

# Competition and Markets Authority

Financial Report  
1 October 2013 to  
31 March 2014



# **Competition and Markets Authority**

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31 March 2014**

Accounts presented to the House of Commons pursuant to Section 6(4)  
of the Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed on 17 July 2014



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## FOREWORD

I have pleasure in presenting the first set of accounts for the Competition and Markets Authority (CMA). The CMA was launched in “shadow” form on 1 October 2013 before starting to exercise its statutory functions on 1 April 2014. These accounts cover the six month period of the CMA’s operation as a shadow authority.

The CMA’s function is to promote competition for the benefit of consumers, both within and outside the UK, with the aim to make markets work well for consumers, businesses and the economy. The CMA is the UK’s primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law.

From 1 April 2014 the CMA took over the functions of the Competition Commission (CC) and the competition and certain consumer functions of the Office of Fair Trading (OFT), as amended by the Enterprise and Regulatory Reform Act 2013. The CMA also has certain new powers, which include interim orders in merger cases and compulsory interview powers in enforcement cases.

Since October 2013 much has been achieved. We have a strong Board and leadership team working to deliver the CMA’s agreed strategy and vision, we have consulted on and published a full range of guidance documents across our powers and responsibilities including the CMA Annual Plan 2014/15, and we have also now started to use the full range of our powers.

The first full CMA Annual Report and Accounts 2014/15 will be published in 2015.



**Alex Chisholm**

*Chief Executive and Accounting Officer*

10 July 2014

## Management Commentary

The Competition and Markets Authority (CMA) formally came into existence on 1 October 2013. It performs its functions on behalf of the Crown, and seeks to promote competition, both within and outside the United Kingdom, for the benefit of consumers. The CMA took on responsibilities from the Competition Commission and the Office of Fair Trading. Further details of the CMA's responsibilities are contained in the Governance Statement.

From its inception in October 2013, one of the CMA's initial objectives was the establishment of an effective organisation to start work on 1 April 2014. This was achieved through a change management programme, involving and engaging staff in the Competition Commission and the Office of Fair Trading. The programme included investment in the CMA's infrastructure, including ICT and accommodation, implementation of a new organisational governance structure, and in the establishment of key policies and procedures to enable the CMA to be operational from 1 April 2014. There was also expenditure to facilitate early exits for staff in the legacy organisations to ensure that the CMA had the staff in post that it needed to fulfil its remit, remove duplication of roles and take account of more efficient ways of working and new technology solutions.

Most of the costs incurred in establishing the CMA were met by the Department for Business, Innovation and Skills as transition costs. Additionally, there was a contribution from staff in the Competition Commission and the Office of Fair Trading to ensure for example that CMA policies and procedures in relation to CMA project / front line work were established; that corporate service functions such as Finance, HR and ICT were enabled; and that suitable governance arrangements were put in place.

The costs included in the CMA's own Accounts for 2013-14 principally comprise the pay costs of the Board, including non-executive directors, advisors to the Board who were formally engaged by the CMA, and senior staff who joined the CMA following external recruitment exercises. In some cases, where staff were recruited from legacy organisations, they also continued to work for those organisations and their pay costs continued to be paid by those organisations, and do not therefore appear in the CMA's Accounts. Other non-pay costs, including travel, that were incurred by senior staff in the CMA have been included within the Accounts of legacy organisations or of the Department for Business, Innovation and Skills.

Staff in the Competition Commission already worked in the CMA's future offices. In the period January – March 2014, in a phased manner, staff from the Office of Fair Trading moved physically from their previous offices into the CMA office at Victoria House. Accommodation costs for 2013-14 in Victoria House were included in the Accounts of the Competition Commission.

When the assessment of the CMA's costs for the interim period was initially being prepared, there were uncertainties about the extent and timing of appointments in the CMA; in the event, final outturn figures were below the Estimate.

There were no outstanding liabilities at the end of the reporting period except for one staff bonus payment which was accrued for by the CMA. The CMA did not acquire any non-current assets during its first period of operation; assets were transferred from the legacy organisations with effect from 1 April 2014. There were no reported personal data related incidents.

Details of company directorships and any other significant interests held by Board members can be found on the CMA transparency page of the gov.uk website.

As far as can be ascertained there is no relevant audit information which has not been conveyed to the auditor, all reasonable steps having been taken to ensure completeness of information made available during the audit and that the auditor was aware of such information.



**Alex Chisholm**

*Chief Executive and Accounting Officer*

10 July 2014



## Remuneration Report

### Auditable Sections

In accordance with the requirements of Chapter 6 of the Companies Act 2006 and Schedule 8 of SI 2008 No. 410, only certain sections of the Remuneration Report have been subject to full external audit. These comprise the sections on salary and pension entitlements.

### 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 below, 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.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

### Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management (that is, Board members) of the CMA.

The information contained in the following tables is subject to audit.

#### Remuneration

##### Senior management

| Senior management  | 2013-14   |                |                  |           |
|--|---|----------------|------------------|-----------|
|  | Salary  | Bonus payments | Pension benefits | Total     |
|  | £000  | £000           | £000             | £000      |
| Alex Chisholm<br>Chief Executive<br>(from 01/10/2013 to 24 March 2018)                           | 90 – 95 (full year<br>equivalent<br>185 – 190)  | 15 – 20        | 36               | 145 – 150 |
| Sonya Branch<br>Executive Director, Enforcement<br>(from 01/10/2013)                             | 70 – 75 (full year<br>equivalent<br>145 – 150)  | –              | 37               | 105 – 110 |
| Andrea Coscelli<br>Executive Director, Markets and<br>Mergers<br>(from 12/11/2013 to 11/11/2016) | 55 – 60 (full year<br>equivalent<br>150 – 155)  | –              | –                | 55 – 60   |
| Erik Wilson<br>Executive Director, Corporate Services<br>(from 01/10/2013)                       | 50 – 55 (full year<br>equivalent<br>105 -110)   | –              | 318              | 370 - 375 |
| Sarah Cardell<br>General Counsel<br>(from 11/11/2013 to 10/11/2016)                              | 50 – 55 (full year<br>equivalent<br>(140 – 145) | –              | –                | 50 – 55   |
| Mike Walker<br>Chief Economic Advisor<br>(from 21/10/2013 to 20/10/2016)                         | 60 – 65 (full year<br>equivalent<br>170 – 175)  | –              | 25               | 85 – 90   |

No Executive Board members received any benefits in kind.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

As this report covers only the first six months of the CMA's existence, a period when only senior staff were in post in order to establish the organisation, such disclosure would not add value to the report and is, therefore, omitted.

### Non-Executive Board Members

|                            | 2013-14<br>Salary<br>£000                |
|----------------------------|--|
| David Currie, Chair        | 90 – 95 (full year equivalent 180 – 185) |
| Carolyn Fairbairn          | 10 – 15 (full year equivalent 25 – 30)   |
| Alan Giles <sup>1</sup>    | 0 (full year equivalent 25 – 30)         |
| William Kovacic            | 10 – 15 (full year equivalent 25 – 30)   |
| Philip Lowe <sup>2</sup>   | 5 – 10 (full year equivalent 25 – 30)    |
| Jill May                   | 10 – 15 (full year equivalent 25 – 30)   |
| Annetje Ottow              | 10 – 15 (full year equivalent 25 – 30)   |
| Roger Witcomb <sup>3</sup> | 0 (full year equivalent 25 – 30)         |

Non-Executive Directors were not eligible for bonuses.

Non-Executive Board members' appointment details are as follows:

|                   | Date appointment<br>Started | Date appointment<br>expires |
|-------------------|-----------------------------|-----------------------------|
| Lord Currie       | 1 October 2013              | 2 September 2017            |
| Carolyn Fairbairn | 1 October 2013              | 30 September 2016           |
| Alan Giles        | 1 October 2013              | 30 September 2016           |
| William Kovacic   | 1 October 2013              | 30 September 2016           |
| Philip Lowe       | 1 October 2013              | 30 September 2016           |
| Jill May          | 1 October 2013              | 30 September 2016           |
| Annetje Ottow     | 1 October 2013              | 30 September 2016           |
| Roger Witcomb     | 1 October 2013              | 30 September 2016           |

### Salary

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

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the CMA and treated by HM Revenue and Customs as a taxable emolument. No Board members received any benefits in kind during 2013-14.

### Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process.

1 Alan Giles remained on the Board of the Office of Fair Trading (OFT) until 31 March 2014 and was remunerated by the OFT. He received no remuneration from the CMA during the period under review.

2 Philip Lowe received no remuneration from the CMA for the period October to December 2013 while he completed his term of office as Director General Competition.

3 Roger Witcomb received no remuneration from the CMA for the period October 2013 to March 2014 while he completed his term of office as Chair of the Competition Commission.

## Pension Benefits

|               | Accrued pension at pension age as at 31 March 2014 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31 March 2014 | CETV at 30 September 2013 | Real increase in CETV | Employer contributions to partnership pensions |
|---------------|---|--|-----------------------|---------------------------|-----------------------|--|
|               | £000  | £000   | £000                  | £000                      | £000                  | £000   |
| Alex Chisholm | 0 – 5   | 0.0 – 2.5  | 23                    | –                         | 16                    | –  |
| Sonya Branch  | 15 – 20   | 0.0 – 2.5  | 187                   | 151                       | 18                    | –  |
| Erik Wilson   | 55 – 60   | 15.0 – 17.5  | 838                   | 575                       | 234                   | –  |
| Mike Walker   | 0 – 5   | 0.0 – 2.5  | 16                    | –                         | 11                    | –  |
| Sarah Cardell | –   | –  | –                     | –                         | –                     | 6,400  |

At the date of completion of this report actual pension figures were not available from MyCSP, therefore the figures in the table have been estimated using an online estimation tool. Corrected figures will be included in the 2014-15 Report and Accounts. Sarah Cardell is in a stakeholder pension scheme so there is no CETV involved, nor can her accrued pension be estimated.

Neither the Chairman nor the other Non-Executive Board members are members of PCSPS. They have no pension entitlements with the CMA. Pension contributions were not paid for Andrea Coscelli in 2013-14 and will be corrected in 2014-15.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes, either a 'final salary' scheme (classic, premium or classic plus), or a 'whole career' scheme (nuvos). 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 and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5 per cent and 3.9 per cent of pensionable earnings for classic and 3.5 per cent and 5.9 per cent for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. 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 1 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 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website:

<http://www.civilservice.gov.uk/pensions>

## 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 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.

**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.

**Alex Chisholm***Chief Executive and Accounting Officer*

10 July 2014

## Statement of Accounting Officer's Responsibilities

Under Section 5 of the *Government Resources and Accounts Act 2000*, HM Treasury has directed the CMA to prepare, for each financial year, 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, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* 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

HM Treasury has appointed the Chief Executive Officer as Accounting Officer of the CMA. The responsibilities of an 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, are set out in *Managing Public Money* published by the HM Treasury.

## Governance Statement

The Competition and Markets Authority (CMA) is a body corporate established under section 25 of the Enterprise and Regulatory Reform Act 2013. The CMA, which is a non-ministerial government department, formally came into existence on 1 October 2013 but assumed its powers on the 1 April 2014. It performs its functions on behalf of the Crown and must seek to promote competition, both within and outside the United Kingdom, for the benefit of consumers.<sup>45</sup>

The CMA is responsible for:

- investigating mergers which could restrict competition
- conducting market studies and investigations in markets where there may be competition and consumer problems
- investigating where there may be breaches of UK or EU prohibitions against anti-competitive agreements and abuses of dominant positions
- bringing criminal proceedings against individuals who commit the cartel offence
- enforcing consumer protection legislation to tackle practices and market conditions that make it difficult for consumers to exercise choice
- co-operating with sector regulators and encouraging them to use their competition powers
- considering regulatory references and appeals.

The CMA's responsibilities are supported by a range of powers emanating from various legislation including the Enterprise Act 2002.

### Board

The Board must consist of the Chair and at least five members, at least one of whom must be appointed to the CMA Panel under paragraph 1(1), Schedule 4 of the Enterprise and Regulatory Reform Act 2013.

The 2013-14 Board consisted of the Chair, the Chief Executive, three Executive Directors and seven Non-Executive Directors, of which two are members of the CMA Panel.

The CMA Board:

- ensures that the CMA fulfils its statutory duties and functions and that the principles of good corporate governance are observed
- establishes the overall strategic direction of the CMA and ensure that it fits within the policy framework laid down under the ERR Act 2013
- has regard to any opinions and reports of the CMA Accounting Officer and ensures that the CMA makes appropriate use of public funds.

The CMA Board met on six occasions between 1 October and 31 March.

The Board has established several Committees:

- Executive Committee
- Operations Committee
- Portfolio and Resources Committee
- Case and Policy Committee
- Remedies, Undertakings and Commitments Committee.

There are also two Committees chaired by Non-Executive Directors: the Audit and Risk Assurance Committee; and the Remuneration Committee.

<sup>4</sup> Section 25 and paragraph 8, Schedule 4 of the Act.

<sup>5</sup> On 1 April 2014, the functions of the Competition Commission (CC) and many of the functions of the Office of Fair Trading (OFT) were transferred to the CMA and these bodies abolished.

The CMA Board met on six occasions between 1 October and 31 March. Attendance at Board meetings was as shown in the table below:

| Name               | Role                   | Attendance |
|--------------------|------------------------|------------|
| David Currie       | Chair                  | 6 / 6      |
| Carolyn Fairbairn  | Non-executive Director | 6 / 6      |
| Alan Giles         | Non-executive Director | 5 / 6      |
| Bill Kovacic       | Non-executive Director | 6 / 6      |
| Philip Lowe        | Non-executive Director | 6 / 6      |
| Jill May           | Non-executive Director | 6 / 6      |
| Annetje Ottow      | Non-executive Director | 6 / 6      |
| Roger Witcomb      | Non-executive Director | 6 / 6      |
| Alex Chisholm      | Chief Executive        | 6 / 6      |
| Sonya Branch*      | Executive Director     | 1 / 6      |
| Dr Andrea Coscelli | Executive Director     | 6 / 6      |
| Erik Wilson        | Executive Director     | 6 / 6      |

\* Sonya Branch was not available to attend CMA meetings on a regular basis prior to 31 March 2014 she however contributed remotely to each meeting via the Chair.

### The CMA Panel

Members are appointed to the CMA Panel by the Department for Business, Innovation and Skills for up to eight years. Decisions on phase 2 markets and mergers work, and regulatory appeals, are taken by independent groups of members drawn from the CMA panel. Each group has at least three members and is led by a Chair. In 2014-15 it is proposed to extend the current role of Panel members into the enforcement work of the CMA.

The Board's oversight role does not extend into the substance of decisions by groups on phase 2 work. The groups make their decisions independently of the Board.

### Transition

From its inception in October 2013, the CMA was primarily focused on establishing the foundations for an effective organisation to start work in earnest on 1 April 2014. There was a comprehensive change management programme to coordinate the preparatory work including the transition of staff and assets from the Office of Fair Trading and Competition Commission. This work was overseen by a Transition Board, which was chaired by the Chair of the CMA. The Transition Board was supported by several dedicated Workstream Programme Boards, each concentrating on different aspects of transition e.g. ICT, Finance and HR. Each Programme Board maintained a risk register with risks being escalated as appropriate to the main Transition Board. Professional advice on aspects of e.g. finance, HR etc was provided to the CMA's Chief Executive by Directors in relevant areas from the legacy organisations. Additionally, from the 1 October 2014 the CMA's Audit and Risk Assurance during this time the CMA's Audit and Risk Assurance Committee was providing advice to the CMA Board and Executive.

The costs incurred during 2013-14 in establishing the CMA were largely met by the Department for Business, Innovation and Skills. This included expenditure on accommodation, IT and other support systems, and the costs of early exits for surplus staff. The costs included in the CMA's own Accounts for 2013-14 principally comprise the pay costs of a small number of senior staff engaged by the CMA.

### Internal audit

The CMA's Audit and Risk Assurance Committee met twice from October 2013 – March 2014. In view of the small scale of operations, the CMA did not have a dedicated internal audit function prior to 1 April 2014<sup>6</sup>, although it drew on advice from the then Head of Internal Audit at the Office of Fair Trading and from the Competition Commission's outsourced internal audit service.

<sup>6</sup> A Head of Internal Audit was appointed in the CMA from 1 April 2014.

## Accounting Officer's Assessment

I was appointed Accounting Officer from 1 October 2013 and I have responsibility for reviewing the effectiveness of the system of internal control. The period covered by this Statement was one of transition; very few of the substantive functions to be discharged by the CMA were undertaken in this period. The primary aim was to ensure the establishment of a body ready to operate effectively from 1 April 2014. I am satisfied that the system of internal control in operation was proportionate and sound.



**Alex Chisholm**  
*Chief Executive and Accounting Officer*  
10 July 2014



## The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Competition and Markets Authority (CMA) for the six month period ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, and Changes in Tax Payers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of 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 also 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.

### Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the six month period ended 31 March 2014 and shows that those totals have not been exceeded; and
- 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.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information given in the annual report for the six month period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**

10 July 2014

**Comptroller and Auditor General**

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

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2013-14

|                                       |         | Estimate      |                   |               | Outturn       |                   |               | 2013-14  |
|---------------------------------------|---------|---------------|-------------------|---------------|---------------|-------------------|---------------|--|
|                                       | Note    | Voted<br>£000 | Non-voted<br>£000 | Total<br>£000 | Voted<br>£000 | Non-voted<br>£000 | Total<br>£000 | Voted Outturn<br>compared with<br>Estimate:<br>saving/(excess)<br>£000 |
| <b>Departmental Expenditure Limit</b> |         |               |                   |               |               |                   |               |  |
| – Resource                            | SOPS2.1 | 1,600         | –                 | 1,600         | 783           | –                 | 783           | 817  |
| – Capital                             |         | –             | –                 | –             | –             | –                 | –             | –  |
| <b>Annually Managed Expenditure</b>   |         |               |                   |               |               |                   |               |  |
| – Resource                            |         | –             | –                 | –             | –             | –                 | –             | –  |
| – Capital                             |         | –             | –                 | –             | –             | –                 | –             | –  |
| <b>Total Budget</b>                   |         | <b>1,600</b>  | <b>–</b>          | <b>1,600</b>  | <b>783</b>    | <b>–</b>          | <b>783</b>    | <b>817</b>   |
| <b>Non-Budget</b>                     |         |               |                   |               |               |                   |               |  |
| – Resource                            |         | –             | –                 | –             | –             | –                 | –             | –  |
| <b>Total</b>                          |         | <b>1,600</b>  | <b>–</b>          | <b>1,600</b>  | <b>783</b>    | <b>–</b>          | <b>783</b>    | <b>817</b>   |
| <b>Total Resource</b>                 |         | <b>1,600</b>  | <b>–</b>          | <b>1,600</b>  | <b>783</b>    | <b>–</b>          | <b>783</b>    | <b>817</b>   |
| <b>Total Capital</b>                  |         | <b>–</b>      | <b>–</b>          | <b>–</b>      | <b>–</b>      | <b>–</b>          | <b>–</b>      | <b>–</b>   |
| <b>Total</b>                          |         | <b>1,600</b>  | <b>–</b>          | <b>1,600</b>  | <b>783</b>    | <b>–</b>          | <b>783</b>    | <b>817</b>   |

### Net Cash Requirement 2013-14 as at 31 March 2014

| Note   | 2013-14  |         | 2013-14 |
|--------|----------|---------|---------|
|        | Estimate | Outturn |         |
|        | £000     | £000    | £000    |
| SOPS 4 | 1,600    | 760     | 840     |

### Administration Costs 2013-14 as at 31 March 2014

| Note   | 2013-14  |         |
|--------|----------|---------|
|        | Estimate | Outturn |
|        | £000     | £000    |
| SOPS 2 | 1,600    | 783     |

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary or other control.

The notes on pages 20 to 21 form part of these financial statements.

## Notes to the Resource Accounts – Statement of Parliamentary Supply (SOPS)

### SOPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FRM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FRM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

#### SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across Government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

### SOPS 2 Net outturn

#### SOPS 2.1 Analysis of net resource outturn by section

|  | 2013-14        |          |            |                   |          |          |            |              |                                |  |
|--|----------------|----------|------------|-------------------|----------|----------|------------|--------------|--------------------------------|--|
|  | Administration |          |            | Outturn Programme |          |          | Total      | Estimate     |                                |  |
|  | Gross          | Income   | Net        | Gross             | Income   | Net      |            | Net total    | Net total compared to estimate |  |
|  | £000           | £000     | £000       | £000              | £000     | £000     | £000       | £000         | £000                           |  |
| Spending in Departmental Expenditure Limit |                |          |            |                   |          |          |            |              |                                |  |
| Voted:                                     |                |          |            |                   |          |          |            |              |                                |  |
| A -Promoting competition                   | 783            | –        | 783        | –                 | –        | –        | 783        | 1,600        | 817                            |  |
| <b>Total</b>                               | <b>783</b>     | <b>–</b> | <b>783</b> | <b>–</b>          | <b>–</b> | <b>–</b> | <b>783</b> | <b>1,600</b> | <b>817</b>                     |  |

An explanation for the variance between actual and estimated expenditure can be found in the Management Commentary (see page 8).

### SOPS 3 Reconciliation of outturn to net operating cost and against Administration Budget

#### SOPS 3.1 Reconciliation of net resource outturn to net operating cost

There is no difference between outturn and net operating cost so no reconciliation table is necessary.

**SOPS 3.2 Outturn against final Administration Budget and Administration net operating cost**

The Estimate of £1,600,000 only related to Administration costs; the net operating cost of £783,000 related to Administration costs, therefore no reconciliation table is necessary.

**SOPS 4 Reconciliation of Net Resource Outturn to Net Cash Requirement**

|   | Note     | Estimate<br>£000 | Outturn<br>£000 | Net total outturn compared with Estimate:<br>Saving/(excess)<br>£000 |
|---|----------|------------------|-----------------|--|
| Resource outturn  | SOPS 2.1 | 1,600            | 783             | 817  |
| <b>Adjustment to reflect movements in working balances:</b> |          |                  |                 |  |
| Changes in payables   | 4        | –                | (23)            | 23   |
| <b>Net cash requirement</b>                                 |          | <b>1,600</b>     | <b>760</b>      | <b>840</b>   |

## Statement of Comprehensive Net Expenditure

for the period ended 31 March 2014

|                                     |      | 2013-14 |
|-------------------------------------|------|---------|
|                                     | Note | £000    |
| Administration Costs:               |      |         |
| Staff Costs                         | 2    | 783     |
| Net Operating Costs                 |      | 783     |
| Other Comprehensive Net Expenditure |      | –       |
| Total Comprehensive Net Expenditure |      | 783     |

These accounts are produced on a going concern basis (see note 1.4).

The notes on pages 25 to 27 form part of these financial statements.

## Statement of Financial Position

as at 31 March 2014

|  |      | 31 March 2014 | 1 October 2013 |
|--|------|---------------|----------------|
|  | Note | £000          | £000           |
| <b>Non-current assets:</b>                   |      |               |                |
| Property, plant and equipment                |      | –             | –              |
| Intangible assets                            |      | –             | –              |
| <b>Total non-current assets</b>              |      | –             | –              |
| <b>Current assets:</b>                       |      |               |                |
| Trade and other receivables                  |      | –             | –              |
| Cash and cash equivalents                    | 3    | 40            | –              |
| <b>Total current assets</b>                  |      | 40            | –              |
| <b>Total assets</b>                          |      | 40            | –              |
| <b>Current liabilities:</b>                  |      |               |                |
| Trade and other payables                     | 4    | (63)          | –              |
| <b>Total current liabilities</b>             |      | (63)          | –              |
| <b>Total assets less current liabilities</b> |      | (23)          | –              |
| <b>Non-current liabilities</b>               |      |               |                |
| Provisions                                   |      | –             | –              |
| <b>Total non-current liabilities</b>         |      | –             | –              |
| <b>Assets less liabilities</b>               |      | (23)          | –              |
| <b>Taxpayers' Equity:</b>                    |      |               |                |
| General Fund                                 |      | (23)          | –              |
| <b>Total taxpayers' equity</b>               |      | (23)          | –              |



**Alex Chisholm**

*Chief Executive and Accounting Officer*

10 July 2014

The notes on pages 25 to 27 form part of these financial statements.

## Statement of Cash Flows

for the period ended 31 March 2014

|  | 2013-14      |
|--|--------------|
|  | £000         |
|  | Note         |
| <b>Cash flows from operating activities:</b>   |              |
| Net operating cost   | (783)        |
| Increase in trade and other payables   | 4 63         |
| Less movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure | 4 (40)       |
| <b>Net outflow from operating activities</b>   | <b>(760)</b> |
| <b>Cash flows from investing activities</b>  |              |
| Purchase of property, plant and equipment  | –            |
| <b>Net cash outflow from investing activities</b>  | <b>–</b>     |
| <b>Cash flows from financing activities</b>  |              |
| From the Consolidated Fund – current year  | 800          |
| <b>Net financing</b>   | <b>800</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>  | <b>–</b>     |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>3 40</b>  |

The notes on pages 25 to 27 form part of these financial statements.

## Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2014

|   | Note | General Fund |
|---|------|--------------|
|   |      | £000         |
| <b>Balance at 1 October 2013</b>                  |      | <b>–</b>     |
| Net Parliamentary Funding – drawn down            |      | 800          |
| Unspent Supply repayable to the Consolidated Fund |      | (40)         |
| <b>Total Comprehensive Net Expenditure</b>        |      | <b>(783)</b> |
| <b>Balance at 31 March 2014</b>                   |      | <b>(23)</b>  |

The notes on pages 25 to 27 form part of these financial statements.



## Notes to the Resource Accounts

### 1.1 Statement of accounting policies

The financial statements have been prepared in accordance with the Government Resource and Accounts Act 2000 and the 2013-14 *Government Financial Reporting Manual (FReM)* 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 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 has been selected. The particular policies adopted by the department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the CMA to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

### 1.2 Financing

The CMA is primarily resourced by funds approved by Parliament through the annual Appropriation Act.

### 1.3 Pensions

Most employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described at Note 2. The CMA recognises the expected pension cost on a systematic and rational basis over the period during which it benefits from employees' services 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.

### 1.4 Going concern

The Statement of Financial Position at 31 March 2014 shows a negative Taxpayers' Equity of £23,000. Drawings from the Consolidated Fund are from grants of Supply approved annually by Parliament, to meet the OFT's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that needed. All unspent cash is surrenderable to the Consolidated Fund.

In common with other government departments, the future financing of the CMA's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2014-15 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

### 1.5 Cash and cash equivalents

Cash and cash equivalents comprises of cash at bank only.

## 2 Staff numbers and related costs

### 2.1 Staff costs

Staff costs comprise:

|                                  | 2013-14    |                            |          |
|----------------------------------|------------|----------------------------|----------|
|                                  | Total      | Permanently employed staff | Others   |
|                                  | £000       | £000                       | £000     |
| Wages and salaries               | 607        | 607                        | –        |
| Social security costs            | 73         | 73                         | –        |
| Pension costs                    | 103        | 103                        | –        |
| <b>Sub-total</b>                 | <b>783</b> | <b>783</b>                 | <b>–</b> |
| Other staff costs                | –          | –                          | –        |
| <b>Total net costs</b>           | <b>783</b> | <b>783</b>                 | <b>–</b> |
| <b>Of which:</b>                 |            |                            |          |
| Charged to administrative costs  | 783        | 783                        | –        |
| Charged to programme expenditure | –          | –                          | –        |
| <b>Total</b>                     | <b>783</b> | <b>783</b>                 | <b>–</b> |

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the CMA is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007 and details can be found in the accounts of the Cabinet Office: Civil superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2013-14, employer contributions of £96,281 were payable to the PCSPS at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £6,352 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

### 2.2 Staff numbers

The number of staff employed at the 31 March 2014 was sixteen, including the Chairman and other Non-Executive Directors.

## 3 Cash and cash equivalents

|   | 2013-14   |
|---|-----------|
|   | £000      |
| Balance at 1 October                                    | –         |
| Net change in cash balances                             | 40        |
| <b>Balance at 31 March</b>                              | <b>40</b> |
| <b>The following balances at 31 March were held at:</b> |           |
| Government Banking Service                              | 40        |
| Cash in hand and locally banked receipts                | –         |
| <b>Balance at 31 March</b>                              | <b>40</b> |

## 4 Trade and other payables

### 4.1 Analysis by type

|   | 2013-14   |
|---|-----------|
|   | £000      |
| <b>Amounts falling due within one year</b>  |           |
| Accruals  | 23        |
| Amounts issued from the Consolidated Fund for Supply but not spent at 31 March 2014 | 40        |
| <b>Total</b>  | <b>63</b> |

### 4.2 Intra-Government balances

|   | 2013-14   |
|---|-----------|
|   | £000      |
| Balances with other central government bodies | 46        |
| <b>Sub-total intra-government balances</b>    | <b>46</b> |
| Balances with bodies external to government   | 17        |
| <b>Total</b>                                  | <b>63</b> |

## 5 Events after the reporting period

In accordance with the requirements of IAS 10 – Events after the Reporting Period, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. The financial statements do not reflect events after this date.

The CMA began normal operations on 1 April 2014. From 1 April 2014 the CMA took over the functions of the Competition Commission (CC) and the competition and certain consumer functions of the Office of Fair Trading (OFT), as amended by the Enterprise and Regulatory Reform Act 2013. The CMA also has certain new powers, which include interim orders in merger cases and compulsory interview powers in enforcement cases.

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