 point increase overall year on year)



For more information, read the full report and get the data at the PCA website.
<https://www.gov.uk/government/organisations/pubs-code-adjudicator>





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PCA Tied Tenants Survey 2023

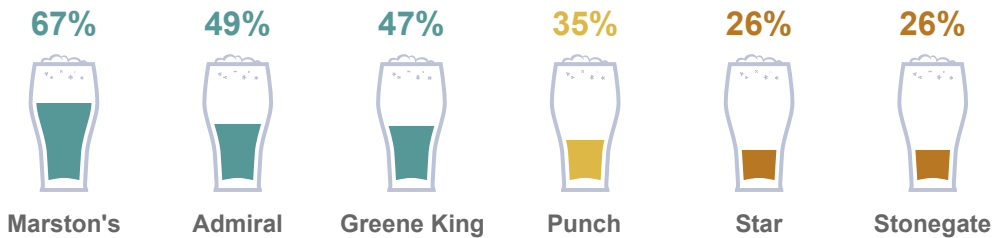
Handling Repairs and Dilapidations

Ipsos interviewed a representative sample of 1206 tied tenants by telephone between 10th January and 17th March, 2023.

In this survey, we are able to compare tenant views on how BDMs handle repairs / dilapidations by pub company and tenancy type.

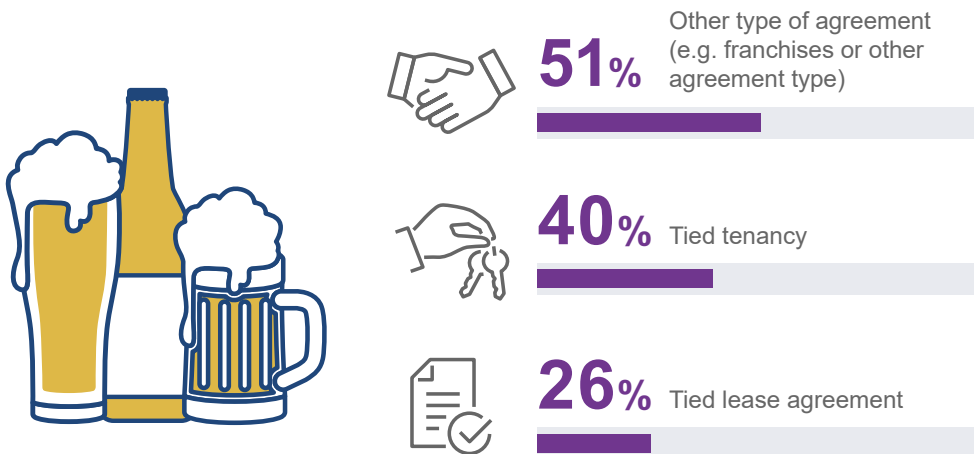
37% of tenants agree they are happy with the way their BDM manages repairs and/or dilapidations at their pub. 45% disagree

Tenants with Marston's, Admiral and Greene King are most satisfied with how the issue is managed



Satisfaction levels vary by tenancy type

Tenants with a tied tenancy or tied lease agreement are less satisfied with how repairs and/or dilapidations are managed than tenants with another type of agreement (e.g. franchise agreement or other)



For more information, read the full report and get the data at the PCA website.
<https://www.gov.uk/government/organisations/pubs-code-adjudicator>





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PCA Tied Tenants Survey 2023

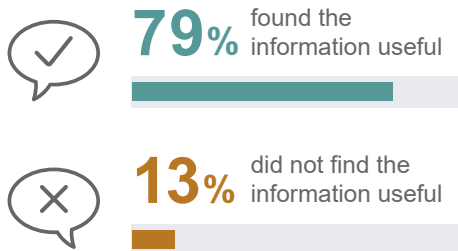
New Tenant Information

Ipsos interviewed a representative sample of 1206 tied tenants by telephone between 10th January and 17th March, 2023.

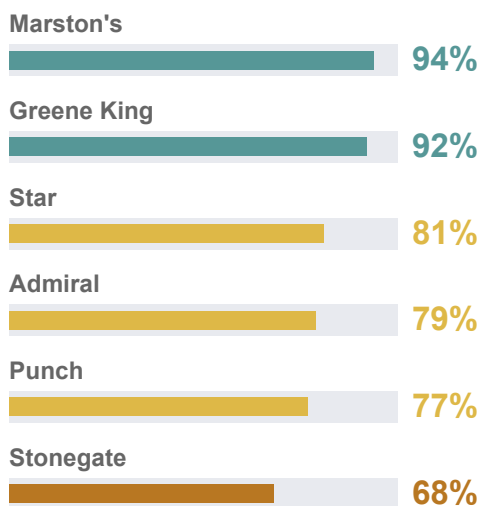
One topic of discussion was how useful tenants found information they received before their tenancy started and their sustainable business plan.

8 in 10 new tenants found pre-tenancy information useful

We asked tenants who started their tenancy after 21st July 2016 how useful they found the information they received before their tenancy began

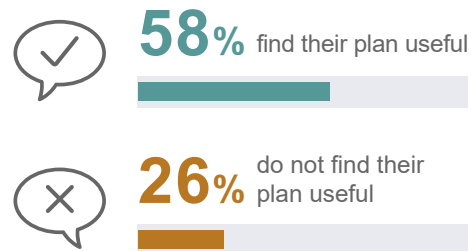


Tenants with Marston's and Greene King found the information most useful and Stonegate the least

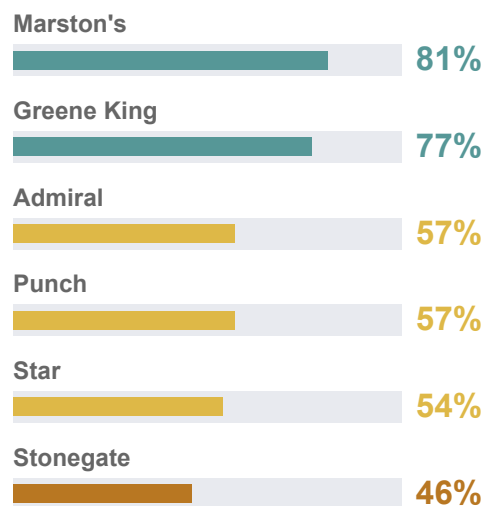


6 in 10 new tenants find their sustainable business plan useful

We also asked these tenants how useful they found their sustainable business plan



Tenant's with Marston's and Greene King are most likely to find their sustainable business plan useful, those with Stonegate the least



For more information, read the full report and get the data at the PCA website. <https://www.gov.uk/government/organisations/pubs-code-adjudicator>



The Pubs Code Adjudicator: Strategic Objectives and Performance Analysis



The PCA let a contract in December 2021 to Glow Innovations to support a review and listening process involving key sector stakeholders and PCA staff. This insight-gathering process formed the backbone of the strategy setting out the PCA's strategic priorities for the next three years. It also provided the PCA with a good overview of how the business landscape for the pub trade had 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](#). The PCA's identified strategic priorities are:

1. PCA's progress against each of the Strategic Priorities

PCA Strategy

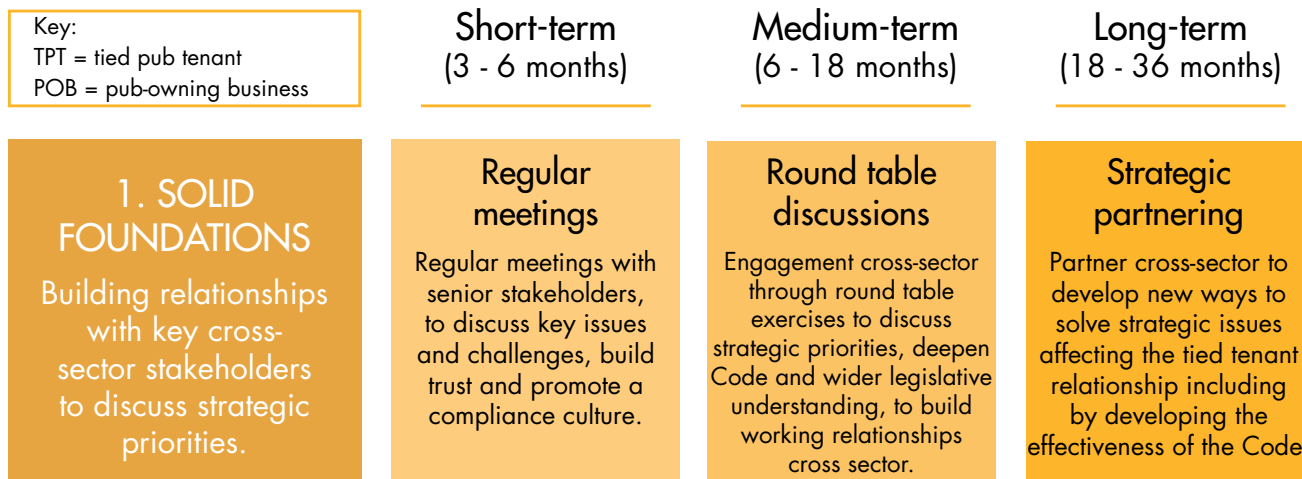
Figure 8: Strategic Priorities for the next 1–3 years

Key: TPT = tied pub tenant POB = pub-owning business	Short-term (3 - 6 months)	Medium-term (6 - 18 months)	Long-term (18 - 36 months)
<h3>1. SOLID FOUNDATIONS</h3> <p>Building relationships with key cross-sector stakeholders to discuss strategic priorities.</p>	<h3>Regular meetings</h3> <p>Regular meetings with senior stakeholders, to discuss key issues and challenges, build trust and promote a compliance culture.</p>	<h3>Round table discussions</h3> <p>Engagement cross-sector through round table exercises to discuss strategic priorities, deepen Code and wider legislative understanding, to build working relationships cross sector.</p>	<h3>Strategic partnering</h3> <p>Partner cross-sector to develop new ways to solve strategic issues affecting the tied tenant relationship including by developing the effectiveness of the Code.</p>
<h3>2. ACTIVE LISTENING</h3> <p>Develop a two-way communication flow around what TPTs and POBs need and how we can support them.</p>	<h3>Clear priorities</h3> <p>Use survey, consultation and other sector information to clearly identify priority areas to better support user needs.</p>	<h3>Annual survey</h3> <p>Conduct Tenant survey to gather feedback on what is working well and where we and others can do better to support them.</p>	<h3>Partnering</h3> <p>Identify areas where working in partnership can deliver cross industry development of Code based strategies to support resolution of key cross-sector issues affecting TPTs.</p>
<h3>3. EFFECTIVE SIGNPOSTING</h3> <p>How we signpost and support TPTs if they have issues during their journey.</p>	<h3>First contact response</h3> <p>To best support TPTs, more clearly outline in common communications the role of the PCA and identify where the CCOs or other organisations can help.</p>	<h3>Clear code steps</h3> <p>Develop the Code story so that TPTs understand the key points in the business relationship where Pubs Code rights arise, and how and where to get support.</p>	<h3>Quality care</h3> <p>Work hand-in-hand with key stakeholders to develop key processes, standards and understanding so TPTs can access high quality information and support.</p>
<h3>4. CLEAR PARAMETERS</h3> <p>Clarifying the role and scope of the PCA and Pubs Code in serving TPTs across their journey.</p>	<h3>Clarify PCA role & scope of the Code</h3> <p>Communicate information in easily digestible ways, for example, through bitesize information, videos, journey maps, tenant stories.</p>	<h3>Communicate clear parameters</h3> <p>Via website, tenant info packs and other government or trade body materials & communications – review and reclarify if necessary. Be open and clear about PCA activities and progress.</p>	<h3>Developing online presence</h3> <p>Identify and develop, within resource parameters, how we can best present TPT rights and the work we do.</p>

PCA Strategy

	Short-term (3 - 6 months)	Medium-term (6 - 18 months)	Long-term (18 - 36 months)
<p>5. GREAT EXPECTATIONS</p> <p>Plotting clearer regulatory approaches.</p>	<p>Day-to-day</p> <p>Manage expectations of TPTs and POBs through setting clearer understanding on PCA's approach to regulatory issues.</p>	<p>Continual development</p> <p>Monitor and show where POBs are demonstrating proactive compliance and enable continual Code development.</p>	<p>Collaboration on best practice</p> <p>Consider strategic collaboration processes to identify and share best practice, using the Code to support improvements and raise standards.</p>
<p>6. ARBITRATION EXCELLENCE & BEYOND</p> <p>Developing continuous learning & development provision for arbitrators and other sector specialists.</p>	<p>Arbitrator skills building</p> <p>Partner with CI Arb and arbitrators to develop & implement more targeted training and assessment for arbitrators to deliver a group of knowledgeable and competent specialist arbitrators on statutory arbitration.</p>	<p>Review & refresh</p> <p>Review the training and ensure the provision of specialist quality arbitrators to enable continuous improvement and up-to-date knowledge of specialist arbitrators; support Government in any changes to arbitration rules to provide swift, consistent statutory arbitration.</p>	<p>Wider specialist support</p> <p>Consider and adopt development opportunities, including training for other industry specialists to support industry knowledge.</p>
<p>7. JOINING THE DOTS</p> <p>Developing more sophisticated processes for how we manage intelligence.</p>	<p>Day-to-day</p> <p>When listening to stakeholders raising issues, offer information and guidance as appropriate; seek to understand industry context and be clear on prioritisation.</p>	<p>Developing processes</p> <p>Develop more strategic intelligence gathering and processing, in line with resources, to improve analysis and understanding.</p>	<p>Preventative measures</p> <p>Clarify information POBs can pro-actively share with the PCA & tenants to pre-empt matters before they escalate and how the PCA will view that so that lines of communication are clear and constructive.</p>
<p>8. INTERNAL DEVELOPMENT</p> <p>Investment in People and Processes to ensure high quality service provision for TPTs and POBs.</p>	<p>Investment in people</p> <p>Develop our people to provide the best possible service to TPTs and POBs through learning and development and targeted training.</p>	<p>Investment in processes</p> <p>Review operations to identify what we should stop, start, and continue. Structure team accordingly to ensure everyone has clear roles, responsibilities to enable them to operate as a team.</p>	<p>IT and web presence</p> <p>Continue to develop cost-effective systems and web presence to support delivery of a high-quality service.</p>

The work underpinning the PCA's strategic priorities is monitored monthly at its Management Board meetings. Detailed below is the PCA's progress against each of the eight priorities from August 2022 when the strategy was launched to the end of the reporting period.



Priority 1 Solid Foundations

The PCA has continued to build on relationships with key cross sector stakeholders this year, which included a round of meetings in early 2023 with the regulated pub companies’ senior leaders. This provided a greater insight into issues impacting their businesses and tied tenants and allowed for useful discussion around Code compliance. Alongside this, the PCA has met with campaign groups and trade bodies speaking on behalf of tenants to understand what matters most to those they represent.

Discussions with pub companies are ongoing as appropriate around the new tenant experience, to include the presentation of Pubs Code Schedule 1 information, pre-entry training and the ongoing use of the sustainable business plan. These interactions with each pub company can be tailored in light of the 2023 tied tenant survey results, which indicate the importance of onboarding information in achieving higher levels of tenant satisfaction throughout the agreement.

Consistent with last year, a pain point for tenants continues to be around the Business Development Managers’ handling of repairs and dilapidations, with only 37% happy with this. The British Institute of Innkeeping (BII), UK Hospitality and the British Beer and Pub Association (BBPA) issued best practice guidance for managing repairs and dilapidations in February 2022. This year, the PCA held dedicated discussions with pub companies and the BII to understand current business practices and issues for tenants. The PCA aims to shortly publish the insights gathered for industry consideration as part of its first thematic review in this area. Regulatory work is ongoing with a particular focus on how pub companies can better understand what is driving dissatisfaction and foster continuous improvement.

Market trends continue to be monitored, including to understand changes to business models, and the PCA has been working with the industry to ensure appropriate application of the Code. Changes to agreement length and Landlord and Tenant Act protection will continue to be monitored to understand any adverse impact on Code rights. The PCA has shared trend data with the Secretary of State in response to the second statutory review and will continue to gather information where necessary to understand the operating environment of the Code.

2. ACTIVE LISTENING

Develop a two-way communication flow around what TPTs and POBs need and how we can support them.

Clear priorities

Use survey, consultation and other sector information to clearly identify priority areas to better support user needs.

Annual survey

Conduct Tenant survey to gather feedback on what is working well and where we and others can do better to support them.

Partnering

Identify areas where working in partnership can deliver cross industry development of Code based strategies to support resolution of key cross-sector issues affecting TPTs.

Priority 2 Active Listening

Hearing directly from tenants is key to understanding what is happening on the ground but as busy business operators, they can be hard to reach. One of the PCA's most valuable sources of information comes from its annual tenant survey. In early 2023, Ipsos, on behalf of the PCA, surveyed 1,200 tied tenants, doubling the number surveyed in 2022. Key results can be found on pages 12–16. The PCA will be looking to the pub companies to do more to understand and address the issues driving these results and to identify and share best practice.

This year the PCA team once again exhibited at the Northern Restaurant & Bar event in Manchester, providing a great opportunity to talk directly to tenants and the wider industry. Over the coming year the PCA will build on its direct engagement with tenants, with team members shadowing Business Development Managers from across the six pub companies.

The PCA continues to engage with code compliance officers and meet with senior leaders of the pub companies to understand current industry challenges and how the PCA can best support the regulated sector.

3. EFFECTIVE SIGNPOSTING

How we signpost and support TPTs if they have issues during their journey.

First contact response

To best support TPTs, more clearly outline in common communications the role of the PCA and identify where the CCOs or other organisations can help.

Clear code steps

Develop the Code story so that TPTs understand the key points in the business relationship where Pubs Code rights arise, and how and where to get support.

Quality care

Work hand-in-hand with key stakeholders to develop key processes, standards and understanding so TPTs can access high quality information and support.

Priority 3 Effective Signposting

The PCA often receives enquiries from tied tenants and others about issues outside its remit. We aim to help tenants as best we can, which sometimes means signposting them to others who can help. The PCA has established links with a number of membership bodies that represent tenants, including the British Institute of Innkeeping, which has an accredited panel of professional advisors.

We recognise that a range of help and support may be needed. To facilitate this, the PCA has been forging links with wider stakeholders, such as speaking with The Institute of Licensed Trade Stock Auditors and the Licensed Trade Charity, enabling better signposting to support for tenants.

More work still needs to be done to raise the profile of the Code Compliance Officer, as it is their role to verify their pub company’s compliance with the Code and deal with tenant queries. The PCA will often signpost tenants to their Code Compliance Officer, as they are usually best placed to deal with individual questions and concerns in the first instance.

<p style="text-align: center;">4. CLEAR PARAMETERS</p> <p style="text-align: center;">Clarifying the role and scope of the PCA and Pubs Code in serving TPTs across their journey.</p>	<p style="text-align: center;">Clarify PCA role & scope of the Code</p> <p style="text-align: center;">Communicate information in easily digestible ways, for example, through bitesize information, videos, journey maps, tenant stories.</p>	<p style="text-align: center;">Communicate clear parameters</p> <p style="text-align: center;">Via website, tenant info packs and other government or trade body materials & communications – review and reclarify if necessary. Be open and clear about PCA activities and progress.</p>	<p style="text-align: center;">Developing online presence</p> <p style="text-align: center;">Identify and develop, within resource parameters, how we can best present TPT rights and the work we do.</p>
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Priority 4 Clear Parameters

The PCA continues its work to publish jargon-free and bitesize information, building on its suite of tenant friendly factsheets. This has included adding summary information to factsheets and making it clear where the regulations apply, helping tenants to navigate the Code more easily. A visual tenant timeline was also published in April 2022.

In early 2023, the PCA contracted with a strategic communications partner to help raise awareness of the role of the PCA and tenants’ Code rights. Recognising the power of the tenant voice in talking about the Code, the PCA will be looking to promote tenant stories and videos in its communications.

Social media presence continues with the PCA on X (formerly Twitter), Facebook, and LinkedIn, through which engagement is gradually building. Tenant Survey results show that tenants are most likely to go to their pub companies for support however, and so promoting PCA publications and messages through the pub companies is a key aim.

Articles on industry sites, including Propel and the PCA’s monthly column in the Morning Advertiser, continue to raise the profile of the PCA across the industry. Wider awareness has been raised through a series of online articles with the Chartered Institute of Arbitrators, which manage the PCA’s arbitration service.

An important source of assistance in the tenant journey is professional advice, and the PCA is considering how it can best support relevant advisors with appropriate knowledge of the Code.



5. GREAT EXPECTATIONS

Plotting clearer regulatory approaches.

Day-to-day

Manage expectations of TPTs and POBs through setting clearer understanding on PCA's approach to regulatory issues.

Continual development

Monitor and show where POBs are demonstrating proactive compliance and enable continual Code development.

Collaboration on best practice

Consider strategic collaboration processes to identify and share best practice, using the Code to support improvements and raise standards.

Priority 5 Great Expectations

Bringing clarity to how the PCA regulates, we have this year published accessible information on our website to explain how the PCA responds to breaches reported by pub companies and suspected compliance issues, including the use of its legal powers and other regulatory tools.

This explains collaborative approaches the PCA may take, short of statutory investigation, including through a supervised inquiry. The PCA continues to work with Star Pubs & Bars through this process following self-reported breaches in relation to its insurance arrangements and Code duties under regulation 46(2). It also continues to work with Stonegate in relation to historic breaches reported around its provision of rent proposals for new agreements under regulation 15(7).

Pubs Code Action Stories have been published on the PCA website to inform the industry of both matters and the PCA's ongoing work with these pub companies.

During the year the new policy for pub companies to self-report breaches was finalised and implemented into business-as-usual activity. A breaches register has also been introduced on the PCA website, providing transparency for the industry on reported breaches and, where appropriate, the mitigating and remedial actions the pub company has taken.

A valuable power for the PCA is the ability to issue statutory advice and guidance. In April 2022, an advice note was issued to the industry to clarify the PCA's view on how the Pubs Code (Fees, Costs and Financial Penalties) Regulations 2016 applies to disputes about Independent Assessor determinations. This was following documentation received from a PCA appointed external arbitrator, demonstrating the importance of the PCA's regulatory oversight in arbitration cases.

Important statutory guidance was issued to pub companies in March 2023 following arbitration disputes and tenant concerns about barriers and disincentives to accessing the Market Rent Only (MRO) option to go free of tie. While arbitration referrals to the PCA on disputes about MRO terms have reduced significantly over recent years, this guidance is a further step to improve access to MRO, and transparency around the approach each pub company takes, offering consistency wherever possible.

The guidance, which was issued following consultation, came into effect on 1 May 2023 and means that in most cases a pub company will offer a tenant taking the MRO option a gradual build up to pay large upfront costs, such as for deposits and rent in advance. Tenants should also receive information to help them (and on referral, the independent assessor) understand how the pub company has calculated the proposed MRO rent. The PCA must take this guidance into account in carrying out their functions. This includes in investigating Code breaches and taking enforcement action as a result. The PCA (and any appointed arbitrator) must also take it into account when arbitrating Code disputes.

6. ARBITRATION EXCELLENCE & BEYOND

Developing continuous learning & development provision for arbitrators and other sector specialists.

Arbitrator skills building

Partner with CI Arb and arbitrators to develop & implement more targeted training and assessment for arbitrators to deliver a group of knowledgeable and competent specialist arbitrators on statutory arbitration.

Review & refresh

Review the training and ensure the provision of specialist quality arbitrators to enable continuous improvement and up-to-date knowledge of specialist arbitrators; support Government in any changes to arbitration rules to provide swift, consistent statutory arbitration.

Wider specialist support

Consider and adopt development opportunities, including training for other industry specialists to support industry knowledge.

Priority 6 Arbitration Excellence and Beyond

Arbitration referral handling

This year has seen the first full year of Ciarb managing the arbitration service from referral to case closure on behalf of the PCA. This includes recommending suitable Ciarb-accredited arbitrators to the PCA for appointment, where the PCA exercises her statutory power to appoint an alternative arbitrator, as defined in SBEE Act 2015, Section 48 (5)(b).

Consistent with last year, the PCA has exercised this power in all cases to ensure the office can focus on the PCA's regulatory priorities.

Ciarb and the PCA have worked to continually improve the arbitration service in line with the PCA's strategic priority to ensure arbitration excellence. In September 2022, Ciarb in conjunction with the PCA, delivered specialist Pubs Code arbitrator training led by two experienced Pubs Code arbitrators. This was followed by a rigorous multiple-choice assessment to ensure a minimum standard of knowledge and understanding of Pubs Code arbitrations. Fourteen arbitrators passed the assessment, forming the dedicated panel from which all appointments are now made. The Pubs Code arbitrator standards and closure form completed by arbitrators were also updated in September 2022, incorporating feedback from the first full year in use.

The PCA continues to work with Ciarb to find efficiencies in the arbitrator appointment process. As such, the PCA is pleased to have reduced its performance measure for appointing an arbitrator by five working days. This reduces the performance measure from 90% of appointments made within 25 working days of accepting the referral and receiving all relevant information from the parties to a new target of 20 working days.

The PCA's performance against the 2022/23 measure to appoint an arbitrator within 25 working days can be found at:

<https://www.gov.uk/government/organisations/pubs-code-adjudicator/about-our-services>.

The industry can view arbitration case trends in the PCA's Pubs Code Arbitration Quarterly report published on its website. Improvements in data collection over the 2022/23 year has enabled the PCA to improve its year-on-year reporting in this annual report, providing a more meaningful level of detail as can be seen [here](#)

<https://www.gov.uk/government/publications/judgments-in-arbitration-appeals-and-publication-of-arbitration-awards/judgments-in-arbitration-appeals-and-publication-of-arbitration-awards?preview=false#quarterly-report>.

Changes to the MRO Process

April 2022 saw changes to the Market Rent Only process under the Pubs Code legislative amendments. This included the introduction of a three-month resolution period once the tenant receives the pub-owning business' MRO proposal. This gives the parties more time to negotiate on the MRO terms and rent before deciding whether to refer any dispute about the compliance of the terms to the PCA for arbitration. This replaced a 14-day referral window, which started immediately after the pub-owning business' 28-day period for sending the MRO proposal. While this may have contributed to the reduction in arbitration referrals seen over the reporting year, it must be noted that the number of full responses issued has also reduced from 204 in 2021/22 to 130 in 2022/23, representing a 36% decrease*.

*BBPA Market Rent Only data can be found [here](https://beerandpub.com/policy-campaigns/pub-partnerships)
<https://beerandpub.com/policy-campaigns/pub-partnerships>.

Publication of awards

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. This process is managed through external legal support.

During the year, the PCA published seven awards or summaries in relation to MRO full response and non-MRO disputes, where arbitrators had issued preliminary and substantive awards.

The PCA's performance against its measures for the time taken to publish awards can be found [here](https://www.gov.uk/government/publications/pubs-code-adjudicator-arbitration-awards/pubs-code-adjudicator-published-arbitration-awards?preview=false)
<https://www.gov.uk/government/publications/pubs-code-adjudicator-arbitration-awards/pubs-code-adjudicator-published-arbitration-awards?preview=false>.

<p>7. JOINING THE DOTS</p> <p>Developing more sophisticated processes for how we manage intelligence.</p>	<p>Day-to-day</p> <p>When listening to stakeholders raising issues, offer information and guidance as appropriate; seek to understand industry context and be clear on prioritisation.</p>	<p>Developing processes</p> <p>Develop more strategic intelligence gathering and processing, in line with resources, to improve analysis and understanding.</p>	<p>Preventative measures</p> <p>Clarify information POBs can pro-actively share with the PCA & tenants to pre-empt matters before they escalate and how the PCA will view that so that lines of communication are clear and constructive.</p>
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Priority 7 Joining the Dots

Information from tenants and other stakeholders provides valuable and important intelligence for the PCA and this has continued to underpin the PCA's work over the year. Work has begun to ensure the PCA can maximise opportunities presented by its new case management system for recording and analysing intelligence, due to be implemented in late 2023. In addition, the PCA has worked throughout the year to embed the intelligence process across the organisation, through staff workshops and training sessions. The PCA has also improved its processes for identifying and capturing information and implemented a new approach to information-grading to better understand the reliability of information and its source.

8. INTERNAL DEVELOPMENT

Investment in People and Processes to ensure high quality service provision for TPTs and POBs.

Investment in people

Develop our people to provide the best possible service to TPTs and POBs through learning and development and targeted training.

Investment in processes

Review operations to identify what we should stop, start, and continue. Structure team accordingly to ensure everyone has clear roles, responsibilities to enable them to operate as a team.

IT and web presence

Continue to develop cost-effective systems and web presence to support delivery of a high-quality service.

Priority 8 Internal development

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. Operations and finance processes, adapted to facilitate hybrid working arrangements continue to be monitored, reviewed and improved as standard practice.

In September 2022, the PCA procured a new case management system, with bespoke development continuing throughout the remainder of the year. The new system is designed to provide greater consistency and efficiency in the PCA's regulatory work, assure the PCA's monitoring and reporting capabilities, and be sufficiently flexible to enable future regulatory development.

Planning to procure a new website for the PCA also took place, the key focus of which is to provide independent, tenant friendly access to Pubs Code information and will remain a key focus for the PCA over the coming year.

Cyclical Pubs Code training continues to be delivered in-house alongside a range of individual opportunities to further develop staff skills and knowledge. Staff have taken part in cellar management training and also had the opportunity to spend a day with a BDM, giving them valuable insights into the BDM's work and enhancing their understanding of the day-to-day relationship with tied tenants.



2. Statutory performance summary of PCA activity for the period 01 April 2022 to 31 March 2023

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 2022 to 31 March 2023.

For the year 2022–23 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. 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. Related legal proceedings have been settled since year end (see page 36).

Open arbitration cases by dispute type

Open arbitration cases by dispute type as of 31 March 2023 compared to the same date last year.

Dispute type	This Year 31.03.2023	Last Year 31.03.2022
MRO		
Full Response Proposal	6	38
Independent Assessor	1	3
Other		
Business Development Managers	2	0
Rent Assessment	1	2
Detriment due to Using Code Rights	1	0
Flow Monitoring Devices	1	0
Gaming Machines	1	0
Insurance	1	0
Premises	1	0
Subsequent Proposed Tenancy	0	1
TOTAL Dispute types	15	44
TOTAL Cases	9	43

Cases may include more than one dispute type

Open cases have reduced by 79% when compared to the end of the 2021/22 reporting year, continuing the decline seen over previous years. MRO full response cases remain the most common dispute type but have seen a significant reduction overall.



Accepted arbitration referrals

Accepted arbitration referrals in the 12-month period between 1 April 2022 and 31 March 2023 to the previous 12-month period.

Dispute type	This Year 01.04.2022 – 31.03.2023	Last Year 01.04.2021 – 31.03.2022
MRO		
Full Response Proposal	11	70
Independent Assessor	2	6
Revised Response	0	1
TOTAL MRO	13	77
Other		
Business Development Managers	3	3
Detriment Due To Using Code Rights	1	2
Flow Monitoring Devices	1	0
Gaming Machines	1	0
Rent Assessments	1	3
Rent Proposals	1	0
Short Agreements	0	1
Sustainable Business Plan	0	1
Subsequent Proposed Tenancy	0	3
Insurance	1	0
Premises	1	0
TOTAL OTHER	10	13
TOTAL ALL DISPUTE TYPES	23	90
TOTAL CASES	17	84
<i>Cases may include more than one dispute type</i>		

There has been a significant year-on-year decline in the number of cases accepted for arbitration with 67 fewer cases accepted this year. This was largely driven by the decrease in referrals about the MRO option, and more specifically disputes about the terms (an 84% reduction).



Closed arbitration cases

Closed arbitration cases in the 12-month period between 1 April 2022 and 31 March 2023 by dispute type and outcome compared to the previous 12-month period.

Dispute type	Outcome	This Year (01.04.2022 – 31.03.2023)	Last Year (01.04.2021 – 31.03.2022)
MRO			
Full Response Proposal	Claim Withdrawn	5	17
	Final Award on Substantive Issues	3	4
	Lease Assigned / Forfeited / Surrendered / Expired	3	1
	Parties Agreed – MRO Tenancy	20	24
	Parties Agreed – New Tied Tenancy	2	3
	Parties Agreed – No Information Provided	6	5
	Parties Agreed – Varied Tied Tenancy	2	1
	Other – Case Consolidated	0	2
Independent Assessor	Other – Self-Referral (under Covid-19 Declaration)	0	14
	Claim Withdrawn	2	1
	Final Award on Substantive Issues	2	4
	Parties Agreed (MRO) – Other – IA – Second Determination	0	1
Other			
Business Development Managers	Claim Withdrawn	0	1
	Lease Assigned / Forfeited / Surrendered / Expired	0	3
	Parties Agreed – Non-MRO Dispute	1	3
	Final Award on Substantive Issues	0	5
Rent Assessments	Claim Withdrawn	1	0
	Final Award on Substantive Issues	1	6
	Parties Agreed – Non-MRO Dispute	0	2
	Lease Assigned / Forfeited / Surrendered / Expired	0	2
Rent Proposals	Parties Agreed – Non-MRO Dispute	1	0
Short Agreements	Parties Agreed – Non-MRO Dispute	0	0
Subsequent Proposed Tenancy	Claim Withdrawn	0	1
	Parties Agreed – MRO Tenancy	0	1
	Parties Agreed – No Information Provided	1	0
Sustainable Business Plan	Parties Agreed – Non-MRO Dispute	0	0
	Lease Assigned / Forfeited / Surrendered / Expired	0	1

Dispute type	Outcome	This Year (01.04.2022 – 31.03.2023)	Last Year (01.04.2021 – 31.03.2022)
Detriment Due To Using Code Rights	Lease Assigned / Forfeited / Surrendered / Expired	0	0
	Final Award on Substantive Issues	0	0
Gaming Machines	Final Award on Substantive Issues	0	1
New Tenant Information	Final Award on Substantive Issues	0	1
	Lease Assigned / Forfeited / Surrendered / Expired	0	1
TOTAL Dispute Types		51	105
TOTAL CASES <i>Cases may include more than one dispute type</i>		50	92

The most common outcome of arbitration is for the parties to reach an agreement, which is consistent with last year. For MRO referrals, in most cases the parties agree an MRO tenancy although in some cases the tenant will remain tied. The number of cases closed this year has almost halved, which reflects the declining number of open arbitrations and reduction in new referrals.

Duration of closed arbitration cases

Duration of closed arbitration cases (minus stay periods agreed by the parties) in the 12-month period between 1 April 2022 and 31 March 2023.

Duration (minus stay periods agreed by parties)	This Year (01.04.2022 – 31.03.2023)
Less than 3 months	17
3–6 months	17
6–12 months	7
1 year +	9

Duration of closed arbitration cases (including stay periods agreed by the parties) in the 12-month period between 1 April 2022 and 31 March 2023.

Duration (including stay periods agreed by parties)	This Year (01.04.2022 – 31.03.2023)
Less than 3 months	4
3–6 months	8
6–12 months	22
1 year +	16

Note: duration information and stay periods have been recorded from 2022/23 onwards and therefore 2021/22 information is not available for comparison purposes.

Stay periods have a demonstrable impact on the duration of the arbitration with most cases closing within six months when excluding stay periods. A stay period is where the parties have agreed to put the proceedings on hold, for example, while negotiations take place.

Enquiries

The PCA operates an enquiry service providing information on the Pubs Code and its processes. The enquiry service dealt with 150 enquiries over the year, although one in five was not about a Pubs Code matter, which is consistent with last year. The enquiry service can be accessed through a call back request (accounting for 24.7% of enquiries over the year) by email (26.7%) or by completing an online form (48.7%). The PCA has worked to promote the use of its online form wherever possible, last year this accounted for 32% of enquiries and so there has been a positive adjustment between channel use.

Work has begun to develop a new online enquiry form in conjunction with the PCA's new case management system, with completion due in late 2023. Enabling tenants and others to self-serve at a time convenient to them remains the PCA's aim and development of the online enquiry form and PCA's website will be key to supporting this over the coming year.

The results of the PCA Annual Tied Tenant Survey 2023 can be found at: <https://www.gov.uk/government/publications/pca-annual-tied-tenant-survey-2023-results> indicate that tenant usage of the enquiry service remains low. Only 3% recall using this service in the past 12 months. However, the PCA encourages tenants to raise queries about the Code with their pub company's code compliance officer in the first instance and the PCA continues to signpost tenants to the code compliance officer where helpful to do so. 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 has a performance measure to respond to enquiries within 15 working days, although aims to respond sooner.



3. PCA's progress against published performance measures

The PCA's performance measures are published on our website and can be found [here](https://www.gov.uk/government/organisations/pubs-code-adjudicator/about-our-services) <https://www.gov.uk/government/organisations/pubs-code-adjudicator/about-our-services>. These are monitored by the Operations team and reported on at the PCA's monthly Management Board meetings.

The performance measures for the reporting year were:

PCA Published Performance Measure	1 April 22 – 31 March 23	1 April 21 – 31 March 22
Correspondence and Enquiries		
1. 95% of correspondence (excluding regulatory interactions with POBs and arbitration case correspondence) responded to within 15 working days.	100%	
2. 95% of enquiries (excluding regulatory interactions with POBs and arbitration case correspondence) responded to within 15 working days.	100%	
Publication of Awards		
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.	100%	100%
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).	100%	100%



PCA Published Performance Measure	01 April 22 – 31 March 23	PCA Published Performance Measure	01 April 21 – 31 March 21
<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>100%</p>	<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>95%</p> <p>100%</p>

4. PCA’s Performance Against The Contracts Regulations 2015

Public Contracts Regulations 2015 (Regulation 113) requires contracting authorities to pay undisputed invoices within a 30 day period. For the reporting year an administrative error occurred with one invoice, value £7.52 resulting in the PCA exceeding the 30-day limit by 29 days.



5. PCA Issues and Risks



The PCA Management Board (see the Governance Statement on page 41) 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 could have impacted on the reputation of the PCA during this reporting period were:

Staffing and Operational resilience

Continuity of resourcing continues to be the top strategic 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. Recruitment has remained a challenge, with key specialist skills continuing to be procured where required.

Procurement of new case management system

Timing of receipt of levy funding for the year constrained the timetable for procuring a new case management system for the PCA though procurement of a suitable system was procured on time and within budget. The PCA continues to work with BEIS on roll out compatible with systems following machinery of Government changes.

Challenge to the Penalty notice issued to Star Pubs & Bars

Ongoing challenge to the PCA's Penalty Notice issued to Star continued throughout the year. The case has been settled since financial year end, with a penalty and costs contribution paid in line with the Court Order by Star Pubs and Bars.

Investigations

The PCA launched an investigation in July 2019 against Star Pubs & Bars (Heineken UK). The investigation was concluded in October 2020 and the report can be found [here](https://www.gov.uk/government/publications/pca-investigation-into-star-pubs-bars) <https://www.gov.uk/government/publications/pca-investigation-into-star-pubs-bars>. An appeal against the Penalty Notice brought by Star following the conclusion of the investigation was ongoing throughout the financial year 2022–2023 and was settled by agreement between the PCA and Star, with an order confirming the settlement being made by the High Court just after year end on 5 April 2023.

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. Following the settlement of Star’s appeal against the financial penalty, in April 2023 the PCA issued a varied version of the Penalty Notice initially published in October 2020, imposing a penalty of £1.25 million. During April 2023 this sum was paid by Star into the Consolidated Fund. As part of the agreed settlement of the proceedings, during April 2023 Star has also made a payment of £50,000 to the PCA as a contribution towards the PCA’s costs of the litigation.

The PCA has the power to require a pub-owning business 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 PCA has exercised her powers under s.59(1) (a) of the SBEE Act 2015 requiring Star to pay £500,000 in respect of the PCA’s costs of that investigation. This sum was paid by Star to the PCA in April 2023 and sums will be appropriately re-apportioned as part of levy payments to the other five pub-owning businesses.

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.

The PCA is seeking an exemption under section 1.42 of the 2022–23 Sustainability Reporting Guidance from Defra’s Greening Government Commitments 2021–25 team.

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

13th December 2023

Accountability Report

On 7 February 2023 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.



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:

- a) Risk management including a regular review of the PCA's risk register;
- b) Recruitment and retention of staff;
- c) The Arbitration Management Service outsourced to the Chartered Institute of Arbitrators (Ciab) in December 2021;
- d) Finance management based on the quarterly finance reports;
- e) Internal audit completed in year;
- f) The PCA's case management system providing a reporting function sufficient to provide the Risk and Audit Committee with the assurance that the data presented throughout the reporting period was correct;

- g) Procurement of a third party provider of a replacement case management system in Autumn 2022, and the subsequent scoping and mapping of the PCA's existing and future activities so the system can be built, tested and implemented in 2023–2024;
- h) Process for procurement of a new website;
- i) End of Year report and Accounts.

Office of the PCA and was a standing item on our monthly Management Board meetings and the triannual Risk and Audit Committee meetings. In addition, Management Board undertook a 6-monthly horizon scan of strategic risks for the PCA.

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 2023 is £28,500 (2021–22: £23,500).

The PCA's 2021–22 audit was carried out by the National Audit Office in November 2022.

The 2021–2022 annual report and financial statements were certified and laid in the House on 24 February 2023 and that report can be found [here](#)

<https://www.gov.uk/government/publications/pca-annual-report-and-accounts-2021-2022>.

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 2022–23

Following machinery of government changes on 7 February 2022, relevant part of BEIS moved to the Department of Business and Trade. References to BEIS and its associated Directorates should be read accordingly.

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. The PCA does not use modelling.



2. Management Board

The PCA Management Board follows the Corporate governance in central government departments: code of good practice, applying it in a way proportionate to the nature and size of the PCA.

The office of the PCA continues to be overseen by a Management Board (the Board), 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.

Management Board meeting attendance	
PCA	11
Director of the Office of the PCA	11
Head of Regulatory Policy and Compliance	10
Head of Regulatory Engagement	11

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 Board assesses its effectiveness each meeting to encourage improved approach.

The Management Board is supported by two other bodies:

3. Risk and Audit Committee

The Risk and Audit Committee (RAC) comprises staff from the office of the PCA, officials from the Consumer and Competition Policy Directorate in the Department for BEIS and the Committee 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 RAC meets quarterly and its outputs are fed back to the PCA Board and Governance Board. The RAC assists the PCA in identifying, assessing, and manage risk through the strategic risk register and plays an important role in ensuring the PCA's financial and risk management is appropriate. 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.

4. 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 BEIS 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. The Governance Board meets quarterly.

5. Internal Audit

The PCA undertakes an internal audit on a biennial basis. The Government Internal Audit Agency undertook an internal audit of the security of PCA's Information during the financial year. Though not directly applicable to the PCA, the audit considered appropriate Functional Standards when considering the PCA's processes. No significant risks arose, and all recommendations have been implemented within applicable timetables.

The internal audit fee for 2022–23 was £6,000.

6. Key Risks and Issues

As in previous years, an important challenge for the office of the PCA has remained the reputational risk associated with managing stakeholder expectations about the impact of the Pubs Code in general and the focus of the PCA's finite resources. The publication of the PCA's Strategy is the culmination of an industry wide listening exercise. It sets out a clear explanation of the approach and objectives the PCA seeks to achieve in the short medium and long term. Those areas focus on building relationships to provide enhanced support to the industry, greater clarity to the PCA's approach to regulating under the Code and clearer access and messaging about the Code's application, alongside strengthened systems to support staff and industry access to Code information.

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 strategic 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. Recruitment has remained a challenge, with key specialist skills continuing to be procured where required.

Procurement of new case management system

Timing of receipt of levy funding for the year constrained the timetable for procuring suitable and proportionate case management system for the PCA. Successful procurement of a suitable system has been procured on time and within budget. Workshops continued throughout January to March 2023 to map the PCA's current activities and future proofing the system. The extensive scoping and mapping exercises will inform the design and build of the new system. The PCA continues to work with BEIS IT on the integration of the new system following the machinery of Government changes.

Challenge to the Penalty notice issued to Star Pubs & Bars

Ongoing challenge to the PCA's Penalty Notice issued to Star continued throughout the year. The case has been settled since financial year end, with a penalty and contribution to costs paid in line with the Court Order by Star Pubs & Bars.

7. 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 2022–23 the Secretary of State approved the imposition of a levy and the methodology is published [here](https://www.gov.uk/government/publications/pubs-code-adjudicator-pca-levy-methodology-for-2022-23) <https://www.gov.uk/government/publications/pubs-code-adjudicator-pca-levy-methodology-for-2022-23>. This included the repayment of 80% of the loan provided by BEIS in lieu of imposing a levy in 2020–21.

Income

Prior to December 2022, 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). When the Arbitration Service Management contract was let in December 2022 to Ciarb, the handling of the £200 referral fees changed. Instead of the referral fee being sent by the referrer directly to the PCA's bank account, the £200 fee was collected by Ciarb and sent to the PCA on a monthly basis. Ciarb then invoiced the PCA on a monthly basis for the total cost of the referral fee plus VAT, so £240.00 in total.

The PCA received a total of £4,000 in referral fees during 2022–23.

The PCA recouped PCA arbitration costs from pub-owning businesses – in the reporting 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. Once the PCA let an Arbitration Services contract to Ciarb in December 2022, arbitration costs were directed to Ciarb for direct payment to the Alternative Arbitrators.

Arbitration fees in the current year represent a net cost of £171.

The PCA's investigation into the use of stocking requirements by Star Pubs & Bars concluded in October 2020. A challenge was brought against the issuing of the Penalty Notice following the conclusion of the investigation. That case was ongoing at 31 March 2023. All litigation costs due up to and including 31 March 2023 have been recognised in the reporting financial year.

8. 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 no off-payroll individuals. The individual reported in the 2021–22 annual report retired from her part time role on 31 March 2022. All other PCA staff are secondees who pay tax and national insurance through their home Department's payroll.

9. 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:

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

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

10. 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.

11. 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. A Memorandum of Understanding (MoU) with BEIS was signed in April 2022 in respect of the data controller and data processor relationship. In line with the MoU regular monthly PCA and BEIS IT review meetings have been held, which have been particularly informative as the PCA has been working towards implementing its new case management system.

12. Management of interests and business appointments

The PCA has a policy for the declaration and management of interests in place for all staff.

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 2022–23 financial year.



Fiona Dickie,
Pubs Code Adjudicator
13th December 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 2022–23 the majority of the PCA office team have been seconded from public sector organisations. For the duration of the reporting year, one person was seconded from a private law firm under a framework agreement, and for part of the reporting year two further 0.2 FTE equivalent people were seconded from the same private law firm under a framework agreement. A contingent worker was recruited via a government framework following an unsuccessful Expression of Interest (EOI) opportunity for the duration of the reporting year, with a recruitment exercise for the post being run in February 2022. 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
Fiona Dickie	2022 – 23	135 – 140	0	54	190 – 195
	2021 – 22	135 – 140	0	53	185 – 190
Katharine Diamond	2022 – 23	80 – 85	0	4	85 – 90
	2021 – 22	80 – 85	0	20	100 – 105

* "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.

* The PCA is a ministerial appointment, she is paid through the BEIS payroll and VAT is charged on her salary invoices.

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. Cash Equivalent Transfer Values (CETV)

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023–24 CETV figures.”

Real increase in CETV (subject to audit)

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 2023 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2023 £'000	CETV at 31 March 2022 £'000	Real increase in CETV £'000
Fiona Dickie	10 – 15	2.5 – 5	186	138	32
Katharine Diamond	30 – 35 Plus a lump sum of 5 – 10	0 – 2.5 Plus a lump sum of 0	489	444	(-6)*

* Taking account of inflation, the CETV funded by the employer has decreased in real terms.

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-23 £	Year ended 31-Mar-22 £
Wages and salaries	682,702	742,543
Social security costs	85,590	89,948
Other pension	178,951	211,616
Total	947,243	1,044,107

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 employees' salary, ERNIC and pension contributions, and include VAT.

The PCA is not registered for VAT.

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:

	2022/23	2021/22
Ministerial and public appointments	1.0	1.0
Other Staff*	8.79	8.84

(*) 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 2022 and 31 March 2023 is:

	Male	Female
Pubs Code Adjudicator	0	1
Other staff	2	10

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

Over the reporting period the Adjudicator recruited one new member of staff and three people left.

4. Fair pay disclosure (subject to audit)

The range for staff remuneration for 2022–23 and the previous year 2021–22 is recorded below:

	2022–23 £'000	2021–22 £'000
The range for staff remuneration is:	Min 5 – 10 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.

	2022–23 (£)	2021–22 (£)	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.

	2022–23 (£)	2021–22 (£)	Change %
Salary and allowances	51,985	78,639	-33.89%
Performance pay and Bonuses	364	1,181	-69.18%

The decrease in the average percentage change figure for 2022–23 is due to the staff members exiting the PCA in the reporting year.

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.

	25th percentile pay ratio	Median pay ratio	75th percentile ratio
Pay and Benefits 2021–22	2021–22	2021–22	2021–22
Total pay and benefits (ratio)	3.65	3.33	2.62
Total pay and benefits (£)	37,697	41,300	52,399
Salary ratio	3.74	3.37	2.93
Salary (£)	36,735	40,800	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.

	25th percentile pay ratio	Median pay ratio	75th percentile ratio
Pay and Benefits 2022–23	2022–23	2022–23	2022–23
Total pay and benefits (ratio)	3.4	3.2	2.1
Total pay and benefits (£)	40,681	42,992	64,285
Salary ratio	3.4	3.3	2.2
Salary (£)	40,026	41,692	61,485

5. Exit packages (subject to audit)

No exit packages were paid during the reporting period. (Nil in 2021–2022).

6. Expenditure on consultants

This is recorded in section three of the accounts under “Other expenditure”. (£2,730 in 2021–2022).

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 2023, for more than £245 per day and that last for longer than six months.

Number of existing engagements as of 31 March 2023.	Pubs Code Adjudicator
Number of existing engagements as of 31 March 2023	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 and more years at the time of reporting	N/A

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 01 April 2022 and 31 March 2023, 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 2022 and 31 March 2023.	Pubs Code Adjudicator
Number of existing engagements as of 31 March 2023	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 2023 was 6.95 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. A member of the PCA team continued as the PCA's mental health and wellbeing champion for the reporting year.

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 (Nil 2021–22), remote contingent liabilities (Nil 2021–22), fees and charges (Nil 2021–22), income or gifts (Nil 2021–22). For contingent liabilities see page 81, Note 13 Contingent Liabilities. The levy income is recognised to recover full costs of the PCA as shown in the Statement of Comprehensive Net Expenditure.



Fiona Dickie,
Pubs Code Adjudicator
13th December 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 for the year ended 31 March 2023 under the Small Business, Enterprise and Employment Act 2015.

The financial statements comprise the Pubs Code Adjudicator's:

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

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Pubs Code Adjudicator's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Small Business, Enterprise and Employment Act 2015 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

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

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the 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 Accounting Officer 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 HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the 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 subject to audit 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

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

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

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

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Pubs Code Adjudicator from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Small Business, Enterprise and Employment Act 2015;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Small Business, Enterprise and Employment Act 2015; 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 Accounting Officer 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Pubs Code Adjudicator’s accounting policies.
- inquired of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Pubs Code Adjudicator’s policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Pubs Code Adjudicator’s controls relating to the Pubs Code Adjudicator’s compliance with the Small Business, Enterprise and Employment Act 2015 and Managing Public Money;
- inquired of management, and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team 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 Pubs Code Adjudicator for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimate. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Pubs Code Adjudicator's framework of authority and other legal and regulatory frameworks in which the Pubs Code Adjudicator operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the 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 and tax legislation.

Audit response to identified risk

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

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

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

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

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

13th December 2023

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







Pubs Code Adjudicator Financial Statements for the year ended 31 March 2023.

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 2023

	Note	2022–23 £	2021–22 £
Expenditure			
Staff Costs	2	947,243	1,044,107
Other Expenditure	3	1,099,954	733,626
Depreciation	5	10,736	–
Interest expense		1,443	–
		2,059,376	1,777,733
Income			
Other income	4	(2,059,376)	(1,777,733)
Net Expenditure			
		–	–
Net Expenditure after interest			
		–	–
Net Expenditure after interest and tax			
		–	–
Total Comprehensive Expenditure for the year			
		–	–

The notes on pages 68 to 81 form part of these financial statements.

There was no other Comprehensive Expenditure.

Statement of Financial Position as at 31 March 2023

	Note	As at 31-Mar-23 £	As at 31-Mar-22 £
Non-current assets			
Property, plant and equipment	5	143,776	–
Accrued income	6	550,000	751,406
Total non-current assets		693,776	751,406
Current assets			
Contract asset	7	–	1,050
Receivables and other assets due within one year	7	81,617	17,548
Cash and cash equivalents	8	3,600,407	2,115,315
Total current assets		3,682,024	2,133,913
Total assets		4,375,800	2,885,319
Current liabilities			
Contract liability	9	(3,551,750)	(1,084,179)
Trade and other payables	9	(682,267)	(703,140)
Loan	9	–	(1,098,000)
Lease liabilities		(10,170)	–
Total current liabilities		(4,244,187)	(2,885,319)
Current assets less current liabilities		131,613	–
Non-current liabilities			
Lease liabilities		(131,613)	–
Assets less liabilities		–	–
Taxpayers' equity			
Income and expenditure reserve		–	–

The notes on pages 68 to 81 form part of these financial statements.



Fiona Dickie,
Pubs Code Adjudicator
13th December 2023

Statement of Cash Flows for the year ended 31 March 2023

	Note	2022–23 £	2021–22 £
Cash flows from operating activities			
(Increase)/decrease in receivables	7	(65,670)	433,576
Increase in payables	9	2,446,698	1,237,689
Non-cash transactions		10,736	–
Lease interest		1,443	–
Decrease in accrued income	6	201,406	–
Net cash inflow from operating activities		2,594,613	1,671,265
Cash flows from financing activities			
Repayments of BEIS loan	9	(1,098,000)	(274,000)
Payment of lease principal		(11,521)	–
Net cash inflow from financing activities		(1,109,521)	(274,000)
Net increase in cash and cash equivalents in the year	8	1,485,092	1,397,265
Cash and cash equivalents at the beginning of the year		2,115,315	718,050
Cash and cash equivalents at the end of the year		3,600,407	2,115,315

The notes on pages 68 to 81 form part of these financial statements.

Statement of Changes in Taxpayers’ Equity

	I & E Reserve £	Total Reserves £
Balance as at 31 March 2021	–	–
Changes in Taxpayers’ Equity		
Comprehensive net expenditure for the year	–	–
Balance as at 31 March 2022	–	–
Changes in Taxpayers’ Equity		
Comprehensive net expenditure for the year	–	–
Balance as at 31 March 2023	–	–

Funding arrangements for 2022–23.

The Secretary of State approved the imposition of a levy in 2022–23.



Notes to the Financial Statements for the year ended 31 March 2023

1. Accounting Policies

The accounts have been prepared in accordance with the direction from the Secretary of State for Business, Energy and Industrial Strategy (BEIS) and the 2022–23 Government Financial Reporting Manual (FRoM). The particular policies adopted by the PCA for the purpose of financial reporting are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The annual Accounts have been prepared as directed by the Secretary of State for (BEIS) 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 (SBEE Act 2015) is the legislation under which the PCA is established and the Act from which her powers derive.

There were no new standards issued up to 31 March 2023 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 17 Insurance Contracts

IFRS 17 became mandatory from 1 January 2023, with early adoption permitted. Application of IFRS 17 for Government departments was expected to apply from the 2023–24 financial year.

This has now been deferred for Government departments until the 2025–26 financial year.

IFRS 17 is not expected to have a material impact on the financial statements.

New accounting standards implemented in year

IFRS 16 leases

The International Accounting Standards Board (IASB) has issued the final version of IFRS 16 which replaces IAS 17 and IFRIC 4 determining whether an arrangement contains a lease for annual periods beginning on or after 1 January 2019. The FRoM deferred implementation of IFRS 16 until 1 April 2022, and therefore this standard affects the PCA's 2022–23 financial statements.

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases. From 1 April 2022, the PCA's policy is to recognise right-of-use assets

and corresponding lease liabilities by applying the provisions of IFRS 16 as interpreted for public sector in the FReM.

PCA's policy is to:

- apply IFRS 16 to tangible assets only. These are assets with a physical substance such as buildings or part thereof;
- apply IFRS 16 practical expedients on short term and low value leases as mandated by the FReM;
- separate lease and non-lease components and apply IFRS 16 to lease components only unless it is not practical or cost effective to make the distinction.

Practical expedients for short term and low value leases

- a lease term of up to 12 months is considered short term;
- an underlying asset value of up to £2,000 is considered low value. This is consistent with PCA capitalisation threshold on purchased assets.

In line with IFRS 16 and FReM, the value of short term and low value leases shall be disclosed in the notes to the financial statements.

In scope leases

Leases of tangible assets that do not qualify as short term or low value are recognised in the financial statements by recording a right-of-use asset and corresponding lease liability in the statement of financial position.

Lease liability

The lease liability is calculated as the total value of lease payments not yet made, discounted to present value using an appropriate discount rate.

The appropriate discount rate is the rate implicit in the lease. Where the rate implicit in the lease cannot be readily determined, the incremental borrowing rate will be used.

The incremental borrowing rate for government departments is set by HM Treasury and communicated in HM Treasury PES paper releases. On transition to IFRS 16, this rate was 0.95%.

The total value of lease payments excludes irrecoverable VAT. Irrecoverable VAT is expensed as it falls due.

Remeasurement of Lease Liabilities

The lease liability is remeasured using a revised discount rate where there is a change in the scope of the agreement.

Where there is an adjustment to lease payments resultant from rent review dates contained within the agreement, the remeasurement will use the original discount rate.

Right-of-use asset

The right-of-use asset value includes:

- the present value of the lease liability;
- initial direct costs;
- payments made on or before the commencement date of the lease;

- estimated restoration (dilapidations) costs;
- cash lease incentives as a reduction to the total value of the right-of-use asset.

In line with the FReM, dilapidation costs relating to leases transitioning to IFRS 16 on 1 April 2022 were not included in the right-of-use asset calculation.

The PCA occupies a small footplate of the BEIS estate in 23 Stephenson Street, Birmingham and dilapidation costs will be attributed to BEIS and therefore not form part of PCA financial statements for any new leases from 1 April 2022.

Depreciation

Right-of-use assets will be depreciated in line with the lease term and under the provisions of IAS 16.

Income

The different income streams are laid out below.

General Levy

Per IFRS 15 we have assessed the contract to be the Small Business, Enterprise and Employment Act 2015 (“SBEE Act 2015”). The purpose of the levy is to fund PCA’s main activities, therefore, the performance obligation is all the obligations on the PCA under the Act. The levy is only recognised as income to the extent that it is spent on discharging the PCA’s functions. The transaction price is therefore represented by all PCA’s costs of performing the obligations. The levy is approved for a particular financial year and any excess is returned to the pub-owning businesses. The revenue is recognised over the year, as the performance obligations are satisfied. Levy received is disclosed as income in Note 4, Income. Any remaining balance is presented as contract liability in Note 9, Trade payables and other liabilities.

The Secretary of State approved the imposition of a levy for the period of the 2022–23 financial year, to include recovery of the sum due to repay the remaining 80% loan that the PCA received during the 2020–21 financial year, when consent to raise a levy was not given due to the impact of Covid 19 on the pub sector. The levy is recoverable as a debt.

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% was repaid in the 2022–23 financial year.

Arbitrations

Per IFRS 15 we have assessed the contract to be the SBEE Act 2015, and the performance obligation stated under s.48. The transaction price is the fees and expenses incurred by the PCA, which are allocated in full to the performance obligation. The income from arbitration cost recovery is recognised over the course of the arbitration based on time incurred and agreed recharge rates. Should PCA decide to appoint an arbitrator, we will receive the income based on costs incurred and PCA is no longer a relevant party. Amounts received for arbitrations are disclosed as income in Note 4, Income. Amounts receivable in respect of incomplete arbitrations is shown as a contract asset in Note 7, Receivables and other assets.

Over the year the PCA has exercised her statutory power to appoint an alternative arbitrator in all cases and enabling the office to 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. Costs are paid direct to the appointed arbitrator by the paying party.

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. There have been four completed arbitrations over the previous year where the PCA has for a period of time acted as arbitrator, accounting for a net cost of £171 in total. There are no incomplete arbitrations where the PCA has acted as arbitrator.

Investigations

The PCA has the discretion to charge the applicable pub-owning businesses the full costs of an investigation which results in a finding that the Code has been broken.

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

As above, the SBEE Act 2015 is the relevant contract, and the performance obligations are stated under s. 59(1). The transaction price is the costs of the litigation to the PCA, recognised as costs are incurred. The amount to be recovered is presented in the financial statement as accrued income in Note 6.

Going concern

The PCA is a statutory body with ongoing duties and powers and 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 2022–2023 financial year, including the repayment of the outstanding loan. The PCA has received consent and raised a levy for the 2023–2024 financial year. The Government published its second statutory review of the operation of the Pubs Code and the performance of the PCA on 30 October 2023. It concludes that the Government considers the Code to be operating consistently with the two overarching principles and will not amend the Code. It also concludes the PCA has been effective in enforcing the Code and looks ahead to gathering data for the third statutory review covering the period from 1 April 2022 to 31 March 2025. As such the accounts have been prepared on a going concern basis.

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. The contract liability relates to unspent 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 was repaid during the year ended 31 March 2023.

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. Property, plant and equipment in these financial statements relates solely to leased assets.

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" on page 74 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.

This lease was previously classified and accounted for as an operating lease under IAS 17. From 1 April 2022 it is accounted for under the provisions of IFRS 16.

2. Staff costs (inclusive of VAT)

The cost of staff remuneration was:

Staff costs inclusive of VAT	2022–23 Total £	2021–22 Total £
Wages and salaries	682,702	742,543
Social security costs	85,590	89,948
Other pension	178,951	211,616
Total	947,243	1,044,107

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 employees’ salary, ERNIC and pension contributions, and include VAT.

The PCA is not registered for VAT.

There have been no severance payments in the year. For more information and for staff numbers refer to the Remuneration and Staff Report.



3. Other expenditure

	2022–23 £	2021–22 £
Accountancy fees	9,120	17,320
Arbitration case management & Alternative arbitrators *	56,771	47,114
Annual licence fees	1,155	1,444
Audit fees (internal and external)	35,500	23,500
Bank charges	1,341	631
Consultancy	–	2,730
Independent assessor fees	900	1,200
IT software & consumables	163,887	64,118
Legal fees **	133,895	148,743
Raising tenant awareness including the tied tenant survey & outreach events	90,422	112,672
Printing, postage & stationery	7,713	8,063
Procured legal resource ***	342,084	195,900
Regulatory activity	10,564	24,705
Reduction in amount received from investigations	201,406	–
Rental costs	27,935	70,668
Staff training	10,575	5,525
Subscriptions	832	4,972
Travel & subsistence	5,854	4,321
Total other operating invoiced charges including VAT @ 20%	1,099,954	733,626

* 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 24.

** In-year invoiced legal costs. Invoiced GLD and Counsel costs and the Costs Order in the Star case up to 31 March 2022 have been paid and are included here.

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

4. Income

	2022–23 £	2021–22 £
Levy raised	4,523,118	2,838,878
Contract liability	(2,467,571)	(1,084,179)
	2,055,547	1,754,699
Arbitration fees	(171)	9,134
Referral fee income	4,000	13,900
Total income	2,059,376	1,777,733

5. Property, Plant and Equipment

	Right of Use Buildings £
Cost	
Balance at 31 March 2022	–
IFRS 16 adjustment on adoption (refer note 11)	154,512
Balance at 1 April 2022	154,512
Balance at 31 March 2023	154,512
Depreciation	
At 31 March 2022	–
IFRS 16 – adjustment on adoption	–
Balance at 1 April 2022	–
Charged in year	10,736
Balance at 31 March 2023	10,736
Net book value at 31 March 2023	143,776
Net book value at 31 March 2022	–
Asset Financing	
Owned	–
Leased	143,776
Net book value at 31 March 2023	143,776

PCA did not have any capitalised property, plant and equipment in 2021–22 and no prior year note is presented.

6. Accrued income

Amounts falling due within one year

	2022–23	2021–22
	£	£
Accrued income	550,000	751,406
Total	550,000	751,406

PCA estimated to recover this amount in accordance with the SBEE Act 2015.

Accrued income relates to a legal case relating to Star Pubs & Bars use of stocking requirements which was not resolved as at 31 March 2023 and the time of resolution was not known. Accrued income is not past due nor impaired and has since been received after the year end. See Note 15, Events after the reporting period and Accounting Officer declaration.

7. Receivables and other assets

Amounts falling due within one year

	2022–23	2021–22
	£	£
Trade and other receivables	424	460
Prepayments	81,193	17,088
	81,617	17,548
Contract asset	–	1,050
Total	81,617	18,598

Within the amount shown as contract asset is £Nil (2022: £1,050) accrued in respect of incomplete arbitrations. There are no amounts included in respect of 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.

8. Cash and cash equivalents

	2022–23 £	2021–22 £
Balance at 1 April 2022	2,115,315	718,050
Net change in cash and cash equivalent balances	1,485,092	1,397,265
Balance at 31 March 2023	3,600,407	2,115,315

The following balances at 31 March 2023 were held at:

Government Banking Service	3,600,407	2,115,315
Balance at 31 March 2023	3,600,407	2,115,315

9. Trade payables and other liabilities

Amounts falling due within one year

	2022–23 £	2021–22 £
Contract liability – 2021/2022	1,084,179	1,084,179
Contract liability – 2022/2023	2,467,571	–
Trade and other payables	9,581	132,976
Accruals	672,686	570,164
BEIS loan	–	1,098,000
Total	4,234,017	2,885,319

The contract liability solely relates to the unspent levy due to be returned to the pub-owning businesses. The accruals mainly relate to invoices for the secondment of staff and a more detailed explanation can be found in the Remuneration Policy on page 47.

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. The loan has now been repaid in line with the terms of the loan agreement.

10. Financial commitments

The PCA had no capital commitments (2022: £Nil). The PCA have a software license. The total future cost under the contract is £193,253, with £84,431 chargeable no later than one year and £108,822 chargeable between one and five years.

11. Commitments under leases

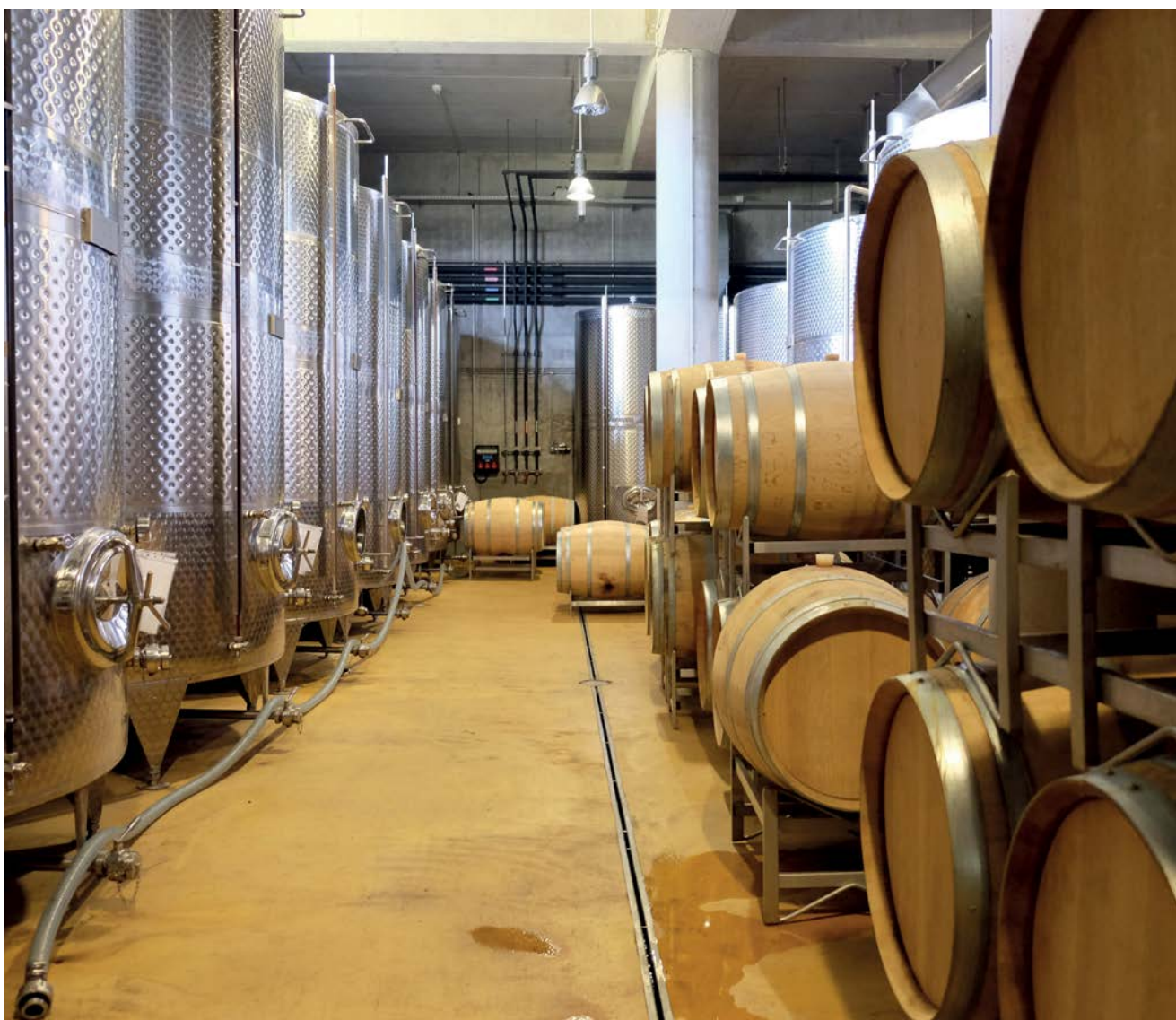
Obligations under operating leases for the following year, as at 31 March 2023 comprise:

	2022–23	2021–22
	£	£
No later than one year	–	11,520
Later than one year and not later than five years	–	46,082
Later than five years	–	105,419
Total	–	163,021

The PCA has a service Memorandum of Terms of Occupancy agreement for rent and services for accommodation at 23 Stephenson Street, Birmingham.

The initial lease term ends on 17 August 2036 but, from 1 January 2023 this can be terminated at any time subject to six months' notice by either party.

On 1 April 2022, PCA adopted IFRS 16 for the first time. The provisions of IFRS 16 were applied to the Stephenson Street lease and form disclosure in note 12.



12. Lease liabilities

First time adoption of IFRS 16 – Leases, as adapted and interpreted by the FReM, is effective from 1 April 2022. IFRS 16 determines that a lease liability is recognised in the statement of financial position at the present value of the future minimum lease payments, discounted at the interest rate implicit in the lease, or incremental borrowing rate, along with a corresponding right-of-use asset.

The FReM mandates PCA utilise the modified retrospective approach without restatement of comparatives and with certain simplifications available upon adoption.

IFRS 16 defines the lease term as the non-cancellable period of a lease together with:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

PCA utilised the practical expedient that permitted the application of IFRS 16 to existing operating leases only, and 1 lease that fell within the scope of IFRS 16:

- 23 Stephenson Street, Birmingham

PCA entered into a service Memorandum of Terms of Occupancy agreement for rent and services for accommodation at 23 Stephenson Street, Birmingham on 18 August 2021 for a period of 15 years. The agreement contains a running break clause which can be triggered at any time with a 6 month notice period.

The agreement is subject to rent reviews in December 2025 and December 2030 and in line with the FReM, the cost model in IFRS 16 has been used as the appropriate proxy for initial measurement of the right of use asset.

PCA has recognised a right-of-use asset (ROUA) on transition (1 April 2022) at an amount equal to the remaining lease liability for the full term of the lease. This is because it has been concluded that PCA is reasonably certain that it will not exercise the break clause before the end of the lease term.

PCA has adjusted the value of the ROUA by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2022. In line with IFRS 16, non-recoverable VAT is excluded from the calculation of the lease liability and expensed as it falls due.

The right-of-use asset will be depreciated on a straight-line basis over the term of the lease with depreciation being charged to the statement of comprehensive net expenditure.

IFRS 16 requires that PCA also recognise interest payable on the lease payments, based on an interest rate applied to the lease liability outstanding balance. Under IFRS 16, cash repayments of the lease liability are split into a principal portion (which reduces the amount of the lease liability) and a notional interest payable portion which is chargeable to the statement of comprehensive net expenditure over the term of the lease.

Where it is not possible to determine the interest rate implicit in a lease agreement, the rate used is based on guidance from HM Treasury. On transition at 1 April 2022, the HM Treasury interest rate was 0.95%. In line with the modified retrospective approach PCA calculated the lease liability on transition as the present value of lease payments not yet paid at 1 April 2022 using the interest rate

of 0.95%. This resulted in an additional asset of £154,512 recognised under Buildings in Note 5, and an additional liability of £151,861.

IFRS 16 requires lessees to separate out rent charges from service charges, where this can be done without unnecessary expense. PCA has separated out the rent element from the service charge element and has capitalised only the rent element. Service charges are expensed separately and treated as running costs.

For new leases after 1 April 2022, where the lease is less than 12 months or within the low-value threshold of £2,000, the lease payments are charged to the statement of comprehensive net expenditure. At the commencement date of any new lease, PCA will measure the lease liability at the present value of the lease payments. Right-of-use assets added after 1 April 2022 will be measured initially at cost, which will usually be equal to the initial measurement of the lease liability.

	2022–23	2021–22
	£	£
Office space		
No later than one year	11,520	–
Later than one year and not later than five years	46,082	–
Later than five years	93,899	–
	<u>151,501</u>	<u>–</u>
Less: interest element	<u>(9,718)</u>	<u>–</u>
Present value of obligation	141,783	–
Current lease liability	10,170	–
Non-current lease liability	131,613	–
<hr/>		
Reconciliation of lease liabilities		£
Liabilities created on adoption of IFRS 16 as at 1 April 2022		151,861
Interest charged in statement of comprehensive net expenditure		1,443
Lease payments made		(11,521)
Closing Lease Liability as at 31 March 2023		141,783
<hr/>		
Reconciliation of operating to finance lease		£
Operating leases disclosed at 31 March 2022		163,021
Adjustments from IAS 17 to IFRS 16:		
Impact of discounting		(11,160)
IFRS 16 opening balance lease liability at 1 April 2022		151,861

13. Contingent liabilities

As at 31 March 2023, an uncertainty existed in relation to possible further legal costs arising from ongoing litigation. In April 2023, the litigation matter was settled with no further costs arising to the PCA.

14. Related party transactions

The PCA is a corporation sole funded in the previous reporting year by a loan (see note 9) 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 47.

15. 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.

In April 2023 the legal case with Star Pubs & Bars was resolved and the agreed cost recovery included in note 6 was settled. There are no further post-balance sheet events to report.

In accordance with the requirements of IAS 10 'Events After the Reporting Period', post-Statement of Financial Position events are considered up to the date on which Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate Report of the Comptroller and Auditor General. There are no post-Statement of Financial Position events between the balance sheet date and this date.





