Competition and Markets Authority

Annual Report and Accounts 2022/23

(for the year ended 31 March 2023)

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(for the period 1 April 2022 to 31 March 2023)

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Overview

The Competition and Markets Authority's purpose is to help people, businesses and the UK economy by promoting competitive markets and tackling unfair behaviour.

Our ambition is to promote an environment where people can be confident they are getting great choices and fair deals, competitive, fair-dealing businesses can innovate and thrive and the whole UK economy can grow productively and sustainably.

Chair's Foreword

Marcus Bokkerink
Chair

We are publishing this Annual Report at a time when people and businesses are grappling with multiple pressures at the same time, from the rising cost of living and cost of doing business, to climate change, to an ongoing technology revolution that is disrupting existing markets and creating new ones.

Across these forces, we are all looking for ways to achieve stronger, sustainable, growth. Vigorous competition is an essential condition for truly sustainable growth. Open, competitive markets spur companies to innovate and to become more productive as they compete to win and retain customers. Alongside this, effective protection against misleading or anti-competitive practices is essential to empower people to make the choices that are right for them and ensure that any fair-dealing business can compete without being at a disadvantage against those who break the rules.

Sustaining and strengthening these two dimensions - vigorous competition and effective protection of the interests of people and businesses - is at heart of the CMA's work. This is clear in our purpose: we are here to help people, businesses and the UK economy by promoting competitive markets and tackling unfair behaviour. It is through this lens that we have set our new strategy for the next 3 years, focusing everything we do on the positive outcomes we want to achieve for those we exist to serve: the people, businesses and economy of the UK. This means making sure that people can be confident they are getting great choices and fair deals; that competitive, fair-dealing businesses can innovate and grow without being held back by dominant incumbents or anti-competitive acts; and that the economy reaps the rewards of those two things by growing productively and sustainably. Those target outcomes are front and centre of our new strategy and Annual Plan for 2023/24, which we published earlier this year following an extensive consultation exercise.

To achieve these outcomes, we have set out our priorities for the next 3 years and for the coming 12 months. These include focusing effort on the areas where people spend the most money and time as they grapple with the rising cost of living, especially having somewhere to live, feeding ourselves and our families, buying what we need online, and looking after ourselves and others; enabling open access to markets for innovating businesses, especially in rapidly evolving digital markets and new emergent markets; and helping to accelerate the UK's transition to a net zero and digital economy in ways that encourage innovation and strengthen the UK's competitiveness globally. Throughout, we will challenge ourselves to ensure that all our work delivers tangible, demonstrable benefits; is executed as rapidly as possible consistently with rigour and procedural fairness; and uses the most effective tools to achieve the most impactful results for those we serve.

In that context, the 2022/23 reporting period is a transitional one for the CMA. This Annual Report and Accounts looks back and primarily reviews the outcomes we achieved based on the themes from our previous Annual Plan for that 2022/23 period. Our new strategy, published earlier this year, will form the basis of our annual reports going forward. It has already been shaping our work during the later stages of the 2022/23 reporting period, particularly how we manage our pipeline and portfolio of work, as highlighted in Sarah's report below.

While this Annual report looks back on the CMA's recent achievements, therefore, we are explicitly looking ahead to delivering on our statutory duty for people, businesses and the UK economy in the years to come. Having highlighted that strategy going forward – who we will serve, the tangible outcomes we aim to achieve, and our priorities – I would like to share two further strategic perspectives.

First, as the CMA has been given wider and stronger roles by Parliament, we are having a greater positive impact; and with that greater impact, we have actively sought even greater scrutiny. We are accountable to Parliament and through Parliament to the people and businesses of the UK. We – the Board, the executive and the organisation as a whole – take that responsibility extremely seriously. Reflecting this, we have actively encouraged more frequent sessions with Parliament through parliamentary committees, sustained our day-to-day engagement with government, politicians from all parties and officials, and stepped up our ongoing conversations and working sessions with consumers and consumer groups, businesses and investors, and third sector organisations. While continuing to be highly transparent and thoroughly evidence-based in all our work.

Second, free and open competition is one of the core foundations underpinning the prosperity of our democratic society – but it needs to be protected.

Competition is an astonishing force for good. Good for people who get genuine choice at high quality and low prices. Good for businesses who are free to compete, innovate, grow, and reap the rewards. And good for the economy through higher productivity, innovation, investment, job creation and real wage growth. It is a prerequisite for prosperity.

At the same time, the broad consensus of support for competitive markets should not be taken for granted and it is important that the CMA remains vigilant where it is put at risk. If we allow entrenched market power to restrict or constrain innovative competitors and challengers, we all suffer. Businesses who seek to compete and grow, suffer. Innovators who are trying to get their innovations to market, suffer. People who are looking for genuine choice and continuous improvements in quality and value, suffer. It is vital to protect it.

The CMA's position as an independent, non-ministerial body accountable directly to Parliament is a cornerstone of the UK's competition regime. We are set up to exercise our statutory functions through a dispassionate, objective and highly transparent assessment of the evidence. The expectation and reality that all businesses will be held to the same standards and afforded the same procedural rights, regardless of their size or their influence, is a key strength of the UK competition regime. The court system allows businesses to challenge our findings, also on the basis of robust and impartial scrutiny of the evidence. That approach is common to all successful competition regimes internationally and is of vital importance to the health of the UK competition environment. Our impartial and evidence-based approach allows businesses to continue to have confidence that they can freely compete on the merits.

Our talented, committed, and collaborative staff are the foundation of the CMA's success, and I am immensely grateful for the hard work of our colleagues across all four nations of the UK for achieving so much. They work tirelessly to deliver our priorities in what continue to be challenging times. I am confident that the steps we are taking to ensure that we are an inclusive and representative organisation in which all staff can thrive will place us in an even stronger position to deliver great outcomes for people, businesses, and the whole UK economy.

About us

The CMA is an independent non-ministerial government department and has been the UK's primary competition and consumer authority since 2014. We employ around 928 people, who are based mainly at our offices in London and Edinburgh, with growing teams in Belfast, Cardiff, Manchester and at the Government Economic Campus in Darlington. We adopt an integrated approach to our work, selecting those tools we believe will achieve maximum positive impact for people, businesses, and the UK economy.

Governance

The CMA is funded by HM Treasury and reports to the UK Parliament through its Annual Plan and Annual Report. The CMA's Annual Report is also laid in each of the devolved legislatures. Our staff are civil servants. We are governed by a Board, comprising the Chair, the Chief Executive, executive and non-executive directors, and 2 members of the CMA Competition Panel. The Chief Executive, as the CMA's Principal Accounting Officer, is responsible for the economy and efficiency of its handling of public monies. Some functions of the CMA must be performed by members of the CMA Panel who have clearly defined responsibilities and act as fresh decision-makers between the 2 phases of market and mergers cases to avoid confirmation bias. Our governance structure helps us to maintain our reputation for fairness, independence, integrity, rigorous analysis, careful handling of sensitive information, and efficient use of public money.

Estimated financial benefit to consumers

Each year the CMA estimates the direct financial benefit of our work for consumers. We consider our estimates to be conservative because they are based on cautious assumptions.

Annual average consumer savings of at least £2 billion in 2022/23

Over the three-year period between 2020/21 to 2022/23, the estimated direct financial benefit to consumers was £8 billion

For every £1 we spent on our operating costs, the average benefit to consumers over the last three years was £26

These estimates exclude the impact of a number of cases where the CMA's intervention is likely to generate considerable consumer benefits, but the benefits were difficult to quantify sufficiently robustly. For example, we do not account for the CMA's compliance and advocacy work, international activities, or regulatory appeals.

These estimates only include the direct financial benefits of our work and so they exclude many important, wider impacts on the competition regime. For example, they do not account for the deterrent effect of our actions and the impact of competition policy interventions on productivity. Our literature review on the deterrent effect from competition authorities' work found good evidence of the existence of a substantial deterrent effect, with surveys estimating deterrence ratios of between 4.6:1 and 28:1 for cartels, which imply that many more cartels are deterred for each one that is caught. This is supported by case specific evaluations of the impact of a selection of the CMA's decisions in investigations under the Competition Act 1998. Overall, therefore, our estimates for the direct financial benefits capture only a part of the overall positive impact of the CMA's work.

Chief Executive's Review

Sarah Cardell
Chief Executive

Over the 2022/23 reporting year the CMA produced strong results and delivered on all of the themes set out in that year's Annual Plan. We stepped up to deliver our expanded post-Brexit role, we continued to embed new responsibilities in subsidy advice and the UK internal market, and prepared to take on new responsibilities under the Digital Markets, Competition and Consumers Bill currently going through Parliament that is set to provide us with new powers to regulate digital markets and bolster our competition and consumer powers.

Looking back over the last reporting year, I am proud of the positive impact the CMA has already delivered across a broad range of areas. But this is no time for complacency. The opportunities and challenges facing people, businesses and the UK economy are such that the CMA must step up to an even greater extent to promote competitive markets and tackle unfair behaviour.

Recognising that, in Autumn 2022, Marcus and I embarked on an ambitious 'Shaping the Future CMA' programme as we took on our new roles as Chair and Chief Executive. This included looking afresh at our purpose and its implications for the work the CMA undertakes. We refined our thinking on strategic priorities through an extensive process of external and internal engagement, resulting in a new strategy which means our work is always anchored on securing positive outcomes for people, businesses and the UK economy, so that:

- **People can be confident they are getting great choices and fair deals**
- **Competitive businesses can innovate and thrive**
- **The whole UK economy can grow productively and sustainably**

Our new strategy provides a 3-year framework that enhances the CMA's ability to promote competitive markets and tackle unfair practices in ways that help address immediate challenges such as the current cost of living pressures whilst also ensuring we have an eye to the emergence of new products and technologies – such as AI or those designed to tackle climate change concerns. Over the second half of the 2022/23 reporting year, we invested heavily in ensuring that the way we manage our pipeline and portfolio of work is fully aligned with the revised strategy, and that approach has already started to yield positive results.

As we transition from our old to our new strategy, this Annual Report addresses each of the 5 themes set out in the 2022/23 Annual Plan in turn, namely: protecting consumers from unfair behaviour by businesses, during and beyond the COVID-19 pandemic; fostering competition to promote innovation, productivity and long-term growth right across the UK; promoting effective competition in digital markets; supporting the transition to low carbon growth, including through the development of healthy competitive markets in sustainable products and services; and, finally, delivering our new responsibilities and strengthening our position as a global competition and consumer protection authority.

But it is clear that the work we have been undertaking is also highly relevant to our revised strategy.

Our work over the last year helped achieve better outcomes for **people**. Our intervention in relation to Veolia's acquisition of Suez, requiring Veolia to sell 3 businesses following our finding that the deal could lead to local authorities paying more for waste management and receiving a lower-quality service, illustrates the concrete impact that the CMA's work can have, particularly during the current cost of living crisis, when many local tax-payers' personal finances are already under strain. We imposed a combined total of £70 million in fines on the pharmaceutical companies Pfizer and Flynn for the abuse of a dominant position in respect of our finding that they had imposed excessive prices for medicines supplied to the NHS. We undertook a rapid review of the price of road fuel and made recommendations for potential action to the Government, as well as launching a market study to examine in more detail the concerns we identified. At a time when the cost of living continues to weigh on household budgets, we intervened on behalf of people with leasehold homes who fall victim to unfair terms, specifically by securing the removal of doubling ground rent clauses from leasehold contracts and obtaining refunds for thousands of householders. We also launched a market study into housebuilding and a separate project considering consumer rights for those in rented homes. Our market study of children's social care identified areas of dysfunction in this market; our recommendations, which were accepted by Government, should help build an improved and more supportive system to better serve particularly vulnerable members of society. These examples illustrate the CMA's increasingly prominent role in informing policy-making and public debate to achieve tangible benefits for people.

We also helped secure good outcomes for **businesses**. We played a leading role on complex issues in digital markets under our existing powers, while preparing to assume further powers in this area. We are investigating whether Amazon is abusing a dominant position and distorting competition by giving an unfair advantage to its own retail business or sellers that use its services, compared to other third-party sellers on the Amazon UK Marketplace. We are continuing, in two separate cases, to investigate concerns that the terms on which app developers can access the app stores of Apple and of Google may constitute an abuse of a dominant position. We accepted commitments from ESS to address our concerns that it may have abused a dominant position in relation to the supply of essential management information systems software to schools, opening up greater choice and competition for the benefit of schools. We also accepted commitments in relation to a capacity sharing agreement between ferry operators P&O and DFDS, which we were concerned could lead to fewer sailings and higher prices for businesses using their freight services.

The CMA's work also benefited the **whole UK economy**. Our second report on the State of Competition in the UK economy highlighted areas of potential improvement and made the case for the role of competition in promoting innovation and increased productivity. Our Microeconomics Unit, based in a new cross-government hub at Darlington Economic Campus, will continue to provide analysis and insights to support policy makers. We have also been consulting with businesses on how the CMA can support UK industries to pursue environmental sustainability initiatives. In February 2023, we published draft guidance designed to help companies work together towards environmental goals without being unduly inhibited by competition law.

The CMA's talented, committed and collaborative staff are the foundation of all that we have already achieved and are vital to our continued success. Ensuring that we can offer a compelling employee value proposition is therefore also an integral part of our 'Shaping the Future CMA' programme. We are not generally able to match the pay offered by private sector businesses, so providing a high-quality employee experience that takes into account factors beyond salary is of critical importance. Ensuring a diverse, inclusive and respectful environment is a cornerstone of our ambitions in this regard. We recognise there is more we can and must do to ensure a truly representative workplace with equality of opportunity for all. We want to attract employees from a broad range of backgrounds and are taking concrete steps to achieve that aim. And we want to ensure that our staff are highly engaged by unique opportunities to make an impact and deliver good outcomes in a context that allows them to develop and takes into account their personal goals.

Over the 2022/23 reporting period, the organisation has continued to adapt at pace to meet the challenges and take advantage of the opportunities presented by the complex and rapidly evolving environment in which we operate. I am confident that our revised strategy puts us in a strong position to build on our achievements in 2022/23 and to further help people, businesses and the UK economy by promoting competitive markets and tackling unfair behaviour.

Protecting consumers from unfair behaviour by businesses, during and beyond the COVID-19 pandemic

When we set this theme as part of our 2022/23 Annual Plan, it wasn't clear for how long the COVID-19 pandemic would last or how enduring its impact would be. At the start of the reporting period, we were still dealing with COVID-19-related issues such as complaints in relation to PCR tests. Our work helped protect people during this period. For example, following the CMA's intervention, we received confirmation in June 2022 from Expert Medicals that 11,000 people had been refunded after complaints that PCR tests or results were being delivered late or not at all.

Since then, concerns around the pandemic have been overtaken by other issues such as the cost of living crisis and the impact of the war in Ukraine. We've also re-set our organisational strategy, as covered in more detail elsewhere in this report. One of our priorities is to focus on where people spend the most time and money, particularly for people who need help the most. This is also reflected in our portfolio of work over the 2022/23 reporting year.

Our work to help contain cost of living pressures played a prominent role over this period.

Amid widespread concern over rising fuel prices, we conducted a rapid, high-level review of the road fuel market at the request of the Business Secretary, providing advice to the UK Government with recommendations on steps to improve outcomes for people across the UK. The concerns we identified prompted us to undertake a market study, which we have now concluded, finding concerns about how competition is working in the road fuel retail sector. We have made recommendations to government to take action to address these concerns and look forward to assisting the government as it considers our recommendations.

With food prices rising we initiated a project looking into possible issues in relation to unit pricing information - information about how much a particular product costs by weight or volume. This work will help ensure that shoppers can compare the prices of different products and make choices that are right for them. We have since stepped up our work in this area, to undertake initial work to explore whether weak competition could be causing grocery prices to be higher than they need to be.

Our work on online pricing practices also helped address pressures on people's spending. For example, we helped to tackle concerns about auto-renewing subscriptions in the online video gaming market, securing undertakings from Sony in relation to its PlayStation Plus product to put in place measures to protect customers who haven't used their memberships for a long time but are still paying. Following our intervention, Sony will now contact these people to remind them how to stop payments and, if they continue not to use their memberships, Sony will stop taking further payments. The CMA also engaged with Nintendo, which changed its business practices during the course of our investigation so that the Nintendo Switch Online Service is no longer sold with automatic renewal set as the default option.

We launched a wide-ranging programme of work to tackle misleading online sales practices – this includes a consumer awareness campaign, guidance for business, and investigations into Emma Sleep and Wowcher to establish if they have misled people by using things such as countdown timers and other urgency claims, which may place unfair pressure on people to complete their purchases quickly. We also helped empower people through a new phase of our successful 'Online Rip-Off Tip-Off' campaign in 2022/23, which aims to help people spot unfair practices while shopping online and report online rip-offs to the CMA.

Acting in existing and emergent markets for sustainable products and services is another area of focus under our revised strategy. From a consumer protection standpoint, people need to be able to have confidence that the claims businesses make about the products they are selling or promoting are accurate. That includes 'green' claims. Recyclable and sustainable products can play a role in tackling climate change, but only if they are genuine and people can make well-informed choices on the basis of reliable claims. In line with this focus, we continued our work investigating whether companies are making misleading environmental claims, or 'green-washing', launching investigations into ASOS, Boohoo, and George at Asda. We also expanded our green-washing investigations into household essentials, such as food and drink, cleaning products, toiletries, and personal care items, to help ensure that people are not being misled or potentially even paying an unwarranted premium for products.

We also sought to deepen our understanding of new 'green' technologies and their commercialisation, in line with the focus under our new strategy on encouraging effective competition in emergent markets. In September 2022 we launched a call for information looking at people's experiences and business practices in the green heating and insulation sectors, exploring whether action is needed to help ensure people are treated fairly and businesses are supported to meet their obligations under consumer protection law.

Our focus on areas of essential spending under our revised strategy mentions accommodation and caring for ourselves and others as key examples. We have already been active in both these areas in the past year.

In relation to accommodation, our work on unfair practices in the leasehold market continued to produce positive outcomes for homeowners as we secured commitments from another 9 freeholders to remove provisions which led to the doubling of ground rents. We also secured commitments from these freeholders to repay householders who were affected by doubling ground rent clauses. We engaged with parliamentarians throughout this process. This includes the Levelling Up, Housing and Communities Select Committee, MPs and peers who raised leasehold issues in the Commons, MPs we have met on the issue in recent years and, in particular, the All Party Parliamentary Group on Commonhold and Leasehold Reform.

We followed up on our successful work in the leasehold sector by launching a broader market study into the housebuilding market, focused on competition and entry in the construction sector, the land market, and the impact the operation of the planning system has on the market. We also began work on a project to identify key consumer protection issues for landlords and tenants in the UK's rental housing market, building on the lessons learned through the pandemic on how best to engage with people to identify the issues in relation to which our intervention can have a positive impact.

Elsewhere in the accommodation sector, we unwound the merger of Dye & Durham with TM Group, two of the biggest players in the supply of property search services, requiring Dye and Durham to sell the TM Group in its entirety to an approved buyer, after we found that the merger would substantially lessen competition in the supply of property search services in England and Wales.

Our work to protect consumers from unfair behaviour included a number of projects relevant to our renewed focus on caring for ourselves and others. We continued our action against pharmaceutical firms who engage in unlawful pricing practices, placing undue financial pressure on the NHS. We published our final infringement decision against 2 pharmaceutical companies, Pfizer and Flynn, for charging excessive prices to the NHS for phenytoin sodium capsules, an anti-epilepsy drug, imposing combined fines of £70 million. This followed a previous remittal of the case by the Competition Appeal Tribunal (CAT. The firms have since appealed this most recent decision to the CAT and the fine is therefore not recognised in the financial statements later in this report. We also worked with the NHS to protect UK patients and ensure that the commitments made by Aspen to the European Commission to reduce prices for life-saving cancer medicines can be enforced in the UK, following our exit from the European Union.

Our work to protect people from unfair business practices can involve the use of our statutory powers to intervene, but our advocacy work also plays a vital role. For example, we advocated to ensure that the recommendations we made in last year's market study into children's social care were accepted in full. Our advocacy team continues to work with governments across the nations so that the proposals can help provide every child in care with the right home. Also on the subject of caring for ourselves and others, we followed up our work examining Self-Funded IVF, which is considered in more detail in the case study below. We also protected the interests of pet owners, finding that VetPartners' takeover of Goddard Holdco caused competition concerns in 11 local areas which could have led to higher prices or a lower quality offering. VetPartners agreed to sell off the businesses in the areas in which we found concerns.

Case study

IVF clinics

In September 2022, we reported on our work on whether IVF clinics are being upfront and honest with their patients.

We first raised concerns in 2020 about the ways in which certain fertility clinics were promoting and advertising their products, particularly regarding prices and success rates. We also identified a general lack of awareness that consumer law applies in the sector.

During what can be an emotionally draining and a costly experience - some patients use savings, loans or even re-mortgage their home to pay for treatment - people should not have to worry that they could be receiving inaccurate or misleading information.

We published guidance in June 2021 to make clear clinics' legal obligations to their patients including the importance of providing accurate, clear and transparent information upfront. Then in March 2022, we initiated a review of whether IVF clinics were complying with consumer protection law in this area.

In September 2022, after finding that some clinics were still failing to provide key information to patients, such as information about prices, treatment add-ons, and clinics' complaints procedures, or advertising misleading success rate claims, we engaged directly with a number of clinics, outlining their legal obligations and calling for changes to their information and terms. All of the clinics we contacted made changes to address our concerns.

Following that review, we joined forces with the Advertising Standards Authority to publish a joint open letter reminding all clinics of their responsibilities under consumer law.

But our work doesn't stop there; pricing in the fertility sector is complex and the CMA is now working with the sector to explore how clinics can help patients compare clinics' prices.

Fostering competition to promote innovation, productivity and long-term growth right across the UK

In an effectively functioning market, the businesses that produce the most innovative products and services that best meet people's needs should be able to thrive, bringing broader benefits to the economy including the promotion of long-term growth right across the UK.

The CMA's actions should empower this growth, enabling competitive, fair-dealing businesses to compete by addressing the behaviour of a small minority that act unfairly, restrict competition, or prevent markets from functioning properly.

We are taking a more strategic approach to our role in this regard, by first identifying the issues across the economy that might be stifling competition or preventing innovation and long-term growth, before deciding whether and how the CMA can best tackle those, considering the entire suite of our tools. This has been crystalised in our new organisational strategy, as outlined in our Annual Plan for 2023/24, with its clearer outcomes-based ambition and medium-term priorities that will enable the CMA to prioritise the issues and associated action that can bring benefits for people, businesses and the UK economy.

The CMA's second State of Competition report - an assessment of how well competition is working in the UK and what that means for people and businesses - published in April 2022 is one of the ways in which we are trying to develop a more strategic view of the issues across the economy. It has helped inform public debate and policy formulation around issues such as the drivers of greater productivity and innovation. The most recent report showed a worrying combination of trends with markets becoming more concentrated, companies enjoying higher mark-ups, and the biggest firms maintaining their leading positions for longer. It also found that the poorest households are likely to suffer the effects of these changes the most, at a time when they are already being hit by sharp rises in the cost of essential items. We continue to use these findings to inform our work.

Our new Microeconomics Unit in Darlington underpins the CMA's role in supporting innovation, productivity and growth across the UK economy. Its economic experts are working on a programme of research that will culminate in the third edition of our State of Competition report and support the wider work of the CMA and policymakers, exploring areas including investment, innovation and competition.

Market resilience is key to promoting productivity and innovation and, this year, we published a discussion paper on the drivers of market resilience - that is, what makes some markets more vulnerable to harmful supply disruption than others. The paper also examines what role competition authorities and wider government can play to ensure that markets, particularly for essential goods and services, meet the needs of people, businesses, and the wider economy in both stable and unstable times.

Across digital markets, we are fostering competition and promoting innovation and productivity through the new statutory pro-competition regime for which the CMA's new Digital Markets Unit (DMU) will be responsible once powers are granted to it by Parliament. Further information on the DMU can be found in the Promoting Effective Competition in Digital Markets theme considered below.

The CMA has also been at the forefront of pursuing coherent, effective and efficient regulation of digital markets, notably as a founder member of the Digital Regulation Cooperation Forum (DRCF), through which we cooperate with the Information Commissioner's Office, the Financial Conduct Authority, and the Office of Communications (Ofcom). The CMA's participation in this work over the past year provided insights into issues such as algorithms and the role of the CMA and other regulators in providing effective oversight without stifling innovation. Further information on our work through the DRCF can found in the case study below.

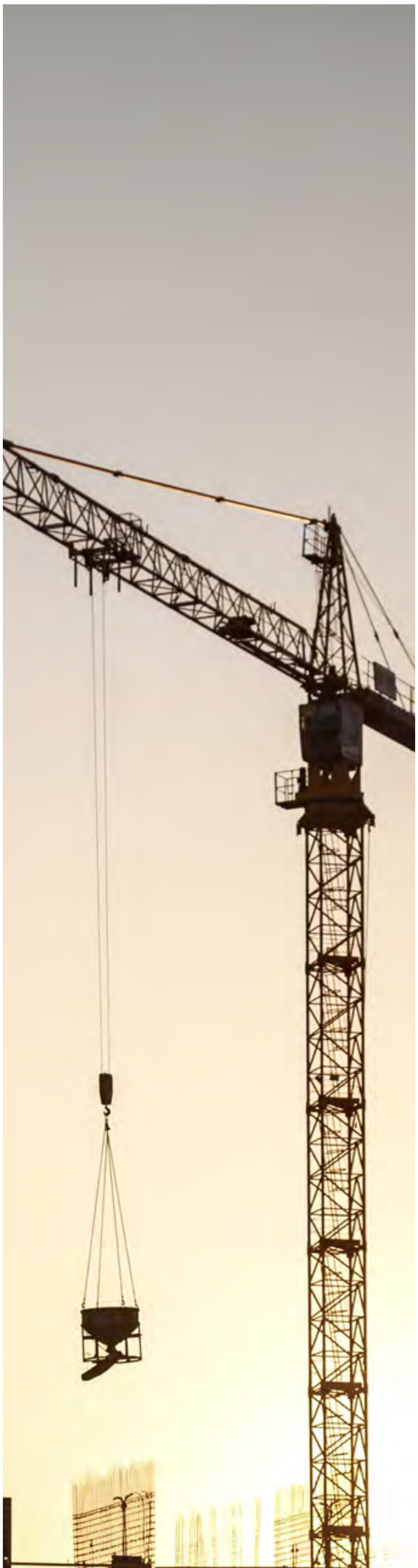
A strong and independent system of merger control is vital in promoting innovation, productivity, and growth. It is also crucial in protecting people's interests – something that is particularly important as we continue to see the impact of the rising cost of living.

Over the past year, we have investigated mergers that we consider could reduce competition, leading to higher prices, reduced choice and ultimately less innovation and growth. In 2022/23, of the thousands of mergers that affect the UK every year, we considered around 700, reviewed 43 at the initial 'phase 1' stage and investigated 13 at the in-depth 'phase 2' stage. Out of those phase 2 cases, we cleared 2, blocked 3 and we either cleared the rest following acceptance of remedies to address our competition concerns, or the deals were abandoned by the businesses.

Some of the mergers we investigate can have significant impacts across the economy and affect taxpayers. The CMA protected UK taxpayers and local public services by ordering waste-management company Veolia to unwind its merger with rival Suez after finding competition concerns. We heard from local councils and customers who were concerned that the merger could have led to price rises or a reduced quality of service and that, ultimately, taxpayers and businesses would have been left to cover any increase in cost.

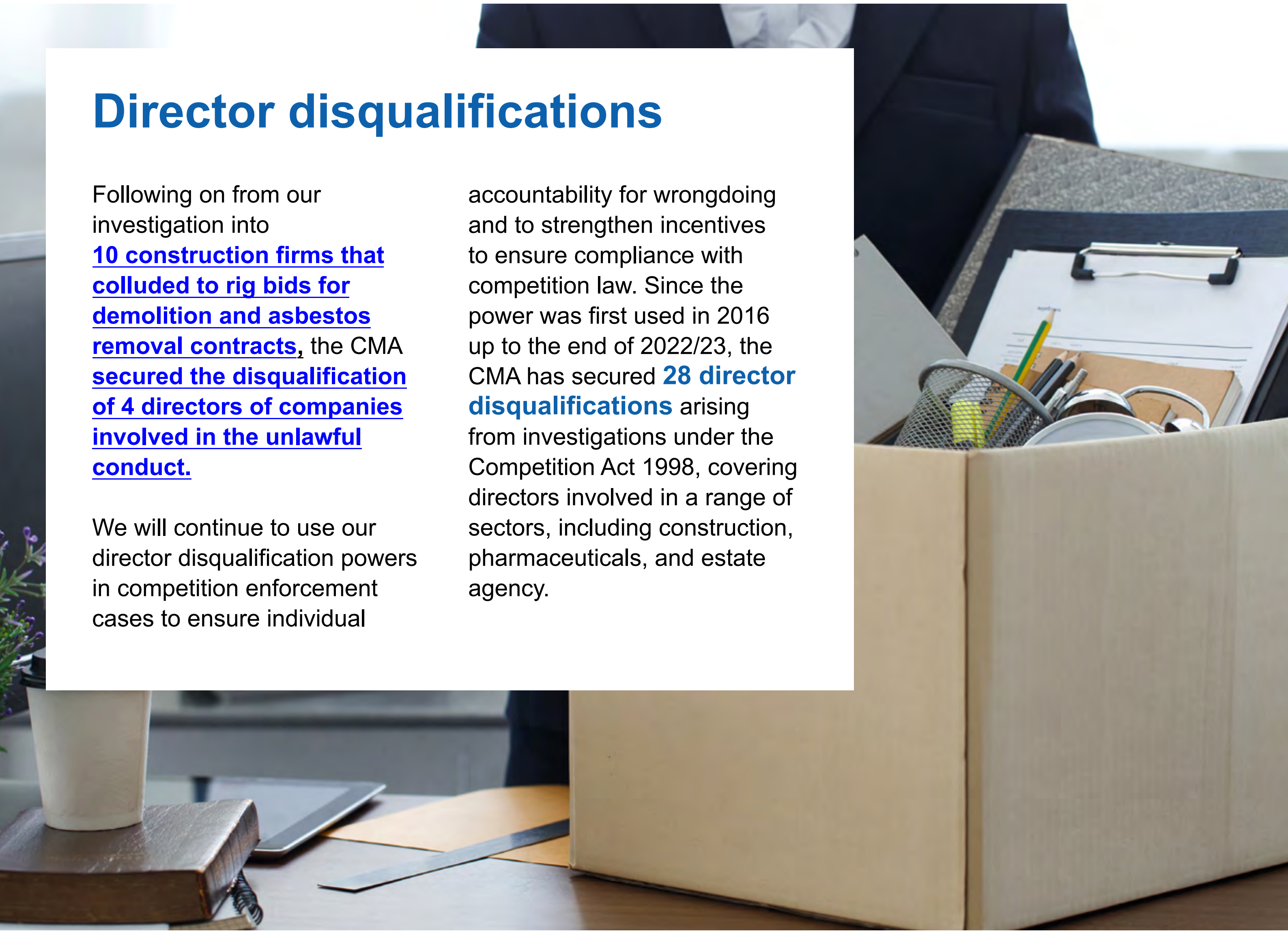
We also required emergency service software company NEC to sell some parts of its business SSS after an in-depth merger investigation found that publicly-funded emergency services could end up paying more for essential software.

The overwhelming majority of UK mergers that we consider are allowed to proceed. Where we do have concerns, we engage with the parties to seek to resolve them. For example, we cleared the merger between satellite communications firms Viasat and Inmarsat after our in-depth phase 2 investigation revealed the merged company would likely face significant competition from both emerging and established players as the sector in which they operate expands.



We are constantly looking to make the merger regime and our expectations of businesses that interact with it as transparent and easy to navigate as possible. Last year we broke new procedural ground by using a 'fast track' remedy process at the phase 2 stage of our merger inquiries during our investigations into Carpenter Co's acquisition of Recticel and the merger between Sika and MBCC. This allowed the merging firms to suggest ways to address our competition concerns at an earlier stage than usual, saving both the CMA and merging businesses time and money.

Turning to our competition enforcement work, we protected people and businesses across markets. In the construction sector – a key market for the growth of the economy - we fined 10 firms nearly £60 million in total for breaking competition law by rigging bids for demolition and asbestos removal contracts involving both public and private sector projects. These bids deceived customers that they were competitive when that was not the case. Each of the 10 firms was involved in at least one instance of bid rigging between January 2013 and June 2018. Two of the firms are appealing against this decision to the Competition Appeal Tribunal.



Director disqualifications

Following on from our investigation into **10 construction firms that colluded to rig bids for demolition and asbestos removal contracts,** the CMA **secured the disqualification of 4 directors of companies involved in the unlawful conduct.**

We will continue to use our director disqualification powers in competition enforcement cases to ensure individual accountability for wrongdoing and to strengthen incentives to ensure compliance with competition law. Since the power was first used in 2016 up to the end of 2022/23, the CMA has secured **28 director disqualifications** arising from investigations under the Competition Act 1998, covering directors involved in a range of sectors, including construction, pharmaceuticals, and estate agency.

We can also engage with firms to resolve our concerns in other ways, such as through binding commitments, by which businesses under investigation commit to change their commercial conduct to address the CMA's competition concerns. We accepted such commitments in relation to a capacity sharing agreement between ferry operators P&O and DFDS. We were concerned that this agreement could lead to fewer sailings and higher prices for businesses using their cross-Channel freight services. The commitments addressed our concerns while securing the benefits of the arrangement, including shorter crossing times and improving freight supply chains.

The CMA also provides guidance to businesses to remind them of their responsibilities under the law and the consequences of not complying with it. We launched the CMA's first investigation into suspected collusion in labour markets this year and published guidance reminding firms of their obligations in this area.

We also used our market powers across the economy and, in April 2023, we concluded our market investigation into Motorola's Airwave network, which provides the essential dedicated mobile network that the emergency services use to communicate securely. We found that the market was not working well and that the emergency services have no choice but to carry on using the network. As a result, Motorola, which owns the company that operates the network, was able to charge the Home Office (which negotiates the contracts on behalf of the emergency services) prices well above competitive levels, resulting in higher costs that were ultimately paid by taxpayers. We imposed a price cap to limit the price that Motorola can charge to a level that would apply in a well-functioning, competitive market, putting an end to the estimated £200 million per year of over-charging. Our work on this also fed into the National Audit Office's Value for Money report on the Emergency Services Network. Motorola has since appealed the CMA's decision to the Competition Appeal Tribunal.

Case study

Open Banking

In January 2023, we confirmed that the 6 largest banking providers in the UK had implemented fully the standards required by the CMA to deliver Open Banking which, since being introduced in 2017, has transformed the way millions of people manage their money.

It was the CMA's market investigation into retail banking that first initiated Open Banking, after we identified competition problems in both the personal current account and small and medium-sized enterprise banking markets. Its introduction formed part of a package of remedies designed to address these problems, with the aim of boosting competition in this sector.

The remedies were implemented through a legal Order that, among other things, required the 9 largest banking providers to develop ways to share customer data with trusted third parties in a secure manner. This meant that innovating companies could provide existing customers of the 9 largest banking providers with applications and services that would allow them to save time and money by, for example, making it easier to compare products and shop around.

Open Banking's introduction has been the most ambitious and complex single intervention the CMA has undertaken. In May 2022, we published the results of a review by Kirstin Baker, an independent non-executive director of the CMA. This identified lessons to be learned from the experience of implementing the Open Banking remedy of relevance to the design, implementation, delivery and monitoring of remedies in CMA market investigations more generally.

The future development of Open Banking will move forward under the oversight of the Joint Regulatory Oversight Committee, which consists of the Financial Conduct Authority, the Payment Systems Regulator, HM Treasury and the CMA.

With more than 7 million active users in the UK, Open Banking is widely recognised as a major success that has changed the face of retail banking for the benefit of customers and small businesses and helped boost the UK's fast growing and innovative fintech sector. Many other countries are considering similar open standards.

Promoting effective competition in digital markets

Digital markets have had huge positive effects for all of us. They've transformed the way we're able to keep in touch with friends and family, given us access to a vast range of products and services in hugely convenient ways and opened up new work opportunities for individuals and businesses.

At the same time, concerns have grown that the digital landscape has come to be dominated by a small group of tech giants and that competition in digital markets is not as vibrant or dynamic as it could be. Our most recent State of Competition report identified features of competition in digital markets which, by their nature, can give rise to competition concerns.

Left unchecked, that situation can have a range of adverse effects across the economy and society. A small number of digital platforms can gain an entrenched position that can be very difficult for other businesses to challenge through normal competition. It can mean that businesses advertising or selling online may have little choice but to accept the terms and prices imposed on them by the platform in question. It can result in higher prices and reduced choices for customers when shopping online. And it can hold back innovation, with app developers and providers of services such as cloud gaming being restricted in their ability to reach end users. In addition to imposing costs on consumers and businesses, such competition problems also impose costs on society: for example, by facilitating the spread of abusive material and 'fake news' and restricting the revenues that flow to the media services that play such an important role in our democracy.

Over the past year, the CMA has continued to play a central role in the debate about the evolution of digital markets - and about the role that competition authorities can, and should, play in tackling concerns arising from the market power held by some of the biggest players. We have sought to identify key areas of concern in our work and explain why a new approach is needed. This contributed to the introduction in the UK Parliament of the Digital Markets, Competition and Consumers Bill in April 2023. Over the past year we have been preparing to assume the new powers that the CMA is set to gain under this legislation, which will provide the CMA with powers to operate a statutory pro-competition regime for digital markets through its Digital Markets Unit. You can read more about these powers in the Delivering our New Responsibilities theme.

At the same time as preparing for this legislation, we have relied on the CMA's existing powers to promote competitive markets and tackle unfair behaviour in digital markets over the last year. Our work in digital markets already spans the breadth of our toolkit, from consumer and competition enforcement to advocacy.

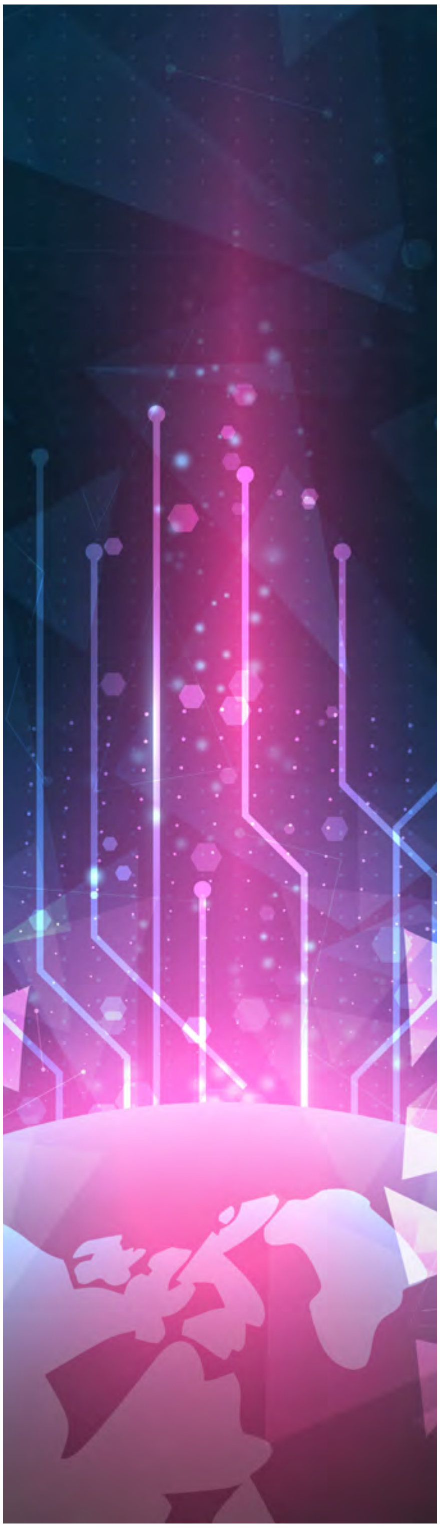
Digital markets are also a topic for merger control. By its very nature, the review of mergers involves a forward-looking analysis of the likely effects on competition of a transaction. It is therefore important that we have the right analytical framework in place for looking at competition in digital markets.

Our review of the proposed acquisition by Microsoft of Activision illustrates the types of issues that the CMA has to consider. We were particularly concerned by the impact that this transaction could have on cloud gaming. Cloud gaming is growing fast with the potential to change gaming by altering the way games are played, freeing people from the need to rely on expensive consoles and gaming PCs and giving them more choice over how and where they play games. It was therefore important to protect competition in this emerging market.

Our in-depth inquiry found that Microsoft already enjoys a powerful position and head start over its competitors in cloud gaming. We also found that its acquisition of Activision, one of the most popular video games publishers in the world, would strengthen that advantage, giving Microsoft the ability to undermine new and innovative competitors in this important and rapidly growing sector. Microsoft engaged constructively with us to try to address these issues but the independent CMA panel leading the inquiry ultimately found that Microsoft's proposals would not be effective to remedy our concerns and would have replaced competition with ineffective ongoing regulation. The panel therefore decided to prohibit the merger from going ahead. Microsoft has since appealed this decision to the Competition Appeal Tribunal (CAT.

Also under our mergers powers, we required [Meta to divest Giphy] after reconsidering our original decision in light of a judgment handed down by the CAT in July 2022. The independent panel that took the decision found that Meta's takeover of Giphy could allow Meta to limit other social media platforms' access to GIFs, making those sites less attractive to users and less competitive. It also found the deal had removed Giphy as a potential challenger in the UK display advertising market, preventing UK businesses from benefiting from innovation in this market.

Our decisions on Microsoft's proposed acquisition of Activision and on Meta's acquisition of Giphy were among thousands of of mergers affecting the UK each year. Only a handful of those cases are referred to an in-depth investigation and even fewer are then ultimately prohibited. In the minority of cases where we identify competition concerns, we always seek to engage with the parties to identify whether it is possible to address those concerns. Our review of [NortonLifeLock's proposed acquisition of Avast] is another example of an in-



depth investigation in the digital sector. As with our review of the Microsoft/Activision deal, this involved a detailed analysis of the likely future development of a dynamic market. In this instance, the independent panel considering the transaction found that the merging businesses would continue to face significant competition from established and emerging rivals, including Microsoft as the owner of the Windows operating system, which the inquiry found offered increasingly important alternatives to the products sold by the merging parties.

In the past year we have also continued to investigate a range of arrangements in digital markets under our competition enforcement powers.

In May 2022, we opened an investigation into concerns that [Google may have abused a dominant position in relation to 'ad tech'] - a complex set of services which facilitate the sale of online advertising space between sellers (publishers, like online newspapers and other content providers and buyers (advertisers. This market is important because millions of people across the UK use websites that rely on advertising revenue to offer high-quality, free content. We are concerned that Google may be abusing its position to favour its own services to the detriment of its rivals, of its customers and ultimately of consumers. This investigation is continuing.

Separately, we continued to engage with Google to supervise its ongoing work to implement the '[Privacy Sandbox]' binding commitments it made to the CMA in February 2022. Those commitments were designed to address our concerns regarding the removal of third-party cookies from Google's Chrome browser. We had been concerned that Google's original proposals would cause online advertising spending to become even more concentrated on Google, weakening competition and so impacting consumers who ultimately pay for the cost of online advertising, and that the proposals could undermine the ability of online publishers, such as newspapers, to generate revenue and continue to produce valuable content in the future - reducing the public's choice of news sources. The Privacy Sandbox commitments addressed our concerns and Google has since said that they will be rolled out globally.

We also opened an investigation into suspected abuse of a dominant position by Amazon in relation to the operation of its Marketplace. This new investigation follows a current European Commission probe looking into similar concerns, which does not cover ongoing issues affecting the UK now that it has left the European Union. Some of the products on Amazon's Marketplace are supplied through its own retail business. However, a large proportion are supplied by third-party sellers. Amazon provides services to these sellers, including those that are essential to make sales, such as matching sellers with consumers. We are investigating whether Amazon is using third-party data to give an unfair boost to its own retail business and whether it favours sellers who use Amazon's logistics and delivery services – both of which could weaken competition.

At the same time, we are continuing a separate investigation into Apple following complaints that its terms and conditions for app developers may be unfair and anti-competitive. We are looking into concerns that Apple has a dominant position in connection with the distribution of apps on Apple devices in the UK – and, if so, whether Apple imposes unfair or anti-competitive terms on developers using the App Store, ultimately resulting in users having less choice or paying higher prices for apps and add-ons.

Our work in digital markets is wide-ranging. For example, we intervened in the education sector and secured legally binding commitments from ESS after they pushed schools into accepting a new 3-year contract for essential software. This comes at a time when costs are soaring for education establishments as they are for members of the public. Our work has also covered concerns from artists and songwriters in the music streaming market who were concerned about practices affecting how much they earn from streaming. Our study found that an artist could expect to earn around £12,000 from 12 million streams in the UK in 2021, but that less than 1% of artists actually achieve that level of streams. However, the CMA's deep dive into the market found that these concerns are not being driven by the level of concentration in the recording market. While we understood the concerns from creators about the level of income many receive, the analysis in the study suggests it is unlikely that an intervention by the CMA would release additional money into the system to pay artists and songwriters more. The study did however highlight that the issues raised by creators

could be further considered by government and policymakers as part of their ongoing work following the Digital Culture Media and Sport Select Committee's inquiry into the economics of music streaming.

Our role in digital markets forms part of a complex and developing legal framework governing this area. We have been at the forefront of pursuing coherent, effective and efficient regulation of digital markets, notably as a founder member of the Digital Regulation Cooperation Forum (DRCF), through which we cooperate with the Information Commissioner's Office, the Financial Conduct Authority, and the Office of Communications (Ofcom). Our participation in this work last year provided insights into issues such as algorithms and the role of the CMA and other regulators in providing effective oversight without stifling innovation. Further detail on the CMA's work on algorithms through the DRCF can be found in the case study below.

The CMA also works with its international partners on digital work; engagement globally has been, and continues to be, a key feature of our role. Our investigation into Meta's (formerly Facebook) use of ad data was announced alongside the European Commission's parallel investigation and we continue to cooperate closely. There are a high number of antitrust cases around the world relating to conduct in digital markets and we have been proactive in engaging with our international partners on a range of these issues.

We worked with G7 partners under the digital competition workstream of the German presidency in 2022 and moving into Japan's presidency in 2023. This has followed the UK's earlier presidency when we published, along with our G7 colleagues and guests, a compendium of approaches to improving competition in digital markets, which provided an overview of how different authorities are working to promote competition in digital markets.

Back at home, we hosted a data conference in London, which brought together competition agencies from across the globe to consider new and evolving challenges in the tech industry and digital markets, and how agencies are developing technical capabilities and expertise to tackle these challenges. We also hosted a workshop on competition in digital markets for the Association of South East Asian Nations member states.

As with much of the CMA's other work, our digital cases often face legal challenges.

At the end of March 2023, the Competition Appeal Tribunal (CAT) handed down a judgment in relation to Apple's application for review of the CMA's decision to make a market investigation reference into the supply of mobile browsers and browser engines, and the distribution of cloud gaming services through app stores on mobile devices in the UK. The CAT found in Apple's favour. We are disappointed with the judgment because we made this market investigation reference to help ensure that UK consumers get a better choice of mobile internet services and that UK developers can invest in innovative new apps. Given the importance of the judgment to digital markets and the markets regime more generally, we are appealing the CAT's decision to the Court of Appeal. You can read the latest on the CMA case page.

Case study

The CMA's work on algorithms through the DRCF

Digital services have had far-reaching effects on the ways that people live their lives and businesses operate, and their impacts on the economy have been profound.

Regulators, including the CMA, have been seeking to keep pace with those developments and there is a growing consensus on the need for regulation to be coherent and coordinated if it is to be effective. As one of the UK regulators with responsibility for regulating different aspects of digital services, the CMA has been at the forefront of work to help the UK lead the way on delivering coordinated digital regulation.

The CMA's role as one of the members of the Digital Regulation Cooperation Forum (DRCF), alongside the Office of the Information Commissioner, the Office of Communications (Ofcom) and the Financial

Conduct Authority, has helped deliver a model that seeks to promote a digital economy that is pro-growth and welcoming of innovation, while at the same time protecting people from a range of online harms and promoting competition. Such an approach enables businesses to proceed with greater certainty while at the same time ensuring that people can be confident that their interests are being safeguarded.

The DRCF's work on algorithms – the automated processes that collect and process data - illustrates the foundational work that the DRCF is undertaking in this area. The CMA's Data, Technology and Analytics (DaTA) unit had previously undertaken work identifying the benefits and potential harms to competition and consumers from the use of algorithms. The DRCF's 'Algorithmic Processing' workstream has sought to build on that work over the last year. In September 2022, the DRCF published 2 discussion papers on the benefits and harms of algorithms and auditing algorithms, looking at the existing landscape, the role of regulators and the future outlook. These set out a shared perspective from the four digital regulators, with the aim of fostering debate and discussion with stakeholders in this area.

These papers recognise the many benefits to individuals and society that algorithmic processing delivers, while also acknowledging the risks associated with such processing. Features such as the ability to identify potentially fraudulent banking activity through machine learning or translate text into different languages at the touch of a button are clearly highly valuable. At the same time, algorithmic processing can cause harm. For example, it can amplify harmful biases that lead to discriminatory decisions or unfair outcomes, and it can be used to mislead consumers and distort competition. The DRCF's work in this area indicates that, while algorithms can be used maliciously, much of the harm that results from their use may be inadvertent, perhaps caused by insufficient understanding on the part of those deploying such systems. The papers also identify concrete steps that can be taken to address those risks, such as increasing transparency on how specific algorithms work and enabling such processing to be independently audited.

Ultimately people, businesses and the UK economy all stand to benefit from continued responsible innovation in the field of algorithmic processing. The DRCF's work in this area has helped to provide businesses with a more comprehensive understanding of their members' regulatory responsibilities, thereby allowing them to develop compliant products and services at pace with greater confidence. The approach taken by the DRCF has laid important foundations for further cooperation and dialogue between regulators, businesses and end-users and is already being emulated elsewhere internationally. It shows that there is not necessarily a trade-off between, on the one hand, the introduction of innovative and powerful technology; and, on the other hand, the protection of consumer interests. Experience suggests that the two can mutually reinforce one another, with the ability of products and services to earn consumer confidence and trust potentially providing a competitive advantage.

Supporting the transition to low carbon growth, including through the development of healthy competitive markets in sustainable products and services

Climate change is among the biggest challenges that our society faces. The CMA has an important role to play, including through helping to deliver on the UK Government's commitment to achieve a net zero economy by 2050. We continued to make progress in this area in the past year, further clarifying the scope of the role that the CMA is best placed to play and taking action where appropriate.

Our medium-term priorities under our revised strategy include helping to accelerate the UK's transition to a net zero economy, and helping emergent sectors (such as environmentally friendly and sustainable forms of energy use) develop into high growth, innovative and competitive markets. The work we undertook in 2022/23 laid the foundations for further progress in the year ahead and beyond.

Our work in this area in the past year falls into the three broad areas of:

1. **Helping to ensure that markets for sustainable products or services develop in ways favourable to competition and consumers.**
2. **Helping to ensure that consumers are able to make informed choices about the environmental impact of the goods and services they use.**
3. **Enabling businesses to pursue environmental sustainability initiatives, including through legitimate cooperation.**

Helping to ensure that markets for sustainable products or services develop in ways favourable to competition and consumers

Our work on green heating and insulation is an example of our activity in this area. Home heating accounts for almost one fifth (17%) of the UK's carbon emissions[1]. Switching to 'green' home heating products (such as heat pumps, solar panels and biomass boilers) and insulating homes will therefore be critical to help achieve net zero. These products will help people heat their homes in environmentally sustainable and more energy efficient ways. Green heating and insulation products can also be an appealing option in the context of rising cost of living and high energy bills. However, without consumer confidence in this sector, there is a risk that people are put off from buying these products and that progress toward net zero is slowed. Moreover, consumer engagement is needed to drive effective competition between businesses in the sector, which is a spur to greater innovation and better consumer outcomes. It is therefore critical that people buying green heating and insulation products can trust businesses to treat them fairly and know they are protected from harmful business practices.

Against this background the CMA launched a call for information in September 2022 looking at consumer protection in the UK green heating and insulation sector. We sought to identify any existing problems, as well as problems that could arise as the sector develops. We gathered insights directly from hundreds of people through questionnaires and from businesses and trade bodies. We also engaged with numerous stakeholders, including consumer representative groups and other enforcers, to inform our review.

While we found evidence of benefits to consumers, we identified concerns in the three themes we looked at (people's experience of buying these products, business practices and quality assurance schemes), including:

- Concerns that people find it difficult to find the right information when shopping for home heating products or assess whether a business is trustworthy.
- Concerns about potential misleading claims being made by some businesses and 'greenwashing' (false or overstated claims about a product's environmental credentials).
- Confusion about the bodies that oversee quality and

[1] UK Committee on Climate Change (2022) Progress in reducing emissions 2022.

consumer protection standards across the sector, and areas where these safeguards for consumers could be strengthened

It is critical that these concerns are tackled early on before they become embedded as the sector grows.

To do so, we have taken several actions ourselves, including publishing a short guide to help people thinking about buying these products and producing a set of good practice principles for standards bodies to help raise the level of protections for people buying a product from a member business. The CMA will also be undertaking further work on misleading claims in the sector, including providing guidance to businesses.

Separately, we have made recommendations for the sector – particularly businesses and standards bodies – and for governments across the UK, to help ensure that people are treated fairly and protected. We will continue to engage with these bodies to help take these actions forward.

Helping to ensure that consumers are able to make informed choices about the environmental impact of the goods and services they use

People are increasingly conscious of the environmental impacts of the goods and services they use. In many instances people are willing to pay a premium for goods and services that leave less of a carbon footprint. Recyclable and sustainable products can play a role in

tackling climate change, but only if they are genuine and people can make well-informed choices on the basis of reliable claims. To that end, the CMA previously published a Green Claims Code intended to help businesses accurately communicate their green credentials to shoppers in an honest and transparent way. The guidance sets out principles, such as a requirement that claims must be truthful and accurate and must consider the full life cycle of the product or services. When the CMA introduced its Green Claims Code it made it clear that it would be scrutinising firms' behaviour and considering taking enforcement action against businesses suspected of not abiding by the legal requirements explained in the Code.

As a result of that scrutiny, we announced in July 2022 that we would be investigating eco-friendly and sustainability claims made by ASOS, Boohoo, and George at Asda about their fashion products, including clothing, footwear, and accessories. Our investigation is considering whether the statements and language used by the businesses are too broad or vague, and may create the impression that clothing collections – such as the 'Responsible edit' from ASOS, Boohoo's current 'Ready for the Future' range, and 'George for Good' – are more environmentally sustainable than they actually are. The criteria used by some of these businesses to decide which products to include in these collections may also be less demanding than customers might reasonably expect from their descriptions and overall presentation. In January 2023, we announced that we were widening the scope of our work in this area to consider household essentials such as food, drink, and toiletries. Our concerns include the possible use of vague and broad eco-statements, for example packaging or marketing a product as 'sustainable' or 'better' for the environment with no evidence. We are also concerned that claims about the use of recycled or natural materials in a product and how recyclable it is, and entire ranges being incorrectly branded as 'sustainable' could be potentially misleading. Our investigations are ongoing, and we will carefully consider all the evidence with an open mind to reach a view on whether businesses are complying with consumer law.

The CMA's work in this area demonstrates our commitment to adopting an evidence-based and integrated approach to our work, and how using a combination of tools can help us pursue good outcomes for people, businesses, and the UK economy. In this instance, awareness-raising and advocacy provided a strong foundation on which we have been able to pursue further work using our more formal powers.

Enabling businesses to pursue environmental sustainability initiatives, including through legitimate cooperation

In March 2022, the CMA published advice on how competition and consumer laws can help meet the UK's environmental goals and outlined plans for a Sustainability Taskforce. Our advice found that more clarity about what is, and is not, legal would help firms work towards sustainability goals without worrying that they are breaking the law in the process. Although the CMA found that it is possible for companies to work together to lessen the environmental impact of their sector by, for instance, pooling resources or expertise, without breaching competition rules, the evidence indicated that some businesses were uncertain about how to approach this and that this could potentially have a chilling effect on the negotiation of agreements that could help address climate change. In February 2023, the CMA therefore launched a consultation on draft guidance designed to help companies work together towards environmental sustainability goals without being unduly inhibited by concerns about unintentionally breaching competition law – further detail can be found in the case study below.

Case study

Draft guidance on environmental sustainability agreements

In February 2023, we launched a consultation on draft guidance that aims to provide clarity on what types of agreements aimed at promoting environmental sustainability fall outside the scope of competition law altogether, and what agreements are likely to fall within the scope of competition law without raising concerns.

The draft guidance also outlines the circumstances in which agreements may restrict competition but nevertheless benefit from an exemption from competition law because the environmental benefits they achieve outweigh any restriction of competition. In particular, when assessing whether agreements aimed at addressing climate change may be exempt from competition law, we believe it is appropriate to take into account the full benefits to UK society which derive from the agreement, not just the benefits to those consumers directly affected by the agreement. We consider that this is justified by the fact that climate change represents a special category of threat: the sheer magnitude of the risk that climate change represents, the degree of public concern about it, and the binding national and international commitments that successive UK governments have entered into all set it apart.

The draft guidance further sets out the CMA's intention to operate an 'open door' policy to allow business to seek informal guidance from the CMA on the legality of agreements aimed at promoting environmental sustainability and addressing climate change.

The CMA's proposed reframing of its practice, both in how it assesses the benefits of climate change agreements and its 'open door' policy to providing advice to businesses on individual agreements aimed at addressing climate change, underscore the strength of our commitment to supporting the transition to low carbon growth, for the benefit of people, businesses, and the UK economy.

Delivering our new responsibilities and strengthening our position as a global competition and consumer protection authority

Over the past year, the CMA has continued to embed its new responsibilities in relation to the UK internal market and subsidy advice, while at the same time preparing to assume new powers, particularly in relation to digital markets.

The Office for the Internal Market (OIM) supports the effective operation of the UK internal market. It contributes to the successful operation of the market by providing independent assessments of the impact of any differences in rules and regulations between England, Scotland, Wales and Northern Ireland. It is then up to governments to decide what to do, taking account of wider policy considerations. During this reporting period, the OIM published its first periodic report on the operation of the UK internal market regime and its first annual report on the operation of the UK internal market, alongside a data strategy roadmap. This is the first time a systematic review of the internal market has been undertaken since the UK left the EU. The OIM's data strategy will help co-ordinate and, over time, improve the data currently available on the UK internal market. The OIM also issued its first report in response to a request from government.

Our Subsidy Advice Unit (SAU) plays an important role in the UK's subsidy control regime by evaluating the assessments of subsidies considered to be most likely to distort competition and providing expert advice to the public authority. It assumed its statutory powers in January 2023. It is now fully operational and began to consider referrals in the last quarter of the reporting year.

You can read more about both functions below.

Profile

Office for the Internal Market

Now that the UK has left the European Union, there is increased scope for each of the governments of the UK to take different approaches to the rules and regulations affecting goods, services and professional qualifications. This has the potential to impact on trade between England, Scotland, Wales, and Northern Ireland (the UK internal market).

If different rules are introduced in different parts of the UK, it could make it more difficult for the internal market to work well. This could mean, for example, that businesses find it harder to sell freely across the whole of the UK, potentially increasing costs and reducing consumer choice.

The OIM produces independent assessments of the impact on the internal market of any differences in rules and regulations, applying economic and other technical expertise to provide advice to the UK Government and devolved administrations. It is then up to governments to decide what to do, taking account of wider policy considerations.

While the OIM is part of the CMA, it has its own panel, chaired by Murdoch MacLennan. We are expecting further panel members, with a range of backgrounds and expertise, to be appointed in due course. The presence of the panel reflects the OIM's role of providing expert advice even-handedly to all relevant national authorities across the UK.

A major milestone came in February 2023 when the OIM published its first report into how the Department for Environment, Food and Rural Affairs' proposed ban on horticultural peat sales in England may impact the effective operation of the internal market. Horticultural peat is mainly used in multi-purpose compost, a market that is worth around £400m in the UK. The proposed ban is intended to tackle climate change by protecting peat bogs, which are an important store of carbon. Each of the four governments in the UK may develop its own approach to the sale of peat as this is a devolved policy matter.

The OIM's report concluded that following the introduction of the ban, some peat-based compost might still be imported into England and that could affect some English businesses that would be unable to compete with a peat-based product of their own because the ban applies to them but not to their competitors in Scotland, Wales or Northern Ireland. It nevertheless concluded that these effects were likely to be modest in the context of overall trade on the internal market, provided there was a sufficient supply of peat-free inputs.

Profile

Subsidy Advice Unit

Public authorities such as government departments or local councils may provide assistance to businesses, whether in the form of grants, loans or tax credits, in order to achieve important public policy priorities such as levelling up and achieving net zero. Before the UK left the European Union, such subsidies were assessed by the European Commission, but subsidy control is now handled by the UK Government. Public authorities are required to assess how their subsidy or subsidy scheme complies with principles, set out in law, designed to avoid distorting competition.

The SAU plays an important role in the UK's subsidy control regime by evaluating the assessments of those subsidies considered to be most likely to distort competition and providing expert advice to the public authority. The SAU also has a monitoring function and will report on the effective operation of the subsidy control regime.

The SAU's powers came into effect on 4 January 2023. In the first 3 months of operation, it has received referrals from public authorities that span a wide range of areas from energy, to access to the arts, to refugee housing.

For the largest subsidies, or those in specified sensitive sectors, a public authority is required to seek the SAU's advice. There is a second category of subsidy where an authority can choose whether to seek advice. For the period January to March 2023, the SAU received 4 mandatory referrals and no voluntary referrals. It published its first report in February 2023, concerning the Department of Energy Security and Net Zero's Contracts for Difference scheme.

In relation to digital markets, we continued to operationalise the DMU in shadow form as we await the passage of legislation through Parliament to grant it the powers it needs to oversee a new pro-competition digital markets regime. We worked closely with the UK Government on the consultation on reform of the UK competition and consumer regime and the subsequent work leading up to the Digital Markets, Competition and Consumers Bill.

Profile
The Digital Markets, Competition and Consumers Bill

This legislation has the potential to be a watershed moment in the way we ensure digital markets work for the UK economy, supporting economic growth, investment and innovation.

Once it enters into force, it will establish a new, targeted regime built for the digital age, overseen within the CMA by the Digital Markets Unit (DMU). It will use a proportionate approach to hold digital firms accountable for their actions, enabling innovating businesses to compete fairly. It will set rules that will prevent firms with 'Strategic Market Status' from using their size and power to limit digital innovation or market access – ensuring the UK remains a highly attractive place to invest and do business for all.

Other elements of the legislation will strengthen our powers in relation to consumer protection and competition law. It will empower the CMA to decide when consumer law has been broken, rather than having to take each case to court. This will help ensure people are protected more quickly, and fair dealing firms are not disadvantaged. The legislation will also allow the CMA to fine businesses who do break the law up to 10% of their global turnover.

In relation to competition law, the legislation will provide bolstered

investigative and enforcement powers that will mean the CMA can conduct faster and more flexible competition investigations, which identify and stop unlawful anticompetitive conduct more quickly. Changes to the competition framework – including updated merger and fine thresholds – will make it easier for the CMA to take action against mergers that harm UK consumers and businesses.

Such changes will allow the CMA to continue to protect and promote open and free markets, spurring companies to innovate and bring more products to market, providing more choice for customers and creating a strong foundation for economic growth.

We are supporting the Bill as it passes through the legislative process and will be ready to use these new powers once the legislation comes into effect.

In the meantime, we have already begun to prepare for the new regime by operationalising the DMU and developing its capabilities and expertise, including through undertaking case work under the CMA's existing competition law powers, which you can read about elsewhere in this report.

Strengthening our position as a global competition and consumer protection authority

The CMA played an increasingly prominent role in informing policy-making and public debate within the UK. We recognise how important wide engagement is to maximising our relevance and impact in a changing world.

In June and July 2022 we undertook a rapid review of the road fuel sector at the request of the UK Government and identified concerns that we went on to investigate as part of our road fuel market study.

We provided advice to the UK Government on a range of issues including rail reform, the national bus strategy and fare caps, the introduction of 'hub and spoke' distribution to pharmacies, building insurance on high-rise residences, homebuilding, and international supply chains.

We also provided advice to devolved governments on a range of issues including bus franchising, school uniform policy, and deposit return schemes. We organised and convened two roundtable events in Edinburgh with Scottish stakeholders as part of the CMA Board's visit in May, to promote the role and relevance of the CMA's functions in Scotland. In Wales, we set up and led the inaugural meeting of a Wales Regulators' Network. We took advantage of the fact that we now have offices in Darlington and Greater Manchester to expand our regional stakeholder engagement across the north of England, including hosting a roundtable event with the Greater Manchester Chamber of Commerce to inform our 2023/24 Annual Plan. In addition to the event in Manchester, we heard from stakeholders at events attended by members of our Board in Belfast, Cardiff and Edinburgh as part of an extensive consultation on our 2023/24 Annual Plan.

As well as providing advice to governments on a range of issues, our work has been scrutinised by parliamentarians. We have ongoing engagement with the Department for Business and Trade (previously the Department for Business, Energy and Industrial Strategy) Select Committee, and keep the Chair and clerks updated on announcements that may be of interest to them. On a more formal level, in January 2023 we sent a response to the Committee's report on State Aid and Post Brexit Competition Policy, having appeared before the committee in the previous year. In its report, the Committee praised the CMA's work and staff, and noted its strong reputation.

Other committees we engaged with this year include the Public Accounts Committee on regulation after EU Exit and the Digital, Culture, Media and Sport Committee on social media influencers. We have also engaged more informally with the Health and Social Care Committee, for example on our IVF consumer focused work, and the Environment, Food and Rural Affairs Committee on issues related to food prices, such as unit pricing.

We have also discussed with governments the action they will take in response to CMA market study recommendations, such as our Children's Social Care market study. All recommendations made by the CMA to tackle concerns in England over a lack of availability of placements in children's homes and with foster carers and high prices were accepted by the Department for Education. These included developing regional bodies to support local authorities in obtaining suitable placements and introducing a financial oversight regime. The Scottish Government and the Welsh Government each committed to move away from the model of for-profit provision in children's social care.

We sought to deepen our insight into issues across the UK economy through engagement with third sector organisations as part of our Getting Closer to the Third Sector project, hearing from a wider variety of third sector organisations and, through them, the consumers they interact with. Our areas of focus include race, poverty and inequality, climate change, and mental health and well-being. This year we have further expanded the project to include the experiences of children and younger people, and older people. We will continue to develop these important stakeholder relationships and use the insight from the third sector organisations we engage with to help inform our prioritisation of our casework. We will use the network of contacts we have established through this work in the third sector to understand more about how the rising cost of living is impacting consumers and how that might be able to inform our work in consumer protection and competition more generally.

We also worked closely with Citizens Advice to develop a programme of visits to consumer advice contact centres, so that CMA staff can gain a better insight into the consumer experience, especially when things go wrong. 9 visits were completed in 2022/23, enabling over 50 members of CMA staff to participate. Another 8 visits are planned for 2023/24, alongside a complementary programme of in-office training, designed to provide a similar experience to a broader range of CMA staff.

Our work to promote compliance has increased significantly following the removal of COVID-19 restrictions. We held over 20 events with public sector procurement teams to build capacity and capability in detecting bid-rigging and other anti-competitive conduct. Other significant compliance activities include 9 misleading green claims events and sector-wide engagement with the construction, road freight, and retail sectors.

The CMA also continued to cooperate closely with other regulators, including the sectoral regulators with which it shares competition law enforcement powers under the UK concurrency regime. Our Airwave market investigation required us to cooperate with the Office of Communications (Ofcom), which regulates the services and networks covered by our investigation. We also continued to cooperate with HM Treasury, the Financial Conduct Authority and the Payment Systems Regulator in relation to the establishment of the Joint Regulatory Oversight Committee that oversees the development of Open Banking following the CMA's Open Banking remedies. We also cooperate extensively with other regulators through the UK Regulators Network and the UK Competition Network.

In April 2022, we published the second edition of our State of UK Competition report, which examines how well competition is working across the UK economy. The report found that UK markets are becoming more concentrated, businesses are enjoying higher mark-ups and that the largest firms are maintaining their leading positions for longer. To help better understand such trends and boost innovation and productivity in the UK the CMA's Microeconomics Unit published its Economic Research Strategy in March 2023. Our Microeconomics Unit is based at the Darlington Economic Campus, a new cross-Government hub. In March 2023 we published a discussion paper on Market Resilience, which considers the drivers of market resilience, and the role of the CMA and wider policy in preventing and addressing supply disruption, a particularly topical issue in light of the experience of the

COVID-19 pandemic and the war in Ukraine.

The CMA undertook extensive work in the past year advising the UK Government on the replacement of several EU block exemptions from competition law that had been retained following the UK leaving the EU. As with the OIM and SAU, this involved the CMA taking on areas of work that had previously been reserved to the European Commission. Block exemptions automatically exempt categories of agreement from competition law, if certain conditions are met. They play an important role in providing legal certainty to businesses. The CMA advised the UK Government on the replacement of the retained Motor Vehicle Block Exemption, the retained Horizontal Agreements Block Exemption, and the retained Vertical Agreements Block Exemption. We consulted extensively with businesses and other stakeholders on our proposed recommendations to the UK Government. The UK's departure from the EU provided increased flexibility to introduce new regulations tailored to the UK context and our proposals should provide certainty that businesses can plan around.

The CMA continues to engage in extensive formal and informal international cooperation with other regulators and stakeholders, including through multilateral organisations such as the Organisation for Economic Cooperation and Development, the International Competition Network, the Multilateral Mutual Assistance Cooperation Framework, the United Nations Conference on Trade and Development, and the International Consumer Protection and Enforcement Network.

International engagement has been, and continues to be, a key feature of our digital work. Our investigation into Meta's (formerly Facebook) use of ad data was announced alongside the European Commission's parallel investigation and we continue our close working. There are a high number of antitrust cases around the world relating to conduct in digital markets and we have been proactive in engaging with our international partners on a range of these issues.

Looking ahead – opportunities, challenges and risks

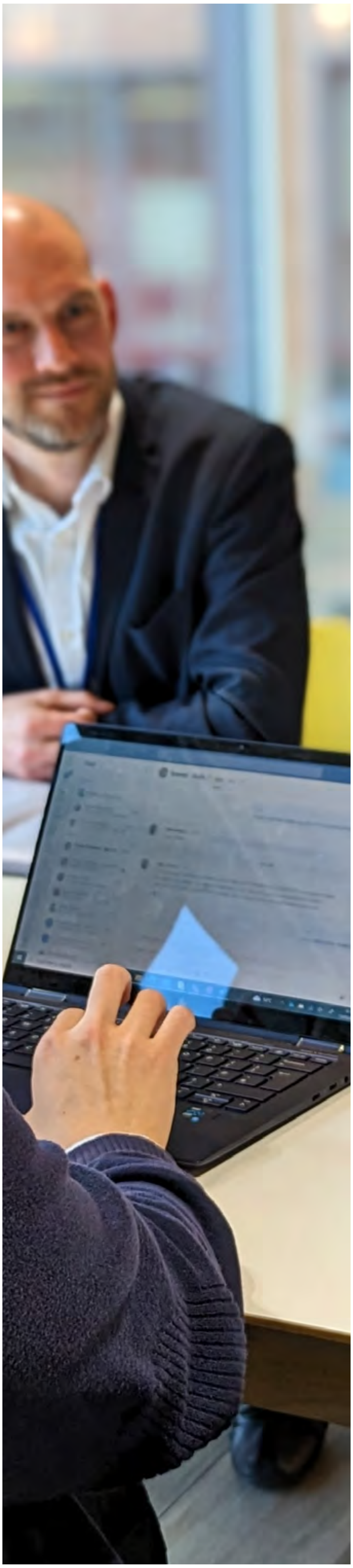
Reflecting on 2022/23 and looking ahead to the future, our primary focus has been and will continue to be on delivering for the people, businesses and economy of the UK. Whether that is the work we are doing to help contain rising cost of living pressures in road fuel and groceries; developing our work on sustainability and competition or helping artificial intelligence to evolve in ways that ensures open, competitive markets and effective consumer protection, the CMA is delivering for those it is here to serve.

Of course, there are also challenges and I will highlight 4 of them here:

First: It remains important that we maintain focus on our core responsibilities: investigating anti-competitive mergers, cracking down on anti-competitive behaviour and protecting people from unfair behaviour as well as assessing whole market issues through our market studies and investigations. The continuing challenge in all of this work is to deliver outcomes at pace while maintaining process and rigour.

Second: As we continue to bed in new functions like the OIM and SAU and step up our preparations for new functions from the Digital Markets, Competition and Consumers Bill, this brings internal operational challenges but also external challenges. Stakeholders and parliamentarians will rightly take a closer interest and expect greater accountability for what we do.

As Marcus, our Chair, mentions in his foreword, it is critical that we are accountable for the work



we do, for example, through our appearances before select committees and the courts. This Annual Report and Accounts is another way in which we are held to account, as it is laid in all four parliaments of the UK, as is our Annual Plan. We welcome all scrutiny that will hold us to account and help us identify further areas for growth and improvement. As well as the UK Parliament and and devolved legislatures, we highly value the constructive relationship with our sponsor department, the Department for Business and Trade, and welcomed their draft strategic steer, which aligns closely with the revised strategy set out in our Annual Plan 2023/24.

Third: In all of this, we are constantly alive to the evolving external landscape in which we are operating and the many pressures on people and businesses. This creates a growing range of calls for us to act. We need to understand these concerns as well as possible; prioritise where we can deliver maximum impact, using our toolkit as flexibly as possible; and explain our choices.

Finally: To deliver all of this we need to maintain the organisational resilience of the CMA. Given the scale and the breadth of our responsibilities, it is critically important that we use the resources available to us in the most effective way possible. Our 2023/24 Annual Plan is helping address those challenges, notably by prompting the development of a more focused and effective prioritisation process and enhancement of our employee value proposition.

We also need to continue to attract and retain high calibre people across a whole range of skills and experience and we are working hard to do that. The CMA is not generally able to match the salaries offered by private sector businesses that recruit from the same pool of staff, so providing a high-quality employee experience and value proposition that takes into account factors beyond salary is of critical importance.

Ultimately, our colleagues are the foundation of our success and I am grateful to all of them for their work over 2022/23. It is thanks to their efforts that we have secured enormous improvements in competition and consumer protection for the benefit of the public, and we are now in a stronger position than ever before to continue to deliver good outcomes for people, businesses and the UK economy.

This year's key moments

April
2022

Sony and Nintendo gaming subscription improvements

Following a sector-wide investigation into subscriptions for online gaming services where many people automatically continued to be charged until they took action to end their contract – we secured undertakings from Sony to protect customers who haven't used their memberships for a long time but are still paying. Nintendo also changed its business practices during our investigation.

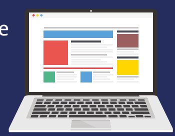
Second State of Competition Report published

We published our second assessment of how well competition is working in the UK and what that means for people and businesses. The assessment found that markets are getting more concentrated, with the poorest households likely to suffer the effects to a disproportionate extent.

May
2022

Google probed over potential abuse of dominance in ad tech

We launched an investigation into concerns that Google may have broken the law by restricting competition in the digital advertising technology market. We are concerned that Google may be using its position in ad tech to favour its own services to the detriment of its rivals, of its customers and, ultimately, wider consumers.



Hundreds of homes freed from unlawful gas contracts

After concerns were raised about customers being automatically locked into new 'exclusivity contracts' for liquified petroleum gas (LPG), we found BDS Fuels had unlawfully used a clause that automatically renewed the contracts of more 700 households in the Northwest of England without their explicit consent. After our intervention, BDS agreed to remove such renewal clauses from its LPG contracts, freeing households from terms that restricted their ability to switch gas provider.

June
2022

CHC required to unwind helicopter services deal

The CMA decided, following an in-depth investigation, that CHC must unwind its completed acquisition of Babcock's oil and gas offshore helicopter services to address competition concerns. The sale will support competition in future tenders for these important services.

July
2022

Urgent road fuel market review undertaken

An urgent review, requested by the Business Secretary, found cause for concern in the growing gap between the price of crude oil when it enters refineries, and the wholesale price when it leaves as petrol or diesel. This led to us conducting a market study, which we have now concluded, finding concerns in how competition is working in the road fuel retail sector. We have made recommendations to government to take action to address these concerns and look forward to assisting the government as it considers our recommendations.

Pharma firms that overcharged NHS fined £70 million

Following an in-depth investigation, we found that Pfizer and Flynn charged unfairly high prices for a life-saving epilepsy drug for over 4 years. After reassessing part of the case following a legal challenge we fined pharmaceutical companies Pfizer and Flynn £63 million and £6.7 million respectively. The decision is under appeal.

August
2022

Thousands more households relieved of costly lease terms

9 companies that bought freeholds from leading housing developer Taylor Wimpey undertook to remove costly doubling ground rent terms from their leasehold contracts. The firms also agreed to refund residential leaseholders who had already paid out under doubled ground rent terms. It means that our action in the leasehold market has, to date, freed more than 20,000 people from issues like costly doubling ground rent terms.

Veolia / Suez merger unwound in the UK

Following and in-depth investigation, we found that the deal between 2 of the biggest waste management firms in the UK was likely to lead to UK local authorities paying more and receiving a lower-quality service. We required Veolia to sell 3 businesses, which make up almost all of the overlap between Veolia's and Suez's competing operations in the UK.

September 2022

Firms fined for fixing prices fans pay for Rangers FC merchandise

We found that Elite Sports and JD Sports broke competition law by fixing the retail prices of some Rangers-branded replica kits and other clothing products. Rangers FC also took part in the collusion but only to the extent of fixing the retail price of adult home short-sleeved replica shirts. All 3 firms colluded to stop JD Sports undercutting the retail price of the shirt on Elite Sports' Gers Online store. We imposed fines totalling over £2 million on Elite Sports, JD Sports, and Rangers FC.

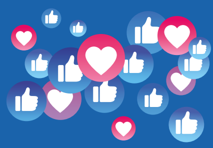
Fertility clinics' compliance with consumer law: findings published

After a compliance review found a mixed picture in terms of IVF clinics' compliance with consumer law, we engaged directly with clinics and all those contacted made changes to address our concerns.

October 2022

Meta ordered to sell Giphy

After reconsidering our phase 2 decision following an appeal, we confirmed that Meta should sell Giphy because the purchase would limit choice for UK social media users and reduce innovation in UK display advertising.



November 2022

Music streaming report published

Our market study into the music and streaming market heard concerns from artists and others about how they struggle to make a decent living from these services. These are understandable concerns, but our findings show that these are not the result of ineffective competition – and intervention by the CMA would not release more money into the system that would help artists or songwriters.

Social media users set to benefit from new hidden advertising protections

Working alongside the Advertising Standards Authority, Ofcom, social media companies and content creators, we produced a suite of resources designed to help those publishing and sharing paid promotions to comply with consumer protection law. This work built on commitments made by Instagram in 2020 to tackle hidden advertising on its site.

December 2022

Sale of emergency service software businesses required to protect UK taxpayers

NEC and SSS are amongst a small number of providers of essential software used by blue light emergency services as well as transport service providers. Following a detailed investigation into the completed merger between the two, we required NEC to sell some parts of its business after finding that emergency services could end up paying more for essential software.

January 2023

Dough deal unwound to protect UK grocers and shoppers

Our in-depth investigation found Cérélia's purchase of Jus-Rol could leave UK retailers and shoppers facing higher prices and lower quality products and that the only way to preserve the degree of competition and choice for consumers is for the Jus-Rol business to be sold to an independent buyer, to be approved by the CMA. This decision is being appealed.

Subsidy Advice Unit opened for business

The SAU is a new function of the CMA created by the Subsidy Control Act 2022. It opened for business on 4 January 2023, ready to give advice to public authorities wishing to use subsidies to deliver important public objectives.

February 2023

Home building and renting probed to help buyers and tenants

With widespread concerns about housing availability and costs, we have launched a market study into housebuilding and a separate project considering consumer rights for those in rented homes.

Office of the Internal Market publishes first report

The OIM published its first report, which found that the UK Government's proposal to ban the sale of horticultural peat in England from 2024 would not have a major impact on intra-UK trade.

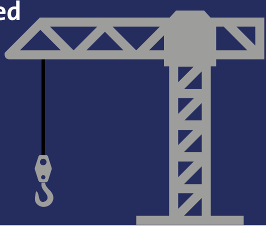
March 2023

Construction firms fined nearly £60 million for breaking competition law by bid rigging

We fined 10 construction firms for illegally colluding to rig bids for demolition and asbestos removal contracts involving both public and private sector projects. Two of the firms are appealing this decision. We have since secured the disqualification of 4 directors in connection with this investigation.

Annual Plan 2023/24 published

Our current Annual Plan set out a renewed strategy for the CMA, including a revised purpose and ambition for the organisation that has people, businesses, and the whole UK economy at its heart.



Performance summary

Where we spent our money in 2022/23

We spent £112.73 million against our parliamentary assigned budgets for the financial year ending 31 March 2023. Our significant areas of expenditure recorded include:

- £99.94 million on our core operational activities of protecting consumers through effective enforcement, operating an effective and efficient merger regime, making markets work better, being a strong voice for competition and for fair business practices.
- £6.53 million on capital expenditure as we prioritised investing in Information Technology (IT) projects to ensure the resilience of our IT infrastructure and expanding our presence across the UK as part of the wider Government Places for Growth and Levelling Up initiatives.
- £6.26 million as part of the CMA's continuing growth, to cover spending on building and integrating new functions such as the Digital Markets Unit (DMU), the Office for the Internal Market (OIM) and the Subsidy Advice Unit (SAU).

We have successfully delivered within our parliamentary budgets in the 2022/23 financial year, with effective financial management decisions delivering underspends across all our budgets.

The significant variances between our budget and our actual spend are detailed and explained in the Directors' report: financial review on page 41. Please refer to the Statement of Outturn against Parliamentary Supply 2022/23 on page 82 for further information on capital expenditure and Note 2, Operating Segments in the Financial Statements on page 107 for further information on expenditure in the new functions.

CMA Growth

The CMA has continued to expand its reach across the four nations in the last year. The CMA continues to strengthen and improve how it works and is actively seeking to address challenges such as recruitment in a highly competitive market for the professional and specialist skills it requires.

As outlined in more detail in the Chief Executive's Report, the OIM has been successfully established and is producing independent assessments of the impact on the internal market of any differences in rules and regulations across all four nations, providing economic advice to the UK Government and administrations. The SAU's powers came into effect on 4 January 2023. It evaluates public authorities' assessments of subsidies considered to be most likely to distort competition and provides expert advice to those authorities.

Legislation is currently progressing through Parliament to provide the CMA with bolstered consumer protection and competition powers, as well as establishing a new, targeted digital markets regime built for the digital age, overseen by the DMU. You can read more about this legislation and what it means for the CMA in the Chief Executive's Report.

We established a Microeconomics Unit, based in Darlington. The Microeconomics Unit will provide analysis and expertise on the issues of UK competition, consumer rights, innovation, productivity, and supply-side reforms.

The CMA is committed to meeting the Government's Places for Growth and Levelling Up agendas. This is being done via the Property Transformation Project (PTP. Significant progress has been made and the CMA now has offices in Edinburgh, Belfast and Cardiff, which are located in Government hubs, in addition to office space in Manchester and Darlington (for the medium term), with the intention of moving into these Government hubs when they are operational.

Fine and penalties income

We have accounted for £43.59 million from fines and penalties imposed following our Competition Act 1998 (CA98) investigations in the construction and retail sectors, highlighting the tangible effect the CMA has had in addressing anti-competitive practices in 2022/23. In accordance with our accounting policy, we do not account for fines that are being appealed. Under the CA98 rules, we are permitted to offset 100% of our qualifying litigation costs (including adverse legal costs) using cash collected from fines and penalties. This is reported separately in CMA's Trust Statement on page 126.

Due to the number of litigation cases during the year and the risk of increased litigation costs, the arrangement allowing the CMA to utilise penalty income to offset these costs would not have covered the risk, therefore HM Treasury agreed to additional budget cover of £2.50 million RDEL at the Supplementary estimates in January 2023.


Corporate Governance Report

Directors' Report

Statutory powers

The CMA is a non-ministerial department. We derive our powers from the Enterprise and Regulatory Reform Act 2013.[2]

Our functions include:

- Investigating mergers that have the potential to lead to a substantial lessening of competition. If a merger reduces competition, the CMA can block it or impose remedies to address such concerns.
- Investigating businesses and individuals to determine whether they have breached UK competition law and, if so, to end and deter such breaches, including by fining businesses and seeking the disqualification of directors of the companies involved, as well as pursuing individuals who commit the criminal cartel offence.
- Enforcing a range of consumer protection legislation, tackling issues which suggest a systemic market problem, or which affect consumers' ability to make choices.
- Conducting studies, investigations or other pieces of work into particular markets where there are suspected competition and consumer problems. The CMA can take action – and recommend action be taken by others – in markets where competition may not be working well.
- Promoting stronger competition in the regulated industries (gas, electricity, water, aviation, rail, communications and health), working with the sector regulators.
- Conducting regulatory appeals and references in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation.
- Giving information or advice in respect of matters relating to any of the CMA's functions to the public, policy makers and to Ministers about how they can design and implement policy in a way that harnesses the benefits of competition and protects and promotes the interests of consumers.
- Providing technical advice, reporting and monitoring in relation to the UK internal market, through the Office for the Internal Market (OIM).
- As of 4 January 2023, providing advice, reporting and monitoring in relation to government subsidies, through the Subsidy Advice Unit (SAU).

Our future functions include the Digital Markets Unit (DMU), which was established in non-statutory form in April 2021. The DMU will oversee a new regulatory regime for the most powerful digital firms, to protect and enable greater competition and innovation in the markets in which these firms operate and protect consumers and businesses from unfair practices. Powers to operate the regulatory regime are set to be granted to the CMA under the Digital Markets, Competition and Consumers Bill that is currently progressing through Parliament.

Auditors

Our Resource Accounts and the Trust Statement Accounts have been audited by the National Audit Office (NAO) and certified by the Comptroller and Auditor General, who was appointed under statute and is responsible to Parliament. The notional cost of the audit is disclosed in Note 4 (page 109) of the CMA's Financial Statements and relates solely to statutory audit work. The auditors did not undertake any non-audit work during the 2022/23 year.

The CMA Directors, including the Chief Executive, have taken all the steps necessary to make themselves aware of any relevant audit information and to establish that the CMA's auditors are also

[2] The powers for the OIM, which officially launched on 21 September 2021, are set out in the UK Internal Market Act 2020. The CMA also has powers linked to the SAU which derive from the Subsidy Control Act 2022.

aware of that information. In so far as we are aware, there is no relevant audit information of which the Comptroller and Auditor General, with support of the NAO, is unaware.

Accounting Officer

As Principal Accounting Officer, CMA Chief Executive Sarah Cardell is responsible, with advice from the CMA Board, for ensuring that the CMA operates effectively and to a high standard of probity in relation to governance, decision-making and financial management. The CMA's Principal Accounting Officer performs the roles and responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the CMA's assets, as set out in chapter 3 of Managing Public Money published by the HM Treasury.

The Chief Operating Officer, Erik Wilson, is the Additional Accounting Officer with a specific responsibility for corporate and support services.

For the period of the 2022/23 reporting year prior to 26 July 2022, Andrea Coscelli was the Principal Accounting Officer for the CMA. Erik Wilson was the Additional Accounting Officer throughout the 2022/23 reporting period. From 26 July 2022 onwards, Sarah Cardell acted as the interim Principal Accounting Officer, on her appointment as interim Chief Executive. Sarah Cardell was formally appointed as Chief Executive with effect from 19 December 2022, and has continued to be the CMA's Principal Accounting Officer. Sarah Cardell has relied on a handover process with Andrea Coscelli, on the knowledge gained in her previous role as General Counsel of the CMA, and on input from Erik Wilson as Additional Accounting Officer as assurance in respect of the period of the 2022/23 reporting year, from 1 April 2022 until 26 July 2022, when she was not the Principal Accounting Officer.

Directors' report: financial review

Expenditure

Presentation of expenditure

The CMA's expenditure is reported on two different bases in this Annual Report and Accounts. In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires the CMA to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes. The Statement of Comprehensive Net Expenditure (SoCNE) (page 96) details the CMA's comprehensive net expenditure of £105.33 million in 2022/23 compared to £105.89 million in 2021/22. This expenditure is calculated following accounting standards (IFRS) and guidance which are explained in more detail in note 1 (page 100) and on a similar basis to those rules applied by private sector businesses.

The SoPS (page 82) presents total expenditure of £112.73 million and compares this with the budget presented to Parliament of £148.31 million. These figures are calculated in accordance with HM Treasury's Consolidated Budgeting Guidance, which differs in several respects with the accounting basis above.

An overview of our expenditure

Our Total Managed Expenditure (TME) was £112.73 million, broken down by HM Treasury's spending categories as set out in the table below:

	2022/23 outturn	2022/23 budget	2021/22 outturn
			£000
TME	**112,725**	**148,313**	**108,487**
• Resource DEL	115,349	123,582	97,937
• Capital DEL	6,528	8,731	2,675
Total DEL[3]	**121,877**	**132,313**	**100,612**
• Resource AME	(8,979)	15,000	7,875
• Capital AME	(173)	1,000	-
Total AME[4]	**(9,152)**	**16,000**	**7,875**

We are accountable to Parliament for our expenditure. Parliamentary approval for our spending plans is sought through the Supply Estimates presented to the House of Commons, specifying the CMA's delegated budget control totals, and asking for the necessary funds to be voted. We draw down these voted funds in-year from the Consolidated Fund as required.

The Supply Estimate includes a formal description of the services ('ambit') to be financed. Voted funds cannot be used to finance services that do not fall within the ambit. Our Resource DEL budget for 2022/23 is £123.58 million, of which £12.10 million is ringfenced for non-cash depreciation.

Our Capital DEL budget for 2022/23 was £10.23 million, which we requested be reduced by £1.50 million to £8.73 million to allow a budget exchange (BX) at Supplementary Estimates. This enables the CMA to carry forward capital underspends into the next financial year to cover extended timelines for goods to be supplied particularly relating to IT projects.

In 2022/23, we received Capital AME budget of £1.00 million to cover expenditure resulting from dilapidation provisions arising from adopting IFRS 16 – Leases. Please refer to Note 1.6 on page 101 for more information on IFRS 16.

Outturn

The CMA continues to fulfil its duty to promote competition, protect consumers, and help businesses thrive across the UK, as well as embedding its new functions. Our 2022/23 Resource DEL outturn is £115.35 million compared to a budget of £123.58 million, giving an underspend of £8.23 million, despite our continuing to ramp up and operationalise new functions within the organisation.

The main contributing factor in the underspend is staff expenditure, which fell short due to difficulties in recruiting for vacancies created by hard-to-fill specialist roles.

The CMA also experienced issues with staff retention and recruitment processes taking longer, resulting in vacancies remaining unfilled for longer.

[3] DEL is the controllable budget total, issued by HM Treasury on behalf of Parliament, that the department uses to fund delivery of its strategic objectives.
[4] AME budgets are volatile or demand-led in a way that the department cannot control. HM Treasury do not set firm AME budgets in spending reviews, but the department monitors AME forecasts closely and these are updated annually.

Our 2022/23 Capital DEL outturn was £6.53 million, compared to a budget of £8.73 million. The capital underspend of £2.20 million was primarily due to global supply chain issues with information technology expenditure and delays in the commencement of fit out in some of the new offices.

Our capital budget has been mainly spent on:

- £4.94 million for Information Technology (IT) projects and other capital items (to ensure the resilience of our IT infrastructure and develop systems to support frontline projects); and
- £1.59 million for our Property Transformation Project (PTP) which included fitting out office space in our new offices.

Our 2022/23 non-cash Resource AME (RAME) outturn is -£9.00 million (negative), compared to a budget of £15.00 million. This is due to the nature of provisions and non-cash AME, i.e. probabilities around uncertainties, provisions written back, provisions utilised during the year and unwinding of discounts.

The negative RAME outturn is mainly driven by payments that we have made to two parties in a legal case. We therefore reversed the provision that was recognised in prior financial years as the liability was no longer required due to the cash payments made in year.

The RAME figure also includes dilapidations provisions, legacy pensions, and other non-financial costs.

Our 2022/23 non-cash Capital AME (CAME) outturn is -£0.18 million (negative), compared to a budget of £1.00 million. This is due to the discounting of the dilapidations provision, accounted for under IFRS 16 Leases and IAS 17 Leases, exceeding the in-year dilapidations asset additions accounted for under IFRS 16. We have used the HM Treasury discount rate promulgated in Public Expenditure System (PES) papers.

Statement of Accounting Officer's Responsibilities

As the CMA's Principal Accounting Officer, in preparing the accounts I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis.

Under section 5 of the Government Resource and Accounts Act 2000, HM Treasury has directed the CMA to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the CMA and of its net resource outturn, application of resources, Statement of Financial Position, changes in taxpayers' equity and cash flows for the financial year.

I have taken all necessary steps to make myself aware of information relevant to the audit of the accounts that accompany this Annual Report, and to ensure that my auditors are informed. So far as I am aware there is no relevant information of which my auditors are unaware.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

Signed for and on behalf of the CMA

Sarah Cardell
Chief Executive and Principal Accounting Officer
6 July 2023

CMA Governance Statement 2022/23

In accordance with HM Treasury Guidance, this Governance Statement sets out the governance, risk management and internal control arrangements for the CMA.

CMA Board and its Committees

The CMA Board is the CMA's main decision-making body. It establishes the CMA's overall strategic direction and ensures that the CMA's statutory duties and functions are fulfilled. The CMA has a number of Board committees, including the Audit, Risk and Assurance Committee, Nominations and Remuneration Committees, the Subsidy Advice Unit Committee (a statutory committee which covers this function), and a committee which has a discrete delivery function (the Open Banking Committee). The CMA also has two Board Committees which manage and oversee the performance and delivery of the CMA's functions and objectives (the Executive Committee (XCo) and Case and Policy Committee (CPC)), which are further supported by XCo's sub-committees (the Resourcing, Portfolio and Pipeline Committee and Operations Committee). The Advisory Committee works with XCo and its sub-committees to provide diversity of thought to inform, support and constructively challenge senior decision-making at the CMA.

The Board

The Board consists of the Chair, Non-Executive Directors (two of whom are also members of the Competition Panel,[5] and one of whom is the OIM Panel Chair[6]) and Executive Directors (including the Chief Executive).

Led by the Chair, the Board establishes the overall strategic direction of the CMA within the policy framework laid down under the Enterprise and Regulatory Reform Act 2013. It ensures that the CMA fulfils its statutory duties and functions, maintains its independence as a non-ministerial government department and ensures that it observes the principles of good corporate governance. The Board will have regard to any opinions and reports of the CMA Principal Accounting Officer and Additional Accounting Officer and ensures that the CMA makes appropriate use of public funds.

The Board is responsible for a number of different matters, including being the decision-maker on reserved matters, as set out in the Act and the CMA Rules of Procedure published on the CMA website. These rules set out the Board's powers and functions and include the Board Authorisations, the Conflicts of Interest Policy and the Terms of Reference for the Board committees (last updated by the Board in February 2022).

The Board is updated on the progress of CMA cases through regular management information reports. It also receives information from the Executive to enable the Board to share its views on the strategic direction of the CMA. Additionally, the Board receives data from a number of sources within the CMA, including an assessment of how the CMA is meeting its strategic priorities and how it is using its financial and staff resources.

The CMA Board met 15 times in 2022/23. Board meetings were held in each month except August, with extraordinary meetings being held in addition to its regular monthly meetings to deal with arising issues in a more timely and flexible manner. The minutes from CMA Board meetings are published on the CMA website. Board and committee attendance is set out on pages 50-5.

[5] Paragraph 1(4) of Schedule 4 to the Enterprise and Regulatory Reform Act 2013 requires that at least one of the CMA Board members is also a CMA Panel member.

[6] Paragraph 1b(4) of Schedule 4 to the Enterprise and Regulatory Reform Act 2013 requires that the CMA appoints a chair to the Office for the Internal Market panel and to membership of the CMA Board.

In line with the CMA Conflicts of Interest policy, a register of interests of Board members, including close family members, is published on the CMA website. Any identified conflicts, and potential conflicts of interest of Board members are managed in line with the Conflicts of Interest policy; any recusals that may subsequently be required are noted in the published minutes.

The CMA Board and its committees

CMA Board

The CMA's main decision-making body. It provides strategic direction and ensures that statutory duties and functions are fulfilled. The Board decides whether to launch market studies and initiate market investigations.

Board committees

Audit and Risk Assurance Committee (ARAC)
Advises the Board and Chief Executive on internal control, audit and risk assurance processes

Remuneration Committee (RemCo)
Reviews SCS performance and awards pay and bonuses. Also advises the Board on non-SCS staff remuneration issues

Nominations Committee (NomCo)
Advises the Board on succession planning for executive and non-executive members of the Board. Also provides advice to Government on CMA Board appointments

Subsidy Advice Unit Committee (SAU Committee)
Considers strategic matters related to the SAU's subsidy control functions

Open Banking Committee (OBC)
Provides guidance regarding the Open Banking Implementation Entity (OBIE) and is responsible for taking decisions in relation to the transition to a future entity and whether a review of the Retail Banking Market Investigation Order 2017 should take place

Executive Committee (XCo)
Focuses on strategic issues, performance and delivery

Case and Policy Committee (CPC)
Oversees cases and projects, ensuring consistency of approach

Independent decision-making forums

CMA Panel (Competition)
Independent decision-makers who conduct phase two merger or market investigations and regulatory appeals.
Panel members may also serve on Case Decision Groups for CA98 cases and Case Management Panels for criminal cases

Office for the Internal Market (OIM) Panel
The OIM Panel will assist the OIM in carrying out its functions, as set out in the UK Internal Market Act

XCo sub-committees

Resourcing, Portfolio and Pipeline Committee (RPPC)
Considers proposals for initiating investigations and case resourcing

Operations Committee (OpCo)
Oversees Corporate Services issues, including ICT, information security, business support services, risk, business continuity and the CMA's Future programme

Steering and Advisory groups: Consider initial ideas and oversee project developments

Advisory Committee (AdCo)
A staff advisory body that advises XCo, RPPC and OpCo on key strategic and operational matters and the selection of projects and cases

Board membership

The list below outlines the membership of the Board from 1 April 2022 – 31 March 2023. Board membership will continue to evolve over 2023/24 as Board members' tenures conclude.

Marcus Bokkerink (Chair)

Marcus was appointed Chair of the CMA Board in September 2022. Marcus is a member of the CMA Nominations Committee, Remuneration Committee and the Open Banking Committee.

Sarah Cardell (Chief Executive)

Sarah Cardell was appointed as Chief Executive of the CMA in December 2022, having been Acting Chief Executive since July 2022. She was General Counsel from September 2013. Sarah is the CMA's Principal Accounting Officer and chairs a number of board committees, including XCO, CPC, the Subsidy Advice Unit Committee and the Open Banking Committee. She is also a member of the CMA Nominations Committee.

Dr Andrea Coscelli CBE

Andrea Coscelli was appointed as the Chief Executive of the CMA in July 2017, having been Acting Chief Executive since July 2016. Andrea was the CMA's Principal Accounting Officer and a member of the CMA Nominations Committee and the Open Banking Committee. Andrea stepped down as Chief Executive and left the CMA in in July 2022.

Jonathan Scott (Chair)

Jonathan Scott was appointed as Non-Executive Director in October 2016. In October 2020, he was appointed as Chair for a term of up to one year or until a permanent Chair could be appointed; Jonathan was reappointed as Chair in October 2021 for a period of up to one year. He chaired the CMA Open Banking Committee and was a member of the Nominations Committee and Remuneration Committee. With the appointment of Marcus Bokkerink as permanent Chair, Jonathan stepped down as Chair in September 2022.

Kirstin Baker CBE (Competition Panel Inquiry Chair, Non-Executive Director)

Kirstin Baker was appointed a Competition Panel member and Non-Executive Director of the Board in September 2018. She also serves as an Inquiry Chair. She is a member of the CMA Audit and Risk Assurance Committee, the Case and Policy Committee, the Open Banking Committee and the Subsidy Advice Unit Committee.

Martin Coleman (Competition Panel Chair, Non-Executive Director)

Martin Coleman was appointed as Non-Executive Director of the CMA Board in October 2017, and his term was extended in 2022. He was appointed Competition Panel Chair in September 2018. He also serves as an Inquiry Chair. He is a member of the CMA Remuneration Committee and the Case and Policy Committee.

Cynthia Dubin (Non-Executive Director)

Cynthia Dubin was appointed as Non-Executive Director of the CMA Board in January 2019. She became Chair of the CMA Audit and Risk Assurance Committee in July 2020 and was appointed Chair of the Nominations Committee in March 2021. Cynthia was a member of the Open Banking Committee until October 2022.

Professor Amelia Fletcher CBE (Non-Executive Director)

Amelia Fletcher was appointed as Non-Executive Director of the CMA Board in October 2016. She was appointed Senior Independent Director in December 2020. She is Chair of both the CMA Remuneration Committee and the Wellbeing, Inclusion, Diversity and Equality (WIDE) Steering Group.

Murdoch MacLennan (Non-Executive Director)

Murdoch MacLennan was appointed as Chair of the Office for the Internal Market and Non-Executive Director of the CMA Board in April 2022. He is also a member of the CMA Remuneration Committee and the Subsidy Advice Unit Committee.

David Stewart (Executive Director, Markets and Mergers)

David Stewart was appointed in January 2022 as Executive Director, Markets and Mergers, a role in which he leads the CMA's activities in the merger control and market regimes, including the Office for the Internal Market and Subsidy Advice Unit. He is an Executive member of the CMA Board.

Dr Michael Grenfell (Executive Director, Enforcement)

Michael Grenfell was appointed in July 2015 as Executive Director, Enforcement, a role in which he leads the CMA's activities enforcing competition law and consumer protection law. He is an Executive member of the CMA Board.

Erik Wilson CBE (Chief Operating Officer)

Erik Wilson was appointed as Chief Operating Officer in June 2020, after holding the position of Executive Director, Corporate Services since September 2013. He leads organisational projects and ensures the CMA has first-class support functions. Erik is the CMA's Additional Accounting Officer. He is an Executive member of the CMA Board.

Dr Mike Walker (Chief Economic Adviser)

Mike Walker was appointed as Chief Economic Adviser and adviser to the Board in September 2013. He advises on complex cases and ensures consistently high-quality advice from the CMA's Office of the Chief Economist, including the Microeconomics Unit (MEU) and the CMA's Data, Technology and Analytics (DaTA) Unit.

Stuart Hudson (Senior Director for Strategy, Communications and Advocacy)

Stuart Hudson was appointed in November 2019 as Senior Director for Strategy, Communications and Advocacy, with executive responsibility for the CMA's strategy development, its statutory advocacy function, its external communications, as well as its work in the devolved nations. He was an adviser to the CMA Board. Stuart left the CMA in March 2023.

Chris Prevett (Interim General Counsel)

Chris Prevett was appointed in July 2022 as Interim General Counsel and adviser to the CMA Board. He ensures consistently high-quality legal work at the CMA, leading the CMA's Legal Service, and the Policy and International Directorate.

Lucy Robbins (Senior Director for People, Capability and Culture)

Lucy Robbins was appointed as Senior Director for People, Capability and Culture in November 2018. She leads the design and delivery of the CMA's people strategy. Lucy became an adviser to the CMA Board in September 2022.

Board meeting attendance 2022/23

Board member	**Meeting attendance** (For those meetings members were eligible to attend)
Kirstin Baker	14/15
Marcus Bokkerink	9/9
Sarah Cardell	9/9
Martin Coleman	15/15
Andrea Coscelli	6/6
Cynthia Dubin	12/15
Amelia Fletcher	15/15
Michael Grenfell	15/15
Murdoch MacLennan	14/15
Jonathan Scott	6/6
David Stewart	15/15
Erik Wilson	13/15

Board committees

We review the effectiveness of the Board annually, and its committees every two or three years. The Board effectiveness review for 2021/22, which covered the Board and its non-Executive Committees was presented to NomCo in July 2022 and was also circulated to the Board. Recommendations included a project to review committee paper length and distribution; consideration on how best to build relationships with staff networks and other staff groups; and development of a rolling programme of portfolio reviews.

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by a Non-Executive Director, Cynthia Dubin, and has two other members: Kirstin Baker (who is a qualified accountant, Non-Executive Director and Competition Panel Inquiry Chair) and Frances McLeman (a CMA Competition Panel member).

The Principal Accounting Officer and/or the Additional Accounting Officer (respectively the Chief Executive and/or the Chief Operating Officer), the CMA Chair, the Director of Finance, the Head of Risk and a member of the senior leadership team in Legal Service also attend ARAC. The National Audit Office (NAO) and Government Internal Audit Agency (GIAA) are represented at these meetings.

ARAC's remit covers all aspects of corporate governance, risk management and internal control within the CMA. It advises the Principal Accounting Officer and the CMA Board on the appropriateness of the financial statements, whether they are fair, balanced and understandable, and the adequacy of audit arrangements (internal and external). It also has a key role on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of the CMA's risk management system and procedures and internal controls including business continuity and information technology. ARAC focusses on risk throughout each meeting, often considering in more detail issues that may raise specific risks for the CMA.

In 2022/23 ARAC worked closely with the CMA Legal Director, Governance, Compliance, and Risk and the Head of Risk to ensure the appropriate assessment and treatment of risks continues to be an integral part of the governance of the CMA. This focussed work resulted in improved risk reporting to ARAC, with corporate and strategic risks being considered at each Board meeting. The Board agreed a revised risk appetite framework in February 2023.

ARAC met four times in 2022/23.

ARAC meeting attendance 2022/23

Board member	**Meeting attendance** (For those meetings members were eligible to attend)
Kirstin Baker	4/4
Cynthia Dubin	4/4
Frances McLeman	4/4

The Remuneration Committee

The Remuneration Committee (RemCo) is chaired by a Non-Executive Director, Amelia Fletcher, with three other non-Executive members: Marcus Bokkerink, CMA Chair (previously Jonathan Scott), Martin Coleman, Competition Panel Chair, and Murdoch MacLennan, OIM Chair.

As Chief Executive, Sarah Cardell attended all RemCo meetings along with the Chief Operating Officer, Erik Wilson. The Senior Director for People, Capability and Change and the HR Director may also attend RemCo.

RemCo is responsible for making decisions on all aspects of remuneration for all SCS staff members, including oversight of all elements of SET performance management and approval of pay awards and bonuses in accordance with Cabinet Office rules. RemCo also provides a strategic steer on delegated pay issues. RemCo met four times in 2022/23.

RemCo meeting attendance 2022/23

Board member	**Meeting attendance** (For those meetings members were eligible to attend)
Amelia Fletcher	4/4
Jonathan Scott	1/1
Marcus Bokkerink	2/2
Martin Coleman	4/4
Murdoch MacLennan	3/4

The Nominations Committee

The Nominations Committee (NomCo) is chaired by a Non-Executive Director, Cynthia Dubin. Marcus Bokkerink, CMA Chair (previously Jonathan Scott) and Sarah Cardell, Chief Executive (previously Andrea Coscelli) are also members.

The Senior Director, People, Capability and Change, the Director of Executive Office, Security & Performance, & Property Transformation may also attend NomCo.

The purpose of NomCo is to advise the Department for Business and Trade on succession planning for executive and non-executive members of the Board and provide advice on future CMA Board appointments. NomCo met twice in 2022/23, focusing on succession planning for the CMA's Senior Executive Team and advice to Government in relation to ongoing and planned recruitment campaigns for CMA roles being run by DBT.

NomCo meeting attendance 2022/23

NomCo member	Meeting attendance
Andrea Coscelli	1/1
Cynthia Dubin	2/2
Jonathan Scott	1/1
Sarah Cardell	2/2
Marcus Bokkerink	1/1

Subsidy Advice Unit (SAU) Committee

The SAU launched on 4 January 2023. The SAU Committee considers strategic matters such as they relate to the SAU's subsidy control functions. These include, in particular, the SAU's overall strategy and objectives, delivery and performance, planning for referrals, regime and reputational issues, and policy and procedures. The committee is chaired by the Chief Executive, Sarah Cardell, and its membership includes Non-Executive Directors, Executive Directors, Senior Directors and a Director. The SAU Committee meets every other week.

SAUC meeting attendance 2022/23

SAU Committee member	Meeting attendance (For those meetings members were eligible to attend)
Sarah Cardell	4/7
Murdoch MacLennan	6/7
Kirstin Baker	6/7
David Stewart	7/7
Chris Prevett	5/7
Mike Walker	4/7
Rachel Merelie	7/7
Anthony Wright	2/2

The Open Banking Committee

The Open Banking Committee (OBC) was originally established in June 2021 and provides guidance regarding the Open Banking Implementation Entity (OBIE) and, in particular, monitoring the corporate governance of OBIE, the future arrangements for OBIE and the transition to a new entity. The OBC is chaired by Sarah Cardell. Marcus Bokkerink (Chair) and Kirstin Baker (Non-Executive Director) were appointed as members to the committee in September 2022, when Jonathan Scott stepped down from this committee; Cynthia Dubin also stepped down from OBC at the end of October 2022. OBC met 16 times in 2022/23.

OBC meeting attendance 2022/23

OBC member	Meeting attendance (For those meetings members were eligible to attend)
Marcus Bokkerink	8/8
Andrea Coscelli	3/6
Kirstin Baker	5/6
Sarah Cardell (since becoming Chief Executive)	9/9
Jonathan Scott	10/10
Cynthia Dubin	10/11

Executive Committee

The Executive Committee (XCo) is the overall decision-making body for performance and delivery. As set out in its terms of reference, XCo oversees and makes decisions relating to strategy, delivery and performance, portfolio and pipeline, finance and risk, staffing, organisational transformation, regime issues and reputation. It also makes decisions on matters relating to the Board, including preparing for and reviewing Board meetings.

XCo meets weekly and is chaired by the Chief Executive, Sarah Cardell, and is attended by the Executive Directors for Enforcement, and Markets and Mergers, the Chief Operating Officer, General Counsel, Chief Economic Adviser, Senior Director People, Capability and Culture, and Senior Director of Strategy, Communications and Advocacy.

XCo also considers and approves recommendations from its sub-committees – the Operations Committee and the Resourcing, Portfolio and Pipeline Committee.

Case and Policy Committee

The Case and Policy Committee (CPC) guides the development of CMA policy across all delivery tools, and provides oversight of cases and projects, ensuring consistency of approach and offers advice on high level legal, economic or policy issues as they arise.

CPC meets at least once per month and is chaired by the Chief Executive, Sarah Cardell, and is attended by the Executive Directors for Enforcement, and Markets and Mergers, two Panel members (likely to be Inquiry Chairs), General Counsel, Chief Economic Adviser, Senior Director of Remedies, Business and Financial Analysis, Senior Director of Markets, and Senior Legal Director, Policy and International.

XCo sub-committees

Operations Committee

The Operations Committee (OpCo) ensures the CMA has in place, and operates appropriate, effective, and robust policies, procedures and business processes including in relation to business continuity, information security, finance and staff issues. OpCo is chaired by the Chief Operating Officer, Erik Wilson; its core membership is made up of Senior Directors from across the CMA and a number of Corporate Services Directors. In January 2022, OpCo reviewed its Terms of Reference to reflect the expansion of its remit in overseeing delivery of the CMA's Property Transformation programme and the CMA's Shaping the Future Programme. OpCo meets six-weekly.

Resourcing, Portfolio and Pipeline Committee

The Resourcing, Portfolio and Pipeline Committee (RPPC) (formerly Pipeline Steering Group) reviews and provides strategic direction in relation to the CMA's use of its resources and capability in its ongoing and prospective work, along with reviewing and providing strategic direction to the balance and priorities of the CMA's ongoing portfolio of work and considers and makes recommendations on the CMA's pipeline of prospective work. RPPC is chaired by the Chief Executive, Sarah Cardell, and its membership includes Executive Directors and Senior Directors from across the CMA. RPPC meets monthly.

The Advisory Committee

In September 2021, the CMA launched an Advisory Committee (AdCo) as part of its wider work on equality, diversity and inclusion and the 2020 Race Action Plan. AdCo acts in an advisory capacity and has no decision-making powers. AdCo works to improve both diversity of experience and diversity of thought at senior levels of the CMA, providing insights and advice to inform, support and constructively challenge senior decision-making. It also advises on certain key strategic matters considered by XCo and OpCo, prior to consideration by the Board, such as the development of the CMA's Annual Plan; it further guides on the selection and prioritisation of cases and projects considered by RPPC. These committees must consider AdCo's advice and recommendations. AdCo meets weekly.

AdCo has an external and Independent Chair from within the Civil Service. This Chair was appointed in September 2021. Their current term was extended by 18 months from September 2022. AdCo's members are drawn from different areas and professions across the CMA, and from backgrounds and groups that are under-represented at senior levels.

The CMA Competition Panel

As set out in the Act,[7] decisions on phase 2 merger inquiries, market investigations and regulatory appeals are made by independent groups drawn from the CMA Competition Panel. Each group has at least three members and is led by an Inquiry Chair. Competition Panel members may also be appointed to Competition Act 1998 case decision groups.

The groups make their decisions independently of the CMA Board. The requirement for the Group to act independently does not prevent the CMA Board from giving appropriate information in its possession to a Group and vice versa.[8] The Board is kept informed about resourcing, efficiency, the application of CMA policy and the staff processes that support the work of the Competition Panel. Legislation requires that at least one Competition Panel member sits on the CMA Board, and the Competition Panel Chair[9] and one of the Inquiry Chairs are currently members of the Board.[10]

The Competition Panel Chair and Competition Panel members are appointed through open competition for their experience, ability and diversity of skills in competition economics, law, finance and business, and public policy. As required by law, appointments to the CMA Competition Panel are made by the Secretary of State for the Department for Business and Trade (DBT) for up to eight years. An Inquiry Chair is dependent on being a member of the CMA Competition Panel.

More information about each of the Competition Panel members is available on our website. Panel members' interests are disclosed as part of the appointment process. A conflicts check is conducted, on a case-by-case basis, when Competition Panel members are assigned to inquiries.

[7] Part 3, Schedule 4 t to the Enterprise and Regulatory Reform Act 2013 (ERRA).

[8] Paragraph 49(2) of Schedule 4 to ERRA.

[9] A Panel member is appointed by the CMA to be the Panel Chair and to carry out certain functions on behalf of the CMA Chair (which include the constitution of a CMA group) by virtue of a delegation under paragraph 48(4) of Schedule 4 to ERRA.

[10] Panel members who are also Non-Executive Directors do not take part in the Board's consideration of whether to make market investigation references for any investigation on which it is anticipated they might form part of a phase 2 group.

CMA Competition Panel members

Inquiry Chairs

Martin Coleman (Competition Panel Chair, Inquiry Chair and Non-Executive Director)

See Martin's biography on page 48.

Kirstin Baker CBE (Inquiry Chair and Non-Executive Director)

See Kirstin's biography on page 48.

Margot Daly (Inquiry Chair)

Margot was appointed an Inquiry Chair in September 2021, having been a Competition Panel member since May 2020.

Richard Feasey (Inquiry Chair)

Richard was appointed an Inquiry Chair in April 2021, having been a Competition Panel member since October 2017. He is a member of the CMA's specialist utility panel.

Stuart McIntosh (Inquiry Chair)

Stuart was appointed an Inquiry Chair in April 2018, having been a Competition Panel member since October 2017. He is a member of the CMA's specialist utility panel.

Kip Meek (Inquiry Chair)

Kip was appointed an Inquiry Chair in November 2018.

For the 2022/23 period, Competition Panel members were:

Jo Armstrong	Humphrey Battcock	Robin Cohen
Maria da Cunha	Anne Fletcher	Robin Foster
Roland Green	Ashleye Gunn	Susan Hankey
Dr Ulrike Hotopp	Paul Hughes	Colleen Keck
Juliet Lazarus	Sheila McClelland	Frances McLeman
Cyrus Mehta	Paul Muysert	Jeremy Newman
Sir Kenneth Parker	Keith Richards	Stephen Rose
Karthik Subramanya	Prof John Thanassoulis	Prof Mark Thatcher
David Thomas	Claire Whyley	Crispin Wright

Risk management

Strong risk management helps the CMA make better decisions. The CMA's risk management approach is positive and supports the achievement of its stretching aims and objectives in promoting competitive markets and tackling unfair behaviour. Risks are discussed in an open and transparent way. This allows the CMA to identify and treat risks quickly and creates a culture of ownership of risk issues at all levels of the organisation, where risks are identified and escalated.

In 2022/23, the CMA built on the previous year's implementation of the risk management framework, to ensure the appropriate assessment and treatment of risks as this continues to be an integral part of the governance of the CMA. This flexible risk framework also ensures consistency of risk identification, management and reporting, and responds to uncertainties that may impact the CMA delivering its strategic priorities.

The risk management framework requires an assessment of the current profile of the risk and that the residual risk is clearly set out. The residual risk is an assessment of the risk after all anticipated actions have been implemented to take inherent risk down. This requirement means that active consideration is given to mitigating actions and what their effect will be once they are applied. The residual risk levels have a direct relationship with the Board's Risk Appetite (revised in January 2023) as it sets out the acceptable level of residual risk across six key themes including strategic, litigation, financial/value for money, operational, legal compliance and reputational. The Appetite provides for some flexibility in limited circumstances, subject to appropriate escalation and approval. The CMA's corporate risk register gives a structured assessment of impact, likelihood and velocity, and the Head of Risk works with the Directorates to manage local risk registers, which feed into the central corporate risk register on a monthly basis. The risk register is split into two tiers of corporate and strategic risks. The risk register is subject to regular review by XCo, ARAC and the Board.

The CMA has a well-established system of internal controls, with the risk function being led by the Head of Risk and the Legal Director for Governance, Risk and Compliance (who in turn reports to the General Counsel). The internal control systems involve Directorates updating their local risk registers on a monthly basis; a review of the local registers and collation of a central corporate risk register for tier 1 and tier 2 risk by the risk function; and a review and discussion of the central corporate risk register and the operation of the risk framework by XCo every month. In addition, XCo carries out a review of the risk portfolio against the Board's Risk Appetite every quarter. ARAC carries out a review of the risk register and effectiveness of the risk framework and provides feedback every quarter. This includes specifically considering residual risks against the Appetite and this ensures that the organisation is operating consistently with the Appetite and that appropriate action is taken to align with the Appetite. The 2022/23 review of the risk framework resulted in its enhancement with the introduction of an assessment of the interconnectivity of risks every quarter by XCo and then that assessment being the subject of review by ARAC also every quarter, and also the introduction of further guidance for staff in completing local risk registers. Lastly, the Board reviews tier 1 risks monthly, considering, in particular, escalated risks, reviewing the overall risk portfolio and challenging where appropriate, including the mitigating actions. Risk forms a key part of the update provided by the Chief Executive at every Board meeting, when the most important risks facing the organisation are raised with the Board.

The risk approach is promoted to staff across the organisation, including through the CMA intranet pages and via training. This focused work on risk has resulted in improved risk reporting and management throughout the CMA. A summary of key risks is set out in the Chief Executive's report at page 33 (Looking ahead – opportunities, challenges and risks).

Shaping the Future CMA

With the appointment of a new Chair in September 2022 and an interim Chief Executive in July 2022, we established a programme to fundamentally review many aspects of the way the CMA operates. With changes in our remit, leadership and ways of working, we saw an opportunity to unify and mobilise the organisation behind a new, durable medium-term ambition, strategy and operating model.

Our Shaping the Future CMA programme focused on the following themes:

- Our values – why do we exist and what values guide everything we do?
- Our purpose, ambition and medium-term priorities – what do we want to achieve and what will we focus on (and not do)?
- Our future business model and capabilities – how will we organise and arm ourselves to achieve that ambition and amplify the effectiveness of our people:
  a. The work we do and how we do it
  b. How we are organised and what skills we need
  c. Decision making
  d. Digital transformation

- Our employee value proposition – how will we ensure we continue to attract and retain the most talented and diverse people on whom the CMA's success depends? How will we empower colleagues?

During Winter 2022/23, we concluded the initial phase of the programme, with delivery being transitioned into business-as-usual activity from January 2023 onwards. This activity is now being managed through our normal governance and oversight channels including the Senior Executive Team, Executive Committee and Board.

Implementation of Government Functional Standards

The Government Functional Standards (GFS) refers to a published suite of management standards developed by the Cabinet Office, and which have been mandated for use across central government since September 2021, including functions such as project delivery, commercial and finance. The purpose of the GFS is to create a coherent, effective, and standardised approach to undertake business within government and to provide a stable basis for capability building and continuous improvement.

Our assurance framework provides clear roles and accountabilities for those engaged in front line delivery and related corporate oversight, and the use of each relevant GFS has been embedded into the organisation.

In 2022/23 the Government Internal Audit Agency (GIAA) conducted an oversight review to provide independent and objective assurance of the effectiveness and adequacy of the governance, risk, and controls management over the CMA's efforts to ensure the organisation is both compliant with all relevant GFS and also that Cabinet Office spend controls are properly applied.

In GIAA's audit report issued to the CMA in April 2023, it noted that it had observed good practice in the governance model which provides clear oversight to senior managers, including the Chief Operating Officer and ARAC, on our management of compliance with the GFS and spend controls. Roles and responsibilities for supporting the CMA to achieve compliance with the GFS and to comply with spend controls are well defined, documented, communicated, and understood.

Whilst we are content that our governance, risk, and control framework for complying with the GFS and spend controls are operating as intended, there are opportunities to improve on and strengthen the control environment, regarding the GFS, to ensure we remain compliant over the long term. We intend to implement all GIAA management recommendations in 2023/24 and will report quarterly to ARAC on progress.

Compliance

Compliance with the Corporate Governance Code[11]

The CMA has complied with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice, to the extent appropriate and in line with its statutory duties.

Identifying and managing conflicts of interest — outside interests

The CMA's Conflicts of Interest[12] policy sets out the process for declaring outside interests and managing any potential conflicts that may arise for Board, Competition Panel and staff members as a result of outside interests. In line with this policy, all Board, Panel and staff members declare outside interests which could give rise to conflict risks with either their managers and/or the Compliance Officer for the purposes of assessing whether a conflict arises as a result of outside interests and, if so, how it

[11] Corporate Governance Code for Central Government Departments, produced jointly by HM Treasury and the Cabinet Office.
[12] The CMA Conflicts of Interest policy is annexed (Annex D) to the CMA Board Rules of Procedure.

should be managed. This policy is both robust and adheres to the relevant requirements of the Civil Service Management Code.

In May/June 2023, an assurance exercise was undertaken[13] to ensure that any paid outside employment held by Senior Civil Servants at the CMA does not present a conflict of interest. This exercise, the results of which have been scrutinised by the CMA's Audit and Risk Assurance Committee, found that no CMA Senior Civil Servants held remunerated positions or wider interests that might conflict with their obligations under the CMA's Conflicts of Interest policy or the Civil Service Management Code. In accordance with the Cabinet Office's guidance on the Declaration and management of outside interests in the Civil Service, the details of three Civil Servants' remunerated outside employment has been agreed in accordance with the CMA's Conflicts of Interest policy.

Application of the Business Appointment Rules

The CMA's Conflicts of Interest policy makes it clear that, when staff leave the organisation, they must comply with the requirements of the Business Appointment Rules (BARs) before they accept a new appointment outside the Civil Service. The CMA also has a dedicated BARs policy that sets out in more detail the process in place for handling applications made at different grades under the BARs. The CMA has taken steps to ensure that both policies are well publicised within the organisation, through internal communications, presentations to teams and the annual attestation process set out in the Conflicts of Interest policy.

The CMA's HR department follows a clearly defined process to ensure that BARs applications are completed by all staff before they leave the Civil Service and all applications from senior staff are considered by the Compliance Officer.

The CMA's Audit and Risk Assurance Committee has reviewed the process for compliance with BARs to give assurance that, in the last reporting period, the CMA has applied the BARs to all staff leaving the Civil Service, and the CMA has been transparent in the decisions given in individual applications from senior staff, in compliance with the BARs transparency reporting requirements (published decisions for the last reporting period can be found on our website).

BARs Applications 2022/23

There were 11 applications from SCS staff requiring BARs, and two SCS staff applications which were transfers to Other Government Departments (OGDs).

Total number of BARs applications received from all grades of staff assessed by the department over the year (by grade):

AO	12
EO	10
HEO	33
SEO	12
G7	20
G6	25
PB1	11
PB2	2

Total number of BARs applications from all grades of staff where conditions were set (by grade):

[13] This assurance exercise is undertaken annually, as required by the CMA's Conflicts of Interest policy, and the Cabinet Office's Declaration and management of outside interests in the Civil Service guidance.

AO	0
EO	0
HEO	2
SEO	1
G7	3
G6	6
PB1	4
PB2	2

There were no applications that were found to be unsuitable for the applicant to take up, and there were no breaches of the Rules.

Internal whistleblowing

The CMA's internal whistleblowing policy, known as 'Speaking Out', outlines the process to follow if a member of staff is aware of a perceived wrongdoing within the CMA, including something they believe goes against the core values in the Civil Service Code (i.e. integrity, honesty, objectivity and impartiality). The policy is available to all staff on the intranet and is highlighted to new staff during their induction programme. A programme of communications runs through the year, including blogs and involvement in the cross-Civil Service Speak Up week. A group of trained Speaking Out Advisers are available to staff who want to raise a concern but are not sure how to do so. The policy is part of the CMA's internal control framework and is reviewed each year. The CMA received no whistleblowing complaints during 2022/23.

Corporate complaints

The CMA takes complaints raised against it very seriously. The CMA's complaints procedure allows for speedy informal resolution of complaints, for instance by a phone call, if that is satisfactory to the complainant, or an escalation to an independent senior staff member if appropriate. The CMA is committed to thorough investigation of any complaints raising serious issues about its conduct.

In 2022/23, the CMA received seven communications which raised issues about its conduct and which were treated as corporate complaints (2021/22: nine). Of these seven complaints none were upheld.

No complaints were made about the CMA to the Parliamentary and Health Service Ombudsman during 2022/23 (2021/22: none).

General correspondence

In 2022/23 the CMA handled 4,781 items of written correspondence from the public, which included many reports from consumers and businesses about anti-competitive behaviour or problems in markets, and which may lead us to scrutinise markets or investigate businesses that may be breaking the law (2021/22: 7,341). We have a 10-day working target to reply to this correspondence. We responded to 100% of this correspondence within this target (2021/22: 100%).

During 2022/23 the CMA received 110 MPs' letters (not including ministerial departmental correspondence) (2021/22: 152). We responded to 68.8% of these within our target of 15 working days (2021/22: 79%).

Freedom of Information Act (FoIA) requests

In 2022/23, the CMA responded to 89% of the FoIA requests it received within the statutory 20 working day period. Delays in replying within the statutory period stem primarily from the case specific attributes of each request, especially where more complex cases required input from across the organisation.

FoIA requests 1st April 2022 – 31st March 2023

Total number of requests for information under the FoIA. *Of these:*	**149**
Number of requests granted in full	47
Number of requests refused in full because the CMA does not hold any of the information requested	20
Number of requests refused because the cost of the response would exceed the cost threshold	4
Number of requests refused because request was vexatious	0
Number of requests where the CMA refused to provide some of the information	50
Number of requests where the CMA refused all the information requested	28

During this period, the CMA received and responded to four requests for an internal review of decisions made under FoIA. Its original decision was upheld in three of these reviews and partially upheld in one.

During this period, no requesters complained to the Information Commissioner's Office (ICO) about the CMA's handling of their FoIA request.

UK GDPR requests

In the same period, the CMA received 10 requests under the UK GDPR. Six of these were requests made by individuals who wanted a copy of their personal data held by the CMA. 9 of these 10 requests were answered within the statutory one-month period.

Personal data related incidents reported to the ICO

No personal data related incidents were reported to the ICO during 2022/23.

Internal Audit

The Head of Internal Audit provides an annual report and opinion on the systems of governance, risk management and control operating in the CMA based on the work undertaken during the year, knowledge of the business environment, and the work of others such as the National Audit Office.

In 2022/23, the Head of Internal Audit provided an overall 'moderate' opinion on the framework of governance, risk management and control within the CMA. While this headline opinion remains the same as last year, analysis of the findings and recommendations continues to demonstrate a maturing first and second line risk management and control environment and has been achieved despite the increased size and complexity of the CMA, a change in leadership and external pressures.

Continued progress had been observed in embedding the risk management framework with improved risk reporting as part of the risk escalation process, and the inclusion of the CMA's new functions as an integral part of the governance of the CMA. However, there remain areas where further work is required to ensure that risk management arrangements are fully embedded at an operational level.

The CMA continues to operate in an ever-changing environment, reflecting additional challenges to delivering business as usual activities, including implementing a hybrid approach to working following the lifting of the Covid restrictions, against a political environment that has seen a number of Prime Ministers, a cost-of-living crisis, recruitment restrictions early in the year, industrial action and an increasingly competitive workforce market. Despite this, the CMA has continued to expand its presence across England and the Devolved Nations, is increasing activities through the establishment of the Digital Markets Unit, in addition to embedding new core functions such as the Office for the Internal Market and Subsidy Advice Unit.

The CMA's commitment to continuous improvement and to meet its strategic objectives is reflected in its work on the 'Shaping the Future CMA' to understand how it can evolve to achieve its vision and through the Future Corporate Systems Project on how its core corporate systems can continue to effectively support business activities in the future. At the same time, the CMA has conducted an internal review of its values to take stock and adapt the current articulation to reflect the vision of the CMA culture going forward.

The Head of Internal Audit suggested that recruitment and retention of staff is likely to continue to be a key risk area for the CMA in 2023/24, with increased competition with wider government organisations and the private sector in a competitive job market for specialist skillsets, observing that this will require innovative approaches to compete with the private sector as the CMA continues to grow. This risk is recognised by the CMA and is reflected in several risks in the Corporate Risk Register.

The Head of Internal Audit concluded that his findings and recommendations represent an opportunity to improve controls and further implement good practice to which the CMA is receptive, reflecting its commitment to continuous improvement. He has also identified a strong commitment to ensuring a proportionate control environment, which is aligned to good practice and business needs.

Reporting on better regulation

Part 4 of the Regulatory Enforcement and Sanctions Act 2008 requires the CMA to report on its compliance with its duty under the Act to avoid imposing or maintaining unnecessary burdens on businesses in performing regulatory functions. Where our work does result in regulatory functions, it does so under competition or mergers law, which are expressly excluded from better regulation reporting controls. We have no power to make rules or otherwise impose burdens affecting businesses generally. Our interventions take place in relation to specific businesses or markets, and we intervene only in the light of clear evidence of market failure and/or suspected breaches of law that threaten the proper working of markets.

Sustainability Report

The CMA is committed to meeting the Greening Government Commitment targets set out to reduce water consumption, greenhouse gas emissions, minimise waste and ensure sustainable procurement of products.

The Greening Government Commitments set out a framework to reduce their impacts on the environment by 2025. We have a program in place to ensure that the Greening Government Commitment targets are met within our other offices and also our new offices opening in Manchester and Darlington, and progress against the Greening Government Commitments energy consumption targets is reported quarterly to the Department for Business and Trade.

As a government organisation we are committed to a target of achieving net zero greenhouse gas emissions by 2050. The CMA has embarked on its journey to tackle the climate change risks and make changes to its operations and the way it functions as an organisation.

We have offices across the UK in London (Canary Wharf), Edinburgh, Manchester, Darlington, Cardiff and Belfast. Due to expansion, we are due to occupy new larger premises in Manchester and Darlington in summer 2023. With the exception of Canary Wharf, most of the services in our other offices are provided by landlords who provide information to the individual tenants. We have increased our headcount over the past year, which has impacted overall emission numbers.

Mitigating Climate Change

We have a headline target to reduce the overall greenhouse gas emissions from the 2018 baseline. We have reviewed and updated the CMA travel policy so that lower carbon options are considered, and governance is now in place to report on the reduction.

The below table shows travel mode, distance travelled and emissions for the CMA in 2022/23. It is important to note that our increased headcount has increased these figures relative to previous years. We continue to encourage rail travel as alternative to driving and we are working to reduce the need for travel. We have introduced hybrid working where staff split their time between the office and remote working. This is based on a minimum 40% attendance requirement. We actively use available technology, including Microsoft Teams, to carry out hybrid working effectively. This new way of working helps to reduce energy consumption and gas emissions.

It is important to note that the COVID-19 pandemic impacted travel across the CMA during 2022. It is expected that we will drive a reduction in 2023/24 due to the change in ways of working.

	Year	Distance(miles)	Emissions (kg CO_2)
Air Travel	2022/23	412,560	53.65
Rail Travel	2022/23	122,400	4.34
Eurostar	2022/23	640	22.4
Car Travel	2022/23	8,288	1.16

Utilities and Waste Management

As the CMA is an occupant of multi-tenanted buildings, the landlords typically provide utility services including waste management. Our increased headcount has affected our energy, water usage and waste management. The water figure is calculated on the area (sqm) of the CMA floor plate with gas and electricity values on a per floor basis. We are currently working with the landlord to install sub-meters in our Canary Wharf office so that we can obtain more accurate data in a more efficient way. This requirement is also part of the specification when we acquire new buildings.

All our waste management goes through a recycling program and helps reduce the amount of waste the business produces, including food waste in the café in our Canary Wharf office which gets measured and identified so that any food thrown in the bin will be captured automatically and the data reported. Our consumption is set out in the table below and is based on an apportionment across all tenants in our main offices.

	Year	Consumption (KWh)	Tonnes (CO_2e)
Electricity	2022/23	571,949	121
Gas	2022/23	194,137	35

	Year	Usage (m^3)
Water	2022/23	6,706

	Year	Tonnes
Waste Recycled Externally	2022/23	11.25

We have a target to cut paper usage in our offices and are dedicated to implementing sustainable measures to reduce paper usage. We encourage staff to adopt digital alternatives and reduce printing wherever possible, also discouraging staff from printing unless absolutely necessary. The default setting of our central printers is double sided and monochrome to reduce printing costs and our carbon footprint. All our paper is certified by the Forest Stewardship Council, confirming that our paper is made from recycled materials and is elemental chlorine free. Our paper also complies with ISO9706 accredited certification. Our supplier is ISO14001 accredited, meaning that it has an effective environmental management system in place.

The below table shows the number of paper reams ordered from the supplier.

	Year	Number of Reams
Paper Usage	2022/23	437

In our Canary Wharf office, the heating, ventilation and air conditioning is controlled by a Building Management System which is aligned to the WELL building standard. This controls and monitors usage, making the office more efficient. We have also installed motion sensor lights which help reduce energy consumption and tap sensors are in place to control water by using solenoids and a timer.

Sustainable Procurement

Our purchasing activity complies with the EU public directive to achieve maximum value for money and to minimise waste throughout our supply chain. Collaboration with our suppliers is key to ensure they align with our sustainability objectives and support our initiatives to promote sustainable development and reduce carbon emissions.

Catering Services

Our office in Canary Wharf offers a café style service which provides fresh food and barista coffee. Sustainable choices are made when procuring and our current catering provider has priority categories of food and drink where progress needs to be made on sustainability, like avoiding fish with a Marine Conservation Society 5 rating, avoiding all caged fresh eggs, using only Fair Trade or Organic tea/coffee and ensuring that palm oil is not used in food products or frying and cooking oils.

We are committed to reducing single use plastics by using alternative products like Vegware coffee cups, a plant based compostable food service packaging. We have committed to remove all plastics in the Canary Wharf café such as spoons, plates, bottles, and straws.

The below table shows how many pieces of plastic were used within the CMA in 2022/23.

	Year	Pieces used
Single Use Plastic	2022/23	3,602

The WELL Silver accreditation award was achieved by our Canary Wharf office in London. This shows our dedication to creating sustainable and healthy environments. The advantages of a WELL Silver accredited area include better air and water quality, improved lighting and acoustics and healthy food and drink options.

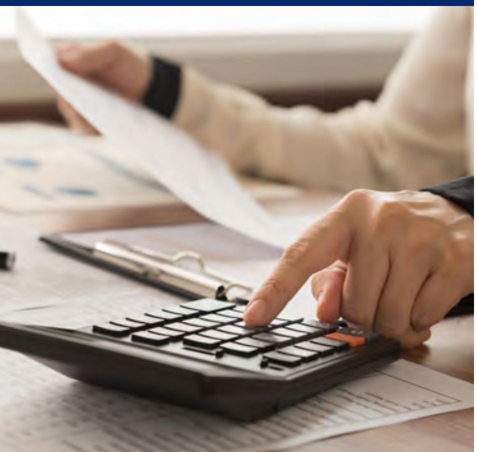
Accommodation

Our office in Canary Wharf, London is designed to the Building Research Establishment Environmental Assessment Method (BREEAM) ‘Excellent’ standard.

About our data

The utilities and most of our services are provided to us through our landlords and via service charges related to our lease agreements. In the absence of detailed information from our landlords we have used the financial information available. The amounts indicated are calculated based on the limited information that is available to tenants within a multi-tenanted property.





Remuneration and Staff Report

Remuneration Report

Senior management – single total figure of remuneration (audited)

Senior management	Salary		Allowances		Bonuses[14]		Pension benefits		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Andrea Coscelli CBE[15]	70-75	200-205	-	-	-	15-20	12	37	80-85	255-260
Chris Prevett[16]	140-145	-	-	-	10-15	-	40	-	195-200	-
David Stewart[17]	170-175	40-45	-	-	-	-	66	16	235-240	55-60
Erik Wilson CBE	140-145	135-140	-		15-20	15-20	(55)	5	100-105	155-160
Lucy Robbins[18]	125-130	-	5-10	-	15-20	-	27	-	175-180	-
Michael Grenfell	170-175	165-170	-	-	15-20	15-20	26	25	210-215	205-210
Mike Walker	185-190	180-185	-	-	15-20	15-20	70	70	270-275	270-275
Sarah[19] Cardell	205-210	200-205	-	-	15-20	15-20	31	31	250-255	250-255
Stuart Hudson[20]	135-140	135-140	-	-	15-20	10-15	54	54	205-210	200-205

[14] At the time of publication, guidance for bonus payments for SCS staff in respect of performance during the 2022/23 performance year has not yet been approved by government. Figures for the 2021/22 performance year, which were paid in 2022/23, have been used.
[15] Andrea Coscelli left the CMA on 27 July 2022. Full year salary was £200k-£205k.
[16] Chris Prevett's role as interim General Counsel took effect from 27 July 2022, therefore remuneration data was not reportable for 2021/22.
[17] David Stewart joined the CMA on 4 January 2022. Full year annual salary in 2021/22 was £165k-£170k.
[18] Lucy Robbins' role as advisor to the Board took effect from September 2022, therefore remuneration data was not reportable for 2021/22.
[19] Sarah Cardell was temporarily promoted from General Counsel to interim Chief Executive from 27 July to 18 December 2022. She was appointed as Chief Executive from 19 December 2022.
[20] Stuart Hudson left the CMA on 26 March 2023. Full year annual salary in 2022/23 was £140k-£145k.

Fair pay disclosures (audited)

Percentage change in pay

For the highest paid director[21], there has been an increase of 2.5% to the mid-point of the band for salary and allowances compared with 2021/22. This is because the individual in this position received a non-consolidated payments as part of the 2022/23 pay award as their salary already exceeded the maximum of their pay band. There has been no change to performance pay and bonuses.

For all employees, excluding the highest paid director, there has been an average percentage increase to salary and allowances of 2.3% since 2021/22. There has been an average percentage decrease of 5.20% to performance pay and bonuses.

The change to salary and allowances is as a result of the pay award for 2022/23, which has increased the average salary.

The decrease in performance pay and bonuses has occurred because the budget for these payments remained similar to 2021/22 but there were more staff in 2022/23, resulting in a lower average payment.

Pay ratios

The pay ratios show the relationship between the remuneration of the highest-paid director and the remuneration of the CMA's workforce.

The banded full-time equivalent remuneration of the highest-paid director in the CMA in the financial year 2022/23 was £220k-£225k (2021/22: £220k-£225k).

In 2022/23, no employees received remuneration in excess of the highest-paid director (2021/22: nil). Remuneration, excluding the highest-paid director, ranged from £23.2k-£202.6k (2021/22: £22.5k-£217.9k).

The table below shows the ratios between the highest paid director's remuneration and the pay and benefits of the employee at the 25th percentile, the median and the 75th percentile.

	2022/23			2021/22	
	Total pay & benefits (£)	Salary (£)	Pay ratio	Total pay & benefits (£)	Pay ratio
25th percentile	39,193	38,259	5.68:1	38,628	5.78:1
Median	58,947	58,047	3.77:1	57,616	3.86:1
75th percentile	78,038	76,632	2.85:1	76,561	2.91:1

There have been decreases in the pay ratios at the 25th percentile, the median and the 75th percentile ratios. These differences can be attributed to the 2022/23 pay award which resulted in the total pay and allowances at the 25th percentile, median and 75th percentile all being higher than 2021/22. However, the

[21] For the CMA the highest-paid director is the highest-paid director on the Executive Committee.

mid-point of the banded remuneration for the highest paid director was unchanged following the 2022/23, and so the ratios decreased.

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

Senior management – pension benefits (audited)

	Accrued pension at pension age as at 31 March 2023	Real increase in pension and related lump sum at pension age	CETV at 31 March 2023	CETV at 31 March 2022	Real increase / (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Andrea Coscelli CBE	-	-	-	-	-	12
Chris Prevett	20-25	0-2.5	246	215	16	-
David Stewart	0-5	2.5-5	62	12	36	-
Erik Wilson CBE	95-100	-	1,889	1,744	(76)[22]	-
Lucy Robbins	15-20	0-2.5	200	181	15	-
Michael Grenfell	-	-	-	-	-	26
Mike Walker	40-45	2.5-5	580	497	43	-
Sarah Cardell	-	-	-	-	-	31
Stuart Hudson	10-15	2.5-5	101	68	19	-

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

Non-Executive Board members remuneration (audited)

	2022/23		2021/22	
	Salary	Benefits in kind	Salary	Benefits in kind
	£000	Nearest £100	£000	Nearest £100
Amelia Fletcher	25-30	-	25-30	-
Cynthia Dubin	25-30	-	25-30	-
Jonathan Scott[23]	45-50	-	105-110	-
Kirstin Baker[24]	25-30	-	25-30	-
Marcus[25] Bokkerink	60-65	-	-	-
Martin Coleman[26]	25-30	-	25-30	-
Murdoch[27] MacLennan	25-30	-	-	-

All the Non-Executive Board members (NEDs) were engaged on a 30-days per year basis except for Jonathan Scott and Marcus Bokkerink who were both was engaged to commit a minimum of 2-days per week.

The Chairman and the NEDs are not members of the Principal Civil Service Pension Scheme and they have no other pension entitlements with the CMA (2021/22: nil).

[23] Jonathan Scott left the CMA on 6 September 2022. Full year salary was £105k-£110k.
[24] The salary above for Kirstin Baker relates to her role as a CMA NED only. In 2022/23 Kirstin was also employed as a CMA Inquiry Chair and in 2022/23 earned a total remuneration of £110k-£115k for her work on the CMA Board and Panel.
[25] Marcus Bokkerink joined the CMA on 7 September 2022. Full year salary was £105k-£110k.
[26] The salary above for Martin Coleman relates to his role as a CMA NED only. In 2022/23 Martin was also employed as a CMA Panel Chair, and in 2022/23 earned a total remuneration of £135k-£140k for his work on the CMA Board and Panel.
[27] Murdoch MacLennan joined the CMA on 1 April 2022. The salary above relates to his role as a CMA NED only. In 2022/23 Murdoch was also engaged as a Chair of the OIM Panel, and in 2022/23 earned a total remuneration of £35-40k for his work on the CMA Board and Panel.

Remuneration policy

The remuneration of Senior Civil Servants (SCS) is set by the Prime Minister following independent advice from the Review Body on Senior Salaries (SSRB).

The SSRB advises the Prime Minister from time to time on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975 (as amended).

In reaching its recommendations, the SSRB considers:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional and local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the government's departmental expenditure limits; and
- The government's inflation target.

The SSRB takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. In 2022/23 no such payments were made, (2021/22: nil).

Salary and bonuses

Salary covers both pensionable and non-pensionable amounts and includes but may not necessarily be confined to gross salaries; overtime; recruitment and retention allowances; private office allowances; other allowances (to the extent that they are subject to UK taxation); and any ex-gratia payments. This report is based on accrued payments made by the CMA.

Bonuses are based on performance levels attained as part of the end of year performance review process. The bonuses disclosed for senior management were paid in 2022/23 and relate to performance in 2021/22. The comparative bonuses reported for 2021/22 relate to performance in 2020/21.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 were switched into **alpha** between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2023 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report). All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Master trust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of 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 disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred 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 account of 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

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.

Staff Report

Introduction

The CMA's talented staff are the foundation of our success and our most important asset in delivering our ambitious plans and objectives.

We remain committed to ensuring we are a great employer that values and welcomes the different knowledge, ideas, skills, behaviours, and experiences all our colleagues bring to the CMA.

We also aim to foster a culture that promotes wellbeing and mental health so colleagues can thrive.

This year we have focussed on a number of people initiatives, with the aim of making our employee experience the best it can be.

CMA Values

During Autumn 2022, as part of our Shaping the Future programme, we undertook extensive colleague engagement to review our values.

We launched our new values statements in December which are:

- Through our values we deliver impactful outcomes - for people, businesses, and the economy.
- We are ambitious and evidence-based, and always strive for excellence.
- We treat everyone with respect and are collaborative and inclusive.
- Everything we do is underpinned by the Civil Service values: Honesty, Integrity, Objectivity, and Impartiality.

We have finalised our implementation and embedding plan with 12 actions to be delivered during 2023/2024 so that our values become ever more real and tangible in all we do and how we work.

Equality, Diversity, Inclusion and Wellbeing

Promoting equality, diversity and inclusion remains a key focus for the CMA. This year we have undertaken a comprehensive review of our work in this area to date. While we have made progress there is more to do to become an organisation that is fully representative of the society we serve.

Working in consultation with our Staff Networks, staff representatives and Advisory Committee we have developed our second two-year action plan as part of our current four-year equality, diversity and inclusion strategy. We will deliver in five thematic areas: recruitment and grow our own, career progression and development, improving representation, pay and reward and culture of inclusivity.

We provide and promote a wide range of wellbeing initiatives including a wellbeing toolkit to signpost colleagues to the right support for them. This year we have also created a hub of financial wellbeing information to signpost colleagues to where they could gain support with cost-of-living challenges.

We have a large team of trained Mental Health First Aiders who provide assistance to colleagues by signposting available support and listening to employees and managers, encouraging open conversations about mental health.

Our Employee Assistance Programme provides a broad range of support and advice to staff on family, relationship, and financial matters, as well as access to counselling.

Employee Value Proposition and our Employee Experience

During Autumn 2022, as part of Shaping the Future CMA, we undertook a broad series of colleague engagement sessions to understand how colleagues viewed their experience of working at the CMA – what they valued, and what they wanted to see improved. We then analysed our staff survey results from 2022 to cross-check the data and information.

We have now finalised and are implementing a series of Employee Value Proposition statements that we will use to attract potential colleagues to the CMA. These deliver a consistent narrative and articulation about the CMA experience.

We have drafted an Employee Experience Plan which will provide us with a longer-term strategic plan to improve the experience colleagues have. Delivery of some key actions has already started. The plan will be focused on five themes: learning and career development; inclusion; flexibility and work-life balances; the work we do; and empowerment.

Staff engagement

The CMA participates in the Civil Service annual staff survey. We value the information and insight that staff share on what it's like to work in the Civil Service and in the CMA. We have used the 2022 data to help us determine our Employee Experience Plan and also to establish and implement local action plans in directorates and teams that make targeted improvements based on what staff tell us. Feedback given in the 2022 survey has informed our Employee Value Proposition as described above.

In the 2022 staff survey results which were published in December 2022, the CMA's response rate was 75% and our engagement score was 64%. We reported positive progress for work/life balance, providing staff with the right tools to deliver their work, personal wellbeing and having an acceptable workload. Our Employee Experience Plan will focus on five themes that staff told us they would like to see improved; learning and career development; inclusion; flexibility and work-life balance; the work we do; and empowerment.

Learning and Development

We have continued to develop and refresh our core learning offer with a specific focus to ensure the CMA continues to deliver on its medium term and annual plan priorities. We have particularly improved our induction and onboarding; digital skills; and drafting skills training. In addition, we have delivered a range of skills and knowledge learning including diversity and inclusion topics, broader business skills and team specific or specialist learning.

Continuing our focus on career development we undertook our second year of career conversations with our staff, with a return rate of 82%. This has provided a solid overview of the talent pipeline and the development areas across all our teams. We will be using this data to support our employee experience activity and insight for leaders.

During 2023/24, colleagues undertook an average of 12.5 hours learning per quarter, above our target of 9.25 hours. We supported a total of 59 professional memberships and supported more than 30 staff to work towards professional qualifications / further study. We had 25 apprentices in post at end of year, demonstrating our commitment to developing our diverse talent pipeline and building capability in the workplace.

We introduced a new system to track the completion of essential and mandatory learning. We have been rolling this out incrementally with teams so we can more effectively track and remind colleagues of their regular mandatory learning.

Recruitment outreach

Recruitment outreach activities have continued throughout the year on a local basis. This has included open days, careers fairs, talks & seminars, as well as events focused on Devolved Nations and regions:

- Colleagues from the Office of the Chief Economic Advisor completed a series of economics lectures at universities across England, Scotland and Wales.
- Legal Services colleagues attended careers fairs at City University in London, alongside a micro-placement partnership, offering short term placements with the CMA.
- Colleagues from the Digital Markets Unit attended the Manchester Digital Skills Festival focussed on early careers in digital, data and technology, in anticipation of future growth at the CMA.
- We have continued to foster relationships with the Darlington Economic Campus Outreach Group, with colleagues based in Darlington taking part in local events and workshops.

Staff policies applied for disabled staff

Applications for employment

Candidates applying through the Disability Confident Scheme (DCS) are guaranteed an interview if their application scores the minimum acceptable level, or higher, for all elements assessed, regardless of whether there are higher scoring candidates.

During the recruitment process we encourage candidates to tell us what changes or help they might need, so that we can make reasonable adjustments to support them in their application.

Continuing employment

The health and wellbeing of our staff is a key enabler to help us to deliver our objectives and contribute to the success of our organisation. We fully recognise our responsibilities and our duty of care to all of our staff and aim to enable staff to maintain their health, wellbeing and safety at work.

We have implemented the cross-government Workplace Adjustment Passport which aims to support the conversation between an individual and their manager about their disability, health condition or gender reassignment and any workplace adjustments that might need to be made.

Our VisAbility staff network's primary aim is to raise awareness and celebrate the abilities of staff members with either a non-visible and / or visible disability (physical and mental health) or long-term health condition. The VisAbility network partnerships with the Dyslexia Network for the benefit of their members.

Training and development

In addition to offering career development via the Civil Service talent programmes (such as the Future Leaders Scheme DELTA programme), we have developed our own career development programme, Aspire, which continues to be part of the CMA’s work on inclusion and commitment to supporting positive action.

Health and Safety

The CMA values the health, safety, and wellbeing of its staff, contractors, and visitors. We ensure a comprehensive and consistent approach across all the CMA office locations.

Health and safety compliance testing has been carried out across all CMA sites, such as building inspections, safety audits, fire risk assessments, fire extinguisher inspections, lift maintenance and inspections, water risk assessments, Portable Appliance Testing (PAT Test), fire door inspections, and fire suppression system testing.

First aid, mental health first aid, and fire warden training has been delivered to ensure cover and support for staff at all sites, and the CMA emergency evacuation plan and procedure were reviewed before planned fire drills were carried out. The health and safety standing committee membership was reviewed with new members appointed from all CMA office locations.

During 2022/23, 6 accidents and 9 near misses were recorded, but none of these accidents met the requirements for a reportable accident (2021/22: 3 accidents and 3 near misses). The increase compared with last year is reflective of increased office attendance by staff, having reoccupied our offices following the easing of COVID-19 restrictions.

Sickness absence

The average working days lost in 2022/23 due to absence per FTE employee was 4.57 days (2021/22: 3.54 days). The most recently published Civil Service figure was an average of 7.9 days.

During 2022/23 COVID-19 still had an impact on staff absence accounting for 21.6% of all working days lost during the year (26.1% in 2021/22).

Staff turnover

The CMA's annual staff turnover rate for permanent staff in 2022/23 was 15.6% (2021/22: 13.0%).

Our turnover has increased this year. We invite all those who leave the CMA to provide feedback on their experience at the CMA and their reasons for leaving. The key factors cited as a reason for leaving in 2022/23 were improved pay and benefits (66% of those completing the exit questionnaire) and career progression (57%). Even where pay was not a key factor in leaving, a significant majority of leavers (93%) stated they would receive a higher level of pay at their new employer.

Our staff have skills and experience that are desirable across different sectors. 78% of leavers who completed the exit questionnaire left the Civil Service to move to private sector organisations, regulators, public sector organisations and charities.

Other reasons for leaving included job satisfaction, career change and working hours. Office attendance, and office location, were also cited; following the pandemic and changes to the way we work, some staff have chosen to move to organisations where they have even greater flexibility over their working location.

Trade Union Facility Time

Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities as a trade union representative.

Relevant union officials

18 staff (17 FTE) were relevant union officials during 2022/23 (2021/22: 17.4 FTE). 4 union officials spent 0% of their working hours on facility time in 2022/23 (2021/22: 3) and 14 union officials spent up to 50% of their working hours on facility time in 2022/23 (2021/22:15).

The time spent by union officials on paid trade union activities as a percentage of total paid facility time hours in 2022/23 was 3.61% (2021/22: 6.59%).

The percentage of the total pay bill in 2022/23 spent on paying employees who were relevant union officials for facility time was 0.063% (2021/22: 0.064%).

Off-payroll engagements

Off-payroll worker engagements, earning £245 per day or greater, as at 31 March 2023.

Number of existing engagements as of 31 March 2023 Of which, no. that existed:	24
Less than 1 year	16
For between 1 and 2 years	5
For between 2 and 3 years	1
For between 3 and 4 years	1
For 4 or more years	1

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

Number of temporary off-payroll workers engaged during the year ended 31 March 2023 Of which:	34
Not subject to off-payroll legislation	28
Subject to off-payroll legislation and determined as in-scope of IR35	-

Subject to off-payroll legislation and determined as out-of-scope of IR35	6
No. of engagements reassessed for compliance or assurance purposes during the year	-
Of which: No. of engagements that saw a change to IR35 status following review	-

Off-payroll workers are typically engaged either through commercial contracts to deliver expert services or as temporary agency workers to fill hard to recruit roles, provide temporary cover for key roles or to deliver urgent and time critical projects.

There were no off-payroll engagements of Board members and/or senior officials with significant financial responsibility.

There were 3 individuals on payroll that have been deemed Board members and/or senior officials with significant financial responsibility.

Staff costs (audited)

Staff costs comprise:

			2022/23	2021/22
	Permanently employed staff	**Others[28]**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Wages and salaries	56,152	2,424	58,576	54,040
Social security costs	6,894	-	6,894	6,112
Pension costs	14,733	-	14,733	13,633
Sub total	**77,779**	**2,424**	**80,203**	**73,785**
Other staff costs	207	-	207	89
Recoveries of income in respect of outward secondments	(164)	-	(164)	(14)
Total	**77,822**	**2,424**	**80,246**	**73,860**

The total wages and salaries for 2022/23 have increased compared to 2021/22. This is reflective of the increase in the number of people employed.

Number of people employed (audited)

The number of people (FTE) employed at 31 March 2023 and the average number of people (FTE) employed during the year:

[28] Wages and salaries of Others comprises of agency and temporary staff.

	At year-end		Average for year	
	2022/23	2021/22	2022/23	2021/22
	Number	Number	Number	Number
Permanent staff	813.7	786.0	804.6	781.0
Others[29]	114.3	89.1	99.0	81.0
Total	928.0	875.1	903.6	862.0

The 2022/23 year-end figure is 52.9 FTE higher than the year-end figure for 2021/22. This is due to the CMA completing more recruitment appointments than seen in 2021/22. This can be attributed to the growth of the DMU and SAU. In quarters 1 and 2, we noted the highest number of candidates starting at the CMA.

Staff composition

The composition, by grade, of staff engaged on a contract of employment[30], at 31 March 2023 by grade:

	2022/23		2021/22	
	Male	Female	Male	Female
SCS3 (Director)	2.0	1.0	3.0	0
SCS2 (Director)	12.7	8.3	13.9	7.3
SCS1 (Director)	56.5	42.8	55.1	41.2
Grade 6	114.2	106.8	109.8	91.7
Grade 7	127.3	115.1	129.1	125.5
SEO	36.8	30.7	26.0	34.8

[29] Others includes loans in, secondments in, fixed term contracts and agency workers. The CMA has no ministers or special advisers.

[30] Staff composition data differs from the number of people employed data as it only includes persons employed on a contract of employment and excludes secondees and agency workers.

HEO	71.8	86.3	66.8	80.8
EO	22.5	35.9	32.6	38.5
AO	12.6	13.0	7.0	12.0
Total	456.4	439.8	443.3	431.8

Staff on loan

Since 2022/23, we have noted an increase in the number of loans used by the CMA, with 33 staff loaned out, and 47 loaned in; an increase of 42 loans in total compared to 2021/22. The majority of loans have been with the Legal and OCEA directorates, with 27 loans respectively. Legal had 13 loans in, and OCEA had 21 loans in, mainly Economists.

The driving force for utilising loans is proactively sourcing staff with the relevant knowledge and experience, but also Civil Service methods of working, in order to complement external recruitment campaigns. Some loans have resulted from specialist knowledge requirements for our casework, and a way to source staff at pace. Other reasons for loans have been, for example, loaning staff to BEIS to help in preparing the Digital Markets, Competition and Consumers Bill and preparing for the launch of the SAU and OIM. By utilising staff members from both within and outside the CMA, we have been able to build experience and expertise within business areas, as well as upskilling staff who ultimately return to their home department. The same is true for staff returning to CMA from loans elsewhere.

	Outward staff loans 2022/23		**Inward staff loans 2022/23**	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
SCS3 (Director)	0	0	0	0
SCS2 (Director)	0	0	0	0
SCS1 (Director)	0	2	1	0
Grade 6	5	5	3	6
Grade 7	7	9	17	18
SEO	0	1	0	1
HEO	1	1	0	1
EO	2	0	0	0

AO	0	0	0	0
Total	**15**	**18**	**21**	**26**

Expenditure on consultancy

In 2022/23, the CMA spent £0.8 million on consultancy (2021/22: £0.7 million). The increase in expenditure in 2022/23 was predominantly due to discovery phase costs of projects, such as the Future Corporate Systems project, as well as business analysis carried out for the digital transformation project.

Exit packages (audited)

Exit packages are paid, where applicable, in accordance with the terms of the Civil Service Compensation Scheme. Exit costs are accounted for in full when a commitment has been made by the CMA and are paid in the year of departure.

No exit packages were paid in 2022/23 (2021/22: nil).

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply (SOPS)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the CMA to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how the CMA has spent against its Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year. Should the CMA exceed the limits set by their Supply Estimate, called control limits, its accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn. The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 41, in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

Statement of Outturn against Parliamentary Supply 2022/23

					2022/23				2021/22
		Outturn			Estimate				Outturn
Type of spend	**SoPS Note**	**Voted**	**Non-voted**	**Total**	**Voted**	**Non-voted**	**Total**	**Voted outturn compared with Estimate: saving/ (excess)**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Departmental Expenditure Limit									
Resource	1.1	115,349	-	**115,349**	123,582	-	**123,582**	8,233	97,937
Capital	1.2	6,528	-	**6,528**	8,731	-	**8,731**	2,203	2,675
Total		**121,877**	**-**	**121,877**	**132,313**	**-**	**132,313**	**10,436**	**100,612**
Annually Managed Expenditure									
Resource	1.1	(8,979)	-	**(8,979)**	15,000	-	**15,000**	23,979	7,875
Capital	1.2	(173)	-	**(173)**	1,000	-	**1,000**	1,173	-
Total		**(9,152)**	-	**(9,152)**	**16,000**	-	**16,000**	**25,152**	**7,875**
Total Budget						-			
Resource	1.1	106,370	-	**106,370**	138,582	-	**138,582**	32,212	105,812
Capital	1.2	6,355	-	**6,355**	9,731	-	**9,731**	3,376	2,675
Total Budget Expenditure		**112,725**	**-**	**112,725**	**148,313**	**-**	**148,313**	**35,588**	**108,487**
Non-Budget Expenditure		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Budget and Non-Budget		**112,725**	**-**	**112,725**	**148,313**	**-**	**148,313**	**35,588**	**108,487**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Please refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net Cash Requirement 2022/23

			2022/23		2021/22
Item	**SoPS Note**	**Outturn**	**Estimate**	**Outturn Compared with Estimate: Savings/(Excess)**	**Outturn**
		£000	**£000**	**£000**	**£000**
Net Cash Requirement	**3**	**113,701**	**123,005**	**9,304**	**92,134**

Administration costs 2022/23

			2022/23		2021/22
Type of spend	**SoPS Note**	**Outturn**	**Estimate**	**Outturn Compared with Estimate: Savings/(Excess)**	**Outturn**
		£000	**£000**	**£000**	**£000**
Administration costs	**1**	**19,777**	**26,640**	**6,863**	**19,070**

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Outturn against Parliamentary Supply 2022/23

SOPS 1 Outturn detail, by Estimate Line

SOPS 1.1 Analysis of resource outturn by Estimate Line

Type of spend: (Resource)	2022/23									2021/22
	Outturn							Estimate		Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Outturn total	Net total	Net total compared to Estimate	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)										
Voted: A Competition Promotion	19,913	(136)	**19,777**	95,822	(250)	**95,572**	**115,349**	**123,582**	**8,233**	97,937
Annually Managed Expenditure (AME)										
Voted: B Competition Promotion	-	-	-	(8,979)	-	**(8,979)**	**(8,979)**	**15,000**	**23,979**	7,875
Total Resource	**19,913**	**(136)**	**19,777**	**86,843**	**(250)**	**86,593**	**106,370**	**138,582**	**32,212**	**105,812**

Detailed explanations of the significant variances between the Outturn and Estimate are included in the Directors' report: financial review on page 41.

SOPS 1.2 Analysis of capital outturn by Estimate line

Type of spend: (Capital)	2022/23 Outturn Gross	Income	Net[31]	Estimate Net	Net total compared with Estimate	Net total compared to Estimate, adjusted for virements	2021/22 Outturn Net
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)							
Voted: A	6,528	-	**6,528**	**8,731**	**2,203**	**2,203**	**2,675**
Annually Managed Expenditure (AME)							
Voted: B	(173)	-	**(173)**	**1,000**	**1,173**	**1,173**	**-**
Total Capital	**6,355**	**-**	**6,355**	**9,731**	**3,376**	**3,376**	**2,675**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS 2 Reconciliation of outturn to net operating expenditure

Item	Note	2022/23 Outturn £000	2021/22 Outturn £000
Total Resource outturn	**SoPS 1.1**	**106,370**	**105,812**
Add: Research included within capital budget outturn[32]		14	**-**
Less: Discounting of capitalised dilapidation provision for IFRS 16 Leases		(808)	**-**
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**105,576**	**105,812**

[31] There were no virements in 2022/23.

[32] The European system of regional and national accounts, 2010.

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

Research within scope of the European system of regional and national accounts 2010 (ESA 10) is budgeted for as CDEL, and the capitalisation of dilapidation for leases within scope of IFRS 16 is budgeted for as CAME, but both are accounted for as spend on the face of the SoCNE.

SOPS 3 Reconciliation of net resource outturn to net cash requirement

		2022/23			2021/22
		Outturn	Estimate	Net total outturn compared with Estimate: saving/(excess)	Outturn
	Note	£000	£000	£000	£000
Total Resource outturn	SOPS 1.1	106,370	138,582	32,212	105,812
Total Capital outturn	SOPS 1.2	6,355	9,731	3,376	2,675
Adjustments to remove non-cash items:					
Depreciation (including asset impairment)	4	(10,579)	(12,102)	(1,523)	(5,168)
New provisions and adjustments to previous provisions	4	6,128	(16,000)	(22,128)	(7,956)
Other non-cash items	4,5	(496)	-	496	(90)
Adjustments to reflect movements in working balances:					
Increase/(decrease) in receivables	10	(76)	-	76	(4,243)
(Increase)/decrease in payables	12	(1,152)	2,794	3,946	2,181
(Increase)/decrease in lease liabilities		4,306	-	(4,306)	-
Increase/(decrease) in lease receivables		(47)	-	47	-
Increase/(decrease) to be surrendered to the Consolidated Fund		(199)	-	199	(1,234)
Use of provisions	12,14	3,091	-	(3,091)	157
Net cash requirement		**113,701**	**123,005**	**9,304**	**92,134**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SOPS 4 Income payable to the Consolidated Fund

SOPS 4.1 Analysis of income payable to the Consolidated Fund

During 2022/23 there was no income payable to the Consolidated Fund (2021/22: nil).

SOPS 4.2 Consolidated Fund income

Consolidated Fund income does not include any amounts collected by the CMA where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the CMA's 2022/23 Trust Statement which is published separately from, but alongside, this Annual Report and Accounts.

Parliamentary accountability disclosures

Losses and special payments (audited)

In 2022/23 there was one reportable loss of £1.06 million (2021/22: nil million) and no reportable special payments (2021/22: nil million).

The reportable loss was the full impairment of the Online State Aid System, (OSAS), which was built to support UK state aid moving to the CMA if the UK left the EU without a deal. Its core purpose was to allow the CMA to manage and regulate UK state aid to UK Granting Authorities, to submit notifications and adhere to reporting and transparency requirements, as well as publishing CMA decisions for public access. OSAS was not completed due to HM Government policy requirements that shifted significantly, making it a redundant solution, rather than due to any IT delays.

The CMA explored the possibility of repurposing the software used to build OSAS for other IT solutions, but the repurposing was not feasible. In January 2023, HM Treasury permitted the CMA to fully impair this asset under construction.

Contingent liabilities not required to be disclosed under IAS 37 (audited)

There were no remote contingent liabilities in 2022/23 (2021/22: nil).

Prompt payment of suppliers

While our standard terms and conditions specify payment within 30 days of receipt, we aim to make payments of all valid invoices within 10 working days. In 2022/23, 81% of all valid invoices received were paid within 10 working days (2021/22: 73%) and 94% of all valid invoices received were paid within 30 days (2021/22: 94%).

2022/23	Invoices paid within 10 working days	Invoices paid within 30 days
1st Quarter	95%	100%
2nd Quarter	89%	96%
3rd Quarter	68%	91%
4th Quarter	77%	92%

Comparative to 2021/22, we are showing an improvement in payment performance. This is due to targeted and frequent communication on the importance of payment performance to all CMA colleagues involved with this process.

In 2022/23, 85% of all valid invoices received from SME suppliers were paid within 10 working days (2021/22: 71%).

We remain committed to being proactive in identifying and implementing further opportunities to improve our performance in 2023/24 and intend to meet the target commitment to pay 90% of invoices within 10 working days.

Signed for and on behalf of the CMA

Sarah Cardell
Chief Executive and Principal Accounting Officer
6 July 2023

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Competition and Markets Authority (CMA) for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000. The financial statements comprise:

- 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 Competition and Markets Authority's affairs as at 31 March 2023 and its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

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

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Competition and Markets Authority 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 Competition and Markets Authority'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 Competition and Markets Authority'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 Competition and Markets Authority is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires 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 information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. 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 HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Parliamentary Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance Summary, Corporate Governance Report, Remuneration and Staff Report and Parliamentary 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 Competition and Markets Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Remuneration and Staff Report and Parliamentary 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 Competition and Markets Authority 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 Remuneration and Staff Report and Parliamentary Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Competition and Markets Authority 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 statements 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 HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Competition and Markets Authority'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 Competition and Markets Authority 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 Government Resources and Accounts Act 2000.

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 Competition and Markets Authority's accounting policies.
- inquired of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to the Competition and Markets Authority'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 Competition and Markets Authority's controls relating to the Competition and Markets Authority's compliance with the Government Resources and Accounts Act 2000 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 among the engagement team and the relevant internal specialists, 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 Competition and Markets Authority for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Competition and Markets Authority's framework of authority and other legal and regulatory frameworks in which the Competition and Markets Authority 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 Competition and Markets Authority. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, Employment Law, Tax Legislation, The Enterprise and Regulatory Reform Act 2013 and the Subsidy Control Act 2022.

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- 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 also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **Date: 10 July 2023**

Comptroller and Auditor General

National Audit Office

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Victoria

London

SW1W 9SP

CMA Financial Statements

Statement of Comprehensive Net Expenditure (SoCNE) for the year-ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Operating income	5	(386)	(1,009)
Total operating income		**(386)**	**(1,009)**
Staff costs	3	80,246	73,860
Dilapidations provision: provided in year	4	-	1,756
Purchase of goods and services	4	25,716	31,205
Total operating expenditure		**105,962**	**106,821**
Net operating expenditure / (income) for the year		**105,576**	**105,812**
Other comprehensive net expenditure			
Actuarial net loss / (gain) on by-analogy pension scheme	14	(244)	76
Comprehensive net expenditure / (income) for the year		**105,332**	**105,888**

The notes on pages 100 to 124 form part of these Financial Statements.

Statement of Financial Position as at 31 March 2023

	Note	2022/23 £000	2021/22 £000
Non-current assets			
Property, plant, and equipment	6	31,989	33,520
Right-of-use assets	7	47,339	-
Intangible assets	8	1,816	1,344
Lease receivables	11	292	-
Total non-current assets		**81,436**	**34,864**
Current assets			
Trade and other receivables	10	4,920	6,084
Lease receivables	11	35	-
Cash and cash equivalents	9	922	723
Total current assets		**5,877**	**6,807**
Total assets		**87,313**	**41,671**
Current liabilities			
Trade and other payables	12	(12,693)	(11,514)
Lease Liabilities	13	(4,642)	-
Provisions	14	(2,380)	(10,047)
Total current liabilities		**(19,715)**	**(21,561)**
Total assets less current Liabilities		**67,598**	**20,110**
Non-current liabilities			
Trade and other payables	12	-	(10,834)
Lease Liabilities	13	(43,388)	
Provisions	14	(9,823)	(11,622)
Total non-current liabilities		**(53,211)**	**(22,456)**
Total assets less (liabilities)		**14,387**	**(2,346)**
Taxpayers' equity and reserves			
General fund		14,387	(2,346)
Total equity		**14,387**	**(2,346)**

The notes on pages 100 to 124 form part of these Financial Statements.

Sarah Cardell
Chief Executive and Principal Accounting Officer
6 July 2023

Statement of Cash Flows for the year-ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Cash flows from operating activities			
Net operating income/(expenditure)	SoCNE	(105,576)	(105,812)
Adjustments for non-cash transactions	4,5	3,924	13,214
Adjustment for non-cash interest of lease liabilities	4	388	-
(Increase)/Decrease in trade and other receivables	10	1,164	4,243
Less movement in receivables relating to items not passing through the SoCNE		(1,088)	-
Increase/(Decrease) in trade and other payables	12	(9,655)	(2,181)
Movements in payables relating to items not passing through the SoCNE		11,006	1,234
Use of provisions	10,13	(3,091)	(157)
Net cash (outflow) from operating activities		**(102,928)**	**(89,459)**
Cash flows from investing activities			
Purchase of property, plant, and equipment	6,13	(5,158)	(2,468)
Purchase of intangible assets	8	(66)	(207)
Net cash (outflow) from investing activities		**(5,224)**	**(2,675)**
Cash flows from financing activities			
Financing from the Consolidated Fund (supply)		113,900	90,900
Payment of lease liabilities		**(5,596)**	-
Receipts from lease receivables		47	-
Net cash flow from financing activities		**108,351**	**90,900**
Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund		**199**	**(1,234)**
Payments of amounts due to the Consolidated Fund		-	-
Net Increase/(Decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**199**	**(1,234)**
Cash and cash equivalents at the beginning of the year	9	**723**	**1,957**
Cash and cash equivalents at the end of the year	9	**922**	**723**

The notes on pages 100 to 124 form part of these Financial Statements.

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

	Note	General Fund £000
Balance as at 31 March 2021		**11,318**
Net Parliamentary Funding		
Drawn down Supply		90,900
Deemed Supply		1,957
Unspent Supply repayable to the Consolidated Fund	9	(723)
Non-cash charges – auditors' remuneration	4	90
Net operating expenditure for the year		(105,812)
Actuarial (loss)/gain on pension liability	14	(76)
Balance at 31 March 2022		**(2,346)**
Adjustment to opening balance for IFRS 16 adoption: rent-free creditor reversal to Reserves		8,253
Balance at 1 April 2022		**5,907**
Net Parliamentary Funding		
Drawn down Supply		113,900
Deemed Supply		723
Unspent Supply repayable to the Consolidated Fund	9	(922)
Non-cash charges - auditors' remuneration	4	111
Net operating expenditure for the year		(105,576)
Actuarial (loss)/gain on pension liability	14	244
Balance at 31 March 2023		**14,387**

The notes on pages 100 to 124 form part of these Financial Statements.

Notes to the Financial Statements

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2022/23 Government Financial Reporting Manual (FReM), issued by HM Treasury, and the Government and Resource Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the CMA selects the accounting policy which is judged to be most appropriate to the particular circumstances of the CMA for the purpose of giving a true and fair view.

The particular policies adopted by the CMA are described below. In addition to the primary statements prepared under IFRS, the FReM also requires the CMA to prepare a Statement of Outturn against Parliamentary Supply and supporting notes analysing the net resource outturn and capital outturn against control totals voted by Parliament through the Estimate. These are included within the Parliamentary Accountability section of this document.

The CMA is domiciled in the United Kingdom and its principal place of business is at 25 Cabot Square, London with offices in Manchester, Edinburgh, Cardiff, Belfast, and Darlington. The presentational and functional currency is pound sterling.

In common with other government departments, the financing of the CMA's future service provision and liabilities are to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2023/24 in the central government Main Supply Estimate and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, except for those financial instruments that are measured at amortised cost, as explained in the accounting policies below, and as determined by the relevant accounting standards and the accounts direction issued by HM Treasury.

1.2 Significant judgements and estimates

Provisions

Recognition and valuation of provisions rely on the application of professional judgement, historical experience, and other factors expected to influence future events. A provision is recognised where the likelihood of a liability crystallising is probable and where such provision can be measured with reasonable certainty. Provisions are based on valuations, supplemented by management judgement. Estimates and assumptions applied in these models are routinely evaluated and reviewed.

1.3 Standards issued but not yet effective

There are no IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the CMA.

1.4 Income

IFRS 15 'Revenue from Contracts with Customers' applies to income received by the CMA. All income is recognised when the service is provided or when a legal decision has been determined.

Income recognised consists principally of:

- Regulatory Appeals; and
- appeal costs reimbursed (relating to recovered legal costs) and other income.

Regulatory appeals

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This core principle is delivered in a 5-step model framework: [IFRS 15:IN7]

- Step 1: Identify the contract with a customer - This condition is satisfied when a third party challenges a regulatory decision by a sector regulator and the issue is referred to the CMA. This fits the definition of a contract under the FReM adaption of IFRS 15. The FReM states that legislation or regulations that allow an entity to receive cash from another entity fit the definition of a contract.
- Step 2: Identify the performance obligations in the contract - The performance obligations in the contract are for the CMA to act as an expert tribunal, to decide on the underlying case, and for the recovery of costs to become enforceable.
- Step 3: Determine the transaction price, which is the costs incurred by the CMA acting as an expert tribunal, as quantified in the final costs order.
- Step 4: Allocate the transaction price to the performance obligations in the contract after steps 2 and 3 have been actioned i.e. the performance obligation is for the CMA to act as an expert tribunal and the costs order is allocated to the CMA's performance of this role.
- Step 5: The revenue is recognised when the timeframe to appeal the CMA's decision has elapsed or the appeal process has been concluded.

Appeal costs reimbursed

Income in the form of appeal costs reimbursed is recovered from parties who have unsuccessfully appealed a legal decision made by the CMA. The CMA accounts for income that relates solely to the recovery of the internal element of these costs, as any external costs (disbursements) are offset from fine income on the CMA's Trust Statement.

The income recognition point for internal legal cost reimbursements is when a Court or Tribunal Judgment is handed down stating that the appeal has been dismissed, the CMA's decision is being upheld and it is agreed or ordered by the Court or Tribunal that the appellant should pay the CMA all or a proportion of the CMA's costs in the appeal case.

1.5 Pensions

The CMA recognises the expected pension costs on a systematic and rational basis over the period during which it benefits from employees' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the CMA recognises the contributions payable for the year.

The CMA has a separate scheme for the previous Chairs and Directors General of the Office of Fair Trading, which is analogous to the PCSPS. A legacy pension provision has been recorded for the future costs of benefits under this scheme.

1.6 IFRS 16 – Leases

Scope and exclusions – the CMA as a lessee

The CMA adopted IFRS 16 Leases from 1 April 2022. This standard replaced IAS 17 Leases. IFRS 16 Leases provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset meets the IFRS 16 criteria classification of "low value".

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the CMA assesses whether the contract meets three main evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the CMA;
- The CMA has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering our rights within the defined scope of the contract; and
- The CMA has the right to direct the use of the identified asset throughout the period of use.

The CMA has applied IFRS 16 using the modified retrospective approach, adjusting opening retained earnings and not restating comparatives. This involves calculating the right-of-use asset and lease liability based on the present value of remaining lease payments, excluding VAT, on all applicable lease contracts at the adoption date and discounted in accordance with HM Treasury discount rates promulgated via a PES paper each year.

The CMA uses the cost model in IFRS 16 as a proxy for current value in existing use or fair value as the lease agreements for CMA-occupied properties contain regular rent review periods which is expected to minimise the divergence between cost and fair value.

The CMA has used the following practical expedients permitted by the standard:

- The CMA has collated the operating lease information in order to assess the updated cumulative adjustment on transition and elected not to apply IFRS 16 to contracts that are not identified as containing a lease under IAS 17;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2022 as short-term leases;
- The accounting of operating leases for which the underlying asset is of low value i.e. under the CMA's asset capitalisation threshold of £5,000;
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application. At this date, the CMA elects to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Initial recognition – the CMA as a lessee

At the commencement of a lease, the CMA recognises a right-of-use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments discounted either by the interest rate implicit in the lease or, where this is not readily determinable, the CMA's incremental rate of borrowing, which is the rate promulgated by HM Treasury (0.95% for leases recognised in 2022, 3.51% for those in 2023). Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period, together with any extension options the CMA is reasonably certain to exercise, and any termination options the CMA is reasonably certain not to exercise.

The measurement of lease payments excludes any VAT payable, and irrecoverable VAT is expensed at the point it falls due in line with IFRIC 21 Levies.

The right-of-use asset is measured at the value of the lease liability, adjusted for: any lease payments made before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; and any costs of removing the asset and restoring the site at the end of the lease.

Enhancements to leased assets, such as alterations to a leased building, are not classified within right-of-use assets but remain classified as property, plant and equipment in accordance with the FReM.

As at 31 March 2022, the CMA held five operating leases which previously, under IAS 17, were expensed on a straight-line basis over the lease term. These leases, for CMA-occupied premises at: the Cabot; the Litigation Unit; and in the four Nations were the only lease agreements in scope of IFRS 16.

Impact on financial statements – the CMA as a lessee

On 1 April 2022, the adoption of IFRS 16 had the following impact on the Statement of Financial Position:

- Property, plant and equipment, for the right-of-use assets, increased by £49.71 million.
- Trade and other payables, for the lease liabilities, increased by £51.94 million; and
- Taxpayers' equity and reserves increased by £8.25 million.

The increase to the taxpayers' equity and reserves was due to the reversal of the rent-free creditor for the Cabot and recorded as a current and non-current liability in the CMA's 2021/22 financial statements. The rent-free creditor was created during rent-free periods to record a rental cost in the Statement of Comprehensive Expenditure, in accordance with IAS 17 – Leases.

The following is a reconciliation of total operating lease commitments as at the 31 March 2022 (as disclosed in the financial statements dated 31 March 2022) to lease liabilities recognised at 1 April 2022:

	£000
Total operating lease commitments disclosed at 31 March 2022 (undiscounted)	**53,962**
Adjustments from IAS 17 to IFRS 16	
Add: Updates to future rent payments and pre-occupation costs not previously captured	1,035
Less: Discounting using HM Treasury rate of 0.95 % for 2022 leases	(3,052)
Total lease liabilities recognised under IFRS 16 at 1 April 2022 (discounted)	**51,945**

The following is a reconciliation of the total lease liabilities recognised at 1 April 2022 to the total right-of-use assets.

	£000
Total lease liabilities recognised under IFRS 16 at 1 April 2022 (discounted)	**51,945**
Adjustments:	
Add: Prepayments of rent	1,088

Less: Accruals for rent	(122)
Less: Lease incentives received from the Cabot landlord	(2,830)
Less: De-recognised right-of-use asset – Cabot floorspace occupied by the Groceries Code Adjudicator	(371)
Total right-of-use assets recognised under IFRS 16 at 1 April 2022	**49,710**

The removal of rent review increases to the discounted cashflows, partially offset by the inclusion of pre-occupation costs specifically for rent, has resulted in a material change to the quantitative disclosures for the right-of-use assets (£54.3 million) and lease liabilities (£56.6 million) balances on 1 April 2022 that were estimated in the CMA's 2021/22 statement of accounting policies.

The CMA does not have any peppercorn leases.

In 2022/23, the adoption of IFRS 16 had the following impact on the Statement of Comprehensive Net Expenditure (SoCNE):

- The depreciation charge increased by £4.29 million for the right-of-use assets; and
- The finance charge increased by £0.38 million for the lease liabilities.

The CMA as a lessor

The CMA is the lessor in one agreement that sub-lets part of the Cabot's office space to the Groceries Code Adjudicator (GCA).

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. However, IFRS 16 has made the following change to the guidance on subleases:

- If the head lease is a short-term lease, the sublease is classified as an operating lease;
- Otherwise, the sublease is classified with reference to the right-of-use asset arising from the head lease, rather than with reference to the underlying asset.

The CMA therefore classified this agreement with the GCA as a finance sublease on the application of IFRS 16 from the transition date.

On 1 April 2022, the adoption of IFRS 16 had the following impact on the financial statements:

- Receivables, for the floorspace occupied by the GCA, increased by £0.37 million; and
- Property, plant and equipment for the derecognised right-of-use asset, decreased by £0.37 million.

1.7 Property, plant, and equipment

Judgement is made on fixed asset lives, revaluation of land and building and capitalisation threshold in accordance with IAS 16

Expenditure on property, plant and equipment include the purchase of new assets, enhancement, and replacement of existing assets at cost, less accumulated depreciation and any impairment losses.

The CMA capitalises expenditure of £5,000 (inclusive of VAT) or more for both individual and grouped assets where they are in use for over 12 months. Where significant purchases of individual assets which are separately beneath the capitalisation threshold arise in connection with a single project, they are treated as a grouped asset.

All other repairs and maintenance are charged to the SoCNE during the financial year in which they are incurred.

Depreciation is charged to the SoCNE, from the month following that in which the asset is brought into service. The assets' residual value and useful life are reviewed and adjusted if appropriate at the end of each reporting period. There was no revaluation in 2022/23.

1.8 Assets under construction

Assets under construction represent costs incurred in developing both tangible and intangible assets. Upon completion and when these assets are available for use, the relevant value of these assets are transferred to the appropriate asset class and depreciated (or amortised) according to the relevant accounting policy. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

1.9 Intangible assets

Intangible assets are recognised in accordance with IAS 38 'Intangible Assets' as adapted by the FReM.

Intangible assets comprise of the development of Information Technology (IT) platforms for use across the CMA, other software and software licences capitalised at cost where they satisfy the CMA's capitalisation criteria of capitalising expenditure of £5,000 (inclusive of VAT) or more for individual purchases and grouped assets and where they are in use for over 12 months. Where significant purchases of individual assets which are separately beneath the capitalisation threshold arise in connection with a single project, they are treated as a grouped asset.

Internally generated intangible non-current assets, such as computer software, are recognised only if an asset is created that can be identified. Where no internally generated intangible asset can be recognised, development costs are recorded as an expenditure in the period in which they are incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CMA and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. These assets are carried at cost value less amortisation and impairment charged subsequent to the date of revaluation.

Amortisation of capitalised intangible assets is charged to the SoCNE on a straight-line basis, from the month following that in which an asset is brought into service, over the estimated useful life of the asset.

1.10 Depreciation and amortisation

The CMA depreciates right-of-use assets under IFRS 16 on a straight-line basis over the useful life of the asset, which is to the lease end date. If the CMA decides to exercise the break clause in a lease agreement, the right-of-use asset will be depreciated to this new end date and depreciation will be accelerated.

The other asset classifications are depreciated or amortised at rates calculated to write down their value, less any estimated residual value, evenly on a straight-line basis over their estimated useful lives. Where a change in asset life is determined, the asset is depreciated or amortised over its remaining assessed life on a straight-line basis using accelerated depreciation.

For assets under construction, the point at which the asset is available to use is when depreciation or amortisation commences.

Estimated useful asset lives are within the following ranges:

Property, plant, and equipment (depreciation)

Leasehold improvement costs (including dilapidations asset) over the remainder of the lease term

Information technology	2 to 6 years
Furniture and fittings	5 to 10 years

Intangible assets (amortisation)

Software licences	2 to 5 years (licence term)
Software	2 to 5 years

The values of assets are reviewed for impairment for events or changes in circumstances that indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

1.11 Financial instruments

IFRS 9 'Financial Instruments' includes requirements for classification, recognition and measurement, impairment and derecognition of financial instruments. The CMA does not hold any complex financial instruments and its financial instruments are comprised of trade receivables and payables. Receivables are measured at amortised cost.

IFRS 9's 'Expected Credit Loss' (ECL) model for the assessment of impairment for financial assets does not materially impact these Accounts. The CMA predominantly has trade receivables held for collecting cash in the normal course of business, therefore the CMA takes the 'simplified' approach permitted under the standard which eliminates the need to calculate a 12-month ECL. If the credit risk of a trade receivable increases significantly and is not considered low, a full lifetime ECL is recognised.

1.12 Cash and Cash Equivalents

Cash and cash equivalents represent the balance held with the Government Banking Service. The CMA does not hold cash equivalents, as defined in paragraph 6 of IAS 7 – Statement of Cash Flows.

1.13 Value Added Tax

Many activities of the CMA are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT.

2 Statement of operating costs by operating segment

2.1 Analysis by operating segment

The CMA recognised nine reportable segments within its management accounts with the following breakdown of total gross expenditure:

	Total gross expenditure 2022/23 £000	Total gross expenditure 2021/22 £000
Corporate Services**	26,961	22,640
Digital Markets Unit	2,994	4,803
Subsidy Advice Unit	1,499	-
Enforcement	16,699	18,256[33]
Legal Service	28,756	13,372
Markets and Mergers	12,868	16,919[34]
Office for the Internal Market	1,762	-
Office of Chief Economic Advisor	14,350	12,295
Policy and International	-	1,593
Strategy, Communications and Advocacy	3,585	3,729
Balance at 31 March	**109,474**	**93,607**

In 2022/23, the CMA rearranged its operating segments to relocate the Subsidy Advice Unit from Enforcement into its own segment; the Office for the Internal Market relocating from Market and Mergers to its own segment; and Policy and International relocating to Legal Service.

The decreased expenditure within the Digital Markets Unit (DMU) is attributed to the changes to apportionment of overheads to new functions. In 2022/23, no overheads were apportioned to these functions which has consequently increased the expenditure in Corporate Services.

The increased expenditure within Legal Service is attributed to Policy and International relocating to the Legal Service operating segment and the use of SR21 funding to cover litigation expenses, due to insufficient CA98 income. Refer to note 4 for further information on CA98 income.

[33] Including SAU.

[34] Including OIM.

From 2023/24, the CMA will implement a structural change which will lead to a standalone Mergers Directorate.

**Corporate Services total gross expenditure of £26.96 million is analysed as follows:

	Total gross expenditure 2022/23 £000	Total gross expenditure 2021/22 £000
Premises	6,932	6,796
Information Technology	4,655	3,167
Staff and other non-staff costs	15,374	12,677
Balance at 31 March	**26,961**	**22,640**

The increase in Corporate Services total gross expenditure is mainly attributed to an increase in staffing and other non-staff costs, this is as a result of a recent recruitment drive to support the CMA's growth. Information Technology expenditure has increased due to increasing prices of suppliers, such as the hosting of Microsoft Azure, and the introduction of the new cyber security system, Darktrace, in 2022/2023. The expenditure on premises has increased as a consequence of expanding the CMA's presence, such as the office in Darlington.

2.2 Reconciliation between operating segments and SoCNE

	2022/23 £000	2021/22 £000
Total gross expenditure reported for operating segments	109,474	93,607
Reconciling items:		
Income	(386)	(1,009)
Legal provision utilisation	(3,025)	-
Litigation offset	(4,800)	-
Depreciation and non-cash items	4,313	13,214
Total net expenditure per the SOCNE	**105,576**	**105,812**

3 Staff costs

Total staff costs at 31 March 2023 were £80.2 million (2021/22: £73.9 million), comprising: £58.6 million salaries and wages; £6.9 million social security; and £14.7 million staff pension costs. More detailed information on staff costs is available in the Staff Report on page 72.

4 *Purchase of goods and services*

	2022/23 £000	2021/22 £000
Rent (operating leases)	109	3,875
Rates	1,673	1,815
Stamp duty	34	-
Utilities	807	387
Maintenance	8	19
Other Premises Costs	427	332
Service Charge	2,808	1,816
Net premises costs	**5,866**	**8,244**
Research expenditure	**134**	**10**
Litigation Costs	3,003	-
Hire of Plant and machines	-	3
Professional services	2,175	1,863
Training	1,725	1,907
Publicity and campaigns	511	646
Travel and subsistence	608	164
Recruitment	619	553
Telecommunications	545	545
IT (including maintenance)	4,132	3,723
Printing, copying, and mailing	393	312
Publications	12	28
Facilities Management	1,238	1,246
Other expenditure	353	388
Total purchase of goods and services	**15,314**	**11,378**
Non-cash items		
Depreciation of property, plant and equipment	4,520	4,574
Depreciation of right-of-use assets	4,296	-
Depreciation of intangible assets	678	587
Impairment of property, plant and equipment	1,058	-
Trade receivables – amount not required, written back	(2)	-
Loss / (profit) on disposal of tangible assets	27	7
Apprenticeship Levy – training	87	115
Provisions – amounts provided for in year	1,119	8,053
Auditors’ remuneration and expenses	111	90
Provisions - amount not required, written back	(5,615)	(97)

Provisions - changes to discounting	(1,962)	-
Borrowing cost (unwinding of discount)	(303)	-
Interest costs of right-of-use assets	388	-
Total non-cash items	**4,402**	**13,329**
Total costs	**25,716**	**32,961**

The CMA has approval to offset 100% of its qualifying litigation costs using CA98 penalty income collected in the Trust Statement. In 2021/22, the CMA collected sufficient penalty income to fully offset its litigation costs. We therefore reported a nil cost in this disclosure note. In 2022/23, the CMA has reported a litigation cost of £3.00 million which represents the difference between our total litigation costs of £7.80 million and CA98 penalty income, of £4.80 million, to offset these costs.

Our expenditure on Travel & Subsistence has increased by £0.44 million in 2022/23 as lockdowns caused by the COVID-19 pandemic have eased and allowed us to return to work, requiring travel.

Our expenditure on IT has increased by £0.41 million in 2022/23 as we have continued to invest in our IT infrastructure and digital capabilities, adding more public facing services in line with the cross government Transforming for a Digital Future strategy for 2022-25. In addition, the CMA's expansion has resulted in the need to obtain additional services and supporting licences to ensure the delivery of the Government's Levelling-up and Places for Growth agenda by creating secure, location agnostic IT services for colleagues across offices in Manchester, Darlington and the Nations.

In 2022/23, we have recorded under non-cash items an Auditor's remuneration and expenses fee of £111,000, which represents £98,000 for the resource accounts audit and £13,000 for the trust accounts audit. In 2021/22, the fee was £103,000, which represented £90,000 for the resource accounts audit and £13,000 for the trust accounts audit.

The change to our level of Provisions is discussed in detail in note 14 (page 120).

5 Income

	2022/23 £000	2021/22 £000
Recovery of accommodation costs	46	81
Appeal costs reimbursed	244	1,003
Regulatory appeals	-	(219)
Other income	6	29
Total income (cash items)	**296**	**894**
Non-cash items:		
Apprenticeship Levy – notional grant	87	115
Interest received: Derecognised right-of-use asset	3	-
Total income	**386**	**1,009**

In 2022/23 the CMA received reimbursement for internal legal costs in three legal cases that were appealed, compared to reimbursement in six cases in 2021/22.

We reversed £0.3 million of an accrued regulatory appeal cost recovery in 2021/22 due to a clarification in the CMA's five-step recognition model framework under IFRS 15 – Revenue from contracts with customers. We will re-accrue this cost recovery once the timeframe to appeal the CMA's decision has elapsed or the appeal process has been concluded i.e. when the final step in the framework has been satisfied.

The CMA offers training programmes for apprentices in a range of roles across the department and various professions. As of 31 March 2022, the CMA had 75 apprentice new starts. This increased by a further 17 apprentice starts throughout 2022/23, with a total of 92 apprentices having started in the CMA by 31 March 2023. The CMA receives a notional grant for the cost of training apprentices which results in a net zero effect on these financial statements, see note 4 (page 109).

6 *Property, plant, and equipment*

	Leasehold improvements £000	Information technology £000	Furniture and fittings £000	Assets under construction £000	2022/23 Total £000
Cost or valuation					
At 1 April 2022	28,359	9,529	4,279	1,625	43,792
Additions	263	3,292	-	1,603	5,158
Disposals	-	(336)	-	-	(336)
Reclassification	71	-	-	(1,155)	(1,084)
Impairments	-	-	-	(1,058)	(1,058)
At 31 March 2023	**28,693**	**12,485**	**4,279**	**1,015**	**46,472**
Depreciation					
At 1 April 2022	4,302	4,937	1,033	-	10,272
Charged in year	2,236	1,857	427	-	4,520
Disposals	-	(309)	-	-	(309)
Reclassification	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2023	**6,538**	**6,485**	**1,460**	**-**	**14,483**
Carrying amount at 31 March 2023	**22,155**	**6,000**	**2,819**	**1,015**	**31,989**
Carrying amount at 31 March 2022	24,057	4,592	3,246	1,625	33,520

In 2022/23, the CMA spent £3.29 million on IT assets to ensure that CMA staff had suitable technology to continue to work remotely, effectively, and efficiently under the hybrid working model.

In 2022/23, the CMA disposed of £0.34 million of IT assets which comprised:

- £0.18 million of IT assets that had reached the end of their useful lives and had been fully depreciated. It was determined that these assets would not generate future economic benefits and they were subsequently disposed of; and
- £0.16 million of centrally procured monitors that had not been fully depreciated and where ownership transferred from the CMA to its staff due to the implementation of the hybrid working model.

As reported in SOPS Note 4 on page 88, under Parliamentary accountability disclosures, the CMA fully impaired the Online State Aid System, totalling £1.06 million.

The following assets under construction went live in 2022/23:

- The Office for the Internal Market Enhancement Portal, £0.37 million, which allows the public to report an issue with buying or selling goods or services between different parts of the UK, or to report difficulties in using a professional qualification awarded in one part of the UK in another;
- The Subsidy Control Public Authority Portal £0.32 million, which allows public authorities to submit referrals via the portal. The CMA can evaluate the referrals in certain categories of subsidies;
- The Public Facing Gateway Portal, £0.23 million, which provides external users with a structured channel of communication to best suit their needs, so they can report an issue to the CMA; and
- The Funeral Market Service Online Portal, £0.15 million, which allows Funeral Directors and Crematorium Operators to provide information to the CMA twice a year under an investigation order.

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2021/22 Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2021	27,358	8,545	4,279	1,348	41,530
Additions	1,015	984	-	469	2,468
Disposals	(14)	-	-	-	(14)
Reclassification	-	-	-	(192)	(192)
Impairments	-	-	-	-	-
At 31 March 2022	**28,359**	**9,529**	**4,279**	**1,625**	**43,792**
Depreciation					
At 1 April 2021	2,276	2,823	606	-	5,705
Charged in year	2,033	2,114	427	-	4,574
Disposals	(7)	-	-	-	(7)
Reclassification	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2022	**4,302**	**4,937**	**1,033**	**-**	**10,272**
Carrying amount at 31 March 2022	**24,057**	**4,592**	**3,246**	**1,625**	**33,520**
Carrying amount at 31 March 2021	25,082	5,722	3,673	1,348	35,825

7 *Right-of-use assets*

	Buildings 2022/23 £000	Total 2022/23 £000
Cost or valuation		
At 1 April 2022	49,710	49.710
Additions	1,925	1,925
Disposals	-	-
Reclassifications and Transfers	-	-
At 31 March 2023	**51,635**	**51,635**
Depreciation		
At 1 April 2022	-	-
Charged in year	4,296	4,296
Disposals	-	-
Reclassifications	-	-
At 31 March 2023	4,296	4,296
Carrying amount at 31 March 2023	**47,339**	**47,339**
Carrying amount at 31 March 2022	**-**	**-**

The CMA adopted IFRS 16 Leases from 1 April 2022. This standard replaced IAS 17 Leases. The opening balance at 1 April 2022 represents five CMA-occupied properties that were within scope of IFRS 16. For further information on the initial measurement of the right-of-use assets, please refer to paragraph 1.6 in the Statement of Accounting Policies on page 101.

In 2022/23, one new lease for a CMA-occupied premises in Manchester was within scope of IFRS 16. The right-of-use asset additions and the lease liability for this property increased by £1.29 million. This was a non-cash transaction scoring to the CDEL budget.

The CMA also capitalised £0.64 million of estimated dilapidation increases for five properties within scope of IFRS 16 Leases, after a valuation assessment commissioned to an external surveyor. In accordance with our accounting policy for IFRS 16 leases, we have included the cost of restoring these premises as a right-of-use asset addition and also increased our dilapidation provision by the same amount in Note 14 (page 120). This was a non-cash transaction scoring to the CAME budget.

8 Intangible assets

	Software and Software Licences	
	2022/23	**2021/22**
	£000	**£000**
Cost or valuation		
At 1 April	3,936	3,591
Additions	66	207
Disposals	(103)	(54)
Reclassification	1,084	192
At 31 March	**4,983**	**3,936**
Depreciation		
At 1 April	2,592	2,059
Charged in year	678	587
Disposals	(103)	(54)
Reclassification	-	-
At 31 March	**3,167**	**2,592**
Carrying amount	**1,816**	**1,344**

All intangible assets are owned by the CMA.

9 Cash and cash equivalents

	2022/23 £000	2021/22 £000
Balance at 1 April	723	1,957
Net change in cash and cash equivalent balances	199	(1,234)
Balance at 31 March	**922**	**723**
The balance at 31 March was held at		
Government Banking Service	922	723
Balance at 31 March	**922**	**723**

10 Trade and other receivables

a. Amounts falling due within one year

	2022/23 £000	2021/22 £000
Trade receivables (gross)	51	72
Impairment allowance	-	(7)
Trade receivables (net)	**51**	**65**
Deposits and advances	25	21
Other receivables	171	457
VAT	301	342
Prepayments and accrued income	4,372	5,199
Total	**4,920**	**6,084**

No trade and other receivables fall due after more than one year.

The decrease in Prepayments and accrued income of £0.8 million was predominantly due to the adoption of IFRS 16 Leases from 1 April 2022. Quarterly payments of rent, in advance, in 2021/22 would have been classified as prepayments for leases under IAS 17. In 2022/23, rent payments in advance for leases within scope of IFRS 16 are now classified as reductions to the lease liabilities under Note 13 (page 119).

11 Lease Receivables

A maturity analysis of lease receivables within scope of IFRS 16 – Leases, based on undiscounted gross cashflows, is reported in the table below.

	2022/23 £000	2021/22 £000
Maturity analysis – contractual cashflows: undiscounted		
Less than one year	38	-
One to five years	154	-
More than five years	**152**	-
Total lease receivables: undiscounted	**344**	**-**

Amounts recognised in the Statement of Financial Position

	2022/23 £000	2021/22 £000
Lease Receivables: current receivables	35	-
Lease Receivables: non-current receivables	292	-
Total lease receivables: discounted	**327**	**-**

The CMA adopted IFRS 16 - Leases from 1 April 2022. On this date, the CMA de-recognised, as a right-of-use asset under IFRS 16 – Leases, part of the Cabot floorspace that is sub-let to the Groceries Code Adjudicator (GCA) and recognised a lease receivable. The initial measurement of this de-recognised asset on 1 April 2022 was £0.37 million. The closing lease receivable at 31 March 2023 is £0.33 million as the CMA received a cash payment for rent from the GCA during 2022/23.

For further information on the initial measurement of the derecognised right-of-use asset, please refer to paragraph 1.6 in the Statement of Accounting Policies on page 101.

12 Trade and other payables

a. Amounts falling due within one year

	2022/23 £000	2021/22 £000
Trade payables	545	432
Accruals and deferred income	7,841	6,849
The Cabot – lease incentive	-	251
Taxation and social security	1,811	1,707
VAT	20	7
Other payables	1,554	1,545
Amounts issued from the Consolidated Fund for supply but not spent at 31 March:	922	723
Consolidated Fund extra receipts due to be paid to the Consolidated Fund – received	-	-
Total	**12,693**	**11,514**

The closing cash position, which is recorded in this disclosure as ‘Amounts issued from the Consolidated Fund for supply but not spent at 31 March’, has increased by £0.2 million in 2022/23. In practice, the closing cash position is not payable to the Consolidated Fund. Instead, it will be deducted from the CMA’s 2023/24 net cash requirement that can be drawn down from the Consolidated Fund in the next financial year.

b. Amounts falling due after more than one year

	2022/23 £000	2021/22 £000
The Cabot rent – rent-free period	-	8,254
The Cabot - Lease Incentive	-	2,580
Total	-	**10,834**

On 1 April 2022, the CMA adopted IFRS 16. At this date, the rent-free period and the lease incentive for the Cabot, previously accounted for under IAS 17, were reversed. The rent-free period was posted to Retained Earnings in the General Fund, and the lease incentive was posted to the right-of-use asset on the SoFP. For further information on the adoption and impact of IFRS 16, please refer to paragraph 1.6 in the Statement of Accounting Policies on page 101.

13 Lease Liabilities

A maturity analysis of lease liabilities within scope of IFRS 16 – Leases, based on undiscounted gross cashflows, is reported in the table below. Liquidity risk is the possibility that the CMA may be unable to meet its obligations from lease liabilities to be settled with cash. As the CMA can draw down cash from the Consolidated Fund and, if necessary, make a Contingencies Fund request for cash, its liquidity risk is low.

	2022/23 £000	2021/22 £000
Maturity analysis – contractual cashflows: undiscounted		
Less than one year	5,207	-
One to five years	20,862	-
More than five years	24,706	-
Total lease liabilities: undiscounted	**50,775**	**-**

Amounts recognised in the Statement of Financial Position

	2022/23 £000	2021/22 £000
Lease Liabilities: current liabilities	4,642	-
Lease Liabilities: non-current liabilities	43,388	-
Total lease liabilities: discounted	**48,030**	**-**

Leases are discounted at a single nominal rate for leases, which for the full 2023 calendar year is 3.51%. The leases that transitioned to IFRS 16 on 1 April 2022 and in the 2022 calendar year were discounted at the prior year discount rate of 0.95%, promulgated in HM Treasury PES papers.

For further information on the initial measurement of the lease liabilities for right-of-use assets, please refer to paragraph 1.6 in the Statement of Accounting Policies on page 101.

14 Provisions for liabilities and charges

	Legacy pensions	Dilapidations	Legal	Total 2022/23
	£000	£000	£000	£000
Balance at 1 April 2022	1,239	7,809	12,621	21,669
Provided in year	19	635	1,100	1,754
Provisions not required written back	-	-	(5,615)	(5,615)
Provisions utilised in the year	(71)	-	(3,025)	(3,096)
Changes in discount rate	-	(1,901)	(61)	(1,962)
Borrowing costs (unwinding of discount)	-	-	(303)	(303)
Actuarial loss/(gain)	(244)	-	-	(244)
Balance at 31 March 2023	**943**	**6,543**	**4,717**	**12,203**

	Legacy pensions	Dilapidations	Legal	Total 2021/22
	£000	£000	£000	£000
Balance at 1 April 2021	1,217	6,058	6,519	13,794
Provided in year	15	663	5,800	6,478
Provisions not required written back	-	-	(97)	(97)
Provisions utilised in the year	(69)	(5)	(83)	(157)
Changes in discount rate	-	1,093	482	1,575
Borrowing costs (unwinding of discounts)	-	-	-	-
Actuarial loss/(gain)	76	-	-	76
Balance at 31 March 2022	**1,239**	**7,809**	**12,621**	**21,669**

In 2022/23, the CMA discounted the dilapidations and legal provisions to their values using the latest HM Treasury rates as the time value of money resulted in a material difference.

The HM Treasury rates are presented below:

HM Treasury Rates		2022/23	2021/22
CPI (Consumer Price Index) Inflation	Year 1	7.4%	4.0%
	Year 2	0.6%	2.6%
	Into perpetuity	2.0%	2.0%
Nominal Discount Rate	Short term (Years 1-5)	3.27%	0.47%
	Medium term (Years 6-10)	3.20%	0.70%
	Long term (Years 11-40)	3.51%	0.95%
	Very long term (Years 41-100)	3.00%	0.66%

The change in discount rates has resulted in a decrease to the dilapidations and legal provisions of £2.3 million in 2022/23 (2021/22: an increase of £1.6 million).

The legacy pensions provision was discounted by the Government Actuary's Department using rates reported in note 14.2 (page 122).

14.1 Analysis of expected timing of cash flows

	Legacy pensions £000	Dilapidations £000	Legal £000	Total 2022/23 £000
Not later than one year	71	125	2,184	**2,380**
Later than one year and not later than five years	284	440	2,533	**3,257**
Later than five years	588	5,978	-	**6,566**
Balance at 31 March 2023	**943**	**6,543**	**4,717**	**12,203**

	Legacy pensions £000	Dilapidations £000	Legal £000	Total 2021/22 £000
Not later than one year	69	-	9,978	**10,047**
Later than one year and not later than five years	276	8	2,643	**2,927**
Later than five years	894	7,801	-	**8,695**
Balance at 31 March 2022	**1,239**	**7,809**	**12,621**	**21,669**

14.2 Legacy pensions

This provision relates to the previous Chairmen and Director Generals of the former Office of Fair Trading, one of the CMA's predecessor bodies.

An actuarial valuation was carried out by the Government Actuary's Department as at 31 March 2023.

The financial assumptions used in the calculation of the liability as at 31 March 2023 were as follows:

- The gross rate used to discount scheme liabilities was 4.15% per annum (2021/22: 1.55% per annum);
- The gross rate of increase for pensions in payment and deferred pensions was 2.40% per annum (2021/22: 2.90% per annum);
- In nominal terms, these assumptions implied price inflation of 2.40% per annum (2021/22: 2.90% per annum); and
- The post-retirement mortality assumption has been updated using 2020 PCSPS valuation assumptions with Office of National Statistics (ONS) 2020-based UK principal population projections (2021/22: 2016 PCSPS valuation assumptions with ONS 2018-based UK principal population projections), resulting in lower life expectancies. This has decreased the liability.

Other amounts disclosed to explain the change in provision are:

	2022/23 Total £000	**2021/22 Total £000**
Interest cost	19	15
Actuarial loss / (gain)	(244)	76
Total	**(225)**	**91**
Benefits paid	(71)	(69)
(Decrease)/Increase in provision	**(296)**	**22**

14.3 Dilapidations

This provision is an estimate of the future expenditure required to return the CMA's office space, being utilised in each building we occupy, to its original condition at the end of the lease term.

The key assumptions utilised in calculating this provision are that:

- The CMA will occupy the office space until the end of each lease agreement, and with no current intention to exercise any break options; and
- The office space will be well maintained, and only minor repairs will be required.

In March 2023, the CMA reassessed the appropriateness of the dilapidations provision for all of the properties that it occupies and has subsequently increased this provision by £0.64 million, prior to discounting, using a valuation assessment commissioned to an external surveyor. The dilapidation increase relates to properties within scope of IFRS 16 Leases. We have therefore increased the right-of-use asset additions in Note 7 (page 114) by the same amount.

Due to the uncertainty and materiality of this provision, the valuation for this provision will be reviewed periodically.

14.4 Legal – Appeals against the CMA's decisions

Regulatory decisions by the CMA may be subject to appeal. Appeals against the CMA's decisions may give rise to probable liabilities for legal costs.

In these instances, the CMA refers to the recognition criteria for a legal costs provision within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and notes the three conditions in paragraph 14 which must be met for a provision to be recognised.

While there is still inherent uncertainty in ongoing appeals, the CMA has determined, based on the legal advice received, that an outflow of resources embodying economic benefits is more likely than not to occur.

The estimate on the amount of the obligation is based on an assessment on how likely it is that the CMA will face costs liabilities in the various litigation cases in which we are involved and our assessment of the amount of any such costs liability.

This is informed by:

- Information available to the CMA as to the third parties' actual costs; or
- Where such information is not available, an estimate of the likely level of the other parties' costs based on the CMA's past experiences.

This is a reliable basis for estimating a provision in these cases.

Due to uncertainties in other ongoing appeals, in terms of the likelihood of CMA success, the timing of proceedings and the amount of the potential cost liability, the CMA has recognised other appeals as contingent liabilities in note 17 (page 124) as they do not satisfy all three conditions for a provision to be recognised.

15 Capital and other commitments

15.1 Capital commitments

At the end of 2022/23 the CMA had capital commitments amounting to £0.2 million (2021/22: £0.1 million) for Information Technology-related services.

Commitments under operating leases

On adoption of IFRS 16 Leases on 1 April 2022, five properties occupied by the CMA that were previously captured under operating lease commitments in 2021/22 are now classified as right-of-use assets. The future minimum lease payments for these five properties are now recorded as current and non-current lease liabilities on the Statement of Financial Position.

The future lease payments on two properties that the CMA occupies, which are outside the scope of IFRS 16, are recorded in the table below.

	2022/23 £000	2021/22 £000
Total future minimum lease payments under operating leases are given in the table below for each of the following periods:		
Not later than one year	42	5,203
Later than one year and not later than five years	-	19,658
Later than five years	-	29,102
Total	**42**	**53,963**

16 Related Party Transactions

The CMA has transactions with other government departments and central government bodies. Our main dealings were with HM Revenue and Customs (HMRC). Except for remuneration found in the Remuneration Report section of the Accountability Report, no Board member, key manager, or related party has undertaken any material transaction with the CMA during the year. Information regarding Board Members' Register of Interests can be found in the Directors' Report under the Register of Interests section.

The CMA sublets part of its office premises at the Cabot to the Groceries Code Adjudicator, sponsored by the Department for Business and Trade, (formerly the Department for Business, Energy, and Industrial Strategy). The CMA also leases premises within Government Hubs from other government departments, such as HMRC and DMCS, as part of our increased presence across the four Nations.

17 Contingent liabilities

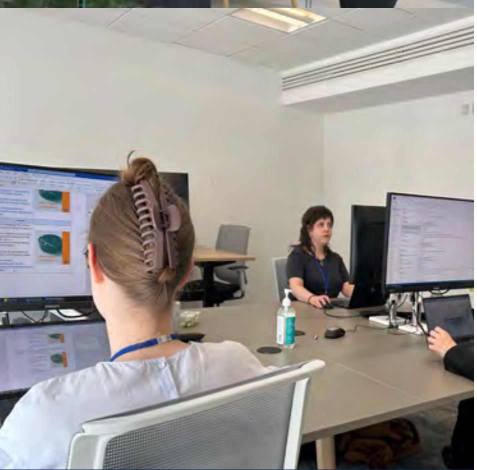
There is a possibility of a transfer of material economic benefits to third parties where the CMA is involved in active litigation. The legal cases included as contingent liabilities all relate to legal proceedings through the courts, and the outcomes are dependent on court rulings and findings.

The result of the Phenytoin judgment of the Supreme Court of 25 May 2022 is that in the Competition Appeals Tribunal (CAT), the starting point is that costs follow the event, but that the CAT has discretion, under its rules, to make an order they think is appropriate, taking into account all circumstances of the case. This is a return to the position in 2019 where the CMA was liable for costs in cases that it lost at the CAT.

Further details cannot be disclosed, as in accordance with IAS 37 (paragraph 92), the CMA considers that the disclosure of values for any contingent liability or the aggregated possible financial exposure connected to legal proceedings could seriously prejudice ongoing litigation activity, due to the limited number of ongoing litigation cases the CMA is involved in.

18 Events after the reporting period

In accordance with the requirements of IAS 10 'Events after the Reporting Period', events are considered up to the date on which the financial statements are authorised for issue, which is interpreted as the same date the Accounts are certified by the Comptroller and Auditor General. There are no subsequent events to report.



CMA Trust Statement

Trust Statement

A separate Trust Statement is maintained for fees collected under the Enterprise Act 2002 (amended 2013) and fines collected under the Competition Act 1998. These revenues are payable to the Consolidated Fund.

Statement of Accounting Officer's responsibilities

HM Treasury has directed the CMA to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the CMA Trust Statement account and its revenue and expenditure and cash flows for the financial year.

HM Treasury has appointed the Chief Executive of the CMA as the Principal Accounting Officer with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the FReM and, in particular, to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the Trust Statement on a going concern basis.

I have taken all necessary steps to make myself aware of information relevant to the audit of this Trust Statement account, and to ensure that my auditors are informed. So far as I am aware there is no relevant information of which my auditors are unaware.

I confirm that this Trust Statement as a whole is fair, balanced, and understandable and I take personal responsibility for the Trust Statement and the judgements required for determining that it is fair, balanced, and understandable.

Signed for and on behalf of the CMA

Sarah Cardell
Chief Executive and Principal Accounting Officer
6 July 2023

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Competition and Markets Authority Trust Statement for the year ended 31 March 2023 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: Competition and Markets Authority Trust Statement's

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue, Other Income and Expenditure and Statement of Cash Flows 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 Competition and Markets Authority Trust Statement's affairs as at 31 March 2023 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

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

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Competition and Markets Authority 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 Competition and Markets Authority'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 Competition and Markets Authority'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 Competition and Markets Authority is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires 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 information included in the Annual Report, but does not include the CMA financial statements, the CMA trust statement financial statements and my auditor's certificate and reports thereon. The Accounting Officer is responsible for the other information.

My opinion on the CMA trust statement financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, 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 CMA trust statement 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 HM Treasury directions made under the Exchequer and Audit Departments Act 1921.

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

- the parts of the Parliamentary Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921.

- the information given in the Performance Summary, Corporate Governance Report, Remuneration and Staff Report and Parliamentary 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 Competition and Markets Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Remuneration and Staff Report and Parliamentary 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 Competition and Markets Authority 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 Remuneration and Staff Report and Parliamentary Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Competition and Markets Authority 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 statements to be free from material misstatement, whether due to fraud or error;
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the Trust Statement on a going concern basis.

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 Exchequer and Audit Departments Act 1921.

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

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 Competition and Markets Authority Trust Statement's accounting policies.
- inquired of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Competition and Markets Authority Trust Statement'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 Competition and Markets Authority's controls relating to the Competition and Markets Authority 's compliance with the Exchequer and Audit Departments Act 1921 and Managing Public Money;
- inquired of management and those charged with governance whether:
- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal specialists 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 Competition and Markets Authority for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Competition and Market Authority's framework of authority and other legal and regulatory frameworks in which the Competition and Market Authority 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 Competition and Market Authority Trust Statement. The key laws and regulations I considered in this context included Exchequer and Audit Departments Act 1921, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, The Enterprise Act and Competition Act 1998.

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- 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 also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 10 July 2023**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Statement of Revenue, Other Income and Expenditure for the year-ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Revenue			
Fines and penalties income			
Penalties imposed under the Competition Act 1998		43,504	13,579
Interest earned on penalties imposed under the Competition Act 1998		84	150
Total fines and penalties income		**43,588**	**13,729**
Merger fees			
Fees received under the Enterprise Act 2002		4,520	4,880
Initial Enforcement Orders under the Enterprise Act 2002[35]		-	57,045
Total merger fees		**4,520**	**61,925**
Total revenue		**48,108**	**75,654**
Expenditure			
CA98 Penalty offset for litigation costs[36]		(4,682)	(2,621)
Debts written off or otherwise impaired	2.2	(1,930)	(17,702)
Total expenditure [37]		**(6,612)**	**(20,323)**
Net revenue for the Consolidated Fund	**5**	**41,496**	**55,331**

The notes on pages 135 to 138 form part of this Trust Statement.

[35] The significant decrease in merger fees received in 2022/23 in comparison to 2021/22 is a result of the £50.5m fine issued to Facebook (now Meta) in 2021/22 for breaching an initial enforcement order imposed by the CMA.

[36] The CMA has approval to fully offset litigation costs against Competition Act 1998 penalty income.

[37] The CMA's notional audit fee for the Trust Statement is £13,000 (2021/22: £13,000). This fee has been disclosed in Note 4 (page 109) in the Financial Statements.

Statement of Financial Position as at 31 March 2023

	Note	2022/23 £000	2021/22 £000
Non-current assets			
Receivables	2.1	1,470	1,722
Total non-current assets		**1,470**	**1,722**
Current assets			
Receivables	2.2	41,332	4,698
Cash and cash equivalents	3	4,766	100,921
Total current assets		**46,098**	**105,619**
Total assets		**47,568**	**107,341**
Current liabilities			
Payables	4	-	348
Total current liabilities		**-**	**348**
Total assets less liabilities		**47,568**	**106,993**
Total assets less current liabilities		**47,568**	**106,993**
Represented by:			
Balance on Consolidated Fund account	**5**	**47,568**	**106,993**

The notes on pages 135 to 138 form part of this Trust Statement.

Sarah Cardell
Chief Executive and Principal Accounting Officer
6 July 2023

Statement of Cash Flows for the year-ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Net cash flow from operating activities	3	4,766	100,921
Amounts paid to the Consolidated Fund	5	(100,921)	(59,288)
(Decrease)/increase in cash in the year		**(96,155)**	**41,633**

Notes to the Cash Flow Statement

A: Reconciliation of Net Cash Flow to movement in Net Funds	Note	2022/23 £000	2021/22 £000
Net revenue for the Consolidated Fund		41,496	55,331
(Increase)/decrease in assets		(36,382)	45,667
Increase/(decrease) in liabilities		(348)	(77)
Net cash flow from operating activities		**4,766**	**100,921**

B: Analysis of Changes in Net Funds	Note	2022/23 £000	2021/22 £000
(Decrease)/increase in cash in the year	3	(96,155)	41,633
Net funds at 1 April (net cash at bank)		100,921	59,288
Net funds at 31 March (closing balance)		**4,766**	**100,921**

The notes on pages 135 to 138 form part of this Trust Statement.

Notes to the Trust Statement

1 *Statement of accounting policies*

The CMA acts as an agent responsible for collecting merger fees and Competition Act 1998 (CA98) penalties on behalf of the Consolidated Fund. These financial statements provide an account of the collection of revenues, which by law or convention are payable into the Consolidated Fund, where the CMA undertakes the collection acts as agent rather than principal. The legislative requirement is set out in the Exchequer and Audit Departments Act 1921.

These financial statements have been prepared in accordance with the 2022/23 FReM and the accounts direction issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the CMA selects the accounting policy which is judged to be most appropriate to the particular circumstance for the purpose of giving a true and fair view.

The policies adopted by the CMA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

These financial statements have been prepared on a going concern basis.

1.1 *Accounting convention*

The Trust Statement has been prepared on an accruals basis in accordance with the historical cost convention.

1.2 *Significant judgements and estimates*

In calculating accrued income for enforcement and other services, judgements and estimates are made on the status of underlying activities. A provision for anticipated irrecoverable amounts is included. In addition to this, in calculating the ‘expected credit loss’ (ECL) under IFRS 9 “Financial Instruments”, judgements and assumptions are made on the future economic conditions and the impact these conditions may have on credit risk. Based on our findings, we consider the credit risk level to be low and therefore adopt the simplified approach when calculating the ECL. A provision for an impairment allowance is then recognised. Please refer to note 1.4 Receivables for further information. Other judgements and estimates that have a significant risk of causing any material adjustment to the carrying value of assets and liabilities within the next financial year are addressed in this Trust Statement.

1.3 *Revenue recognition*

Fees and penalties are measured in accordance with IFRS 15 ‘Revenue from Contracts with Customers’. Revenue is recognised once the CMA has investigated the intended merger and has issued its decision; when a penalty has been imposed, a decision letter sent to the entity concerned, and the entity has been given 2 calendar months in which to appeal the decision if it so chooses. In summary under IFRS 15, the revenue is recognised when a decision letter has been issued and the timeframe for an entity to appeal the decision has expired.

This approach is consistent with the FReM adaptation in relation to IFRS 15 for evaluating how much income is recognised and when it is recognised under FReM 11.3.9.

Fees and penalties are measured at the fair value of amounts received or receivable, net of any repayments.

1.4 Receivables

IFRS 9 'Financial instruments' includes requirements for classification, recognition and measurement, impairment and derecognition of financial instruments.

Under IFRS 9, allowances are made for credit losses on an ECL basis.

In line with IFRS 9's simplified approach to impairment, we have recognised a loss allowance at an amount equal to lifetime ECLs from initial recognition of the receivables. IFRS 9 allows a practical expedient called a provision matrix to be used to measure this impairment allowance. These have been estimated by reference to past default experience, adjusted for the expected impact of current and future economic conditions.

Receivables are reviewed periodically for all outstanding CA98 Penalties to determine recoverability and assess any allowance for uncollectible amounts measured in accordance with IFRS 9. The impairment allowance serves to reduce the receivable in the Statement of Financial Position, but also reduces the balance on the Consolidated Fund account. The creation of this impairment allowance, and any subsequent movement, or any write-offs which have not been previously provided for, are included in the Statement of Revenue, Other Income and Expenditure.

If a party has been offered the option to pay their penalty by instalments, and subsequently defaults on their payments for any reason, for example if they enter administration, every step is taken to pursue the debt. However, usually the outstanding balance is fully impaired until such time as the recovery process has been completed, at which time any unused allowance is released. This also applies where a penalty is imposed on an entity that has entered into administration or does so before any payment of the penalty can be made.

1.5 Value Added Tax (VAT)

Merger fees and CA98 penalties are outside the scope of VAT.

2 Receivables

2.1 Non-current receivables

	2022/23 £000	2021/22 £000
Amounts falling due after more than one year		
Competition Act 1998 penalties	1,470	1,722
Total	**1,470**	**1,722**

2.2 Current receivables

	2022/23 £000	2021/22 £000
Amounts falling due within one year		
Competition Act 1998 penalties	42,496	3,846
Less impairment allowance	(2,402)	(472)
Net Competition Act 1998 penalties	**40,094**	**3,374**
Merger fees receivables	680	320
Less impairment allowance	(2)	(2)
Net Merger fees	**678**	**318**
Amount owed from CMA Main Account	-	86
Accrued income	560	920
Total	**41,332**	**4,698**

The increase in receivables in 2022/23 is predominantly due to a decision issued by the CMA on 23 March 2023 finding that ten suppliers of demolition and asbestos removal services had breached competition law by taking part in bid rigging, in the form of cover bidding. In accordance with our accounting policy, we have recognised £41.3 million of CA98 fines owing from eight suppliers. Two suppliers, who were fined a total of £18.0 million, have appealed the CMA's decision and therefore have not been recognised as a receivable for this financial year.

In line with IFRS 9 and the 2022/23 FReM, the CMA's assessment of credit losses on an ECL basis applied against both current and non-current receivables is £1.5 million using an average rate of 2.78%. This loss rate is estimated using historic data on the receivables written-off or fully impaired, for example, due to administration or dissolution of an entity, as a proportion of the total net receivable at the reporting date.

While every effort is made to recover debts, due to the uncertain nature of entity liquidations, a loss allowance is made for the full amount of the debt at the time an entity enters administration.

3 Cash and cash equivalents

	2022/23 £000	2021/22 £000
Balance held at Government Banking Service at 1 April	100,921	59,288
Net change in cash balances	(96,155)	41,633
Balance held at Government Banking Service at 31 March	**4,766**	**100,921**

The decrease in cash balance is due to a reduction in the collection of high value penalties levied in 2022/23 in comparison to 2021/22.

The CMA will transfer this closing balance to HM Treasury in the 2023/24 financial year. See note 5 which reflects the opening balance held at the Government Banking Service at 1 April 2022 paid to the Consolidated Fund in 2022/23.

4 Payables

	2022/23 £000	2021/22 £000
CA98 Penalty offset for litigation costs payable	-	348
Total	**-**	**348**

5 Balance on the Consolidated Fund account

	2022/23 £000	2021/22 £000
Balance on Consolidated Fund account at 1 April	106,993	110,950
Net revenue for the Consolidated Fund	41,496	55,331
Less amount paid to the Consolidated Fund	(100,921)	(59,288)
Balance on Consolidated Fund account at 31 March	**47,568**	**106,993**

6 Events after the reporting period

In accordance with the requirements of IAS 10 'Events after the Reporting Period', events are considered up to the date on which the Trust Statement are authorised for issue, which is interpreted as the same date they are certified by the Comptroller and Auditor General. There are no subsequent events to report.

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