

Competition and Markets Authority
Annual Report and Accounts 2015-16

(For the year ended 31 March 2016)



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Overview



Chairman's foreword

We have continued to make significant progress this year, building on the foundations we laid in our first year, to change things for the better for consumers and businesses across the United Kingdom.

Having been witness to some equally complex and challenging mergers, which are by no means guaranteed to succeed, I am pleased that the merger that led to the creation of the CMA has been carried out smoothly; it was achieved with minimal disruption, and we have overcome the institutional challenges we faced as a new organisation.

We are beginning to see the benefits of the new regime, including how as a single entity we can be more than the sum of our two predecessor organisations. The UK regime is rightly considered one of the world's best and the long-term investments we are making in the CMA are helping to ensure that effective competition is at the heart of a well-functioning UK economy.

I would like to thank my fellow Board members and all of our colleagues within the CMA for their continued hard work and dedication. We have seen some of our Board members step down over the year and it speaks volumes of the CMA's reputation that we have attracted such high-calibre individuals to replace them.

Particular thanks go to Alex Chisholm who will step down as Chief Executive in early July 2016. We are hugely grateful that he has done such a superb job in creating the CMA on a powerful base and helping it to hit its stride. And with Andrea Coscelli taking over on an interim basis, we know that the organisation continues with strong leadership until a permanent successor is appointed.



We are determined to protect consumers – and benefit businesses and the wider economy – by the vigorous enforcement of the law, and have stepped up our enforcement this year by opening 13 new competition and consumer enforcement cases as well as completing impactful investigations. We are pursuing our enforcement, and other, cases with increasing pace but we have not sacrificed procedural standards, fairness and rigour to do so. Whilst our results are at an early stage, our foundations are set and we are making good progress.

We do not believe that enforcement is the only way to deter wrongdoing and we have continued to complement tough enforcement with activities to support the vast majority of businesses who want to abide by the law. Our aim is to embed a 'competition culture' in all businesses and although we still have a long way to go, we are on the right track.

Our market investigations into energy and retail banking continue to be priorities for us, and I am pleased with the comprehensive packages of remedies which each of those investigations has developed. Now that the energy investigation has published its final report, with the retail banking market investigation's report to follow soon, we can concentrate on implementing those remedies to address the problems we found facing households and businesses across the UK.

These two main projects are not our only market-wide activities this year. We launched a new market study into the £30 billion market for legal services in England and Wales; we concluded two calls for information on emerging digital markets, which led to multiple consumer enforcement cases; we concluded our project to explore the possibilities for better competition in passenger rail services, and we conducted three appeals in multi-billion pound regulated sectors for services vital to consumers. Our private healthcare market investigation is also drawing to a close following a remittal from the Competition Appeal Tribunal.

Our continued improvements in merger control demonstrate one of the benefits of being a single agency. We have streamlined the process to make it quicker, finding new ways to make both phases work well, and our interventions are increasingly targeted so that we minimise burdens on businesses while protecting consumers. We have made good progress with our reviews of historic markets and mergers remedies to ensure they do not unnecessarily constrain businesses, alongside continuing to promote competition as an alternative to regulation with sector regulators.

We know that competition and consumer regimes are most effective when all those involved work together and in our first year we developed productive relationships with partners, domestically and overseas. I am delighted that those relationships, including with sector regulators, consumer enforcement agencies, business groups and competition authorities in Europe and across the world, have remained strong and are helping us and our partners to make a difference in people's lives.

We were honoured to take up the presidency of the International Consumer Protection and Enforcement Network in June 2015 and we have taken this opportunity to equip partners to carry out robust and collaborative enforcement within the Network.

Relationships are key to our advocacy work, through which we have continued to promote the benefits of competition to influence domestic and international policy, including on the EU digital single market agenda, the oil and gas market, rail franchising, taxi markets in London and Liverpool and the provision of higher education.

We are starting to see good results and we are focused on finishing what we started, both in terms of developing our organisation and seeing through our ongoing cases. The scale, pace and impact of our activity are increasing, and we will continue to strive to do more, better. While we do not underestimate the challenge, we are confident that we can continue the pace of improvement to secure the full benefits of being a single, integrated competition body, making markets work well for consumers, businesses and the UK economy.



David Currie
CMA Chairman

Chief Executive's report

In our second year we have continued to make an important difference for consumers, businesses and the UK economy.

In our first two years we have delivered over £1.4 billion of direct financial benefit for consumers; reviewed more than 140 mergers, in 29 of which we found competition concerns; carried out market studies and market investigations which affect millions of people across the UK, and opened new ones in markets with a combined annual turnover of over £80bn; conducted appeals on regulatory decisions for services vital to consumers across the UK, and completed competition and consumer enforcement investigations leading to changes in business practices, improved awareness of competition and consumer law, and fines in excess of £46 million.



We are seeing the returns on the investments we made in our first year, including through launches of 13 new competition and consumer enforcement cases, as well as good progress in existing cases. We imposed significant fines in competition enforcement and brought cases to conclusion at pace, without compromising rigour and fairness. We are also increasingly realising the benefits of the new regime and of being a single, integrated, powerful competition body, for example in the mergers regime, and have again exceeded our target of delivering direct benefits to consumers of ten times our cost to the taxpayer.¹ All of this contributes to us making a demonstrable positive difference in the lives of consumers across the UK.

Stepping up enforcement

Effective enforcement of competition and consumer law is central to our purpose and to our function as an organisation. Anti-competitive practices harm consumers by weakening the

downward pressure on price and the spurs to quality and innovation, which are the normal effects of vigorous competition. Breaches of consumer protection law are, likewise, harmful to consumers, by imposing unfair terms on them, misleading them and weakening their ability to make effective purchasing choices. All businesses lose out from anti-competitive practices because they are either competitors or customers. Robust and vigorous combatting of anti-competitive agreements and practices, including through pursuing cases with fairness and rigour, was a primary policy intention behind the reforms which led to the creation of the CMA.

We worked with the National Audit Office on its review of the competition regime. Its report² found that we have made significant progress in improving how the competition regime works and, in line with our own ambition, highlighted the need to increase our civil competition enforcement case flow and the understanding of competition law among UK businesses. We see it as of fundamental

¹ As a rolling three-year average

² <https://www.nao.org.uk/report/the-uk-competition-regime/>

importance that consumers should be protected from illegal anti-competitive practices and the initiatives we proposed during the NAO review are now part of our longer-term programme for the ongoing development of the CMA.

In 2015/16 we imposed fines for breaches of the Competition Act 1998 in two competition enforcement cases in local markets, the estates and lettings agents and ophthalmologists cases, issuing infringement decisions in just under 17 months in one case and just over 12 months in the other. We are achieving impact for consumers in large markets too, imposing fines totalling £45 million in one longer-running case in the UK pharmaceutical sector and issuing a Statement of Objections in another, and we opened eight new Competition Act cases across a range of sectors. Early in 2016/17 we opened a further two cases. We also made the first use of our power to fine an organisation for not responding on time to a statutory request for information.

Pursuing and successfully prosecuting those who engage in criminal cartel activity is an important part of our role and we have continued to invest in our cartels and criminal enforcement capabilities. In September 2015, we concluded our first prosecution for the criminal cartel offence, which resulted in a custodial sentence (suspended for cooperation) for one individual who pleaded guilty, while two other accused were acquitted by the jury. In March 2016, in a parallel 'civil' case under the Competition Act, the firms involved admitted their participation in an illegal cartel and agreed to pay fines totalling £2.6 million. They will now have an opportunity to make representations on the CMA's case before any final decision is made. In that same month an individual pleaded guilty to the criminal cartel offence in another case in respect of the supply of precast concrete drainage products between 2006 and 2013.

On consumer enforcement, we responded to the super-complaint from Which? on groceries pricing practices. In our response we committed to take further action where required to

ensure potentially misleading practices were addressed. As a result, we engaged closely with retailers on our specific findings and the areas of concern we identified. In particular, we received a commitment from a major retailer that it would change its practices in a way that addresses our concerns; the CMA will monitor how these changes are operating six months after implementation. In addition we made a number of recommendations to BIS and CTSI³ which are being taken forward in their reviews of unit pricing regulations and the Pricing Practices Guide to ensure the requirements and guidance are clear and fit for purpose.

Whilst tough enforcement is an important deterrent, we have continued to complement this with activities to support the vast majority of businesses who want to comply with the law. We have produced a wide range of accessible materials, some specifically tailored to the needs of smaller businesses, so that they are able to stay on the right side of the law, identify where they might be a victim of illegal practices themselves, and report these to the CMA. This twin-track of tough and rigorous enforcement alongside support to businesses is both effective and well-received, although we have a long way to go before we have fully embedded a 'competition culture' across all UK businesses.

Making markets work well

We continued to work in large and important markets during 2015/16, seeking to achieve positive changes for consumers, businesses and the UK economy.

We made substantial progress in our market investigations into the energy and retail banking sectors, and launched our legal services market study. Taken together, these markets have a combined annual turnover exceeding £80 billion, and affect millions of consumers and businesses in all nations of the UK.

We concluded the energy market investigation in June 2016, providing remedies to tackle

³ Department for Business, Innovation and Skills; Chartered Trading Standards Institute.

competition problems that are creating consumer detriment of £1.4 billion per year. We are now focused on the swift and effective implementation of these remedies, so that our two-year intensive investigation makes a real impact for consumers and small business customers.

Market studies and investigations are important tools, but not our only ones. Early in the year, we concluded two calls for information focused on emerging, digital markets. These have not only furthered our understanding of the issues facing consumers in these evolving markets, but led directly to multiple consumer enforcement cases to change business behaviour in the online reviews and endorsements sector.

Continuing our work in sectors at the foundation of the UK economy, we concluded our project to explore the possibilities for better competition in passenger rail services, finding that an increase in on-rail competition could result in a range of benefits for passengers and taxpayers.

The services provided by the regulated sectors are central to the lives of all UK consumers and the costs of receiving these services can make up a large proportion of overall household outgoings. One of the regulatory appeal cases we conducted involved electricity distribution costs, which account for nearly 20% of the average annual electricity bill. Consumers benefit from regimes which ensure their interests are protected in terms of the prices they pay, quality of service and continuity of supply.

The CMA conducted three such regulatory appeals in 2015 and, in January 2016, the Competition Appeal Tribunal referred two telecoms appeals to us.⁴ This is nearly double the annual average since 2011 and we were able to reassign our staff flexibly to cope with the challenge such non-discretionary and unpredictable work presents.

Streamlining the mergers regime

We have embedded an efficient, effective and targeted merger control process, and continued to implement improvements and innovations throughout the year. This is evident in shorter overall case durations and we have exceeded our Annual Plan commitment by completing 74% of non-complex Phase 1 cases within 35 working days.

Our merger interventions are increasingly targeted and we have carried out 62 Phase 1 reviews in 2015/16, compared to an annual average of 84 in the preceding five years. We are also making judicious use of our powers to accept undertakings in lieu of a Phase 2 reference, to minimise the burden on business. Last year we used this power in nine cases, three times more than in the previous year. Notwithstanding the option of undertakings in lieu, we will refer a case to in-depth Phase 2 review if our concerns are not addressed, as we did in 11 cases, compared to an annual average of nine cases in the previous five years.

Competition, productivity and deregulation

In July 2015, we published evidence which showed that competition boosts productivity by increasing the need for businesses to be efficient and to innovate. The government has recognised the central role that open and competitive markets with a minimum of regulation can play in addressing the UK productivity gap, most notably in the Productivity Plan⁵ and its competition plan, 'A better deal'.⁶

We have sought to minimise unnecessary regulation in a range of ways. We promote competition as an alternative to regulation with sector regulators. We operate a voluntary notification merger regime and apply the 'de minimis' threshold or accept undertakings in lieu where appropriate. We have completed reviews of 69 of the sets of historical merger and market

⁴ <https://www.gov.uk/cma-cases/superfast-broadband-price-control-appeals-bt-and-talktalk>

⁵ <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

⁶ <https://www.gov.uk/government/news/cma-welcomes-competition-plan>

remedies we inherited, to ensure that businesses are not constrained by regulations which have become inappropriate, and in 51 cases (70%) we either removed the remedies or found them to have lapsed.

The government's recognition of the value of competition has helped us to continue to influence domestic and international policy. Alongside privately guiding policy development at an early stage, we have publicly commented on the EU digital single market proposals, the regulation of London and Liverpool taxi markets, and the development of the Buses Bill and Higher Education Green Paper. We also used our power to make formal recommendations on legislation for the first time, on the draft Energy Bill.⁷

Strengthening the CMA

We have continued to invest in our people, processes and technologies. We were particularly pleased this year to achieve Bronze accreditation in Investors in People and to see a marked improvement in the results of our annual staff survey.

We are progressively more agile in balancing the resourcing required for work we initiate ourselves with peaks and troughs of non-discretionary work; our ability to flexibly allocate our skilled staff to where they are most needed is one of the opportunities afforded us by being a single competition organisation.

We are increasingly efficient across all our work but we have not sacrificed our high professional standards of fairness and of legal and economic rigour. We have a strong litigation success rate, and increasingly so, having been successful in 15 out of the last 19 civil cases brought before the courts. We are committed to seeing through our cases to achieve benefits for consumers and set important precedents for the future.

Strong partnerships, at home and abroad

Much of what we can achieve is reliant on successful joint working. In our first year we built and strengthened partnerships across the competition and consumer landscapes, domestically and overseas. These partnerships have grown stronger in the past year while working together with our partners on specific matters and are helping us to achieve our mission to make markets work well.

We were honoured to take up the presidency of the International Consumer Protection and Enforcement Network in June 2015, delivering year-round activity that will equip partners to continue to achieve consumer benefits through robust enforcement in an increasingly global economy.

We continue to work closely and constructively with our partners in the International Competition Network, the European Competition Network and the Consumer Protection Cooperation Committee. In the European Commission's review of the merger of Hutchinson and Telefonica we intervened with evidence and analysis arguing for a prohibition of this merger so as to protect consumers, working closely with Ofcom and the Commission. The Commission announced a prohibition decision in May 2016.

Domestically, we have collaborated with our partners in the Consumer Protection Partnership and the UK Competition Network. The relationships we built in the devolved nations in 2014/15 remain productive and are helping us to achieve our aim to be recognised and understood across all nations of the UK. We have worked with business groups and devolved governments on a range of topics, including the Scottish government's plans for a strategic assessment of markets in Scotland. Relationships with sector

⁷ <https://www.gov.uk/government/publications/energy-bill-cma-recommendations-to-ministers>

regulators remain strong; our focus in the past year has been on supporting individual regulators to make good progress with their increasing competition enforcement casework.

Key risks and challenges

We continue to operate in a challenging environment. As we move into our third year, we aim to conclude the cases we have started with successful outcomes for consumers, and launch more cases in markets across the UK, in particular stepping up our competition enforcement activity. Not least we are focused on successfully concluding our current market investigations in the banking and energy sectors with the implementation of effective remedies where necessary. We plan to carry out our work more swiftly wherever possible, but vitally without sacrificing the robustness of our analysis or the fairness of our processes. In this context, we operate in an increasingly litigious environment and in the year ahead expect to defend our position in relation to the historic Office of Fair Trading Tobacco case, the 'pay for delay' pharmaceuticals case, and aspects of the private healthcare investigation.

We face the challenge of a rapidly evolving economy, with an intensifying pace of change in both online and offline trading bringing both opportunities and risks for consumers. Inevitably this will bring novel challenges to the CMA, both in our analysis and our processes. We may also need to adapt to further evolution of our role, particularly with the government recently consulting on refinements to the UK competition regime, and following the outcome of the referendum on the UK's membership of the European Union; we look forward to engaging actively in these discussions. Internally, with a flat budget settlement for the next four years and a competitive labour market for specialist skills, we will need to continue to work hard to find efficiencies in our processes and to continue to attract and retain suitably qualified staff.

Looking ahead

We are pleased with the further progress which we have made this year, both in the development of our own organisation and, most critically, in the demonstrable impact we are making in the lives of millions of consumers.

I will leave the CMA in early July to join the Department of Energy and Climate Change. I am most grateful to Chairman David Currie, my colleagues on the Board and the Executive Team, and all of our talented and hard-working staff, for the support shown to me throughout my time at the CMA. I am proud of what we have been able to achieve together for UK consumers and businesses. I am lucky to be able to hand over to Andrea Coscelli as acting Chief Executive. Whilst the challenges the CMA faces are considerable, I am confident the foundations have been laid for further success in the future.



Alex Chisholm
Chief Executive and Accounting Officer

30 June 2016

Year in highlights

Combined annual turnover



Total fines



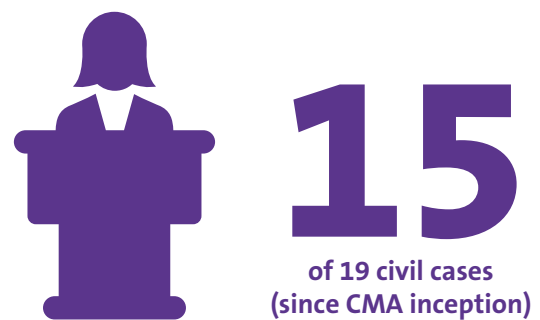
Regulatory appeals



Compliance messages



Court success



Mergers

62

Total reviewed

9

undertakings in lieu accepted

20

Substantial Lessening of Competition found

11

Referred to Phase 2

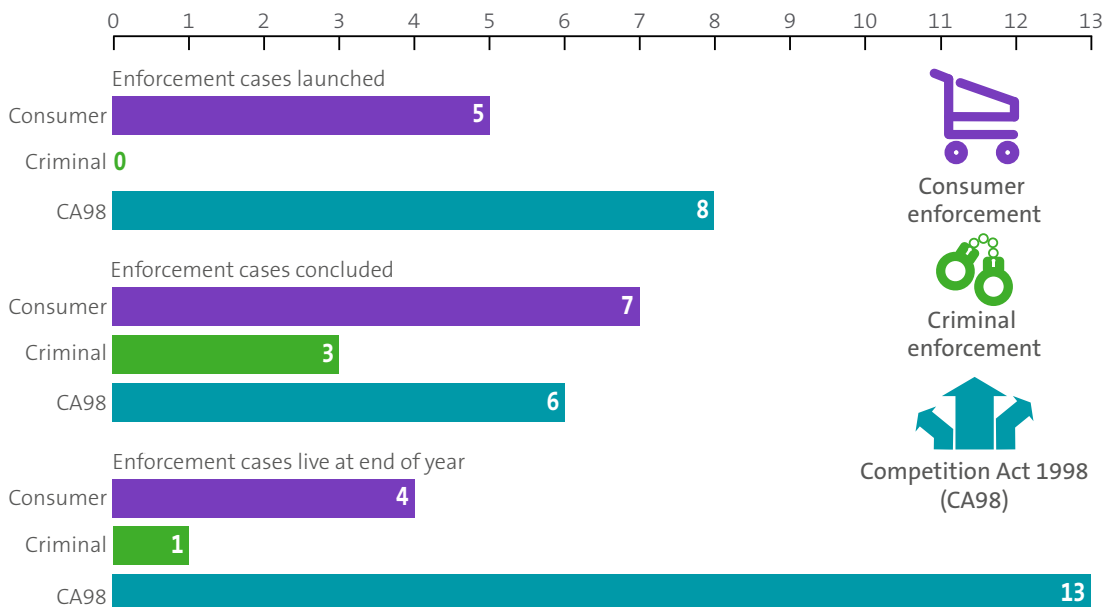
Phase 1 in 35 working days

74%

2015/16

23%

2014/15



About us

The primary duty of the CMA is to promote competition, both within and outside the United Kingdom, for the benefit of consumers.

The primary duty of the CMA is to promote competition, both within and outside the United Kingdom, for the benefit of consumers.

We are an independent non-Ministerial government department. We took on our powers as the UK's lead competition and consumer authority in April 2014, and brought together most of the roles and responsibilities of the Competition Commission and the Office of Fair Trading into our new authority. We take a holistic, integrated approach across our work, selecting those tools we believe will achieve maximum positive impact for consumers and the UK economy. We have a UK-wide remit and, although most of our staff are located in our London office, we have representatives in Scotland, Wales and Northern Ireland.

The CMA's functions include:

- To investigate mergers that have the potential to lead to a substantial lessening of competition;
- To conduct studies and investigations into

particular markets where there are suspected competition and consumer problems;

- To investigate individual businesses to determine whether they have breached UK or EU competition law and bring criminal proceedings against individuals who commit the cartel offence;
- To enforce a range of civil and criminal consumer protection legislation, tackling issues which suggest a systemic market problem or which affect consumers' ability to make choices;
- To promote stronger competition in the regulated industries (gas, electricity, water, post, aviation, rail, communications and health); and
- To conduct regulatory appeals and references in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation.

More detail on the CMA's strategic approach to its work are included in the next section.

CMA vision and strategy

Our **mission** is to make markets work well in the interests of consumers, businesses and the economy, and our overall **ambition** is consistently to be among the leading competition and consumer agencies in the world. Underpinning our mission are **five strategic goals**:

Deliver effective enforcement

- Deter wrongdoing and prevent consumers losing out from anticompetitive mergers or practices
- Ensure that businesses and individuals understand the law and know that effective sanctions follow if they break it
- Pursue the right cases and manage them well so we make good, timely decisions that stand up to appeal

Extend competition frontiers

- Use the markets regime to improve the way competition works where evidence shows it can most benefit consumers
- Ensure the application of competition law and policy in regulated sectors, working alongside sector regulators
- Act to encourage effective competition where markets and business models are evolving

Refocus consumer protection

- Empower consumers to exercise informed choice, using both competition and consumer powers to help markets work well
- Lead policy development and identify and pursue complex, precedent-setting cases where we are best placed to intervene and can have the greatest impact on markets
- Support and work effectively alongside other UK consumer agencies

Achieve professional excellence

- Conduct legal, economic and financial analysis to the highest international standards while avoiding unnecessary burdens on business
- Manage all our cases efficiently, transparently and fairly to meet demanding deadlines and external expectations of pace, rigour and fairness
- Lead the development of legal, economic and business thinking on competition

Develop integrated performance

- Combine staff from different professional and organisational backgrounds into effective multidisciplinary teams
- Use all the competition and consumer measures at our disposal where they can have most impact and apply lessons and experience from each to improve its performance
- Complement the work of other consumer, regulatory and enforcement authorities, and act as a trusted competition adviser across government

By achieving these goals, the CMA will be:

- An agency that has a beneficial impact on consumer welfare and on productivity and growth in the economy
- A respected and influential independent authority in the UK and abroad
- A great place to work

Government priorities for competition and markets

The CMA's strategy and vision is set out on the previous page. We also have regard to a non-binding Ministerial statement of strategic priorities for the CMA, which sets out governmental priorities, whilst recognising our constitutional and operational independence. In December 2015, the government published a new Strategic Steer⁸ and 'A better deal'.⁹

Both documents emphasise the contribution that open and competitive markets can have on productivity, and we agree; such markets stimulate innovation, help to increase productivity, and ultimately support consumers via economic growth. We published a detailed paper exploring the links between competition and productivity in 2015, and in scoping our work we are now considering whether poor productivity in particular sectors is an indicator of competition and market problems that we may be able to address.¹⁰

The Steer underlines the importance of the CMA's work to promote competition as an alternative to regulation, working closely with concurrent regulators and others to ensure competition is used effectively, as well as helping government to avoid imposing unnecessary regulatory or legislative barriers to competition. It explicitly encourages the CMA to make recommendations on government interventions at a local level, working with local authorities across the United Kingdom to seek to ensure that their activities do not have an adverse effect on competition.

The Steer reaffirms the government's commitment to implement CMA recommendations unless there is a strong policy reason not to do so. Demonstrating this commitment, 'A better deal' pledges action on specific previous policy recommendations to government by the Office of Fair Trading, and reiterates the government's commitment to act on the recommendations arising from the energy and retail banking market investigations.

⁸ <https://www.gov.uk/government/consultations/competition-regime-competition-and-markets-authority-governments-strategic-priorities>

⁹ <https://www.gov.uk/government/publications/a-better-deal-boosting-competition-to-bring-down-bills-for-families-and-firms>

¹⁰ www.gov.uk/government/publications/productivity-and-competition-a-summary-of-the-evidence

Governance

The CMA is an independent non-Ministerial government department, with a primary duty to promote competition for the benefit of consumers, both within and outside the United Kingdom. We are a unitary authority with both Phase I and Phase 2 of market and merger investigations being managed by the CMA. More detail on our governance can be found on page 78.



1

CMA Board

1 David Currie (Chairman)

David Currie is the Chairman of the CMA and was appointed in September 2012. He is also Governor of the Institute for Government, Member of the Board of the Dubai Financial Services Authority, and sits on the cross benches in the House of Lords as Lord Currie of Marylebone.



2

2 Alex Chisholm (Chief Executive)

Alex Chisholm is the Chief Executive of the CMA and was appointed in January 2013. He is also Trustee and Deputy Chair at the international charity Breadline Africa. Prior to joining the CMA, Alex was Chairperson and Commissioner of Ireland's communications regulatory agency, and Chair of Ireland's Economic Regulators Network. Alex will step down from the CMA with effect from 3 July 2016, following his appointment as Permanent Secretary at the Department of Energy and Climate Change.



3

3 Dr Andrea Coscelli (Executive Director, Markets and Mergers)

Andrea Coscelli was appointed in September 2013. Andrea ensures strategic leadership of the markets portfolio and acts as a decision maker in important merger cases, while ensuring the separation of Phase 1 and Phase 2 decision-making. Andrea has held previous roles as Director of Economic Analysis at Ofcom, Vice-President in the European Competition Practice at Charles River Associates, and Associate Director of Lexecon Ltd. Andrea is also co-founder of the Association of Competition Economics.

Andrea will become interim Chief Executive on Alex Chisholm's departure in July 2016.



4 Dr Michael Grenfell (Executive Director, Enforcement) – since July 2015

Michael Grenfell was appointed Executive Director, Enforcement, in July 2015, a role in which he leads the CMA’s civil and criminal enforcement activities. Michael joined the CMA in 2014 as the Senior Director of Sector Regulation and Concurrency, a post he held until his appointment to the Board. Before joining the CMA, he was a solicitor specialising in competition law, including from 1998 to 2013 as a Partner at the law firm Norton Rose Fulbright. He was also a member of the City of London Law Society Competition Committee.



5 Erik Wilson (Executive Director, Corporate Services)

Erik Wilson was appointed in September 2013. Erik ensures the CMA has first-class support functions, including human resources and organisational development, finance, communications and business systems. Before joining the CMA Erik was Director of the Executive Office and Strategy Group at the OFT. Erik also previously held corporate and support service leadership roles both within the OFT and across the Civil Service.



6 Sonya Branch (Executive Director, Enforcement) – until May 2015

Sonya Branch was appointed in September 2013 and led the CMA’s enforcement activities during its first year of operation. Sonya previously held a variety of key roles within the OFT, and was a partner at Clifford Chance LLP. Sonya stepped down in May 2015 to take up the position of General Counsel at the Bank of England.



**7 Alan Giles
(Non-Executive Director)**

Alan Giles was appointed in July 2013 and has the additional responsibility of being Chair of the Audit and Risk Committee. Alan is also a Non-Executive Director of Rentokil Initial Plc, and is an Associate Fellow at Saïd Business School, University of Oxford and an Honorary Visiting Professor at Cass Business School. Alan's previous roles include lead Non-Executive Director at the OFT, Chairman of the Fat Face Group, CEO of HMV Group, Managing Director of Waterstones Booksellers Ltd and Executive Director of WH Smith Group Plc.



**8 Professor William Kovacic
(Non-Executive Director)**

William (Bill) Kovacic was appointed in July 2013. Bill has been an adviser on antitrust and consumer protection issues to governments around the world since 1992. His previous roles include Chair of the US Federal Trade Commission (FTC), Vice Chair for Outreach of the International Competition Network and General Counsel at the FTC. He is a Professor of Law and Policy and Director of the Competition Law Centre at the George Washington University Law School and is a visiting Professor at the Dickson Poon School of Law at King's College London.



**9 Jill May
(Panel Member,
Non-Executive Director)**

Jill May was appointed in July 2013. As a Panel Member, Jill is appointed to groups conducting Phase 2 merger inquiries and market investigations. Jill is currently also a member of the Council of Durham University, a member of the Complaints Committee of the Independent Press Standards Organisation and a Non-Executive Director of the Institute of Chartered Accountants in England and Wales. Her 25 year executive career was spent in financial services, latterly as a Managing Director responsible for group strategy at UBS AG.



**10 Professor Annetje Ottow
(Non-Executive Director)**

Annetje Ottow was appointed in July 2013. Annetje’s other roles include Dean of the Faculty of Law, Economics and Governance at the University of Utrecht and is Professor of Public Economic Law at the same university.

Annetje is also Non-Governmental Advisor to the International Competition Network. Career highlights include roles as Vice President and Non-Executive Board Member of the Dutch Post and Telecommunications Authority, and as Visiting Professor at several universities around the world.



**11 Roger Witcomb
(Panel Chair, Non-Executive Director)**

Roger Witcomb was appointed in July 2013. Roger is a specialist utility panel member and has chaired the Remuneration Committee since July 2015. Formerly Chairman of the Competition Commission, Roger has also been a Non-Executive Director for several companies, including Anglian Water and Infracore (a developer of infrastructure projects in developing countries), and was the Chair of Governors at the University of Winchester.



**12 Carolyn Fairbairn
(Non-Executive Director)**

**12 Carolyn Fairbairn
(Non-Executive Director)**

Carolyn Fairbairn was appointed in July 2013 and stepped down in July 2015 to become Director-General of the Confederation of British Industry.

**13 Sir Philip Lowe
(Non-Executive Director)**

Philip Lowe was appointed in July 2013 and stepped down in January 2016 to take up a role as adviser on EU policy and regulation with FTI Consulting.





14 *The Board is supported by the CMA's Chief Economist and General Counsel who attend Board meetings in an advisory capacity.¹¹*

**14 Dr Mike Walker
(Chief Economist)**

Mike Walker was appointed in September 2013. Mike advises the Board on complex cases and ensures consistently high quality advice from the CMA's economists. Mike was previously a Vice President at Charles Rivers Associates. He remains an academic at King's College, London, and the College of Europe in Bruges.



**15 Sarah Cardell
(General Counsel)**

Sarah Cardell was appointed as General Counsel in September 2013. Sarah ensures consistently high quality legal work at the CMA, advises on the most important cases, and acts as a strong advocate for competition, building relationships across the legal sector in the UK and internationally. Sarah was previously a Legal Partner of the Markets Division at Ofgem and Partner in Slaughter and May's Competition Group.

To view the full biographies please visit www.gov.uk/cma

¹¹ Rebecca Lawrence, Director of Finance and Commercial and Paul Latham, Director of Strategy, Communications and Devolved Nations also attend the Board.

CMA Panel

Decisions on Phase 2 merger and market investigations and regulatory appeals are made by Groups drawn from the CMA Panel. Each Group has at least three members and is led by a Chair. The Chair of the CMA Panel and its members are also appointed by the Secretary of State. The Groups make their decisions

independently of the CMA Board. Whilst the Board is kept informed about resourcing, efficiency, the application of CMA policy and the staff processes that support the work of the Panel, its oversight role does not extend into the substance of decisions by Groups at Phase 2. The Panel is chaired by Roger Witcomb.



1

Inquiry Chairs

1 Professor Martin Cave OBE

Martin Cave (appointed in January 2012) is an economist specialising in competition issues and the regulation of network industries. He was a member of the Competition Commission from 1996 to 2002. Martin is also a specialist communications and utility panel member.



2

2 Phil Evans

Phil Evans (appointed in April 2014) was previously an independent consultant on consumer, competition and trade issues, and a senior consultant to Fipra International. He is on the advisory boards of the American Antitrust Institute and the Loyola University Consumer Antitrust Institute.



3

3 Anne Lambert

Anne Lambert CMG (appointed in September 2014) spent 30 years in the UK Civil Service, focusing on regulation and EU affairs. She is currently a member of the European Commission's Protection and Security Advisory Group for Horizon 2020 research. Previously she was a member of the Performance Review Body which advises the European Commission on regulation of air traffic management. She is also a Governor of the University of Portsmouth and a Trustee of The Woodland Trust. Anne is a specialist communications panel member.



4

4 Professor Philip Marsden

Philip Marsden (appointed in April 2014) is a competition lawyer and a Professor of Law and Economics at the College of Europe, Bruges, teaching the core LLM competition course. From 2008-2014 he was a Non-Executive Director on the Board of the Office of Fair Trading.



5 Simon Polito

Simon Polito (appointed in January 2012) was a City Solicitor with international law firm Hogan Lovells. He has over 30 years' experience as a specialist in UK and EU competition law and has practised in both London and Brussels. Simon is also a specialist utility panel member.



6 Professor Alasdair Smith

Alasdair Smith (appointed in January 2012) has been a Professor of Economics at the University of Sussex since 1981 and was Vice-Chancellor of the University from 1998 to 2007. He is a member of the Determinations Panel of the Pensions Regulator. Alasdair is also a specialist communications and utility panel member.



7 John Wotton

John Wotton (appointed in April 2014) practised as a solicitor with Allen & Overy LLP throughout his career, retiring in 2012. He is an external expert for NHS Improvement, the sector regulator for health services in England.

Panel members

Robin Aaronson	Michael Hutchings	Gavin Robert
Lesley Ainsworth	Ray King (resigned on 31 August 2015)	Jayne Scott
Sarah Chambers	John Krumins	Graham Sharp
Marisa Cassoni	Professor Robin Mason	Ed Smith
Roger Finbow	Jill May	Bob Spedding
John Harley	Anthony Morris	Jon Stern
Rosalind Hedley-Miller	Malcolm Nicholson	Tim Tutton
Professor Tom Hoehn	Stephen Oram	
Katherine Holmes	Andrew Popham	

In-flight case only members

These members will only be on the CMA panel until the conclusion of their assigned casework.

Jayne Almond (resigned on 17 July 2015)	Jeremy Peat
Carolan Dobson (appointment term ended on 11 June 2015)	Jonathan Whitarcar

Performance summary

Funding

The CMA is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through the Main Estimates presented to the House of Commons, specifying the estimated expenditure and asking for the necessary funds to be voted. The department draws down voted funds in-year from the Consolidated Fund as required.

The Estimates include a formal description ('ambit') of the services to be financed. Voted money cannot be used to finance services that do not fall within the ambit. The 2015/16 Estimate for the CMA is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/441343/PU_1815_Main_Estimates_book_v3.pdf

In the 2013 Spending Round HM Treasury awarded the CMA a Resource Departmental Expenditure Limit (Resource DEL) of £69.4m and a Capital Departmental Expenditure Limit (Capital DEL) of £1.1m for the financial year 2015/16. The Resource DEL included a ring-fenced budget of £4.6m to cover depreciation and specific policy initiatives and placed a limit of £18.9m (including £1.1m of depreciation) on administration expenditure.

No changes were made to the Resource DEL or Capital DEL in the 2015/16 Supplementary Estimates. The CMA's Net Cash Requirement increased £1m to £69m, reflecting the cash requirement of movements in provisions and working capital, including the improved invoice approval process which has resulted in creditors being paid more promptly this year.

Outturn

For the year ended 31 March 2016 the CMA reported comprehensive net expenditure of £66m. This compares to £62.1m for the year to 31 March 2015.

As set out in the Statement of Parliamentary Supply, the CMA's 2015/16 Resource DEL outturn was £65.1m, compared with an Estimate of £69.4m. Of this total saving of £4.3m, £2.5m related to ring-fenced depreciation. The remaining saving of £1.7m represents 2.3% of the CMA's Estimate Resource DEL limit. This net saving arose from certain delays in project activity compared with budgeted expenditure profiles.

The Capital DEL outturn of £1m was lower than the Estimate by £0.1m, due to IT project resources being re-phased in the latter part of the year.

The CMA's Net Cash Requirement outturn of £66.4m was £2.6m lower than Estimate (£69.0m). This variance arose from a combination of effects including lower than anticipated Resource DEL and Capital DEL expenditure, and certain expenditure against provisions for liabilities and charges not occurring to the timescales expected when the CMA's Net Cash Requirement was agreed.

Creditor payments, target and performance


The CMA's 2015/16 target was to pay suppliers promptly in line with the department standard terms and conditions, which are to pay all valid invoices within 30 days of receipt of invoice. In 2015/16, 95% of undisputed invoices were paid within the 30 day target. This is a significant improvement of 30% from 2014/15, and reflects the successful embedding and implementation of the CMA's systems and processes.

HM Treasury guidance is that government departments should aim to pay 80% of undisputed invoices within five days. The CMA first started monitoring its performance against this target in October 2015. Since then on average the department has paid 53% of invoices within five working days. The department aims to move closer to meeting this target in 2016/17 on a consistent basis.

Going concern

The going concern basis is set out in note 1.21 of the CMA's financial statements. The financial statements for the CMA in respect of the year to 31 March 2016 are prepared on a going concern basis in accordance with the Financial Reporting Manual issued by HM Treasury.

The Statement of Financial Position at 31 March 2016 shows net liabilities of £9,581k (2014/15: £10,043k). Provision for resource and capital expenditure for 2016/17 for the functions performed by the CMA have been included in Estimate submissions, which have been approved by Parliament.

A hand is shown interacting with a tablet. The tablet screen displays a colorful data visualization, possibly a bar chart or a map, with various colors like blue, green, and red. The background is dark, and the overall lighting is focused on the tablet and the hand. A semi-transparent green box is overlaid on the top left of the image, containing the text "Performance Analysis" in white, bold, sans-serif font.

Performance Analysis

How we measure performance

We have a well-developed reporting framework. An overall framework sets out the performance the government expects of the CMA, describing how it will fulfil the performance reporting requirements of the Enterprise and Regulatory Reform Act 2013, and recognising the CMA's full operational freedom to make case decisions and prioritise its use of resources and its activity. These expectations are reflected in our strategic goals (see page 13) and in turn in a number of key commitments and initiatives set out in the CMA's Annual Plan. These were intended as a challenging,

ambitious set of targets to work towards based on our known budget and portfolio and are set out at the start of each chapter in this report along with an indication of whether we have achieved the commitment. More widely we have ensured that we have reported on our framework and strategic priorities within the text of our Performance Analysis. Performance reporting through our Annual Report is underpinned by more detailed management reporting and performance measures which are reviewed regularly by the CMA's Executive Committee and Board.
















Enforcement

Effective enforcement of competition and consumer law is central to our purpose and to our function as an organisation. Deterring illegal anti-competitive practices and unfair trading is key to protecting consumers and businesses, and to protecting the competitive dynamic which is the spur to increased productivity and economic growth.

Commitments

-  Increase the number and speed of cartel investigations that we are able to pursue both criminally and under the Competition Act 1998 (CA98), by continuing to build our intelligence, investigation and enforcement capacity.
-  Issue proceedings or conclude the investigation in at least one criminal cartel case and, where we have the requisite evidence, open as many new criminal cartel investigations as possible.
-  Launch as many new competition enforcement investigations as possible where we have the requisite evidence; and as a minimum launch four new CA98 investigations.
-  Continue to enhance processes and challenge our ways of working so as to decrease the time taken to conclude competition enforcement investigations against a rolling three year average benchmark of previous cases.
-  Initiate as many consumer cases or projects as possible, where we have the requisite evidence; with three as a minimum.
-  Conclude our consumer enforcement cases effectively either by agreement or by proceeding to litigation; we will aim for the majority to be concluded within 18 months of being opened.
-  Maximise the impact of the CMA's enforcement activity and markets work by targeting relevant businesses or sectors to improve compliance. This will include the development of tailored suites of compliance tools for small businesses, focussing on competition law and unfair contract terms.
-  Make appropriate use of letters or other contacts with companies to follow up on potential breaches of competition or consumer law, which may or may not lead to a formal investigation, in order to raise awareness and promote compliance.

Key

-  Achieved
-  Partially achieved
-  Not achieved

Civil competition law enforcement

Our enforcement powers enable us to tackle conduct that breaches competition law, and also to deter businesses from future infringements.

We announced fines in three cases under the Competition Act 1998 (CA98), and ended the year with 13 live cases.

CA98 cases opened in 2015/16
Cleaning services (Ch. I)
Leisure (Ch. I)
Online sales of discretionary consumer products (Ch. I)
Pharmaceuticals (Ch. II) - two cases
Residential estate agency services (Ch. I)
Sports equipment (Ch. I)
Supply of products to furniture industry (Ch. I)

As old projects have ended, and as resources have become available, we have used them to develop our pipeline and launch eight new cases across a range of sectors in 2015/16 – double the target in our Annual Plan.

We have continued to reduce the time taken to progress and conclude cases, whilst retaining high professional standards of fairness and

rigour, and we continue to work to decrease overall timescales for competition enforcement investigations against a rolling three year average benchmark of previous cases. We still have more to do, including to increase the number and speed of civil cartel investigations.

We reached early settlement decisions with parties in two cases (Estate and Lettings Agents, and Ophthalmologists) early in the year. There is no obligation, on the parties or on us, to settle CA98 cases. We consider settlement in appropriate cases, which may include consideration of whether there are potential procedural efficiencies and resource savings for us.

These cases, albeit in relatively small or local markets, are important in raising awareness of competition law and deterring other businesses from breaking it. We followed up each case with a programme of compliance activity, to help others in those markets and beyond to understand the law and how to avoid breaking it.

We also ran cases in much larger markets. In February 2016, we fined a number of pharmaceutical firms totalling £45 million in the ‘pay-for-delay’ case.

We have made increasing use of warning letters to specific organisations, as well as open letters which reach a wider audience in a particular market. We sent more than twice as many warning letters to organisations in 2015/16 as in the previous year.

Enforcing the law swiftly and decisively

In the first half of the year we concluded two competition enforcement cases through settlement with the organisations involved. We concluded the case against an association of estate and lettings agents and a local newspaper publisher with fines totalling £735,000 and a further case against an association of ophthalmologists with fines totalling £382,500.

We issued the infringement decision in the first one in just under 17 months from case launch, and the second in just over 12 months. Both cases show that CMA's increasingly efficient approach to enforcement, whilst maintaining robustness and high quality decision-making.

Although the fines and the markets in question were comparatively small, we followed both cases up with extensive compliance work in the sectors concerned, to help other businesses across the UK avoid competition law risks.



Pay for delay – anti-depressant drug

In February 2016 we fined several pharmaceutical companies a total of £45 million, including a fine of £37 million for GlaxoSmithKline plc, for payments and other value transfers which delayed the entry into the UK market of generic versions of the anti-depressant drug, paroxetine.

These 'pay-for-delay' agreements deferred the competition that the threat of independent generic entry could offer, and potentially deprived the National Health Service of the significant price falls that generally result from such competition. In this case, when independent generic entry eventually took place at the end of 2003, average paroxetine prices dropped by over 70% in two years.

The CMA considers that the arrangements in this case weakened competition at the expense of customers – in this case, the NHS and, ultimately, taxpayers. This is the first time a UK competition authority has tackled 'pay-for-delay' agreements which have previously been found to be problematic by the European Commission and US Federal Trade Commission, and this is the biggest fine the CMA has issued to date. The parties have since appealed the decision and the appeal is scheduled to be heard in February 2017.



You and your staff should:



Promoting compliance

We know that most businesses want to comply with the law, and we are committed to helping them to do so. Our compliance work helps increase the reach of our enforcement beyond each individual case to maximise the impact of our work so that businesses understand the law better, are more likely to comply with it, and are encouraged to report illegal activity if they become aware of it. Better compliance leads to better functioning markets, to the benefit of consumers, businesses and the country's overall economic performance.

Over the course of the year, we have focused our compliance work on sectors where we have taken enforcement action. Our compliance project arising from the estates and letting agents case was a particular success – we estimate that we reached up to 95% of estate and lettings agent businesses across the UK – over 27,000 sales and lettings operations.

We target our communications activities carefully, using research to understand why businesses think and act the way they do, which trigger points matter most for them and what we can do to motivate them to comply with the law. We work closely with business representative organisations, trade

associations and professional bodies to increase our reach and impact, and as a direct channel to communicate with businesses.

In response to our research¹² which revealed a lack of knowledge about competition law among smaller firms, and to meet one of our Annual Plan commitments, we launched a suite of materials¹³ tailored for small and medium-sized businesses. The materials, which are also available on our YouTube channel¹⁴, emphasise competition as an essential part of doing business and that companies can themselves be victims if their rivals or suppliers flout the law.

Further research showed that most small businesses shared an ethical sense that certain anti-competitive practices, such as price-fixing, are unfair and wrong and that businesses want to do the right thing.¹⁵ They wanted straightforward and user-friendly advice on the law and how to comply, alongside information on how to report suspected wrongdoing. This is exactly what we provide through our work to promote compliance.

Although we have made a good start with our compliance work, there still remains much for us to do to fully embed a 'competition culture' across all UK businesses.

¹² <https://www.gov.uk/government/publications/uk-businesses-understanding-of-competition-law>

¹³ <https://www.gov.uk/government/collections/competing-fairly-in-business-advice-for-small-businesses>

¹⁴ https://www.youtube.com/playlist?list=PLJREEEp21-xekJrmVFH-X21S-uHTG_R4x

¹⁵ <https://www.gov.uk/government/publications/small-businesses-understanding-of-competition-law>

Galvanised steel water tanks criminal cartel

We secured a conviction in the CMA's first prosecution for the criminal cartel offence, in relation to the sale of galvanised steel water tanks, off the back of a guilty plea. This resulted in a six-month custodial sentence, suspended for 12 months, as well as a community service order. A jury found the other two defendants not guilty of the same offence.

The only key point contested at the trial was whether in agreeing to the cartel arrangements they had acted 'dishonestly'. Following a change in the law, for conduct after 1 April 2014, it is no longer necessary for the CMA to prove individuals acted dishonestly to commit the offence.

Given the change in the law, perhaps of greater general significance than the acquittals in this case is the sentence of the individual concerned and the sentencing remarks of the trial judge. Referring to the economic damage done by cartels, the judge made clear both the seriousness of the conduct and that those convicted of the cartel offence can expect a prison sentence. In this instance the sentence was suspended owing to the defendant's co-operation, which included his early guilty plea and his voluntary co-operation as a witness for the prosecution. On the same grounds, the judge also reduced the prison sentence from two years to six months.

The many procedural challenges raised by the defence were consistently rejected by the judge, who also dismissed defence criticisms of the CMA's approach to disclosure, commenting on the 'colossal scale' of the task and the 'very thorough and comprehensive review' carried out by the CMA disclosure team.

In March 2016 we reached settlement with the businesses involved in a parallel civil competition enforcement case, in which the companies admitted their involvement in an illegal cartel and agreed to pay fines totalling more than £2.6 million. The firms involved will now have an opportunity to make representations on the CMA's case before a final decision is issued, which will set out the CMA's findings and the fines to be paid.

Criminal cartel enforcement

Alongside pursuing enforcement action against cartels under the CA98, we can also prosecute individuals for the criminal cartel offence.

Whilst we have more to do to increase the pace and scale of our anti-cartel work, we remain strongly committed to investigating and prosecuting individuals who engage in criminal cartel conduct, and, in March 2016 an individual pleaded guilty to the criminal cartel offence, in respect of the supply in the UK of precast concrete drainage products. Cases such as these show that the CMA has both the capability and the determination to pursue those who break the law.

Indeed the risks of non-compliance are considerable and growing, particularly given the CMA's investment during 2015/16 in enhancing its cartels intelligence and enforcement capability, including digital forensics and intelligence. There are therefore significant incentives for businesses and individuals to ensure that they comply with competition law.

Consumer enforcement

Our aim is to achieve change across markets that are not working well for consumers, due to non-compliance with consumer law. We lead on consumer policy development, both domestically and internationally, in areas where we have specific responsibility such as unfair contract terms or where we have particular expertise.

The CMA is not the UK's 'lead' enforcement body for consumer protection law – Trading Standards Services have the lead national enforcement role and act at national, regional and, predominantly, local level. The CMA's consumer enforcement role involves market-wide practices and, in particular, those that make it difficult for consumers to exercise informed choice.

Exceeding our Annual Plan commitment, we publicly launched five projects in markets where there is evidence of widespread or endemic practices that adversely affect consumer decision making or choice. Many of the consumer projects we launched this year are focused on the challenges arising from the UK's increasingly digital economy, which permeates most aspects of consumers' lives. This includes three which arose from our call for information into online reviews and endorsements.

Consumer enforcement cases concluded in 2015/16*

- Groceries pricing practices super-complaint (response to Which?)
- Children's online games
- Fake online reviews
- Improvements to review sites' practices
- Short-term consumer car hire across the European Union
- Cancellation terms in consumer contracts
- Understanding consumers on low incomes

* We concluded all of these projects within 18 months, compared to 80% in 2014/15.

In early April we concluded, after nine months, the third consumer enforcement case arising from our online reviews and endorsements work, to tackle advertising disguised as online opinions or reviews. In each of these three cases we secured changes from those under investigation to address the practices which breached consumer law. You can find more information in the 'Going digital' feature, on page 37.

Unlike our markets and mergers work, our consumer enforcement activity has no statutory timescales. We set internal timescales and aim to complete our cases and projects within 18 months of publicly launching them. This year we concluded them all within that timeframe.

Critical to supporting and enhancing the delivery of our consumer strategy is our consumer engagement and consumer partnership work through which we maintain effective working relationships with other national and international bodies. We do this in order to enhance our intelligence, and the delivery and impact of our own work, as well as to support the national and international consumer enforcement landscape more widely.



Groceries pricing practices super-complaint

In July, the CMA responded to a statutory super-complaint from Which? in relation to pricing and promotional practices in the groceries sector. A small number of designated consumer bodies can submit super-complaints, and the CMA had 90 days to investigate and respond.

We found that supermarkets generally have a good awareness of consumer law and take compliance seriously. However, we committed to work with supermarkets to ensure that ‘was/now’ offers (reference price promotions) and multi-buy deals (volume promotions) are genuine, so shoppers can see when they are getting a real discount and make informed shopping decisions. We also found that more could be done to reduce the complexity in unit pricing to make it a more useful comparison tool for consumers.

We recommended a series of measures to bring greater clarity to consumers and simplify the regulations, which have been taken on by government and the Chartered Trading Standards Institute. We met with a number of supermarkets and asked them to work with their Trading Standards Services partners to review their pricing and promotional practices. All of these supermarkets engaged constructively with the CMA, and we expect them to review their practices and make any necessary changes to ensure consumers can be confident they are getting a good deal. While we have not made any findings against Asda, in April 2016 Asda committed to change some of its promotional practices and strengthen its compliance controls by August 2016. The CMA welcomes Asda’s commitment.















Markets and mergers

We use our tools innovatively to make competition and markets work better.

Commitments

-  Launch 2-4 new calls for information, market studies or market investigations in the course of this year where we have the requisite evidence
-  Conduct an internal review of the use of the Merger Notice and Interim Order in Phase 1 merger control investigations
-  Start the statutory clock for Phase 1 merger review within, on average across all cases, 20 working days
-  Seek to clear at least 60% of merger cases that are less complex within 35 working days
-  Launch an internal review of the 'exceptions to the duty to refer' guidance for merger control and, if there is a case for change, launch a public consultation on revised guidance
-  Implement an integrated approach to the review of merger and market remedies, reviewing our policies supporting the monitoring, review and evaluation of remedies and making improvements
-  Ensure current merger and market remedies are still fit for purpose, commencing a programme of work to take stock of the current suite of remedies

Key

-  **Achieved**
-  **Partially achieved**
-  **Not achieved**

Markets

It can take more than enforcement to ensure that markets work well for consumers, businesses and the economy. Some markets can become uncompetitive or create harm for consumers even where there is no formal breach of competition or consumer law.

The UK's markets regime allows us to look at specific markets or practices, and to consider how competition can work better in these markets in the interest of customers (whether consumers or business customers). We respond to any issues we find through the agreement or imposition of remedies, recommendations to government, provision of guidance and information, and other avenues.

We are responsible for both market studies and market investigations (Phase 1 and Phase 2); independence between these phases is essential to the effective functioning of the UK markets regime.¹⁶

Market investigations are but one of our tools, and in 2015/16 we have concluded two calls for information and launched a new market study into the £30 billion market for the supply of legal services in England and Wales. This new study is examining how this sector is working for consumers and small businesses. From assisting families who are moving house to drafting contracts for businesses, providers of legal services play an important role in the UK economy. The study has been prompted by long-standing concerns about the affordability of legal services and standards of service, and about the complexity of the current regulatory framework.

¹⁶ Following a Phase 1 market study, decisions to initiate a Phase 2 investigation must be made by the CMA Board, which is independent of the Phase 2 investigation process. If a Phase 2 market investigation is commenced, an independent inquiry group, chaired by independent members of the CMA's expert panel assesses the evidence and directs the investigation.

In 2015/16, we successfully completed the implementation of the remedial action that had arisen from the Competition Commission's market investigation into the supply or acquisition of aggregates, cement and ready-mix concrete. This included two divestiture remedies and, in addition, two further remedy measures aimed at reducing the transparency in the cement markets: a prohibition on the cement suppliers from sending generic price announcement letters and restrictions on the disclosure and publication of cement production and sales volume data.

Alongside progressing our market investigation (remittal) into Private Healthcare, in 2015/16 we continued our Phase 2 market investigations into

two of the largest and most complex sectors of the UK economy: energy and retail banking – both markets of great importance to consumers, businesses and the economy. We carried out detailed and authoritative analysis which has paved the way towards significant improvements for consumers and businesses across the UK.

In both investigations, and under tight timescales, we developed and published a comprehensive and wide-ranging package of potential remedies to address the problems we believe are hindering competition in these markets. Many of these remedies are aimed directly at helping consumers, including more vulnerable consumers, and smaller businesses to identify and switch to more competitive deals.



In both investigations, the Inquiry Groups decided to extend the statutory deadline to allow them to deliver final reports with robust conclusions and packages of remedies that are effective, proportionate and implementable.

We concluded our energy investigation in June 2016 and the retail banking investigation is due to publish its final report in August 2016. An implication of the extension to the energy investigation, which was originally due to conclude in December 2015, was that it limited our capacity to launch the two to four new markets projects we committed to in our Annual Plan. We launched one new market study (into competition in the provision of legal services in England and Wales) and missed our target.

Since the publication of the residential property management market study in December 2014¹⁷, the CMA has been working with the sector and government to implement our recommendations. Good progress has been made in finalising and implementing the most effective approaches, with all but one recommendation now implemented, helping to ensure that consumers are better protected and can take greater control over their leaseholds.

Going digital

The digital economy now permeates most aspects of consumers' lives and following our Strategic Assessment¹⁸ we have continued to expand our understanding of issues facing consumers. We have worked hard over the past year to further develop our own digital capability to help us interact effectively with consumers, including using blogs, social media and online fora. We also use social media monitoring to help us understand how markets are working and to assess the impact of our messages.

In June 2015, we concluded two calls for information into, respectively, the commercial use of consumer data, and online reviews and endorsements. For the former, we found that consumers are benefitting from the increasing use of consumer data, including through improved services which offer more flexibility, greater choice and more information. In addition, we concluded that consumer confidence in markets involving data is fragile and that to fully realise the many potential benefits, data use by firms must happen in transparent and competitive markets, where the protection offered to consumers' data is one of the services on which they compete.

The Online Reviews and Endorsements project led to consumer enforcement aimed at improving practices in this sector. Reviews and opinions have become a part of everyday life and millions of people look at online reviews and endorsements, enabling them to make better-informed buying decisions, which itself intensifies competitive pressures and helps markets to work better. It is therefore crucial that review websites and other players who write, commission, publish or promote online reviews or endorsements, operate in a way that ensures consumers can trust them.

Given this, we did find some practices which concerned us. To address these concerns, using our consumer law powers:

- we stopped a marketing firm from writing fake reviews;
- we worked with five review sites to ensure they are giving readers the full picture, including not suppressing negative reviews, and
- we made a short-term loan provider and two marketing companies ensure that online advertising is clearly labelled as such (announced in April 2016).

¹⁷ <https://www.gov.uk/cma-cases/residential-property-management-services#market-study-findings-and-recommendations>

¹⁸ <https://www.gov.uk/government/publications/cma-strategic-assessment>

Despite its tremendous growth, e-commerce is still in its relatively early days. Its impact on competition and market dynamics is still evolving, as is the way competition and other authorities approach it. If we can help consumers derive the undoubted benefits from the use of consumer data and online reviews, without suffering the potential downsides we have identified, then the economic rewards will amply justify our collective effort.



54%
of UK adults
use review sites
(27m adults)

£23bn
a year of consumer
spending is potentially
influenced by online reviews

13.5%
of UK retailing
is online

6% use blogs
or vlogs (3m)

(vs 11.5% in US and 9.7% in Germany,
European average of 7.2%)

the average UK household will spend over
£2,000
online this year

Mergers

The CMA obtains and reviews information related to mergers, and conducts an in-depth Phase 2 investigation where a qualifying merger creates a realistic prospect of a Substantial Lessening of Competition (SLC). It is another way through which we help to ensure that consumers and the UK economy continue to benefit from strong competition, and a fair, proportionate and consistent approach to merger control is also important for potential investors in the UK.

Notification of a merger to the CMA is voluntary, which is valued by business as it ensures that mergers that are unlikely to raise any competition concerns are not unduly held up by regulatory scrutiny, thus minimising burdens on business. The CMA's Mergers Intelligence Committee systematically reviews industry transactions to ensure that we retain visibility of non-notified merger activity. Since April 2014 this committee has reviewed over 1,200 transactions, and in the last year referred 17 for Phase 1 review.

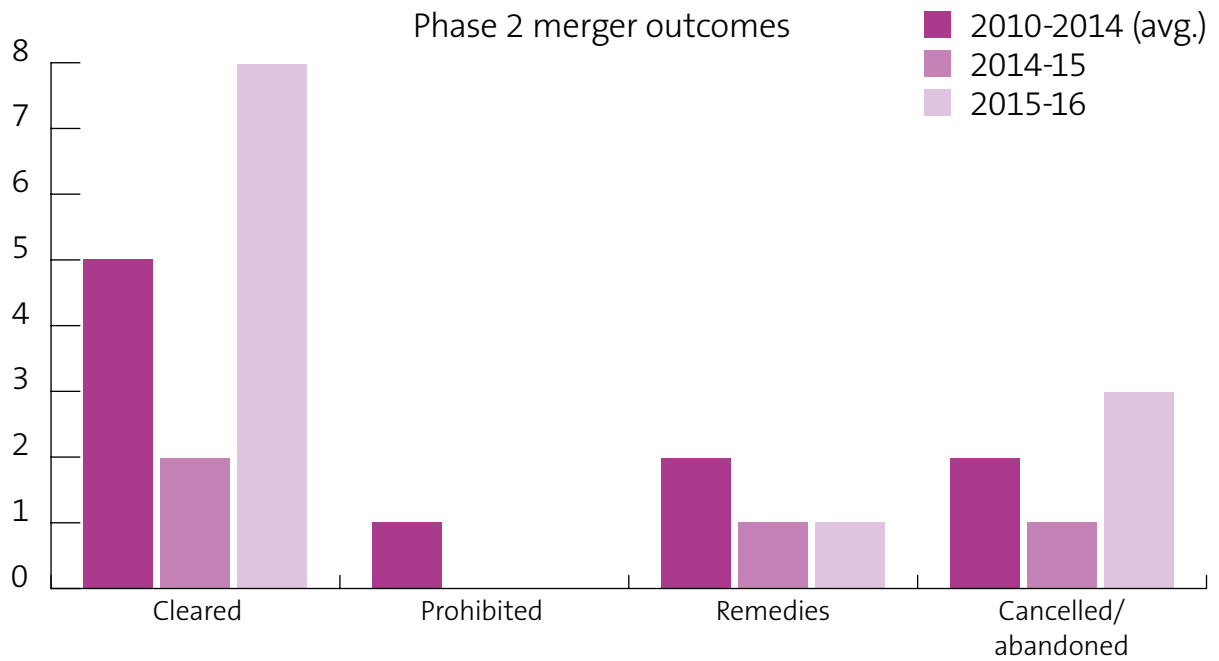
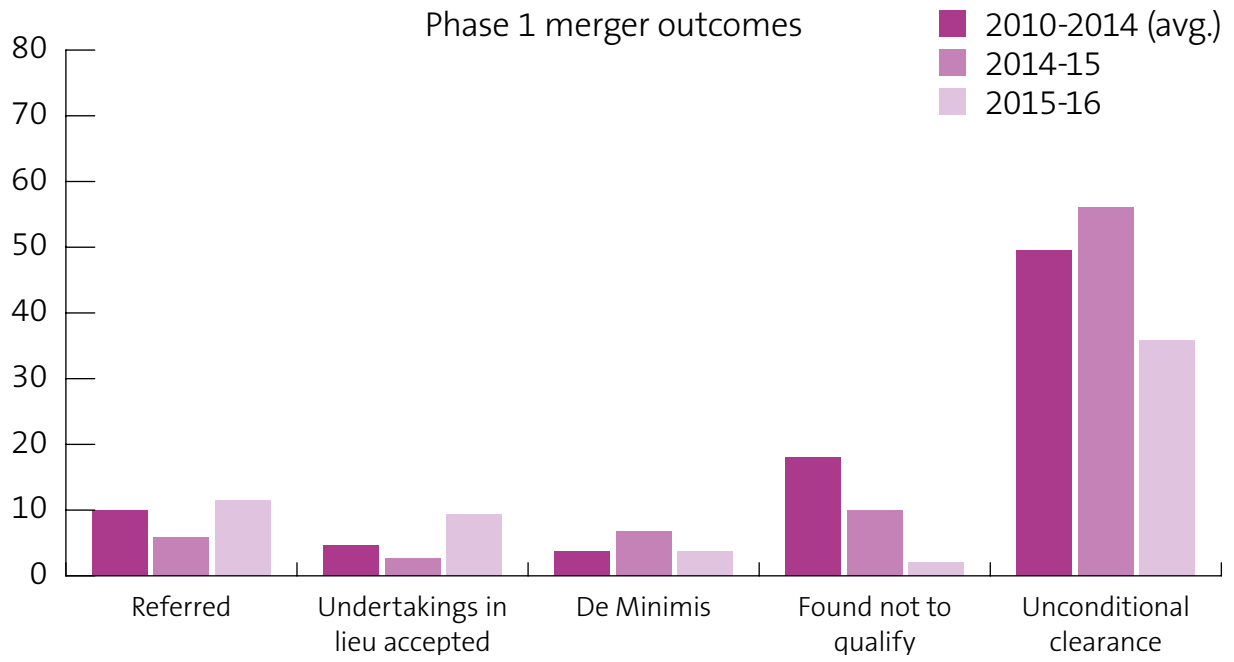
Prior to April 2014, referrals from Phase 1 to Phase 2 took place between the CMA's predecessors, the Office of Fair Trading (OFT) and the Competition Commission (CC). We have sought to exploit the opportunities from conducting both phases under one roof, using the combined resources and expertise of our predecessors, to develop an efficient end to end approach and promote a more flexible, targeted and holistic approach to merger control.

Our merger interventions are increasingly targeted and we have carried out only 62 Phase 1 reviews in 2015/16 compared to an annual average of 84 in the preceding five years.

Firms can now send us an informal briefing on their intended merger if they are unsure whether it will fall within our scope, rather than having to submit a formal notification and trigger an investigation. This helps to ensure that we do not investigate mergers unnecessarily and we have seen the number of mergers which are 'Found Not to Qualify' drop to just two this year, compared to an annual average of 16 for the preceding five years.

We also want to ensure that we only carry out Phase 2 inquiries where they are necessary. Where we identify a competition problem arising from a merger, the parties are given five working days to offer undertakings to address our identified concerns. We have used our strengthened power to accept these undertakings in lieu (Uil) of a reference to a Phase 2 investigation in nine cases, three times more than in 2014/15, saving money and time for businesses and taxpayers. If the proposed undertakings do not address our concerns, we will refer the merger to Phase 2, as we did in 11 cases last year, compared to an annual average of nine cases in the preceding five years.

Merger performance	2014/15	2015/16
% mergers Found Not To Qualify (number)	12 (10)	3 (2)
% of Phase 1 investigations completed in 40 working days	100	100
% of less complex merger cases cleared within 35 working days	23	74
Average number of working days across all Phase 1 cases	37	34



We have improved how we work with firms during Phase 1 review. We are realising the benefits of more senior staff involvement, through better scoping and narrowing down of theories of harm during investigation. This allows us to handle cases more efficiently and more effectively.

We have increased the number of Phase 1 staff who transfer to the Phase 2 investigation, which helps to minimise duplication of work and improve the efficiency of the investigation. We retain the fresh look and challenge of decision-maker at Phase 2 in the form of a Group of independent Panel members. We draw in skills from across the organisation, with teams from econometrics, statistics, legal and remedies, business and financial analysis all working on investigations where necessary. The close working between our Phase 1 merger case teams (formerly OFT) and our Remedies, Business and Financial Analysis team (formerly CC) helps to ensure that remedies and undertakings in lieu reliably address the concerns which we find during merger investigations. This is explored further in the 'Reviewing remedies' feature, on page 45.

We are continuing to listen to feedback and find ways to further improve how we work. We conducted an internal review of the use of the Merger Notice and Interim Order in Phase 1 merger control investigations. We found that our use of these tools is working well and the review has helped us to identify some practical suggestions to further improve the pre-notification process and the merger notice. This includes removing interim orders ahead of the formal announcement where we have assured ourselves that the merger will not give rise to an SLC.

Although we began our internal review of the 'exceptions to the duty to refer' guidance for merger control, we prioritised the delivery of casework and were not able to complete the review during the year.

Fast-tracking in complex and large-scale cases

This year, the CMA reviewed two mergers which justified fast-tracking for in-depth Phase 2 review. These were the merger of BT and EE and the merger of Ladbrokes and Coral.

For a case to be fast-tracked, the CMA must, at an early stage of its investigation, have evidence that the test for reference to Phase 2 is met. In these cases, it was clear that the complexity and scale of the proposed mergers was such that an SLC was a realistic prospect and that it would be more efficient to begin the in-depth review as soon as possible. For example, the BT / EE merger led to 13 theories of harm and the Ladbrokes / Coral merger revealed a high volume of overlaps in local markets.

As the CMA is responsible for both merger control phases, there is a direct efficiency gain from fast-tracking in such circumstances. We can better focus on how we gather evidence, use our mergers staff more efficiently, reduce the duplication of discussing the same complex issues in detail with two sets of decision-makers, and minimise the amount of time it takes to reach an outcome for consumers and the businesses involved.



Success in the courts

We have been successful in 15 of the 19 civil cases across all our competition work¹⁹ that have come before the courts. Hard-fought, precedent-setting merger cases have been a particular feature of the year.

In December 2015, the Supreme Court ruled that the CMA took the correct approach in assessing whether Eurotunnel's acquisition of three ferries and related assets formerly owned by SeaFrance should be treated as a merger under the UK merger control rules.

This judgment concluded litigation which began following the Competition Commission's decision in 2013, and progressed through the Competition Appeal Tribunal and the Court of Appeal.

The ruling provided clarity on an important point of law, which will assist in assessing such transactions in future.

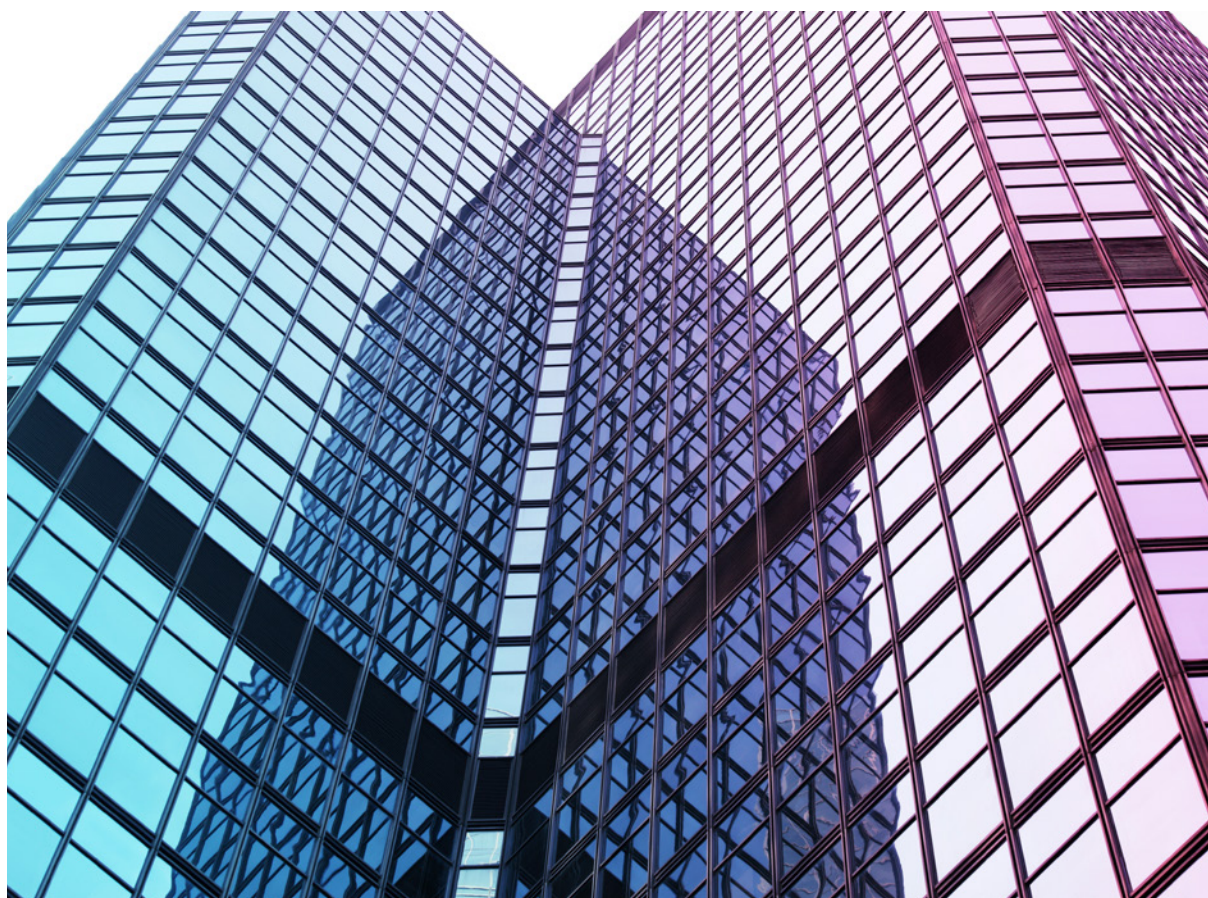
The CMA secured another successful outcome in October when Ryanair sold its 29.8% stake in Aer Lingus. The CMA's (and formerly Competition Commission's) concern was that it was bad for competition for Ryanair to retain an influence over one of its closest competitors through its minority shareholding. Ryanair had brought multiple unsuccessful challenges against our decisions, including to the Competition Appeal Tribunal and the Court of Appeal.



¹⁹ Cumulative, since inception of CMA.

Qualifying mergers which created a realistic prospect of a substantial lessening of competition		
Merger	Outcome	Date
99p / Poundland	Referred to Phase 2 and cleared	17/04/2015
Pennon Group / Sembcorp Bournemouth Water Investments	Mandatory referred to Phase 2 and cleared	08/06/2015
BT / EE	Referred to Phase 2 (fast track) and cleared	09/06/2015
GTCR UK / Gorkana	Accepted undertakings in lieu after Phase 1 decision	16/06/2015
Inter City Railways / InterCity East Coast franchise	Accepted undertakings in lieu after Phase 1 decision	17/06/2015
Greene King / Spirit Pub Company	Accepted undertakings in lieu after Phase 1 decision	22/06/2015
Joseph Ash / W Corbett & Co (Galvanising)	Referred to Phase 2 (later abandoned)	19/07/2015
Linery / Ulster Farm By-Products	Referred to Phase 2 and cleared	28/07/2015
Muller UK & Ireland Group / Dairy Crest Group	Accepted undertakings in lieu after Phase 1 decision	19/10/2015
The Original Bowling Company / Bowlplex	Accepted undertakings in lieu after Phase 1 decision	01/12/2015
Pearson VUE / learndirect's computer-based testing	Referred to Phase 2 (later abandoned)	16/12/2015
BCA Marketplace / SMA Vehicle Remarketing	Accepted undertakings in lieu after Phase 1 decision	23/12/2015
Celesio / Sainsbury's Pharmacy Business	Referred to Phase 2 and currently ongoing	29/12/2015
Fenland / Fishers Services' Cleanroom Laundry business	Referred to Phase 2 (later abandoned)	04/01/2016

Merger	Outcome	Date
Ladbrokes / Coral	Referred to Phase 2 (fast track) and currently ongoing	11/01/2016
Reed Elsevier / Jordan Publishing	Accepted undertakings in lieu after Phase 1 decision	14/01/2016
Iron Mountain / Recall	Referred to Phase 2 and cleared with remedies	14/01/2016
MRH (GB) / Esso Petroleum Company	Accepted undertakings in lieu after Phase 1 decision	19/01/2016
Regus Group / Avanta Serviced Office Group	Accepted undertakings in lieu after Phase 1 decision	29/01/2016
Clariant / Kilfrost	Referred to Phase 2 (later abandoned)	17/02/2016



Reviewing remedies

A strong remedies process is essential to the overall efficacy of any competition regime, as this is how competition authorities' decisions are put into practice.

The creation of the CMA, as a single competition and consumer agency, presented clear opportunities to improve how remedies are designed, tested, implemented and monitored. Previously, there were multiple interfaces between the Office of Fair Trading and the Competition Commission during and after market or merger investigations. Although this worked well, it could result in duplication, additional burdens on businesses, and delays to decisions.

There is now more continuity in the handling of remedies throughout their lifetime, as well as more opportunities for proactive remedy reviews. The new regime also makes it easier to use feedback between different stages; for example, the CMA can apply lessons from monitoring work to improve the design of new remedies.

Under the new regime, the CMA has been able to better identify and implement timely remedies to address localised problems in larger mergers, reducing the time between Reasonable Prospect of Substantial Lessening of Competition (SLC) decisions to acceptance of undertakings in lieu: from six months to three where there is an upfront buyer and 2.8 months

to two months where there is no upfront buyer. In the Greene King / Spirit Pub Company case, undertakings in lieu were agreed just six weeks after the SLC decision.²⁰

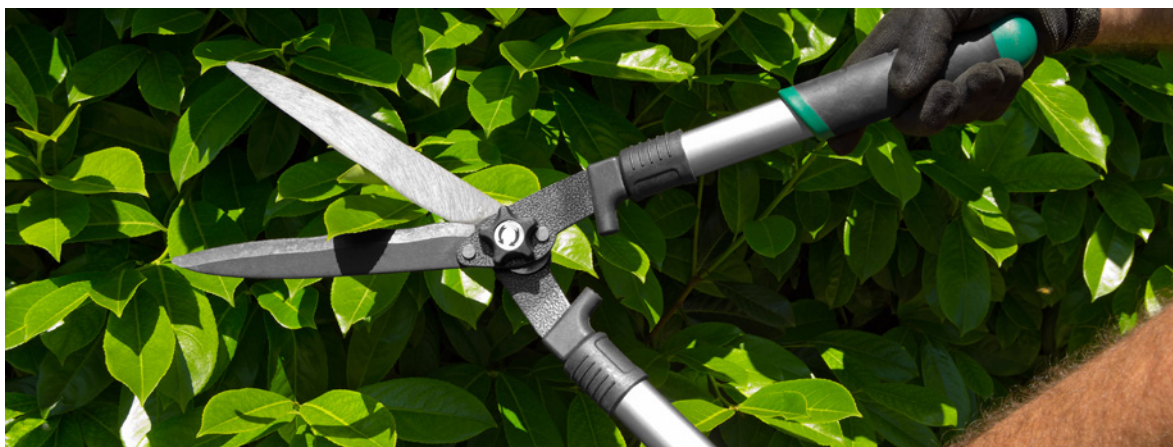
Removing unnecessary burdens from business

The CMA inherited over 200 merger and market remedies from its predecessors, over half of which had been in place for over ten years. Some posed a risk of imposing unnecessary costs on business or distorting the operation of markets (e.g. out-dated behavioural remedies), whilst others no longer served a useful purpose (e.g. the acquiring or target business no longer existed).

We committed to commence a review of the current stock of remedies to ensure they are still fit for purpose. This started with a review of 71 structural merger undertakings in place since at least 2005; 69 of these are now complete and in 51 cases (just over 70%) we either removed the remedies or found them to have lapsed.

Looking forward, we have committed to consider sunset clauses in market investigation remedies, in which we specify a date after which they will no longer apply.²¹

Removing remedies that are no longer appropriate not only lightens the administrative burden on affected businesses but also enables the CMA to focus its monitoring and enforcement activities on those remedies of greatest value to consumers and markets.



²⁰ <https://www.gov.uk/cma-cases/greene-king-spirit-pub-company-merger-inquiry>

²¹ <https://www.gov.uk/government/consultations/sunset-clauses-in-market-investigation-remedies-updated-guidance>

Regulatory appeals

The CMA is responsible for references concerning, and appeals against, the decisions of certain regulators²², for example on regulatory price caps or modifications of licence conditions.

This is an important part of our role and the decisions being challenged often concern significant sums of money for the regulated companies and affect millions of consumers across the UK. The scale of investment in regulated sectors – amounting to billions of pounds annually – highlights the importance of an efficient and stable regulatory regime for business.

The CMA conducted three regulatory appeals in 2015 and, in January 2016, the Competition Appeal Tribunal referred two telecoms appeals to us.²³ This is an increase on the annual average of two appeals since 2011. Our ability to move staff flexibly between different projects allows us to cope with the challenge which the non-discretionary, sporadic and unpredictable nature of references presents.

The CMA's conduct of appeals has been consistently well-received by those involved and demonstrates that we carry out our work with rigour and independence.



²² These include decisions of regulators such as Ofcom, Ofgem, Ofwat, Monitor, the Financial Conduct Authority, Payment Systems Regulator, Northern Ireland Utility Regulator, Office of Rail Regulation and the Civil Aviation Authority, and the responsibilities conferred more recently by the Health and Social Care Act 2012, the Civil Aviation Act 2013 and the Financial Services (Banking Reform) Act 2013.

²³ <https://www.gov.uk/cma-cases/superfast-broadband-price-control-appeals-bt-and-talktalk>

Electricity regulatory appeals

In the first half of 2014/15, the CMA considered two appeals brought by Northern Powergrid Limited and British Gas Trading Limited against Ofgem's decisions to modify the licences of 10 distribution network operators.²⁴

In such cases the CMA has a crucial role in ensuring that the price controls are sufficiently well set that they encourage competitive markets while also ensuring firms can raise the capital for key infrastructure. The Chief Executive of one of the UK's electricity distribution companies described the CMA's decision as "important for the confidence of investors". Moody's has noted that "the existence and judicious use of an appeals mechanism contributes to the stability and predictability of the regulatory regime". This stability and predictability encourages long-term investment in the UK economy and is ultimately beneficial to consumers.



19%

average household electricity bill due to electricity distribution costs

£28.5 billion

total revenues of 10 distribution network operators over eight years of price control

£1.5 billion

amount challenged in appeal

25.9 million

consumers potentially affected

£820k

CMA costs

²⁴ <https://www.gov.uk/government/news/cma-publishes-final-determinations-on-electricity-distribution-appeals>






Partnership and advocacy

Achieving our mission relies on productive relationships across the UK and overseas.

Commitments

-  Bring a clear, more consistent, consumer focus to work across our portfolio by engaging more widely and proactively with a diverse group of stakeholders on our projects, ensuring we maintain a consistent focus on consumers through the complete lifecycle of all our projects, and developing our use of digital technology to identify consumer detriment more effectively
-  Continue to develop and implement ways of working with our national consumer protection partners to help to ensure that the consumer protection regime operates as effectively as possible
-  Deliver a successful presidency of the International Consumer Protection and Enforcement Network (ICPEN), working with national and international partners to develop and deliver our consumer portfolio and continuing to play a leading role in the development of consumer protection internationally, particularly in Europe
-  Encourage and facilitate, including through the UK Competition Network, a higher level of competition law enforcement activity by the sector regulators having concurrent powers, with the aim of the three-year average of Competition Act investigations in the period since April 2014 being materially greater than in the comparable period prior to April 2014
-  Drive compliance with consumer law on unfair contract terms as revised by the Consumer Rights Bill by issuing new guidance and implementing an appropriate compliance strategy in collaboration with the Consumer Protection Partnership (CPP)
-  Publish two economic research projects, including one on the indirect benefits of competition policy to the economy and consumers, and two evaluations of the impact of completed work
-  Provide thought leadership on competition policy with respect to vertical restraints, particularly in the online world, including through a published paper
-  Based on our work, make recommendations to the government on the impact of policy frameworks on competition in at least two sectors

Key

-  **Achieved**
-  **Partially achieved**
-  **Not achieved**

In the past year, we have worked hard to sustain and develop our partnerships. We have continued to work closely with international partners in our work with ICPEN, the European Commission and other international organisations.

During the year, we have also played an active role in the CPP and the UK Competition Network. We have acted as a passionate and expert advocate for competition with policymakers and regulators, nationally and locally. And our senior team has engaged in UK-wide meetings which brought together experts to discuss key competition and consumer issues; this included holding Board meetings in Belfast and Edinburgh, with a meeting planned in Cardiff later in 2016. We also continue to work closely with the business community to understand emerging commercial and economic issues, and to promote compliance with competition and consumer law.

We published two economic research papers on the links between productivity and competition,²⁵ and on vertical restraints.²⁶ We carried out evaluations of the impact of two completed projects, which were both independently reviewed.^{27,28} You can read more about these in the Evaluation chapter on page 66.

Consumer partnerships

We have placed the interests of the consumer at the heart of all our work, and to support our consumer cases and policy development, we work in close partnership with our colleagues across the UK, including local Trading Standards Services, the National Trading Standards Board (NTSB), Trading Standards Scotland, Northern Ireland's Department for the Economy, the Advertising Standards Authority (ASA), Which?, Citizens Advice (CitA), Citizens Advice Scotland (CAS), the Consumer Council of Northern Ireland (CCNI), and other consumer bodies. We work across this broad landscape to promote the impact and effectiveness of our work, bringing tangible benefits to consumers.

Consumers in the UK

In support of our consumer role, it is vital for the CMA to liaise effectively with our consumer enforcement and advice partners to ensure that the arrangements for working together are understood and are effective for consumers. In the past year, we have used our existing knowledge and our markets experience to collaborate with all partners across the UK to further develop capability, share intelligence and coordinate activity.

Business engagement in the devolved nations

Understanding the things that matter to businesses and supporting them to understand our role is a key part of what we do.

Business engagement has been a key focus of our work in Scotland, Wales and Northern Ireland this year. In the course of our work, we have covered a wide range of sectors: the CMA Board discussed the value of competition in new and emerging digital markets at a roundtable involving representatives of Edinburgh's booming digitech sector; we met the Northern Ireland banks as part of our review of the Northern Ireland Banking Order, and we presented to the oil and gas sector at an event in Aberdeen considering the balance between cooperation and competition. In Wales we held a roundtable meeting with key businesses and business representatives focusing on the Banking Investigation and liaised regularly with the Welsh Government to consider its views regarding this investigation.

Our work in this area includes activity to raise awareness of anti-competitive behaviour and how to report it: we have translated all of our 60 second summaries into Welsh to help businesses to access them; in Northern Ireland, we have partnered with business organisations who are now web-hosting our materials. Our guidance materials, which are tailored for small and medium-sized businesses, were launched when the Board visited Scotland.

²⁵ <https://www.gov.uk/government/publications/productivity-and-competition-a-summary-of-the-evidence>

²⁶ <https://www.gov.uk/government/publications/vertical-restraints-roundtable-discussion-and-business-survey>

²⁷ <https://www.gov.uk/cma-cases/baa-airports-evaluation-of-remedies>

²⁸ Due to other casework priorities, the completion of these evaluations was delayed and both were published in 2016/17.

As part of the CPP, in 2015/16 we have worked closely with our enforcement and advisory partners.²⁹ The CPP uses intelligence from a broad range of sources to identify areas of significant consumer detriment that are not being tackled effectively, where CPP partners could potentially have a greater impact for consumers through working collaboratively both within and outside of the CPP. We also worked closely with NTSB in England and Wales through the National Tasking Group, and with Trading Standards Scotland through the Tactical Tasking Group, to ensure that cases are allocated appropriately between Trading Standards Services and the CMA.

Our work in the CCP included leading a working group tasked with identifying and tackling consumer detriment caused by unfair cancellation terms in contracts. This project led to the development of a toolkit for advisors and consumer enforcement officers, alongside advice for consumers. As a further outcome of this work,

the CMA, acting on behalf of all members of the group, also issued over 100 letters to wedding and event venues advising that requiring large deposits and cancellation charges could breach consumer law. This was widely reported, amplifying the impact of our intervention.

We continue to work with other partners within the consumer landscape — for example, with Which? on our consumer law compliance work in the higher education sector and the groceries super-complaint, and with the ASA on our online reviews and endorsements project. We worked with a range of sectoral stakeholders, including on our higher education work. We also chaired the Consumer Concurrencies Group which is now run jointly run with the UK Consumer Protection Cooperation (CPC) Enforcers Forum.³⁰ This group has recently discussed policy developments, changes in the law, UK/EU CPC enforcement priorities and other matters of interest to the group and also focuses on developing good practice.



²⁹ CPP membership comprises: CMA, NTSB, Trading Standards Scotland, Northern Ireland's Department for the Economy, CTSI, Cita, CAS, CCNI and the Financial Conduct Authority.

³⁰ The Consumer Protection Cooperation (CPC) is a network of authorities responsible for enforcing EU consumer protection laws in EU/EEA countries.

Concurrency

The CMA and the sector regulators have concurrent powers to apply competition law in the regulated sectors. We play a leadership role in overseeing the operation of these concurrency arrangements and for working with the sector regulators to promote competition in their area of responsibility. These regulated sectors provide essential services to households and businesses, representing about a quarter of the UK's Gross Domestic Product.

In the first year of the new statutory concurrency arrangements, our focus was on ensuring that the building blocks were in place and that good relationships were established with the regulators. This year, by contrast, there has been a focus on delivery of ongoing competition cases. Supported by the CMA, the sector regulators have made further progress in enforcement cases with decisions taken in two cases, the issue of a Statement of Objections in a third case, and the acceptance of commitments in a fourth.

Two new cases have also been launched by regulators in the past year (one by Ofgem and the other by the Financial Conduct Authority). In our Annual Concurrency Report³¹, we note that there have been fewer new cases opened this year than during the first year of operation of the concurrency arrangements and we hope to see a greater number of cases opened next year.

Alongside competition enforcement, there has been significant markets work undertaken in the regulated sectors both by the CMA (our two major ongoing market investigations into energy and retail banking) and by the sector regulators. The CMA has reviewed mergers in the telecoms (BT / EE) and water sectors (Pennon Group / Sembcorp Bournemouth Water Investments). There has also been extensive policy work to promote competition in the regulated sectors, including a CMA-led project on passenger rail services and Ofwat's work on market opening for non-household water customers.

Rail

Rail transport is an essential part of people's daily lives, and a key element of the UK's economic infrastructure. In Great Britain, over four million passenger rail journeys are made on the Network Rail network every day. It is clearly important that this service should put passengers first and that there should be good value for money, with pressure to lower fares, and constant efforts to improve the quality of passengers' experience.

To support these outcomes, we recently concluded a policy project which looked at the possibilities for introducing greater competition between passenger train operators in Great Britain. Currently, the benefits of competition in passenger rail services are secured primarily by the award of franchises to operators through competition 'for' the market. Although we found that this process has delivered positive results, we identified a range of benefits that could arise from allowing other operators to run competing services against the existing franchise operators, including lower fares, greater incentives for operators to improve service quality and innovate, growth in passenger numbers, greater efficiency by train operators and more effective use of network capacity. We worked closely with the Office of Rail and Road throughout this project, and made a number of recommendations for achieving greater competition to the Department for Transport, which the government has committed to exploring further.



³¹ <https://www.gov.uk/government/news/cma-publishes-second-annual-concurrency-report>

Close working with the sector regulators has been a particular feature of the year. Our market investigations into energy and retail banking have involved extensive joint working between the CMA and the relevant regulators, including the secondment to the CMA of staff with appropriate experience. Staff from other regulators have also supported our work on mergers in the relevant market sectors.

We have agreed and published new Memoranda of Understanding (MoUs) with the Payment Systems Regulator, Financial Conduct Authority and NHS Improvement; we have also updated the existing MoUs which were signed by the CMA and the sector regulators in 2014. We continue to promote the sharing of information and expertise across the concurrency regime, both in accordance with the Concurrency Regulations and the MoUs, and also more informally.

During the past year, the UK Competition Network has met regularly to discuss competition and regulatory issues, including the sharing of learning on how best to address common issues that arise across different sectors, for example holding a know-how sharing event on access to file and disclosure.

Advocacy and partnership across government

Competition can be harmed not only by the practices of businesses, but also by the conduct of government. We promote the benefits of competition across government, and raise awareness of policies, practices and regulations that raise competition and consumer opportunities or concerns. Our ambition is to be seen as a trusted and challenging competition adviser to UK, devolved and local government.

This year, we have been given a stronger mandate to use our knowledge 'to actively challenge central and local government and encourage the use of effective competition to improve delivery and to promote more diversity and choice for UK consumers'.³² We have been asked to report

on the outcomes of our specific work with local government by December 2017. To support this, we published and promoted our updated Competition Impact Assessment Guidelines, which were well received by policymakers.³³

Competition and productivity

In July 2015, we published a report looking at the relationship between competition and productivity.³⁴ It identified a body of evidence that competition, and competition policy interventions, boost productivity by increasing the need for innovation, encouraging firms to manage their resources more efficiently, and ensuring that higher-producing businesses that meet customer demands increase their market share.

Competition places pressure on firms to become more efficient, allows the more productive ones to gain market share at the expense of the less productive, and drives them to innovate, coming up with new products and processes which can lead to step changes in efficiency.

The implications are that we should be alert to sectors where low productivity, combined with other indicators, might reveal weak competition in markets. The evidence also suggests that government policy decisions can play an important wider role in influencing the conditions of competition. Finally, it suggests that while productivity improvements should always lead to benefits to consumers in the long run, the speed and timing of this pass-through can vary. Therefore it is important that we think about long-term consumer impacts of our interventions rather than solely the direct monetary benefit from a particular case.

Our findings are reflected in the government's productivity plan, which recognises the important role competition plays in increasing productivity, and affirms the government's commitment to maintaining a strong, independent and world-leading competition regime.³⁵

³² <https://www.gov.uk/government/consultations/competition-regime-competition-and-markets-authority-governments-strategic-priorities>

³³ <https://www.gov.uk/government/publications/competition-impact-assessment-guidelines-for-policymakers>

³⁴ <https://www.gov.uk/government/publications/productivity-and-competition-a-summary-of-the-evidence>

³⁵ <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

We received and used our new power to make written recommendations to Ministers on proposals for Westminster legislation by commenting on the new Energy Bill. Our recommendations were accepted and helped to shape implementation of the government's proposals. We contributed to the development of the upcoming Buses Bill and responded to the Higher Education Green Paper. This built on previous work and ensured a fuller consideration of competition issues in policymaking. We also submitted comments to the Transport for London and City of Liverpool consultations on regulation of private hire vehicles, markets where traditional taxi services are being challenged

by new operators such as Uber, drawing out broader lessons for the regulation of developing markets and disruptive forces in industry. The government's recent publication 'A better deal' committed to implementing recommendations previously made by the OFT on dentistry, school uniforms, and pharmacies.³⁶

We have also engaged with the devolved administrations and legislatures on a number of regulatory issues and have contributed to the Scottish Government's plans for a Strategic Assessment of markets in Scotland and will continue to work with it as it develops proposals on competition policy.

Advocacy to government	Outcome
Written recommendations to Ministers on the Energy Bill (Department of Energy and Climate Change)	Recommendations accepted; concern for competition written into duties of the Oil & Gas Authority
Responses to Higher Education Green Paper and student information consultation (Department for Business, Innovation and Skills (BIS), Higher Education Funding Council for England)	Developing Higher Education policy increasingly reflects the importance of a level regulatory playing field and student choice
Engagement on plans for private hire vehicle regulation (Transport for London (TfL), City of Liverpool)	TfL has withdrawn some anti-competitive proposals
Engagement on the Buses Bill and written advice to local transport authorities (Department for Transport, local authorities)	Improved understanding of the balance between competition and partnership working amongst policy makers in the sector
Engagement on the competition plan (HM Treasury, BIS)	Government commitment to act on outstanding OFT recommendations on dentistry, school uniforms, and pharmacies
Response to Switching Principles consultation (BIS)	Emerging lessons from CMA's energy and retail banking market investigations fed into the Call for Evidence

³⁶ <https://www.gov.uk/government/publications/a-better-deal-boosting-competition-to-bring-down-bills-for-families-and-firms>

We worked with the Crown Commercial Service to create an e-learning module that will help more than 4,000 central government procurers to find attempts to win contracts through anti-competitive conduct. We supported this initiative with workshops for public sector buyers and suppliers in Northern Ireland and Scotland to ensure that competition for government contracts benefits the economy. We contributed to BIS's consultation on implementing the EU directive around damages for breaches of competition law.³⁷

Working in partnership internationally

International cooperation is crucial to the successful delivery of the CMA's competition and consumer work, allowing us to achieve improved casework outcomes and helping us to influence UK and wider law and policy development. We are mindful of our statutory duty to 'promote competition, both within and outside the UK, for the benefit of consumers' and we recognise that collaborating with other enforcers can enable us to achieve more with less, or achieve outcomes that might not have been achieved as widely or effectively (or, in some cases, not at all) had the CMA sought to act alone.

International Consumer Protection and Enforcement Network (ICPEN)

In 2015/16, we held the presidency of ICPEN, a network of 58 consumer enforcement organisations from across the globe with the mission of tackling cross-border malpractice. We have used the opportunities presented by holding the presidency to develop the network and to support and enhance existing and planned work of the CMA and other UK enforcers and consumer bodies.

Our presidency has enabled us to act as a catalyst to drive effective delivery of ICPEN projects. We have mobilised the membership to deliver outcomes throughout the year via an agreed programme of work and we have found that our ICPEN presidency has significantly improved our own engagement with international partners. We have strengthened relationships between those international partners and our UK partners to increase their ability to tackle cross-border practices.



³⁷ <https://www.gov.uk/government/consultations/damages-for-breaches-of-competition-law-implementing-the-eu-directive>

ICPEN presidency

The focus for our presidency was to have a stronger focus on enforcement and deliver year-round activity with valuable work products and outcomes that would equip participants to continue to deliver work of benefit in the future.

Areas of focus for ICPEN work during the UK's presidency included projects on:

- Marketing and transparency of pricing.
- Online reviews and endorsements.
- Analysing consumer complaints to identify international enforcement priorities.

We also hosted and facilitated a number of events over the year, including:

- A three day Best Practice Workshop in Manchester in October 2015 for case officers from the UK and across the world to share information and experience to advance ICPEN projects and assist investigations in member countries. This resulted in the development of a number of toolkits to assist enforcers to deliver their cases.
- An event entitled 'Protecting Consumers in Global Markets' in January 2016, which shared best practice in enforcing breaches of consumer law for cross-border transactions, for UK partners, with invited international speakers.

- A three-day ICPEN conference, in April 2016, bringing together over 150 senior staff from consumer organisations across the world, and over 60 speakers from consumer organisations, academia and industry. The conference included a high level meeting for heads of agency and executive staff; panel discussions on 'Achieving Compliance and Change with Impact' for ICPEN members and key UK and international stakeholders; and two days focussing on "Keeping Pace with the Changing Environment" designed to build ICPEN members' capacity to work in an increasingly digital and technology-driven environment, to develop ways of maximising impact when tackling issues, and to help ICPEN plan for the future.



UK 2015-16
better
enforcement
together



We worked with ICPEN outside of our presidency role, co-leading the ICPEN working group on international sporting events and ticket fraud. This work resulted in the development of a set of toolkit documents which were circulated amongst the members to tackle fraudulent, illegal or otherwise misleading sales of online tickets to international sporting events. In addition, we are participating in ICPEN's other working groups on misleading advertising of prices, online reviews and endorsements, and analysis of consumer complaints. Work on these projects is ongoing.

In our other international work we led a European-wide car rental project, working with the European Commission and other European partners to secure agreement from five major rental firms to improve the way they deal with their customers.

We continue to build and strengthen our relationships with the European Union and our European partners, particularly through the EU Consumer Protection Cooperation Network and the European Competition Network. We have engaged closely on European Commission initiatives, including work on empowering National Competition Authorities to be more effective enforcers and its Digital Single Market

Agenda (where we have responded to European Commission questionnaires, including on platforms, geoblocking and digital content). In support of this work, we gave evidence to the House of Lords inquiry into 'Online platforms and the EU Digital Single Market' and responded to the government's call for views on the draft directives on the online sales of digital content and tangible goods.

We worked closely with the European Commission case team responsible for reviewing Hutchison's proposed acquisition of Telefonica, making a number of formal submissions. We published an open letter outlining our concerns about this merger³⁸ and the Commission announced a prohibition in May.

We continue to participate actively in international networks including the OECD and the International Competition Network alongside ICPEN, and we are building and strengthening our bilateral links with our counterparts around the world, including in particular the US (the Department of Justice and Federal Trade Commission) and China (the Ministry of Commerce, National Development and Reform Commission and State Administration for Industry and Commerce).







³⁸ <https://www.gov.uk/government/publications/proposed-hutchisontelefonica-merger-cma-letter-to-european-commission>






Developing the CMA

The CMA is now two years old and, as an organisation, has made significant progress to develop since it took on its powers in 2014. We aim to be an organisation of professionals with recognised skills, who are well supported and are developed accordingly. The organisation has a culture of continuous improvement to ensure that staff can be the most effective they can be.




Commitments

-  Embed our common approach to managing projects across our portfolio, ensuring that it underpins our work and how we measure, track and demonstrate effective delivery
-  Develop and embed career development programmes for the CMA, including a career pathway, competency frameworks and a learning and development framework for the core professions, aiming to help staff achieve the highest standards. As part of this we will develop an expert level within each core profession
-  Develop needs-based programmes of professional development to ensure colleagues have the relevant skills needed to fulfil their roles effectively
-  Continue to identify opportunities to improve the effectiveness of the organisation encompassing people, processes and policy initiatives, measuring the impact of these via colleague engagement surveys, staff turnover and project outcomes

-  Increase the engagement of our staff by +3% points year-on-year in 2015, by taking action on feedback from our staff as a result of participation in the annual Civil Service People Survey. At the same time, achieving re-accreditation to Investors in People, evidencing our commitment and investment in the development of our people and fulfilling our ambition to make the CMA a great place to work
-  Comply with the general Public Sector Equality Duty and the specific duties to publish the CMA's equality objectives and give a progress report on how the CMA is demonstrating its achievement of these
-  Ensure that effective quality assurance arrangements underpin CMA evidential assessment and decision-taking across all its enforcement tools

“ We aim to have the right people, in the right place, with the right skills ”

Key

-  Achieved
-  Partially achieved
-  Not achieved

Organisational development

Over the past year, we have continued to build on the foundations laid since the CMA's inception. We now consider that the organisation is a coherent whole, with a corporate structure which has been built around professional groups supported by appropriate training to allow staff to develop. We have also developed our corporate systems to support this structure.

Our work to develop the CMA has capitalised on being a single organisation, which was one of the benefits of the merger of the Office of Fair Trading and the Competition Commission. We have focussed on efficient matrix working to allow us to move skilled staff to where they are most needed, which equips us to cope better with the ebb and flow of our non-discretionary work.

In our continuous drive to promote efficiency, in the past year we initiated a project to

identify where further improvements could be made to enhance our ability to produce robust outcomes at pace. This project has examined the profiles of teams, the roles and responsibilities of staff within them and the processes and governance to which projects are subject. We are now finalising the corporate and project-specific themes and working to introduce the recommendations.

In July 2015, we appointed a panel of Standing Counsel to advise the CMA on particular cases. This was part of a wider initiative to improve the way we carry out litigation work, including strengthening our in-house team of lawyers to handle core litigation work and to increase both the efficiency and robustness of our decision-making. In October 2015, we also introduced a process to identify, feedback and review the learnings from our larger projects when they have ended. This has proved to be a valuable exercise and has led to a number of process



improvements and wider observations that have made our work more effective. It has also fed into our consideration of how we further improve to deliver our work. Externally, we worked with the National Audit Office on its review of the competition regime and the report recommendations are now a part of a longer term, wider plan around the development of the CMA.

In 2015/16, we achieved the Investors in People Bronze standard. This illustrates the progress we have made to create an environment in which our talented staff can carry out high-quality competition and consumer casework, and enhance their own skills and future prospects. In the 2015 Civil Service staff survey, the CMA improved its engagement score compared to last year, which was one of several categories in which the CMA achieved an improved score compared to 2014.

Our commitment to Equality and Diversity has been demonstrated by the creation of a staff-led Equality and Diversity group. It is responsible for helping the CMA to deliver against the commitments made in our Single Equality Scheme, making the CMA a more inclusive workplace. Activities planned by the group include setting up of staff networks, implementation of unconscious bias training for all staff, and raising awareness of diversity by arranging speakers showcasing diversity best practice in the workplace. As it becomes more established, the group will also help the CMA to embed diversity and inclusion within our ways of working.

This year, we introduced a number of system improvements including time recording and an electronic document management system, to maximise efficiency of file sharing between teams. We also ran a user survey on our website, which was benchmarked against a survey in the previous year. Respondents were particularly positive about the upload of all OFT cases, which we completed in 2015/16 and we continue to work closely with the Government Digital Service to make further improvements to the CMA's webpages.

Staff survey

We maintained our 82% response rate for this year's staff survey and saw an improvement in overall employee engagement with our score increasing by 3% to 61%. Improved results included a +4% rise in the understanding of organisation objectives and purpose, a +7% rise in learning and development, and a +6% rise in leadership and managing change, and a number of other rises in areas targeted by last year's Corporate Action Plan (CAP).

As a result of the survey, this year's CAP will tackle five priorities for the CMA (improving leadership and people management; learning to improve performance and career development; improving empowerment and involvement; improving feedback, and improving our shared working environment), which include areas where we did not achieve the improvements we were seeking. Directorates have been encouraged to develop local action plans in response to their individual team results.

Looking forward, we hope to further improve our engagement index in the 2016 survey and we aspire to be one of the top performing departments across the Civil Service, striving to become a world class competition agency and a great place to work.



In the past year we continued to assess how we could improve the organisation through greater efficiencies, identifying a number of areas for improvement. We also found some areas where we could have done better although these were largely the result of unavoidable issues linked to the CMA's transition period. Further, we conducted a benchmarking review of our Corporate Services groups which showed that we can be considered broadly to be in line with other comparators; these findings will help us to develop a four year strategy for Corporate Services. We also established a financial improvement project. We received a settlement in the 2015 Spending Review which demonstrates the value of the CMA to wider government and clarifies our funding for the next four years.

Professional development

We have continued to carry out extensive professional development activity, to help to

retain our talented staff and further enhance their skills. In 2015/16, we designed and delivered a Continued Professional Development Hub for the five core competition specialisms in the CMA (Delivery, Economics, Investigators, Remedies, business and financial advisors, and Legal), to identify the knowledge, skills and competencies required for roles in each profession, the career pathways, and to identify links to learning by profession. Initial plans to support these specialisms included the development of an expert role within each specialism. After further consideration and consultation with staff, we repurposed the funding for this to provide core training for competition specialists in each of the five professions, with the objective that the training should provide a lasting legacy to the organisation. Other guidance has been provided to support the career development of staff not covered by the competition professions. All staff have access to training through the Civil Service Learning hub.



Further opportunities to develop skills and knowledge include the schedule of training organised by the CMA Academy. The Academy was set up to support the development of a culture of professional excellence through the delivery of bespoke learning opportunities for CMA staff. Such learning opportunities include peer to peer events aimed at developing profession-specific skills at introductory to practitioner level, tailored core-skills training from external experts and talks from external, distinguished speakers who share their experience and expertise with CMA staff.

Approximately 78% of staff attended at least one of the 86 Academy training events during the year and 95% of delegates, who responded to evaluation surveys, would recommend the training to their colleagues. During the year, the Academy launched a new drafting skills programme which was attended by more than 100 staff to consistently positive feedback. Staff also had access to industry-accredited project

management training, and other specialist skills-based training courses were piloted. The Academy has also reviewed and updated its entire curriculum and developed standard templates to support future learning design. Future plans include the development of digital learning resources to complement face to face learning opportunities. Overall, approximately 83% of staff attended at least one training event either internally or externally during the year.

Other opportunities for staff to develop professional excellence come through our Know How team, which provides training on lessons learned, legal advice, internal guidance and other resources to staff relating specifically to our competition, consumer, markets and mergers work. Also, as a key part of our longer term Cartels and Criminal Group (CCG) enhancement programme we have now set up a Learning and Development working team within that Group to develop professional training for CCG staff. This has included profession- and role-specific

Distinguished speakers		
May 2015	Annetje Ottow	Professor of Public Economic Law, Utrecht University
June 2015	Ed Richards	Former CEO, Ofcom
Sep 2015	David Halpern	CEO, Behavioural Insights Team
Oct 2015	Marvin Price	Director, Criminal Enforcement US Dept. of Justice
Nov 2015	Janet Hill	Delivery Director for Diversity and Inclusion, Civil Service
Nov 2015	Liv Garfield	CEO, Severn Trent
Dec 2015	Baroness Neville-Rolfe	Parliamentary Under-Secretary at BIS
Jan 2016	Zanny Minton Beddoes	Editor, Economist
March 2016	Sacha Romanovitch	CEO, Grant Thornton

competencies to focus the training programme, and the team also contributes to wider training for staff working in enforcement and provides external training and awareness sessions for partners and industry.

Correspondence and complaints

General correspondence

In 2015/16 we received 2,211 items of written correspondence from the public, which included many reports from consumers and businesses about anti-competitive behaviour or problems in markets. This information is one of the main ways that we get the intelligence that leads us to investigate businesses that may be breaking the law. We have strict deadlines for replying to such correspondence and responded to 90% within five days.

During 2015/16 we received 77 MPs letters. We responded to 90% within 15 days.

Freedom of Information Act (FoIA) requests

Under the FoIA, any member of the public can request information from the CMA. We aim to

be as open and transparent as possible, but for legal reasons we often cannot disclose whether or not complaints have been received about a particular business or whether investigations are underway. However, generally we only withhold information where we believe that doing so would better serve the public interest than disclosing it. In line with government policy and to support transparency initiatives, we also publish many of our responses on our web pages. We responded to 93% of the FoIA requests we received in 2015/16 within the statutory 20 working day period. We also received and responded to two appeals against non-disclosure of information; our original decision was upheld in these cases. Where we decide not to disclose information following an appeal, the requester also has a right of appeal to the Information Commissioner's Office (ICO); during this period there were no such appeals. We also received three Data Protection Act requests in this time and, while one was not pursued, the others were dealt with within the statutory period of 40 calendar days. There was one appeal to the ICO around a Data Protection Act request during this period which was upheld by the ICO.

FoIA requests	
Total number of requests for information under the FoIA.	140
Of these:	
Number of requests granted in full	52
Number of requests where advice and assistance were provided to the requester	19
Number of requests refused in full because the CMA does not hold any of the information requested	19
Number of requests refused because the cost of the response would exceed the cost threshold	10
Number of requests where the CMA refused to provide some of the information	13
Number of requests where the CMA refused all of the information requested	27

Corporate complaints

We take complaints raised against the CMA very seriously. The CMA's complaints procedure consists of a two-stage process. At the first stage, the complaint is handled by an appropriate person with relevant experience, for instance in dealing with the matters to which the complaint relates. A complainant who does not consider the response received at the first stage to be fair and appropriate can escalate the complaint to the second stage, which consists of a review by a more senior official. The CMA's procedure allows for speedy informal resolution of complaints, for instance by a phone call, if that is satisfactory to

the complainant, and the CMA is committed to thorough investigation of any complaints raising serious issues about its own conduct. This year, we have improved our criteria on how we define complaints. Under these terms, between 1 April 2015 and 31 March 2016, the CMA received six communications which raised issues about our own conduct and thus were treated as corporate complaints. One of these complaints, not being resolved under the procedure described above, is currently under investigation by the Parliament and Health Service Ombudsman; one other complaint to the Ombudsman was resolved after the Ombudsman contacted us.



Evaluation

We are committed to continuous improvement and to strengthening our understanding of the impact of our work on consumers and the economy.

As part of this commitment, we undertake independent evaluations of the impact of at least two cases (including at least one market study or investigation). Through careful evaluation of our activities we prioritise, target, conduct and follow up our work to maximise our impact and help to demonstrate whether we are delivering on our objectives and providing value for money.

Impact estimation

The CMA's performance management framework commits us to achieving direct financial benefit to consumers of at least ten times our cost to the taxpayer. As the target is measured as a three year rolling average, for 2015-16 the calculation is based on the performance of the final year of the OFT and CC and the first two years of the CMA. The CMA undertakes this assessment itself, with subsequent review by an external academic. Its methodology is based on that developed by the OFT, validated by successive independent academic reviewers and consistent with approaches now regarded by the OECD as international good practice.

For the period 2013 to 2016 the estimated average direct financial benefit to consumers was £686.8m per annum and the ratio of direct benefits to cost was 10.6:1. For this period markets work generated £522.7m of the direct financial benefit, with a further £73.6m from competition enforcement, £74.1m from consumer enforcement and £16.4m from merger control.

The methodologies underlying the estimates of direct financial benefit are recognised as being on the conservative side and do not capture wider impacts of the competition regime, such as the impact of deterrence of anti-competitive mergers and other types of anti-competitive behaviour.

In order to add to our understanding of the wider benefits of our interventions, including the deterrent effects of our work as well as impact on productivity, we held a joint academic conference with the European Commission and the Netherlands Authority for Consumers and Markets in September 2015.³⁹ In addition, the CMA has published a report on the relationship between competition and productivity⁴⁰.

More information on impact estimation will be included in the CMA's Annual Impact Assessment Report.

Independent evaluations of cases

Our purpose in conducting full ex-post evaluations is not merely to quantify our impact, but to learn lessons which we can apply to the conduct of future cases.

For 2015/16 the CMA has undertaken in-depth evaluations of:

- The CC's 2009 Market Investigation into BAA airports; and
- The OFT's 2012 enforcement action in relation to health and fitness contract terms.

³⁹ <https://www.gov.uk/government/publications/indirect-impacts-of-competition-authorities-work-conference-presentations>

⁴⁰ <https://www.gov.uk/government/publications/productivity-and-competition-a-summary-of-the-evidence>

The BAA evaluation⁴¹ looked at the impact of the remedies put in place by the CC to address competition issues identified in the airports market in the South East of England and in Scotland. The most significant of these remedies required the divestment of three airports as a result of which Gatwick, Stansted and Edinburgh are now under new ownership. The evaluation of the CC's intervention was carried out by the CMA with support from ICF International. It found that airport users, including passengers and airlines, have benefitted from increased competition between airports. The benefits included greater choice and connectivity, improved service quality and efficiency, positive long-term relationships between airports and airlines enabling easier agreement on issues like airport charges, increased investment in facilities and innovation.

ICF estimated that the benefit associated with the CC's remedies from increased passenger throughput at divested airports alone has been in the region of £295m to date. If the benefits continue to accrue at the same rate as hitherto, this figure could rise to £870m for the period 2009-2020. Had additional runway capacity become available in the period, as the CC had originally expected, the benefits could have been greater still.

The second evaluation looking at the OFT's 2012 consumer enforcement action in relation to health and fitness contract terms is due to be published later in 2016.



⁴¹ <https://www.gov.uk/cma-cases/baa-airports-evaluation-of-remedies>



Sustainability report

The CMA continues to support the 'Greening Government Commitments: Operations and Procurement' targets and the Government's 'Sustainable Development Strategies' which are designed to reduce the organisation's impact on the environment.

As a relatively new organisation, our operations continue to change and adapt to fulfil our objectives. We have therefore decided to use the 2015/16 sustainability figures as a baseline, as we feel that this data will reflect our steady state operations more accurately than the previous year.

We are based in a multi-tenanted office building within central London (Victoria House). Our utilities, air-conditioning and the majority of our waste services are provided by our landlord. The building has other private sector tenants and the landlord provides limited energy and waste information to individual tenants.

Flexible approach to working patterns

In line with modern approaches towards working practices and in order to make the most efficient use of our workplace, we adopt a hot-desking system. This approach enables us to use our available space efficiently and achieve a ratio of approximately eight desks for every 10 members of staff, thereby reducing the size of accommodation that we need.

People

The CMA encourages staff to support charities and local community groups, facilitating a 'Give As You Earn' scheme and offering up to six days paid special leave per year for staff to undertake volunteering. Over the past year, staff have fundraised for a range of charities include children's hospitals, peace-building and cancer research.

Heating, ventilation and air conditioning (HVAC)

The heating, ventilation and air conditioning within Victoria House is controlled by a modern Environmental Building Management System, which optimises the building's HVAC equipment for greater efficiency.

The HVAC plant utilises a central system for the entire property which provides economies of scale in terms of energy usage and cost. The cooling to the building is produced using modern efficient chillers operating at optimal levels. The CMA utilises point of use water heaters for most of our hot water needs. This method reduces the energy losses that are associated with storing hot water.

Lighting

We have installed modern lighting controls in some areas of our property which incorporates presence detection. We also encourage members of staff to switch off lighting in meeting rooms and conference rooms when these facilities are not in operation. We are looking to further enhance the savings that can be made by exploring whether LED (light-emitting diode) lighting solutions can provide energy and cost savings.

Information technology

To further reduce consumption of energy and other resources, we have identified potential savings that can be realised through the following initiatives:

- Review of our reprographics strategy, in order to minimise the use of paper and

toner cartridges whilst increasing our use of recycled paper

- Reducing the use of multiple screens for certain staff and providing efficient screens with the ability to display multiple documents at the same time
- The enhancement of our current audio visual conferencing facilities, which will further reduce the need for travel.

CRC (Carbon reduction commitment) Energy Efficiency Scheme

Victoria House became eligible for the second phase of the CRC Energy Reduction Scheme in 2014. Under the terms of the lease, all tenants, including the CMA, contribute to this scheme through the landlord. There is a Green Forum for all tenants and landlord's representatives to attend which is designed to work collectively to reduce our environmental impact.

Greenhouse Gas emissions

	Year	Spend (£)	Distance (miles)	Emissions (Kg CO ₂ e)
Air travel	2014/15	96,010	306,650	90,100
	2015/16	109,360	240,770	79,790
Rail travel	2014/15	35,150	122,200	9,490
	2015/16	41,290	128,860	9,390

Utilities

As the CMA is an occupant of a multi-tenanted premises, the landlord provides utility services. The CMA actively participates in the landlord's Green Forum through which the tenants and the landlord work collaboratively to reduce our impact on the environment.

	Year	Consumption (kWh)	Emissions (Kg CO ₂ e)
Electricity	2014/15	1,961,300	906,500
	2015/16	1,913,570	884,430
Gas	2014/15	720,240	132,850
	2015/16	814,880	150,310

Water

Water is provided by the landlord to Victoria House and consumption for each tenant is based on an apportionment basis.

	Year	Spend (£)	Consumption (m ³)
Water	2014/15	18,310	8,640
	2015/16	21,310	9,910

The increase in water usage is due to a number of factors including our increased levels of staff, our increased space and more visitors to the CMA relating to our increased business activities.

Although we are limited as to the extent that we can reduce our water consumption, the CMA is looking to replace our commercial dishwasher with a modern energy-efficient model, install shower timers in our limited number of showers, and educate our staff in how to reduce water consumption.

Waste minimisation and management

The landlord handles and manages the majority of our waste. There is no accurate data available for the waste and recycling from our landlord to date, due to their previous contractor entering into administration. The landlord is incorporating recycling targets within the service level agreement for the new waste management provider.

We have provided figures for our own recycling activities, which includes recycling 100% of our confidential waste. In 2015/16 it is estimated that the CMA recycled 22,918kg of confidential waste, compared to 19,915kg in 2014/15.

Finite resource consumption

We continue our policy of printing through efficient multi-functional devices, with no localised printing. The default setting for every print job is set at double-sided monochrome printing to reduce printing costs and our carbon footprint. Printing is further minimised through an improved Electronic Document and Records Management System which enhances digital collaboration and access to centrally-stored documents.

We estimate that we used 7,750 reams of paper in 2014/15, and 10,800 reams in 2015/16, with the increase due to our increased business activities as previously described.

Sustainable procurement

Our purchasing activity continues to comply with the EU public procurement directives in order to achieve maximum value for money and to minimise waste throughout our supply chain. This enables us to control costs and add value, safeguard beneficial supply chain relationships, and ensure that we meet the needs of the organisation.

Our commercial team continues to build mutually beneficial supplier relationships, by understanding the inputs and sources of products purchased, and ensuring that we comply with equalities standards and other key legislation.

In line with this approach, we have entered into a Total Facilities Management contract which is shared with other central government departments. This approach provides value for money and professional support for property management, which utilises a shared outsourced solution and benefits from economies of scale.

About our data

The utilities and the majority of our waste services are provided to the CMA through our landlord and via service charges related to our lease agreement. In the absence of detailed information from our landlord we have used financial information.

After reviewing the historic waste data that we have received from our landlord, we were not satisfied with the accuracy of this data and have omitted this information from this report. Our landlord is seeking to remedy this to ensure that accurate information is available in the future.

We have also reviewed and corrected our reported paper usage for 2014/15 to take into account all of our paper usage, including reports and publications.

The amounts indicated are a calculation based on the limited information that is available to a tenant within a multi-tenanted property. All figures are rounded to the nearest 10.



Signed for and on behalf of the CMA

Alex Chisholm
Chief Executive and Accounting Officer

30 June 2016

Accountability report

Corporate governance report

Directors' report

Statutory powers

The CMA is a non-Ministerial department. It derives its powers from the Enterprise and Regulatory Reform Act 2013.

The financial statements which follow are prepared in accordance with the accounts direction issued by HM Treasury under Section 6(4) of the Government Resources and Accounts Act 2000. This direction covers the resources acquired, held or disposed of during the year and the use of resources by the CMA.

The financial statements are prepared in accordance with HM Treasury's *Government Financial Reporting Manual (FReM)* and applicable accounting standards. The financial statements are prepared on an accruals basis and give a true and fair view of the state of affairs of the CMA and its Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the financial year.

Accounting Officer of the CMA and the CMA Board

The Chief Executive, Alex Chisholm, was appointed as the CMA's Accounting Officer. The CMA Board advises the Accounting Officer in his management and direction of the CMA so that the department achieves its business and financial objectives within agreed resources and budgets. The Board consisted of the Accounting Officer and the following executive and non-executive members:

Executive members*:	
Alex Chisholm	Chief Executive/ Accounting Officer*
Andrea Coscelli	Executive Director Markets and Mergers**
Erik Wilson	Executive Director Corporate Services
Michael Grenfell	Executive Director Enforcement***

* Following the announcement on 10 May 2016 that Alex Chisholm is to become the next Permanent Secretary at the Department of Energy and Climate Change, he will stand down as Chief Executive/Accounting Officer on 4 July 2016. On 4 July 2016 Andrea Coscelli will take up this post as Interim Chief Executive/Accounting Officer until a new Chief Executive/Accounting Officer is appointed.

** While Andrea is Interim Chief Executive/Accounting Officer, Rachel Merelie will take up the role as interim Executive Director of Market and Mergers until Alex's permanent replacement is found.

*** Sonya Branch left the CMA on 7 May 2015. Ann Pope took on the role of Acting Executive Director Enforcement from 7 May 2015 to 15 July 2015. On 15 July 2015 Michael Grenfell took up this post.

Non-Executive members:
David Currie, Chair
Alan Giles
Annetje Ottow
Carolyn Fairbairn*
Jill May
Philip Lowe**
Roger Witcomb
William Kovacic

* Carolyn Fairbairn left the CMA Board on 31 July 2015 to take up the position of Director-General at CBI.

** Philip Lowe left the CMA Board on 11 January 2016 to take up a role as an advisor with FTI consulting.

The remuneration of the Executive members is determined in accordance with the rules for the Senior Civil Service (SCS). Non-Executive members are paid a fee for their services, as determined by the Department for Business, Innovation and Skills (BIS).¹

Our staff

The CMA is committed to providing employees with information on matters that affect them and consulting employees regularly so that their views are incorporated into our governance and decision making. During 2015/16 we continued to build on initiatives aimed at strengthening staff participation and consultation, and enhancing communication across the organisation. We provide weekly oral briefings to provide staff with important information on the organisation's business (both internal and external) and its achievements and challenges. These weekly briefings are supplemented by quarterly briefings from the Chief Executive, which provide staff with information on key strategic, economic and operational issues facing the organisation. These briefings also serve to engage staff with the CMA's performance against its strategic objectives and Annual Plan commitments and enable staff to raise questions and issues of concern.

In 2015 we took part in the Civil Service-wide staff survey to consult employees for their views on how to improve the CMA, and how we do our work (see our 'Developing the CMA' section for more information). We have a staff forum which is made up of CMA employees whose role is to represent the interests of all employees. This group works with the CMA management team and staff management council to maintain good employment relations.

Our commitments to equality and diversity

We published our first Equality and Diversity Strategy in April 2015 which outlined our commitments and strategies to promote equality and diversity amongst our workforce. Further information on our commitments to equality and diversity is contained in the 'achieve professional excellence' section of this report.

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 business in performing regulatory functions. The great majority of the work of the CMA, in particular the conduct of market studies and the enforcement of competition law, is undertaken under provisions which either do not confer regulatory functions for the purposes of the Act, or confer functions under competition or mergers law which are expressly excluded from its controls. The CMA has 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 breaches of law that threaten the proper working of markets.

Pension liabilities

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). Further information on pension liabilities is discussed in the Remuneration Report and Note 3 of the Financial Statements.

¹ See Remuneration report, page 92.

Auditors

Paragraph 5 of the Government Resources and Accounts Act 2000 provides that the CMA's financial statements are audited by the Comptroller and Auditor General. The notional cost of the audit is disclosed in note 4 of the CMA's financial statements and relates solely to statutory audit work. The auditors did not undertake any non-audit work during the 2015/16 year.

The CMA Directors and I have taken all the steps necessary to make ourselves aware of any relevant audit information and to establish that the CMA's auditors are also aware of that information. In so far as we are aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware.

Personal data related incidents

No personal data incidents were formally reported to the Information Commissioner's Office (ICO) during the 2015/16 year.

Register of interests

The CMA Conflicts of Interests policy states that a register will be maintained of interests for Board members and their families. Board members' interests are published online at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/453206/Register_of_Interests_-_August_2015.pdf.

Panel members' relevant interests are disclosed as part of the appointment process for the inquiries in which they are involved.

Signed for and on behalf of the CMA



Chief Executive and Accounting Officer

30 June 2016

Statement of Accounting Officer's Responsibilities

Under the section 5 of the Government Resource and Accounts Act 2000, HM Treasury has directed the CMA to prepare for each financial year, 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, 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; and
- prepare the accounts on a going concern basis.

The CMA has appointed the Chief Executive 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.

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.

CMA Governance Statement 2015-16

Introduction

This Governance Statement sets out the governance, risk management and internal control arrangements for the Competition and Markets Authority (CMA). It covers the financial year 1 April 2015 to 31 March 2016 and up to the date of approval of the Annual Report.

The CMA was created by the Enterprise and Regulatory Reform Act 2013 (the ERRA). The CMA formally came into being on 1 October 2013 and acquired its powers and responsibilities on 1 April 2014. It is an independent non-ministerial government department, with a primary duty to promote competition for the benefit of consumers, both within and outside the UK.

Key ways in which the CMA fulfils its duties include:

- bringing criminal proceedings against individuals who commit the cartels offence under the Enterprise Act 2002 (EA02);
- enforcing consumer protection legislation to tackle practices and market conditions that make it difficult for consumers to exercise choice;
- investigating mergers which could restrict competition;
- conducting market studies and investigations 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;

- cooperating with sector regulators and encouraging the regulators to use their competition powers; and
- considering regulatory references and appeals.

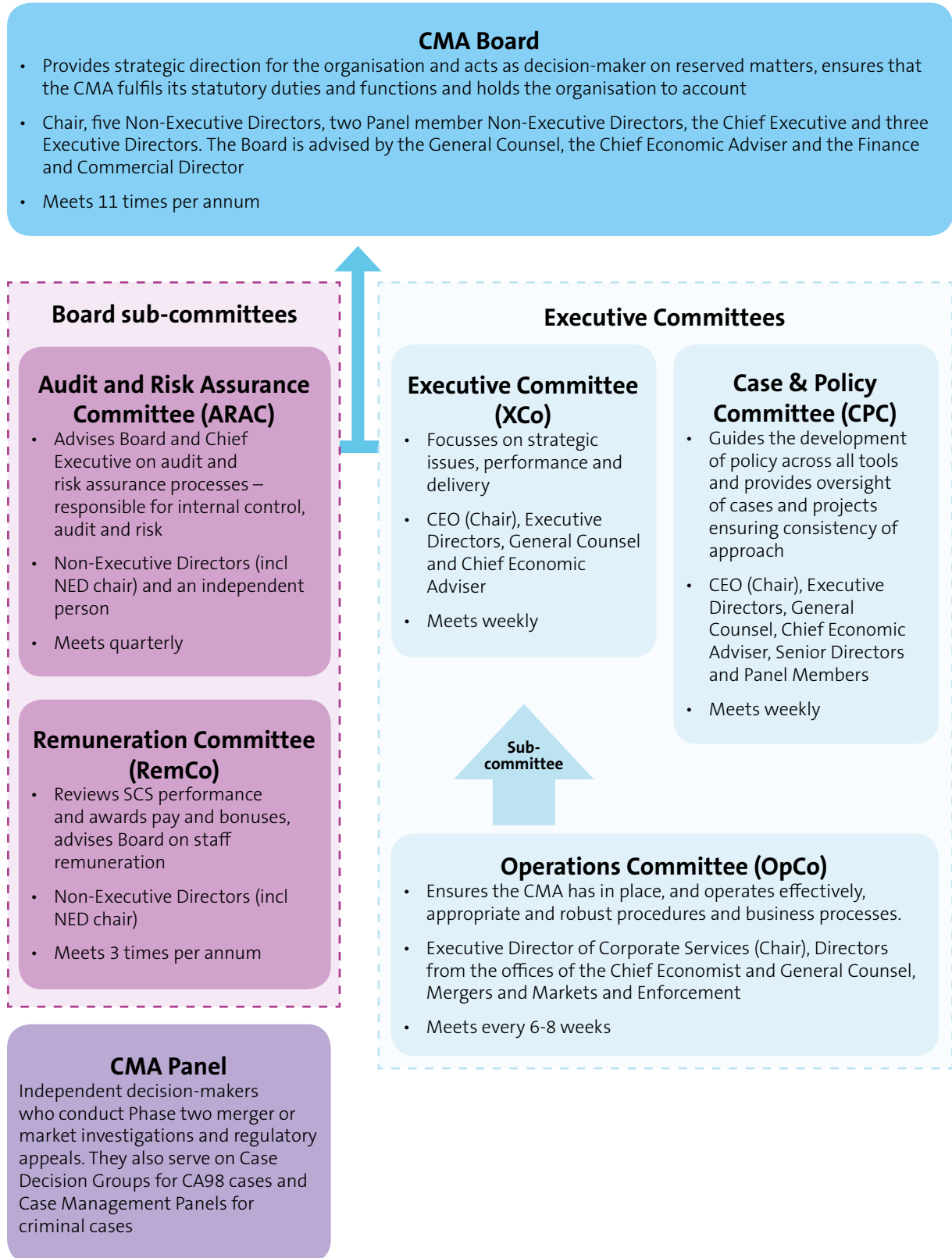
There are 20 areas of legislation governing the CMA's powers, duties and functions including with regards to regulatory appeals. In addition the CMA works with its international counterparts to promote a consistent approach to tackling anti-competitive practices and protecting consumers' interests. The CMA leads on UK engagement with some international networks and organisations including: the European Competition Network, the European Consumer Protection Cooperation Committee, the International Competition Network, the International Consumer Protection and Enforcement Network, the Organisation for Economic Co-operation and Development (OECD) Competition Committee and the OECD Committee on Consumer Policy.

Governance Framework and Performance

The CMA's Board and committees have clear remits setting out their respective roles and decision making responsibilities. These have been communicated to staff and terms of reference, meeting dates and agendas are all published on the intranet for the committees (public minutes are published for the Board).

The CMA's current Board and committee structures are shown in the diagram below with details of key members and meeting frequency.

CMA Board and committee structure



CMA Board and committees

The CMA Board establishes the overall strategic direction of the CMA within the policy framework laid down under the ERRA and the resources allocated to the CMA by HM Treasury ensures that the CMA fulfils its statutory functions and obligations in relation to the use of public funds and is the decision maker on reserved matters.

The Board operates according to the Rules of Procedure that it has adopted², which are published on the CMA website (<https://www.gov.uk/government/publications/cma-board-rules-of-procedure>)

The Rules list those matters that are reserved for the involvement of the Board including decisions to launch a market study, to consult on a possible Market Investigation Reference and refer a market for a Market Investigation.³ The Board also reviews and, if satisfied, approves the Annual Plan,⁴ the Annual Report,⁵ the Annual Concurrence Report,⁶ and the Annual Accounts. The Rules of Procedure are reviewed every two years.

The Board holds the organisation to account, receiving quarterly performance reports and updates on cases across all tools i.e. merger control, consumer enforcement, cartels and criminal enforcement, and the markets provisions. The Board assesses performance and also considers current threats to delivery of the CMA's objectives through a review of the corporate risk register. The Board has established two Board sub-committees: the Audit and Risk Assurance Committee and the Remuneration Committee (as set out in the diagram on page 80).

The Audit and Risk Committee (ARAC) is chaired by a Non-Executive Director and advises the CMA's Accounting Officer and Board on audit arrangements and risk. ARAC's remit covers all aspects of corporate governance, risk management and internal control within the CMA.

The Remuneration Committee is chaired by a Non-Executive Director and is responsible for reviewing SCS staff performance and considering staff pay and bonus awards.

Through the Statutory Authorisations,⁷ the CMA Chair, acting on behalf of the Board, authorises the staff to exercise the CMA functions.⁸ The level of authorisation depends on the particular role each staff member performs and covers specific posts, including, but not restricted to the Chief Executive; the Executive Directors; the General Counsel and Deputy General Counsel; the Director of Litigation; and Senior Directors and Directors.

Oversight of the exercise of these CMA functions is provided ultimately by the Board and two executive committees: the Executive Committee (XCo) – as well as the Operations Committee, its sub-committee (OpCo) – and the Case and Policy Committee (see diagram on page 80). Minutes of the Executive Committee, Case and Policy Committee are shared with the Board in the interests of openness and transparency.

CMA Panel

Members of the CMA Panel are appointed by the Secretary of State for BIS.⁹ The Panel, as at 31 March 2016, comprised a Panel Chair, seven Inquiry Chairs,¹⁰ and 28 Panel Members. Two Panel Members, including the Panel Chair, have also been appointed to the Board. The CMA Chair has specifically authorised the Panel Chair and the Inquiry Chairs to exercise, on his behalf, certain functions relating to the Panel.¹¹

Groups of members drawn from the CMA Panel make decisions on Phase 2 Mergers and Markets. Each group has at least three members and is generally chaired by the Panel Chair or one of the Inquiry Chairs. In reaching their decisions, groups must act independently of the Board.¹²

² The statutory power to make these rules is at paragraph 31(1) of Schedule 4 of the ERRA. <https://www.gov.uk/government/publications/cma-board-rules-of-procedure>. ³ Part 2, Schedule 4 of the ERRA. ⁴ Paragraph 12 of Schedule 4 ERRA. ⁵ Paragraph 14 of Schedule 4 ERRA. ⁶ Paragraph 16 of Schedule 4 ERRA. ⁷ <https://www.gov.uk/government/publications/cma-board-authorisation-of-staff-at-the-cma>. ⁸ Pursuant to paragraph 29 of Schedule 4 of the ERRA. ⁹ Paragraph 1, Schedule 4 of the ERRA. ¹⁰ These roles are designated as such by the Board and authorised by the Secretary of State for Business, Innovation and Skills. The Secretary of State has authorised 'Panel Deputy Chairs' in the Statutory Authorisations from the Secretary of State. These are generally referred to as Inquiry Chairs reflecting their function and duties. ¹¹ Specifically, the functions listed in paragraph 48(4) of Schedule 4 of the ERRA. The authorisations form part of the statutory authorisations referenced in footnote 8. ¹² Paragraph 49(1), Schedule 4 to ERRA.

The Board's oversight role does not therefore extend into the substance of decisions by groups on Phase 2 work. The Board is kept informed of resourcing, efficiency, the application of CMA policy and the staff processes that support the Panel's work.

The Board has also taken steps to ensure the independence of Panel decision-making and avoid perceptions to the contrary. For example, the Panel members who are also non-executive Board members do not take part in decisions to make market investigation references for any investigation on which it is anticipated they might form part of a Phase 2 group. In addition, the Panel Chair recuses himself from decisions relating to Market Studies where a Market Investigation Reference may be under consideration.

Board Attendance

During 2015/16, the Board had 11 meetings each generally running for 6-7 hours each. Nine meetings were held in the CMA's offices in London, one meeting was held in Belfast and one meeting was held in Edinburgh. The Board may also be updated by email, and take decisions outside Board meetings by teleconference or email. The Board took no substantive decisions by email during 2015/16.

Attendance of Board members at Board and Committee meetings was as shown in the following table. The Board is also advised by Sarah Cardell, General Counsel and Mike Walker, Chief Economic Adviser. Rebecca Lawrence, Director Finance and Commercial also attends the Board.

Board Members	Board	Audit and Risk Assurance Committee ¹³	Remuneration Committee
David Currie	10/11	3/4	4/4
Alex Chisholm	11/11	4/4	3/4
Andrea Coscelli	10/11	N/A	N/A
Michael Grenfell	11/11	N/A	N/A
Erik Wilson	11/11	4/4	3/4
Carolyn Fairbairn ¹⁴	3/3	N/A	2/2
Alan Giles	10/11	4/4	N/A
Bill Kovacic	11/11	N/A	N/A
Philip Lowe ¹⁵	8/8	2/2	N/A
Jill May	11/11	4/4	N/A
Annetje Ottow	9/11	N/A	3/4
Roger Witcomb	10/11	N/A	3/4
Ann Pope ¹⁶	2/2	N/A	N/A
Sonya Branch ¹⁷	1/1	N/A	N/A

¹³ Ed Smith is a member of ARAC and attends meetings.

¹⁴ Carolyn Fairbairn left the Board in July 2015.

¹⁵ Philip Lowe left the Board in January 2016.

¹⁶ Ann Pope was acting Executive Director of Enforcement from May-July 2015.

¹⁷ Sonya Branch left the CMA in May 2015.

Board performance

Under its Rules of Procedure, the Board annually reviews its performance and that of its committees. The Chair evaluates the individual performance of Non-Executive Board members. The Chair discusses with BIS any issues which should be taken into account in considering terms of appointment or re-appointment. The Non-Executive Directors as a group assess the performance of the Chair, and the Senior Independent Member (appointed by the Non-Executive Directors) provides feedback to the Chair and to BIS. Philip Lowe was the Senior Independent Member until December 2015 and Alan Giles was Senior Independent Member from January 2016.

An internal review of Board effectiveness was undertaken in summer 2015, finding a well-functioning Board. The review was informed by members' self-assessment as well as experiences of CMA staff engaging with the Board across different work areas. As a result of the review the Board identified further opportunities to tap into the diverse expertise of Non-Executive Directors beyond standard Board functions, as well as committing to increase engagement and visibility between the Board and staff. Actions taken forward included:

- Arranging thematic workshops for the Board, covering both technical and landscape issues
- Board member attendance at additional offline strategy meetings
- Board member involvement in project optimisation groups.

The CMA Board is also participating in the Women On Board pilot scheme which aims to give talented, senior women a board-level development opportunity in another organisation to accumulate credible experience for future executive or Non-Executive Director roles. The CMA identified a participant for their Board in March 2016 and is involved in the scheme as a nominating and host organisation.

Board Committee Reports

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) held four meetings in 2015/16. It discussed internal audit reports on various aspects of the organisation, and monitored progress made against recommendations. As Accounting Officer, the Chief Executive has attended all of these meetings. The National Audit Office (NAO) was also represented at each of these meetings.

ARAC received regular ICT updates from the Director of Business Services, or his deputies, on IT developments and work, from the CMA's Security Working Group, as well as from the Finance and Commercial Team on progress against its Finance Improvement Plan.

ARAC reviewed the overall risk management systems in the organisation, reviewed and approved changes in the corporate risk register and also undertook a 'deep dive' review of the corporate risk: data loss/security. ARAC reported that it had been reassured by how risks were reviewed and managed.

During the year, ARAC also received papers on and/or discussed a range of other topics including the Corporate Services benchmarking review, Internal Audit progress and the introduction of project based accounting.

A satisfactory review of ARAC took place alongside the Board review in August 2015. ARAC also carried out a self-assessment in January 2016 in line with NAO recommended best practice.

The board is updated verbally on the outcomes of the ARAC meetings.

Remuneration Committee

The Remuneration Committee (RemCo) met four times in 2015/16. As Accounting Officer, the Chief Executive attended three of these meetings.

The Committee's key focus during this period was overseeing the SCS performance management process to ensure consistency of operation, and approving the 2015 SCS Pay Remit and CMA SCS Pay Policy.

RemCo met in September 2015 and heard one SCS performance management appeal on behalf of a partner organisation where reciprocal arrangements to hear appeals are in place.

In 2015 the CMA received one appeal from a SCS member of staff which was reviewed in a partner organisation in July. The Committee did not uphold the appeal but made recommendations on amendments to the CMA performance management process which have been actioned.

The Board is updated verbally on the outcomes of RemCo meetings.

Compliance with Corporate Governance Code

The CMA aims to comply with the Corporate Governance Code where applicable. However, as the CMA is a non-Ministerial department created by statute with members appointed by the Secretary of State, some sections of the Code are not relevant to the CMA. For instance, the Chair, being an independent non-executive, performs the role of lead non-executive Board member set out in the Code.

The CMA is subject to the general policy requirements set by the Government for all government departments, including those on diversity and equality, freedom of information, information technology (including data security), human resources (including recruitment and remuneration), finance (including procurement), transparency and whistleblowing (speaking out).

Conflicts of interest are managed at staff level, and for the Board and Panel members in accordance with CMA's published Conflicts of Interest Policy (which is annexed to the Board Rules of Procedure). Internal processes are in place to ensure that potential or actual conflicts are handled appropriately, and relevant interests are disclosed. The CMA's Conflicts of Interest policy and procedure is followed at the launch of every project and updated quarterly through the life of a project as necessary.

The CMA operates a cascade system of authority to incur expenditure whereby authority to incur expenditure is formally recorded in a set of delegation letters from the Accounting Officer to budget holders and budget managers.

In respect of the setting of personal objectives, a cascade approach is followed whereby all staff have regard to SCS objectives which are published on the intranet. This process ensures alignment of individual personal objectives of all staff with corporate objectives.

Risk Management

Approach

The CMA risk management policy explains our approach to risk management and aims to ensure consistent application across the organisation. The CMA manages risk by having a robust risk management control framework for identifying, assessing, addressing, reviewing and reporting risks. This framework consists of a risk appetite statement, risk grid, risk escalation process and risk registers.

The CMA's risks are identified, monitored and managed at corporate, directorate, and project level. Directorate and project risks are held on risk registers at the appropriate level and maintained and managed by the relevant directorate or project leader, who are required to identify, manage, review and escalate risks as required. Risks that are considered to have a significant potential impact on the delivery of the CMA's objectives are escalated to a corporate

risk register. The corporate risk register is subject to regular review by ARAC, XCo and the Board.

The CMA applies risk management disciplines to all of its project and case work. It incorporates post-project evaluation in the form of lessons learned studies where appropriate, and also undertakes more extensive evaluation of selected projects. Lessons learned are shared amongst project directors to ensure continuous improvement in our approach to delivery and are also presented to the Board who regularly review their wider implications.

The Board established its risk appetite in 2014 in order to inform risk assessment and management in the CMA. Following an internal audit review of risk appetite the Board revisited its risk appetite statement in Q4 2015/16 and this will be updated in Q1 2016/17.

A recent internal audit of the CMA's approach to risk management was positive and rated as having substantial assurance.

Individual corporate risks are reviewed in-depth, periodically at OpCo. Significant risks are also reviewed by ARAC and XCo. The Board monitors working-level risks through a monthly report from XCo on key developments, and the complete corporate risk register is reviewed quarterly by the Board as part of XCo's performance report.

The CMA continues to operate within its risk and control framework using the Board approved statement of risk appetite. The corporate risk register is kept under regular review, with individual risks being reviewed in detail by OpCo on a periodic basis.

Each Executive Board member is required to review and maintain oversight of the arrangements for identifying and managing risk in the areas for which they are responsible and to report as appropriate to XCo and the Board, in addition to providing the Accounting Officer with a report on how arrangements are managed.

In 2015/16 the Chief Executive sought assurance from the Senior Executive Team (comprising the three Executive Directors, the General Counsel and the Chief Economic Adviser) that matters including risk, finance and staffing were effectively managed throughout the course of the reporting year. The responses demonstrate a strong understanding of the Senior Executives' responsibilities in relation to risk and control frameworks and identify a number of areas where issues identified have been addressed either by the introduction of new controls or measures or by changing processes as a result of lessons learned.

Major Risks and Issues and Key Mitigating Factors

The CMA's corporate risks fall into three broad categories. The front-line risks cover pace, efficiency and effectiveness of delivery and the impact of adverse outcomes. Corporate services risks cover infrastructure related risks such as those related to IT and other administrative operations. The final category covers the people and financial resources needed to deliver the objectives of the CMA.

The initial set of Corporate Risks for the CMA in 2015/16 were as follows with details of the committee(s) which undertook deep dives on particular risks in 2015/16 in brackets:

- Major case failure
- Loss of data/security (ARAC, OpCo)
- Impact and confidence failings (OpCo)
- Failure to increase pace and efficiency
- Governance: unmanaged conflicts of interest (OpCo)
- Governance: misuse of public funds (OpCo)
- Failure to establish efficient/effective corporate support (OpCo)
- IT failure (ARAC, OpCo)
- Staff : attracting talent (OpCo)
- Staff : retention (OpCo)
- Staff : engagement and performance issues (OpCo)

The relative importance of each of the corporate risks changed over the course of the year as controls and projects were put in place to address them and the set of risks was reviewed in Q3/4 with the outcome that the risk 'failure to establish efficient/effective corporate support' was retired. As part of the review it was also agreed to merge a number of risks and expand risk descriptions. The main changes approved by ARAC and the Board are outlined below:

- 'Governance: unmanaged conflicts of interest' has been removed and merged with 'Major case failure' on the basis that it would be a contributory factor to major case failure as opposed to a risk itself.
- 'Staff: retention' has been removed and merged with 'Staff: engagement and performance issues' for the same reason above.
- A new risk, 'Business continuity and disaster recovery' has been added while plans and processes in this regard are fully set up and established.
- 'Loss of data/security' has been amended to include data integrity, reflecting the potential risks raised by ownership and management of data records, particularly in relation to legacy data from predecessor bodies.
- 'Failure to increase pace and efficiency' has been amended to include the impact of failing to maximise the benefits of IT spend.

Significant Risks and Issues Addressed in 2015/16

Legal Services

In the course of 2014/15 the CMA conducted a review of its use of external counsel, identifying some specific cases where the CMA would have benefitted from having dedicated counsel. We concluded that there were real benefits to be gained from appointing a panel of Standing Counsel who would have the availability and commitment to prioritise our work, would provide continuity across cases and would also

commit not to act against the CMA for the duration of their appointment. In July 2015 the CMA appointed a panel of three standing counsel (Marie Demitriou QC, Rob Williams and David Bailey) and material benefits from their instruction are already being seen, with a demonstrable improvement in prioritisation and continuity of approach across cases.

Enforcement

Following the acquittal at trial of two of the three defendants charged with committing the criminal cartel offence in the galvanised steel tanks case in June 2015 (the third had pleaded guilty), we reviewed our three outstanding criminal investigations in relation to pre-April 2014 cartel activity (the law has been changed to lower the hurdle for prosecution for cartel activity from April 2014 onwards), and closed two of them, while refocusing our cartel investigation resource on 'civil' cartels under the Competition Act 1998.

Half-way into the CMA's annual plan year (April 2015 to March 2016) no new investigations had been launched under the Competition Act 1998 and the CMA was at risk of not achieving its published Annual Plan target of launching at least four. We increased focus and impetus in our competition pipeline work, and by the end of April 2016 we had launched eight new investigations.

To mitigate risks associated with enforcement investigations, we have conducted a review of cases, taking account of the Code for Crown prosecutors, and other lessons learned. We have also reformed the CMA pipeline process, and developed our consumer and competition enforcement strategies.

Markets and Mergers

There is very significant external scrutiny of our performance on merger reviews. Businesses and their advisors review and discuss our performance in terms of speed of review and

outcomes. The mergers team in the CMA has set a number of KPIs to allow the senior management to constantly review (and compare across periods) the proportion of cases when the statutory timetable was stopped, the number of cases in Phase 2 when an extension was requested, and the proportion of cases where remedies were required that were concluded within the statutory timetable for remedy implementation. The very few instances where any delays occur can be immediately flagged for discussion among senior management and remedial action (if needed) taken. The mergers team also publishes internally and externally monthly KPIs on case outcomes (referrals, remedies at Phase 1 and outcomes of Phase 2 cases). This is useful to detect any changes to long term trends that might need to be tackled.

Our markets portfolio also received significant external scrutiny from industry and consumer groups, the media and from parliamentary committees. The decision by the independent Inquiry Groups to extend the Energy and Banking Market Investigations received particular attention. The Government is now considering legal mechanisms to increase accountability for extension decisions. On these two investigations and the Private Healthcare remittal there has been close attention to litigation risk throughout.

Corporate Services - HR

Over the reporting period, we have improved our processes in relation to Workforce Planning. We have implemented a monthly Workforce Planning meeting with Senior and Executive Directors to review our vacancies and ensure we are prioritising recruitment in business critical areas and that the CMA remains within its budget. As part of this work we have reduced our reliance on contractors and agency workers and less than 15% of roles in Corporate Services are currently filled by agency workers or contractors. This is improving our corporate knowledge and corporate resilience. We continue to review our recruitment practices

and look for innovative ways to attract staff to the CMA, including candidates from under-represented backgrounds, for example making use of open evenings in support of specific campaigns.

Staff turnover for the CMA (all permanent employees) has decreased year on year from 13.2% in 2014/15 to 11.8% in 2015/16. Whilst this is within our annualised target of 12%, we continue to monitor turnover in some professions e.g. economists which remains proportionately higher when compared to all staff across the CMA.

Improvement of our staff engagement index was a key focus in 2015. This increased three percentage points to 61%; two points above the Civil Service benchmark. We saw significant gains across the majority of the key priorities identified in the Corporate Action Plan. However, 'Improving Empowerment and Involvement' saw declines year on year. We will continue to focus on the same priorities as previously, will seek to embed the tools and work launched under last year's Corporate Action Plan, and will prioritise our efforts in empowerment and involvement as an area where we want to see improvements this year. We have also sought to involve more grade 6/7 staff in the development of this year's Corporate Action Plan by promoting membership of the Steering Group as a way of increasing empowerment and involvement in corporate decision making. We will seek to replicate this model across other corporate projects/activities.

Whilst engagement increased in the last staff survey, we see a risk to this given the headcount reductions we need to make in response to SR15. We have launched a communications work stream as part of this year's Corporate Action Plan which will support the Steering Group to ensure we continue to share with staff the activities we are undertaking as a result of their feedback.

Corporate Services - Finance and Commercial

During the year the Finance and Commercial team took a number of steps to improve corporate governance and financial accountability. Project Based Accounting was launched in October 2015 to enable the CMA to accurately track the costs of large projects. This followed on from improvements in the management reports supplied to senior managers and committees (including the quality, detail and timeliness of data). A new finance manual was approved towards the end of the year and this will be complemented by a Budget Manager's guide in 2016/17.

Alongside this a number of new financial controls and checks were introduced and frameworks strengthened to minimise the risk of misuse of public funds and in response to issues raised as a result of Internal Audits. In June 2016 the CMA was subject to one instance of external fraud which could potentially result in a financially immaterial loss. An investigation is currently ongoing.

The team has also set itself a revised target of paying 80% of undisputed invoices in five days in line with government best practice.

The Finance and Commercial team is now primarily an 'in house' team negating the risk of being dependant on contractors and contingent labour. In house training has taken place during the year and this will be followed up by further training on Agresso (the CMA's ERP system) in 2016/17.

The Commercial team also had its revised manual approved in early 2016 with the aim of improved commercial accountability within the CMA.

Corporate Services – IT

During the year the IT team has made substantial progress in reporting, assurance and risk mitigation including:

- Introduction of KPI reporting for patch management of all IT systems and weekly

reports of compliance for servers, thin client, laptop and desktop computers. In addition all technical security events are recorded and investigated and reported to ARAC quarterly.

- Conducting an Independent Access Control Audit focussed on the CMA's approach to Access Control for three key systems: Active Directory, the Electronic Document and Records Management (EDRM) system, and Forensics IT Lab/Digital Forensics and Intelligence Service (DFIS). The assessment was performed against the controls within International Standard for Information Security Management Systems best practice (ISO 27002, Chapter 9).
- Completion of Phase 1 of the NUIX DFIS project to remediate a major corporate risk item.
- Appointment of new Internal Head of Security and Information Assurance reporting to the Head of Business Services.
- Decommissioning and migration of legacy systems to CMA and BIS infrastructure resulting in a reduction in the technical footprint of the CMA, the attack surface for threat actors and also the overall carbon footprint of the CMA.

Data Security

The CMA's Executive Director for Corporate Services is the Senior Information Risk Owner, supported by a Departmental Security Officer, a Deputy Departmental Security Officer and an IT Security Officer until February 2016. In February 2016 a new Head of Security and Information Assurance replaced the Deputy Departmental Security Officer and an IT Security Officer role.

Significant progress was made in 2015/16 to enhance data security within the CMA including the introduction of Egress for all emails and regular penetration testing of our systems.

The number of reported security breaches and near misses in 2015/16 was 55. These primarily related to the loss of the CMA's information assets. In most cases the CMA incident response plans and the use of technical controls

prevented access to information through the unauthorised use of CMA devices. The CMA has detected a number of malware infections which were confined to user laptop devices and which were resolved with minimal impact. Instances of CMA staff not following procedural controls has resulted in a small number of incidents which resulted in the unauthorised disclosure of information. Overall, during the reporting period no incidents were identified with a requirement that would require the CMA to inform or escalate to the Information Commissioner's Office or Cabinet Office.

All security breaches and near misses are reported to ARAC and XCo with individual breaches considered and escalated as appropriate dependent on their seriousness.

In January all staff and members were requested to carry out the Cabinet Office's mandatory training. Additionally the Security working group are using the CMA's 'How to be a good citizen' campaign to get across key security messages. A Security Communications plan is now in place and the CMA's new Head of Security and Information Assurance is tasked with driving this forward.

A Business Continuity Policy, BCP Awareness Presentation and an Emergency Response Plan has been written and reviewed internally. Local BCP plans have been written and signed off by all business areas. These will be revised once the business impact assessments (BIAs) and risk assessments are completed.

A business case has been prepared for approval by the Corporate Services Executive Director to procure the services of an outsourced BCP partner to assist in completing the outstanding BCP document set. (I.e. BIA, Risk Assessment, Master BCP Plan, and provision of BCP training to key stakeholders).

A technical IT Disaster Recovery plan has been developed to outline how services will be 'failed over' to the disaster recovery site in Greenford. Selected areas within the Corporate Services

teams operated remotely for a day to allow the CMA to test the remote working capability based on increased user volumes. Initial testing was carried out in April 2016 with further testing scheduled.

The CMA has engaged fully with the Landlord (JLL) who is looking into revised plans for evacuation (i.e. people flow via different exit routes and out-of-hours assembly point). Revised plans for to confine people within Victoria House due to an emergency or dangerous situation outside are being developed by JLL.

All Board and Communications Directorate Emergency Procedures have been tested successfully.

Key Corporate Policies and Initiatives

Whistleblowing and Speaking Out

Consistent with Cabinet Office guidance the CMA has appointed the Executive Director, Corporate Services as the Board level representative with overall responsibility for whistleblowing practices – known within the CMA as the 'Speaking Out' practice. Speaking Out is considered as part of the ARAC agenda and once a year the Board receives a report on the effectiveness of its Speaking Out policy and information relating to its use and any trends. The CMA's procurement team has been briefed to ensure that it encourages our providers to adopt speaking out procedures of their own.

The Speaking Out policy is available to staff on the CMA intranet, together with supporting information and FAQs for both staff and managers. The policy is introduced in mandatory CMA induction training for new staff. Revisions to the policy were publicised internally and reported to the Board this year.

Management information is kept about the detail of Speaking Out for use in reporting and trend analysis. A complaint was raised in March under the Civil Service Code by a member of the Civil Service outside the CMA. There have been no incidents of staff members speaking out reported in this financial year.

Diversity

CMA diversity statistics

	Civil Service	CMA	Declaration rate
Male	45.90%	50.96%	100%
Female	54.10%	49.03%	100%
Part Time	N/A	14.67%	100%
Minority Ethnic	10.60%	19.13%	89%
Disability	8.90%	5.46%	71%
LGBT	N/A	4.85%	86%

The CMA established an Equality and Diversity Working Group during the summer of 2015, chaired by Nisha Arora and made up of staff volunteers from across the organisation. The group has staff representative of the protected characteristics as defined by the Equality Act 2010, as well as a broad grade and business area mix. The Group has met three times; key outputs to date include:

- A review of the CMA Single Equality Scheme to ensure action is being taken across our commitments.
- Recommendations on additional actions to be taken forward in line with the Civil Service Talent Action Plan.
- Raising awareness of the Working Group by launching dedicated pages on CMALive.
- Undertaking research to understand the barriers to making the CMA a more inclusive workplace through the launch of a short online survey to staff. This data will be analysed alongside the Staff Survey Fairness and Inclusion data as well as the free text comments. The Group will make recommendations on future actions to address the findings of the data.
- Planning and delivering a workshop with the senior leadership team at the March Quarterly meeting to discuss diversity in the CMA and to identify a Diversity Leadership Pledge as required by the Talent Action Plan.
- Reviewing and reaching a decision to recommend mandating diversity training, including unconscious bias, across the organisation to all staff as opposed to only new joiners as is current practice through CMA Essentials.
- Preparing an annual progress report against the CMA's Single Equality Scheme to be shared with XCo in June 2016.

Internal Audit

From April 2015 to end-March 2016, the Head of Internal Audit was a CMA employee, with the bulk of internal work carried out by PwC. From 1 April 2016, the provision of internal audit services was transferred to the Government Internal Audit Agency under a new Head of Internal Audit. There was a handover period between February and April to facilitate knowledge transfer and to support the transition of service.

Internal Audit Review

The audit opinion draws upon the assessment of the outgoing Head of Internal Audit (HIA) and the newly appointed HIA on internal audit work completed in 2015/16. The audit work undertaken, and the opinion, is in accordance with the extant Public Sector Internal Audit Standards (PSIAS). This section provides the opinion on the adequacy and effectiveness of the framework of governance, risk management and control as it operated in the CMA throughout 2015/16, rather than the end of year position.

The Audit and Risk Assurance Committee reviewed the annual internal audit programme, which was formally agreed by the Accounting Officer, and monitored progress throughout the year. The programme was adjusted during the year to reflect emerging priorities and risks. The structured programme of audits and reviews was oriented towards examination of core systems, reflecting perception of risk in the CMA. The aim of this was to establish assurance in corporate support areas before extending into strategic areas in future.

The internal audit programme resulted in a mix of assurance levels, reflecting the fact that corporate support systems are continuing to bed down.

The first operational year of the CMA involved a challenging change management programme, during which audit work identified some significant control weaknesses. There has been sustained activity to address these deficiencies in 2015/16, but internal audits have identified continuing control challenges. Controls in both finance and procurement were found to be in need of strengthening, with the framework of control in the latter system considered unsatisfactory. A review of access controls was also conducted in the latter half of the year, which identified a number of improvements to be made and delivered a limited assurance. Management were advised to ensure that audit actions should be agreed to realistic timelines to support a more robust risk mitigation approach in the longer term. The HIA identified several positive aspects. In risk management, a good foundation of policies and procedures was assessed to have been established, and processes were found to be operating satisfactorily. There is now a well-established cycle of reviews of risks and their management; these are reviewed by various fora including the OpCo, the Board and the ARAC. The routine audit of the CMA's risk management arrangements therefore concluded that there was substantial assurance in this area. A separate review of risk appetite, while noting areas for further work, also found that the organisation is risk aware. And the fact that the Board had commissioned a review in this area was in itself evidence of a mature approach to risk management. More broadly, the HIA noted that the minor areas for action identified in a governance review in 2014/15 have also been addressed.

Overall the Head of Internal Audit concluded that the level of assurance over the CMA's internal controls was limited. The overall assurance identified significant weaknesses that the framework of governance, risk management, and internal control could be or could become inadequate or ineffective. The opinion was based on the underlying internal audit programme of work, designed to address the specific risks and assurance requirements of the CMA, and focussed on areas of risk identified by management; it also drew on the HIA's understanding of the business and other sources of assurance.

The HIA acknowledged that the CMA's corporate support service teams have continued to operate in a challenging environment, seeking to introduce further system improvements while also improving standard levels of service. The internal audit programme has identified real signs of progress in

areas examined, with controls being strengthened and routine processing operating more reliably. The position at the end of the year is assessed as significantly improved from the beginning and positives can be taken from the direction of travel. However, looking at the year overall the HIA concluded that there was not sufficient evidence to move the provisional opinion for 2015/16 from limited assurance. The HIA emphasised that it is fundamental that management continue to identify and address control weaknesses to improve the overall governance, risk management, and system of internal control across the organisation.

Accounting Officer's Assessment of Governance Effectiveness and Conclusion

In 2015/16 the CMA strengthened its Governance in a number of ways including:

- Improved risk based management – using KPI and performance reporting to inform this;
- Enhanced monthly reporting and quarterly forecasting processes – with greater challenge from XCo and the Board;
- Review and reform of the CMA pipeline process;
- Introduction of regular workforce planning meetings to ensure recruitment is targeted and we keep within our staffing envelope;
- Reduction in number of contingency staff in corporate services functions;
- Reviews of Board and committee effectiveness;
- Launch of project based accounting to provide visibility of project budget and actual cost;
- Introduction of the legal services directorate enabling better consistency of legal advice and quality assurance in decision making;
- Introduction of a Code of Conduct for the CMA Panel of independent decision makers; and
- Completion of a series of optimised project team workshops to identify best practice and potential improvements and efficiencies to be made in our case and project delivery.

In addition we have used the results of the internal audit reviews and deep dives on corporate risks and in specific work areas to ensure we understand where risks and weaknesses lie. We have used the recommendations from these to improve and enhance our internal processes and procedures.

The Senior Executive team has been key in supporting all governance initiatives and we have made good progress in governance over the year. The Accounting Officer will continue to work with the Senior Executive team and other colleagues to further strengthen the internal controls where necessary in 2016/17.

Remuneration and staff report

Remuneration policy

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

The Review Body advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peer allowances; and 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 Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/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 services;
- The funds available to departments as set out in the government's departmental expenditure limits; and
- The government's inflation target.

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

Further information about the work of the Review Body can be found at www.ome.uk.com.

The salary and pension entitlements in this report have been subject to audit by the external auditor, the Comptroller and Auditor General, appointed under the Government Resources and Accounts Act 2000.

Future remuneration policy

The remuneration policy for 2016/17 is currently being finalised and is awaiting the approval of the CMA's Remuneration Committee. The policy covers the CMA's strategy for remuneration for senior CMA staff in 2016/17 and includes the CMA's approach on the revalorisation of pay bands, pay band structure, repositioning of base salaries and performance reward. The policy also covers pay controls, monitoring and appeals as well as the policy on remuneration relating to staff moves both within the CMA and the wider civil service.

We expect to finalise the policy by the end of Q1 2016/17. In the meantime the CMA will continue to work with the current 2015/16 policy.

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 held 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.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management of the CMA. This section is subject to audit.

Senior management remuneration (salary, bonus payments and pensions)

Senior management	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Salary		Bonus payments		Pension benefits*		Total	
	£000	£000	£000	£000	£000	£000	£000	£000
Alex Chisholm	190-195	190-195	15-20	15-20	70-75	70-75	275-280	275-280
Sonya Branch**	25-30	150-155	-	-	10-15	40-45	35-40	190-195
Michael Grenfell***	105-110	-	-	-	40-45	-	145-150	-
Andrea Coscelli	160-165	150-155	-	15-20	60-50	55-60	220-225	220-225
Erik Wilson	110-115	105-110	15-20	-	40-45	170-175	165-170	280-285
Sarah Cardell****	170-175	145-150	10-15	-	30-35	20-25	210-215	165-170
Mike Walker	170-175	170-175	-	-	65-70	60-65	235-240	230-235
Ann Pope*****	25-30	-	-	-	45-50	-	75-80	-

* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

** Sonya Branch left the CMA on 7 May 2015, her FYE salary for 2015/16 would have been £145-150k.

*** Michael Grenfell replaced Sonya Branch and took up post on 15 July 2015. Michael's FYE salary for 2015/16 is £150-155k.

**** During 2014/15 Sarah Cardell was employed on a 4 day per week contract which on a FTE basis this equates to salary and fees of £180-185k. During 2015/16 Sarah was employed on a 0.9 FTE contract over 4 days per week. On a FTE basis equates to salary of £190-195k.

***** Ann Pope was acting Executive Director of Enforcement from May-July 2015, her FYE salary for 2015/16 is £125-130k.

Salary covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to: gross salaries, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and other allowances to the extent that they are subject to UK taxation and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties. The total remuneration shown in the figures above is based on accrued payments made by the CMA to senior management members.

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported to senior

management members in the figures above relate to performance in that year.

The monetary value of benefits in kind covers any benefits provided by the CMA and treated by HM Revenue and Customs (HMRC) as a taxable emolument. The CMA senior management members did not receive any benefits in kind in 2015/16 (2014/15: nil).

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, excluding the highest paid director, as at the reporting period end date. The calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis.

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 value of pensions.

The banded remuneration of the highest-paid board member in the CMA as at 31 March 2016 was £305k–310k (2014/15: £305-310k). This was 5.75 times (2014/15: 5.82 times) the median remuneration of the workforce, which was £53,634 (2014/15: £52,998). Please note the median calculation for 2014/15 has

been corrected due to the figure for David Currie, the highest paid board member being misreported. This was identified following the publication of last year's report, David had been incorrectly overpaid due to a payroll error. David immediately repaid all monies that had been overpaid to him.

In 2015/16, no employees received remuneration in excess of the highest-paid director (2014/15: nil). Remuneration, excluding the highest paid board member, ranged from £20k to £211k (2014/15: £20k - £208k).

Non-executive Board members remuneration (salary and benefits in kind)

	2015/16		2014/15	
	Salary £000	Benefits in kind ⁵ Nearest £100	Salary £000	Benefits in kind ⁵ Nearest £100
David Currie	180-185 ¹	-	180-185 ¹	-
Carolyn Fairbairn	5-10 ² (full year equivalent 25-30)	800	25-30	-
Alan Giles	25-30	500	25-30	500
William Kovacic	25-30	-	25-30	-
Philip Lowe	20-25 ³ (full year equivalent 25-30)	1,700	25-30	1,000
Jill May	25-30 ⁶	-	25-30	-
Annetje Ottow	25-30	600	25-30	2,100
Roger Witcomb	25-30 ⁴	-	25-30	-

¹ Throughout 2015/16 David Currie was employed on a 3 day per week contract which on a FTE basis equates to salary of £305-310k. Please note that the 2014/15 figure for David Currie has been changed as we identified, following the publication of last year's report, that he had been incorrectly overpaid due to a payroll error. David immediately repaid all monies that had been overpaid to him.

² Carolyn Fairbairn left the CMA Board on 31 July 2015 to take up the position of Director-General at CBI.

³ Phillip Lowe left the CMA Board on 11 January 2016 to take up an advisor position with FTI consulting.

⁴ The salary above for Roger Witcomb relates to his role as a CMA NED only. Roger is also employed as a CMA Panel/Inquiry chair on a salary of £110-115k (2014/15: £110-115k).

⁵ The benefit in kind figures relate to the cost of travelling to and from the CMA's office at Victoria House for Board and committee meetings only. These figures have been grossed up as the CMA pays the tax on behalf of the NED's. Please note £1-2k of BIK claims for 2015/16 relate to previous financial years.

⁶ The above salary for Jill May relates to her role as a CMA NED. Jill is also a CMA Panel member, this includes case work and related training which is paid at an hourly rate. In 2015/16 Jill earned 25-30k as a Panel member (2014/15 10-15k).

All the Non-executive Board members were engaged on a 30 days per year basis with the exception of David Currie who at 31 March 2016 was engaged on a three days per week contract.

The non-executive Board members are not members of the Principal Civil Service Pension Scheme (PCSPS) and they have no other pension entitlements with the CMA (2014/15: nil).

Pension entitlements

	Accrued pension at pension age as at 31 March 2016 and related lump sum	Real increase in pension and related lump sum at pension age	CETV* at 31 March 2016	CETV* at 31 March 2015	Real increase/decrease in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Alex Chisholm	12.5-15.0	2.5-5.0	144	88	30	-
Sonya Branch**	25.0-27.5	2.5-5.0	222	211	6	-
Michael Grenfell***	5.0-7.5	-	76	43	22	-
Andrea Coscelli	7.5-10.0	2.5-5.0	94	51	24	-
Erik Wilson	80.0-82.5	7.5-10.0	955	844	33	-
Sarah Cardell****	-	-	-	-	-	27
Mike Walker	7.5-10.0	2.5-5.0	109	60	28	-
Ann Pope*****	100.0-102.5	-	556	520	35	-

* CETV is the abbreviation for cash equivalent transfer value, which is defined below.

** Sonya Branch left the CMA on 7 May 2015.

*** Michael Grenfell replaced Sonya Branch and took up post on 15 July 2015.

**** The contribution made to Sarah Cardell's pension during the year is listed in the senior management remuneration table.

***** Ann Pope was acting Executive Director of Enforcement from May-July 2015.

The Chairman and the other non-executive Board members are not members of the Principal Civil Service Pension Scheme (PCSPS) and they have no other pension entitlements with the CMA.

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 will switch into alpha sometime between 1 June 2015 and 1 February 2022. 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. (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.) 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all

other members of 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 his 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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 (CETV)

This 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated 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.

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.

Compensation for loss of office

No senior managers received compensatory payments in 2015/16 (2014/15 nil).

Staff report

Introduction

The CMA has a fully committed and competent workforce capable of delivering our objectives. Throughout the year, work has continued on developing and embedding our people systems, policies and processes, with particular emphasis on making CMA a great place to work.

Number of people employed

The following section is subject to audit.

The number of whole-time equivalent people employed at 31 March 2016 and the average number of whole-time equivalent people employed during the year was as follows:

	At year end		Average for year	
	2015/16	2014/15	2015/16	2014/15
	Number	Number	Number	Number
Permanent staff	568	520	553	469
Others*	73	133	108	125
Total	641	653	661	594

* Includes loans in, secondments, fixed term contracts, agency workers and contractors. The CMA has no ministers or special advisers.

Staff Composition

The following section is subject to audit.

The number of whole-time equivalent persons employed at 31 March 2016 by grade was as follows:

	2015/16		2014/15	
	Male	Female	Male	Female
SCS3 (Director)	2	0	0	1
SCS2 (Director)	8	8	8	6
SCS1 (Director)	38	22	36	22
Grade 6	62	61	55	58
Grade 7	95	71	82	67
SEO	23	14	20	12
HEO	43	52	35	49
EO	22	38	20	40
AO	6	3	5	4
Total	299	269	261	259

* Includes persons employed on a permanent contract only and excludes individuals on a fixed term contract.

Disability Policies

The CMA is committed to providing opportunities for people with disabilities. All applicants who have a disability and meet the essential criteria for the post will be short listed for interview under the Guaranteed Interview Scheme (GIS). To be eligible for consideration under the Guaranteed Interview Scheme (GIS), applicants must be considered disabled under the Equality Act 2010. Applicants also must score 4 “Acceptable Demonstration” for all competencies required for the role.

If we are aware of someone’s disability then we will discuss any reasonable adjustments that they require to be able to fulfil the requirements of their role. In some cases, it may mean referring the individual to Occupational Health to fully understand their disability and the adjustments required. These adjustments are then documented and ongoing support is provided through regular review meetings. As well as adjustments relating to, for example, working pattern or specialist software, we also provide support in relation to equipment such as providing a specific chair, a raised desk, special keyboard and mouse etc.

We have recently introduced the Workplace Adjustments Passport which is a cross-Civil Service document which can be completed by any employee who feels their circumstances could have an impact on their ability to work, either currently or at some point in the future. This document records all adjustments they require and can be taken to a new role or Civil Service department without the individual having to share the same information each time.

We assess individual training needs for our disabled staff. For example, staff may require training to help them to use specific software for their disability. For staff who declare they are dyslexic we arrange a full assessment and then arrange any specific training they need to be able to manage the condition in their day to day role.

The CMA is part of the Positive Action Pathway Programme which gives individuals from under-represented groups (including disabled staff) the skills and confidence to enable them realise their full potential and to assist with career progression. The programme gives individuals the support and training to help them to progress at least one grade higher. Existing staff are also covered by our GIS scheme, meaning a staff member with a disability who applies for a role on promotion is guaranteed an interview if they meet the minimum criteria.

Sickness absence

Over the year 1 April 2015 to 31 March 2016, the average working days lost due to absence per full time equivalent employee was 6.63 days (2014/15: 4 days). This compares to the most recently published Civil Service average figure of 7.4 days. The increase is largely due to an improvement in reporting due to the introduction of our time recording system, rather than an actual increase in sickness.

Staff costs

The following section is subject to audit.

Staff costs comprise:

	2015/16		2014/15	
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	35,490	5,330	40,820	35,818
Social security costs	3,504	-	3,504	2,868
Pension costs	7,098	-	7,098	5,679
Sub total	46,092	5,330	51,422	44,365
Other staff costs	122	-	122	(335)
Less: recoveries in respect of outward secondments	(273)	-	(273)	(190)
Total	45,941	5,330	51,271	43,840

Wages and salaries of others comprises of contractors, agency and temporary staff. The staffing levels of both the predecessor organisations and the CMA, have been affected by transition. In 2015/16 we have made further efforts to reduce the number of temporary staff, however temporary staff remained to cover permanent staff roles during recruitment, and to support specific project and transition activities. Since 31 March 2015, the level of temporary staff has reduced significantly following a major recruitment programme to appoint permanent staff and the conclusion of specific transition-related projects.

Expenditure on consultancy

In 2015/16 the CMA spent £32k on consultancy (2014/15 £48k).

Exit packages

During 2015/16 the CMA ran a targeted voluntary redundancy scheme with the aim of reducing the CMA workforce by 24 posts. At risk letters were issued to approximately 80 staff followed by meaningful consultation with the employee's union and staff representative body, SURE. In accordance with Civil Service compensation terms all voluntary exit costs will be paid by the department in the form of lump sum payments. There were no Civil Service exit packages paid in 2015/16 (2014/15: nil), or any new early retirees during the year (2014/15: nil). There is however a provision relating to the voluntary scheme disclosed in note 11.7.

Off-payroll engagements

The table below shows all off-payroll engagements as at 31 March 2016, for more than £220 per day and that last for longer than six months.

	Number
No. of existing engagements as at 31 March 2016	13
No. that have existed for less than one year at time of reporting	3
No. that have existed for between one and two years at time of reporting	10
No. that have existed for between two and three years at time of reporting	-
No. that have existed for between three and four years at time of reporting	-
No. that have existed for more than four years at time of reporting	-

The table below shows all new off payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months.

	Number
No. of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	29
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and national insurance obligations	29
No. for whom this has been requested*	28
No. for whom assurance has been received	28
No. for whom assurance has not been received	1**
No. that have been terminated as a result of assurance not being received	-

* Assurance was requested when contracts extend beyond six months in duration.

** For the one engagement for whom assurance has not been received it was reported in last year's accounts and reported to HMRC.

The table below shows Board members, and/or, senior officials with significant financial responsibility*.

	Number
On payroll	5
Off payroll	-

* Significant financial responsibility relates to CMA's executive directors and the department's Finance Director.

Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the CMA to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

Summary of Resource and Capital Outturn 2015/16

	SoPS Note	2015/16						Voted outturn compared with Estimate: saving/ (excess)	2014/15 Outturn Total
		Estimate			Outturn				
		Voted	Non-voted	Total	Voted	Non-voted	Total		
		£000	£000	£000	£000	£000	£000	£000	
Departmental Expenditure Limit									
Resource	1.1	69,422	-	69,422	65,148	-	65,148	4,274	61,751
Capital	1.2	1,082	-	1,082	994	-	994	88	1,304
Annually Managed Expenditure									
Resource	1.1	3,750	-	3,750	943	-	943	2,807	279
Capital	1.2	-	-	-	-	-	-	-	-
Total Budget		74,254	-	74,254	67,085	-	67,085	7,169	63,334
Non-Budget									
Resource		-	-	-	-	-	-	-	-
Total		74,254	-	74,254	67,085	-	67,085	7,169	63,334
Total Resource		73,172	-	73,172	66,091	-	66,091	7,081	62,030
Total Capital		1,082	-	1,082	994	-	994	88	1,304
Total		74,254	-	74,254	67,085	-	67,085	7,169	63,334

Net Cash Requirement 2015/16

SoPS Note	2015/16		Outturn compared with Estimate: saving/ (excess)	2014/15
	Estimate	Outturn		Outturn
	£000	£000	£000	£000
2	69,018	66,389	2,629	62,771

Administration Costs 2015/16

SoPS Note	2015/16		Outturn	2014/15
	Estimate	Outturn		Outturn
	£000	£000	£000	£000
1	18,882	13,056		15,073

The figures above outlined in the bold areas are voted totals subject to Parliamentary or other control. Explanations of variances between Estimate and Outturn are given in the Analysis of Net Resource Outturn by Section and in the Performance Summary.

SOPS 1. Net outturn

SOPS 1.1 Analysis of net resource outturn by section

	2015/16							Estimate		2014/15
	Administration			Programme			Total	Net total	Net total outturn compared with Estimate: saving/(excess)*	Total
	Gross	Income	Net	Gross	Income	Net				
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Spending in Departmental Expenditure Limit (DEL)										
Voted: A Competition Promotion	14,958	(1,902)	13,056	54,329	(2,237)	52,092	65,148	69,422	4,274	61,751
Annually Managed Expenditure (AME)										
Voted: B Competition Promotion	-	-	-	943	-	943	943	3,750	2,807	279
Total	14,958	(1,902)	13,056	55,272	(2,237)	53,035	66,091	73,172	7,081	62,030

*There were no virements in 2015/16.

SOPS 1.2 Analysis of net capital outturn by section

	Outturn			2015/16			2014/15
	Gross	Income	Net	Net	Estimate		Outturn
					Net total compared to Estimate	Net total compared to Estimate*	Net
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)							
Voted:	994	-	994	1,082	88	88	1,304
Annually Managed Expenditure (AME)							
Voted: B	-	-	-	-	-	-	-
Total	994	-	994	1,082	88	88	1,304

* There were no virements in 2015/16.

SOPS 2. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
		£000	£000	£000
Resource outturn	SoPS 1.1	73,172	66,091	7,081
Capital outturn	SoPS 1.2	1,082	994	88
Accruals to cash adjustments				
<i>Adjustments to remove non-cash items:</i>				
Depreciation and write off of assets	4	(3,486)	(983)	(2,503)
New provisions and adjustments to previous provisions	4	(3,750)	(1,163)	(2,587)
Other non-cash items	4	-	(80)	80
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables	9	-	(124)	124
(Increase)/decrease in payables	10	2,000	2,735	(735)
Increase/(decrease) to be surrendered to the Consolidated Fund		-	(1,301)	1301
Use of provisions	11	-	220	(220)
Net cash requirement		69,018	66,389	2,629

SOPS 3 Income payable to the Consolidated Fund

Consolidated Fund income does not include any amounts collected by the department 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 department's Trust Statements published separately from but alongside these financial statements.

SOPS 3.1 Analysis of income payable to the Consolidated Fund

During the 2015/16 year there was no income payable to the Consolidated Fund (2014/15: nil).

SOPS 3.2 Consolidated Fund income

The full details of income collected as agent for the Consolidated Fund are in the CMA's Trust Statement, published separately from but alongside these financial statements.

Parliamentary Accountability Disclosure

1 Losses and special payments

The following sections are subject to audit.

Managing Public Money requires a statement showing losses and special payments by value and by type to be disclosed where they exceed £300k in total and those that individually exceed £300k.

The CMA had total losses in the 2015/16 year of £47k (2014/15: £1,679k).

The Trust had total losses in the 2015/16 of £676k (2014/15: £2,205k) relating to CA98 debts, these debts were considered to be no longer collectable.

1.1 Losses over £300k

CMA had no losses in 2015/16 in excess of £300k (2014/15: 2). The losses in 2014/15 related to a VAT receivable amount of £401k transferred from OFT and a £1,147k amount arising from a write-off of EDRM software.

The Trust had one write-off greater than £300k, this was an amount of £529k in relation to Wright (Hull) Limited. A notice of a transfer from administration to dissolution was issued on the 14 January 2016. As this was known at the date of preparation of the accounts, the write-off has been included in the results to 31 March 2016.

2 Special payments

There were no special payments in 2015/16 (2014/15: nil).

3 Remote Contingent liabilities

This section is subject to audit.

There is a possibility of a transfer of economic benefits to third parties where appeals are made against the CMA decisions. Therefore, contingent liability information required under IAS 37 is not disclosed on the grounds that it may prejudice the outcome of those proceedings.

4 Long-term expenditure trends

	Net Budget Figures					
	2014/15 Baseline	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Resource Departmental Expenditure Limit (RDEL)	51,248	67,697	69,430	69,430	69,430	69,430
CDEL	1,063	1,082	2,200	1,300	7,400	2,100
Total	52,311	68,779	71,630	70,730	76,830	71,530

	Administration Budget					
	2014/15 Baseline	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Administration budget	18,552	18,882	18,890	18,890	18,890	18,890
Total	18,552	18,882	18,890	18,890	18,890	18,890

*Please note the administration budget is part of the RDEL total outlined in the above table.

Signed for and on behalf of the CMA



Alex Chisholm

Chief Executive and Accounting Officer

30 June 2016

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 for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures 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 and report.

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 year ended 31 March 2016 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 2016 and of the Department's 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 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; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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 and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and 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

Comptroller and Auditor General

5 July 2016

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

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Note	2015/16	2014/15
		£000	£000
Operating income	5	(4,139)	(2,577)
Total operating income		(4,139)	(2,577)
Staff costs	3	51,271	43,840
Other costs	4	18,959	20,767
Total operating expenditure		70,230	64,607
Net operating expenditure		66,091	62,030
Other comprehensive net expenditure			
Actuarial net (gain)/loss on by-analogy pension scheme		(84)	106
Comprehensive net expenditure		66,007	62,136

The notes on pages 116 to 137 form part of these Financial Statements.

Statement of Financial Position

as at 31 March 2016

	Note	2016	2015
		£000	£000
Non-current assets			
Property, plant and equipment	6	5,098	5,217
Intangible assets	7	190	60
Trade and other receivables	9	1,202	1,281
Total non-current assets		6,490	6,558
Current assets			
Cash and cash equivalents	8	1,629	2,930
Trade and other receivables	9	4,125	4,170
Total current assets		5,754	7,100
Total assets		12,244	13,658
Current liabilities			
Trade and other payables	10	(8,823)	(11,049)
Provisions	11	(1,269)	(221)
Total current liabilities		(10,092)	(11,270)
Total assets less current liabilities		2,152	2,388
Non-current liabilities			
Trade and other payables	10	(7,482)	(7,991)
Provisions	11	(4,251)	(4,440)
Total non-current liabilities		(11,733)	(12,431)
Total assets less liabilities		(9,581)	(10,043)
Taxpayers' equity and other reserves			
General fund		(9,581)	(10,043)
Total equity		(9,581)	(10,043)

The notes on pages 116 to 137 form part of these Financial Statements.



Alex Chisholm
Chief Executive and Accounting Officer

30 June 2016

Statement of Cash Flows for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net operating cost	SoCNE	(66,091)	(62,030)
Adjustments for non-cash transactions	4	2,226	1,828
(Increase)/decrease in trade and other receivables	9	124	1,508
Increase/(decrease) in trade and other payables	10	(2,735)	(5,821)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		1,301	3,485
Use of provisions	11	(220)	(437)
Net cash outflow from operating activities		(65,395)	(61,467)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(801)	(1,244)
Purchase of intangible assets	7	(193)	(60)
Net cash outflow from investing activities		(994)	(1,304)
Cash flows from financing activities			
Financing from the Consolidated Fund (supply)		65,088	65,600
Advance from the Contingencies Fund		-	13,000
Repayments to the Contingencies Fund		-	(13,000)
Net financing		65,088	65,600
Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund		(1,301)	2,829
Payments of amounts due to the Consolidated Fund		-	(6,376)
Net (decrease)/increase in cash and cash equivalents in the year after adjustment for payments to the Consolidated Fund		(1,301)	(3,547)
Cash and cash equivalents at the beginning of the year	8	2,930	6,477
Cash and cash equivalents at the end of the year	8	1,629	2,930

The notes on pages 116 to 137 form part of these Financial Statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Note	General fund
		£000
Balance at 31 March 2014		(10,696)
Net Parliamentary Funding - drawn down		65,600
Net Parliamentary Funding - deemed		39
Unspent Supply repayable to the Consolidated Fund		(2,930)
Non-cash charges - auditors' remuneration	4	80
Net operating costs		(62,030)
Actuarial (loss)/gain on pension liability	11.2	(106)
Balance at 31 March 2015		(10,043)
Net Parliamentary Funding - drawn down		65,088
Net Parliamentary Funding - deemed		2,930
Unspent supply repayable to the Consolidated Fund		(1,629)
Non-cash charges auditors' remuneration	4	80
Net operating costs		(66,091)
Actuarial (loss)/gain on pension liability	11.2	84
Balance at 31 March 2016		(9,581)

The notes on pages 116 to 137 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 Government Resource and Accounts Act 2000 and the 2015/16 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.

1.1 Basis of preparation

These financial statements have been prepared under the historical cost convention modified, to account for the revaluation of certain financial assets and liabilities, including property assets, where material.

1.2 Critical accounting estimates and judgements

The CMA makes estimates and judgements in the preparation of the financial statements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below.

Provisions for liabilities and charges

Provisions rely on the application of professional judgement, historical experience, and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Provisions are based on valuations, supplemented by management judgement. Further information is disclosed in Note 11.

1.3 Impending application of newly issued accounting standards not yet effective

The CMA discloses wherever it has not yet applied a new accounting standard and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the Financial Statements. There were no new standards which are not yet effective that are expected to have a material impact on the CMA's financial statements.

1.4 Financing

The CMA is primarily resourced by funds approved by parliament through the annual Appropriation Act. Resources are drawn down each month to meet expenditure requirements and are credited to the general fund.

1.5 Income

Income consists principally of recoveries of accommodation expenditure, service income, regulatory appeals and cost recoveries on legal cases. Income from recovery of accommodation costs is classified as administration to match against the related tenant accommodation expenditure which is included in administration costs. All income is recognised when the service is provided or when a legal decision has been determined.

1.6 Staff costs

Under IAS19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the organisation has an obligation to pay them. This includes the cost of any untaken leave as at the year end. In accordance with IAS 19 Employee Benefits the CMA recognises all staff costs as soon as there is an obligation to pay. This includes the recognition of an accrual for untaken annual leave.

1.7 Early departure costs

The CMA is required to meet the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The CMA provides for the costs when the early retirement of an individual is agreed and approved.

1.8 Pensions

Past and present employees are largely covered by the provisions of PCSPS which is described at Note 3. 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.

The CMA has a separate scheme for the previous Chairs and Director Generals of the OFT, which is 'by analogy', or similar to, the PCSPS. Provision has been made for the future cost of benefits under this scheme. The current Chairman and the other non-executive Board members of the CMA are not members of the PCSPS and do not receive pension benefits from the CMA.

1.9 Leases

Expenditure in relation to operating lease rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.

1.10 Property, plant and equipment

Expenditure on property, plant and equipment (excluding assets under construction) is capitalised at cost where it satisfies the CMA's capitalisation criteria, which is to capitalise expenditure of £10k or more for individual purchases. These assets are subject to revaluation using relevant indices, where material and the fair value for all other assets is the depreciated historical cost. There was no revaluation in 2015/16 on the grounds of materiality.

Assets under construction

Assets under construction includes development expenditure in connection with a product or service if the spend meets the capitalisation criteria specified in IAS 38 Intangible Assets. Development expenditure is capitalised if it meets the criteria specified in the FReM, which has been adapted from IAS 38 to take account of the not-for-profit context.

Assets under construction comprise the development of information technology systems for use across the CMA. When assets under construction are brought into use the relevant value is transferred to information technology assets, at which point depreciation commences.

1.11 Intangible assets

Intangible assets comprise software licences capitalised at cost where they satisfy the CMA's capitalisation criteria, where expenditure on individual purchases was £10k or more. Expenditure is capitalised if it meets the criteria specified in the FReM, which has been adapted from IAS 38 to take account of the not-for-profit context.

1.12 Depreciation and amortisation

Assets are depreciated or amortised at rates calculated to write-off their value, less any estimated residual value, evenly on a straight-line basis over their estimated useful lives. For leased assets, the estimated useful life constitutes the life of the lease or the period implicit in the repayment schedule. Where a change in asset life is determined, the asset is depreciated or amortised over its remaining assessed life on a straight-line basis.

The values of assets are reviewed annually for impairment to ensure that they are carried at fair value. Where it is determined that a depreciable asset is not being carried at fair value, the appropriate impairment is accounted for accordingly.

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 20 year 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)
-------------------	-----------------------------

1.13 Financial instruments

The CMA does not hold any complex financial instruments. The only financial instruments included in the financial statements are the following assets and liabilities: cash at bank and in hand; receivables; and payables, as disclosed in Notes 8, 9 and 10. These are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in an active market and, as they are expected to be realised within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. Trade receivables are recognised initially at fair value and a provision is created for impairment when there is evidence that the CMA will be unable to collect the amount due in accordance with the agreed terms.

All financial assets and liabilities are recognised when the CMA becomes party to the contractual provisions to receive or make cash payments. The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired. Management determine categorisation of the asset or liability at initial recognition and then annually re-evaluate.

1.14 Value Added Tax

In general output tax does not apply on most of the CMA's activities 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 included in income and expenditure are stated net of VAT.

1.15 Going concern

The future financing of the CMA's liabilities is to be met by future grants of supply and the application of future income, both approved annually by Parliament. Approval for the amounts required for the 2016/17 year has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

All unspent cash at 31 March 2016 is surrenderable to the Consolidated Fund.

2. Statement of Operating Costs by Operating Segment

2.1 Analysis by operating segment

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

	Total gross expenditure 2015/16	Total gross expenditure restated* 2014/15
	£000	£000
Cartel and Criminal Group	8,088	5,971
Mergers phase 1 and sector regulation	5,042	3,804
Legal Services	6,324	6,914
Office of Chief Economic Advisor	3,373	3,231
Policy and International	1,625	1,850
Competition, Consumer and Markets Group **	21,446	16,413
Corporate Services ***	22,179	24,360
	68,077	62,543

* The 2014/15 figures have been restated to reflect structural changes made in August 2015.

** Competition, Consumer and Markets Group total gross expenditure of £21,446 comprises the following operational segments:

	Total gross expenditure 2015/16	Total gross expenditure restated* 2014/15
	£000	£000
Mandatory work	8,364	2,790
Markets	3,646	6,237
Enforcement	9,436	7,386
	21,446	16,413

*** Corporate Services total gross expenditure of £22,179 is analysed as follows:

	Total gross expenditure 2015/16	Total gross expenditure restated* 2014/15
	£000	£000
Premises (CMA wide costs)	9,721	10,208
Information technology (CMA wide costs)	1,266	1,589
Staff and other non-staff costs	11,192	12,563
	22,179	24,360

2.2 Reconciliation between operating segments and Statement of Comprehensive Net Expenditure

	2015/16	2014/15
	£000	£000
Total gross expenditure reported for operating segments	68,077	62,543
Reconciling items:		
Income	(4,139)	(2,577)
Depreciation and non-cash items	2,153	2,064
Total net expenditure per the Statement of Comprehensive Net Expenditure	66,091	62,030

3. Staff costs

Staff costs comprise:

	2015/16	2014/15
	Total	Total
	£000	£000
Wages, salaries and other associated costs	51,422	44,365
Sub total	51,422	44,365
Other staff costs	122	(335)
Less: recoveries in respect of outward secondments	(273)	(190)
Total net costs	51,271	43,840
Total	51,271	43,840

Wages and salaries of others comprises of contractors, agency and temporary staff. The staffing levels of both the predecessor organisations and the CMA, have been affected by transition. In 2016/17 we have made further efforts to reduce the number of temporary staff, however temporary staff remained to cover permanent staff roles during recruitment, and to support specific project and transition activities. Since 31 March 2016, the level of temporary staff has reduced significantly following a major recruitment programme of permanent staff and the conclusion of specific projects.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the CMA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the financial statements of the Cabinet Office: Civil superannuation at www.civilservicepensionscheme.org.uk/about-us/resource-accounts.

For 2015/16, employer's contributions of £6,890,260 were payable to the PCSPS (2014/15: £5,519,526) at one of four rates in the range 20.0% to 24.5% (2014/15: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2015/16. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £206,284 (2014/15: £148,661) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related

and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £6,876, 0.5% (2014/15: £10,172, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were nil (2014/15: nil). Contributions prepaid at that date were nil (2014/15: nil).

4. Other costs

	2015/16	2014/15
	£000	£000
Rent (operating leases)	5,859	6,069
Rates	1,799	1,582
Utilities	419	365
Maintenance	277	585
Other premises costs	384	547
Service charge	1,050	1,044
Net premises costs	9,788	10,192
Research expenditure	59	59
Other expenditure		
Litigation Costs	248	1,244
Professional services	2,553	2,163
Training	649	672
Compliance and campaigns	110	22
Travel and subsistence	441	389
Recruitment	448	886
Telecommunications	298	267
IT (including maintenance)	1,134	1,627
Printing, copying and mailing	473	380
Hire of plant and machines	1	13
Publications	154	93
Write off of irrecoverable VAT	-	401
Other expenditure	451	295
Total other expenditure	6,960	8,452

Non-cash items		
Depreciation of property, plant and equipment	920	866
Depreciation of intangible assets	63	4
Impairment of property, plant and equipment	-	636
Impairment of trade receivables	(74)	236
Loss/(profit) on disposal of intangible assets	-	162
Provisions – amounts provided for in year	1,163	80
Auditors' remuneration and expenses	80	80
Total non-cash items	2,152	2,064
Total other costs	18,959	20,767

5. Income

	2015/16	2014/15
	£000	£000
Recovery of accommodation costs	1,902	1,899
Proceeds of Crime Act 2002 income	118	-
Appeal costs reimbursed	421	666
Regulatory Appeals	1,564	-
Other income	134	12
Total income	4,139	2,577
Of total income:		
Administration income	1,902	1,899
Programme income	2,237	678
	4,139	2,577

6. Property, plant and equipment

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2015/16 Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2015	9,033	1,595	371	286	11,285
Additions	-	343	-	458	801
Disposals	-	-	-	-	-
Reclassification	-	545	-	(545)	-
Revaluations	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2016	9,033	2,483	371	199	12,086
Depreciation					
At 1 April 2015	5,163	757	148	-	6,068
Charged in year	459	413	48	-	920
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2016	5,622	1,170	196	-	6,988
Carrying amount at 31 March 2016					
	3,411	1,313	175	199	5,098
Carrying amount at 31 March 2015	3,870	838	223	286	5,217

There was no impairment in 2015/16. The impairment in 2014/15 relates to the write off of certain EDRM software.

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2014/15 Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2014	9,033	11,936	506	686	22,161
Additions	-	507	19	718	1,244
Disposals	-	(11,330)	(154)	-	(11,484)
Reclassification	-	482	-	(482)	-
Revaluations	-	-	-	-	-
Impairments	-	-	-	(636)	(636)
At 31 March 2015	9,033	1,595	371	286	11,285
Depreciation					
At 1 April 2014	4,704	11,730	252	-	16,686
Charged in year	459	357	50	-	734
Disposals	-	(11,330)	(154)	-	(11,484)
Revaluations	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2015	5,163	757	148	-	6,068
Carrying amount at 31 March 2015	3,870	838	223	286	5,217
Carrying amount at 31 March 2014	4,329	206	254	686	5,475

The Leasehold improvements asset includes the Dilapidations Asset previously disclosed separately.

The dilapidation asset was inherited from the Competition Commission on creation of the CMA and relates to the cost of restoring our part of Victoria House to its original state at the end of the lease in 2023.

For more information on the dilapidations asset please see note 11.

Asset financing

All property, plant and equipment assets and intangibles were owned by the CMA. The leasehold costs relate to Victoria House, which is occupied via an operating lease.

7. Intangible assets

Software Licences		
	2015/16	2014/15
	£000	£000
Cost or valuation		
At 1 April	72	747
Additions	193	60
Disposals	(12)	(735)
At 31 March	253	72
Depreciation		
At 1 April	12	581
Charged in year	63	4
Disposals	(12)	(573)
At 31 March	63	12
Carrying amount at 31 March	190	60
Carrying amount at 31 March	60	166

8. Cash and cash equivalents

	2015/16	2014/15
	£000	£000
Balance at 1 April	2,930	6,477
Net change in cash and cash equivalent balances	(1,301)	(3,547)
Balance at 31 March	1,629	2,930
The balance at 31 March was held at		
Government Banking Service	1,629	2,930
Balance at 31 March	1,629	2,930

9. Trade and other receivables

9.1 Amounts falling due within one year

	2015/16	2014/15
	£000	£000
Trade receivables (gross)	1,118	1,192
Impairment provision	(135)	(256)
Trade receivables (net)	983	936
Deposits and advances	181	173
Other receivables	174	155
VAT	406	550
Prepayments and accrued income	2,381	2,356
Total	4,125	4,170

9.2 Amounts falling due after more than one year

	2015/16	2014/15
	£000	£000
Tenants' rent free period	126	146
Tenants' rent - operating lease asset	1,076	1,135
Total	1,202	1,281

10. Trade and other payables

10.1 Amounts falling due within one year

	2015/16	2014/15
	£000	£000
Trade payables	629	2,256
Accruals and deferred income	4,067	3,460
Taxation and social security	1,063	1,018
Other payables	1,435	1,385
Amounts issued from the Consolidated Fund for supply but not spent at 31 March	1,629	2,930
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	-	-
Total	8,823	11,049

10.2 Amounts falling due after more than one year

	2015/16	2014/15
	£000	£000
Victoria House rent – rent free period *	897	1,035
Victoria House rent - operating lease liability **	6,585	6,956
Total	7,482	7,991

* Under the rules of *UITF Abstract 28: Operating Leases*, the value of the rent free period is amortised on a straight line basis over the 20 year term of the lease.

** Victoria House rent operating lease liability is the remaining liability arising from charging rental costs on a straight-line basis over the life of the lease.

11. Provisions for liabilities and charges

11.1 Amounts falling due within one year

	Early departure provision	Pension provision	Dilapidations provision	Exit cost provision	2015/16 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2015	118	103	-	-	221
Transfer from amounts falling due after more than one year	66	101	-	-	167
Provided for in year	-	-	-	1,101	1,101
Provisions not required written back written back	-	-	-	-	-
Actuarial loss/(gain)	-	-	-	-	-
Provisions utilised in the year	(119)	(101)	-	-	(220)
Balance at 31 March 2016	65	103	-	1,101	1,269

	Early departure provision	Pension provision	Dilapidations provision	Exit cost provision	2014/15 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2014	203	97	-	-	300
Transfer from amounts falling due after more than one year	249	109	-	-	358
Provisions not required written back written back	-	-	-	-	-
Actuarial loss/(gain)	-	-	-	-	-
Provisions utilised in the year	(334)	(103)	-	-	(437)
Balance at 31 March 2015	118	103	-	-	221

11.2 Amounts falling due after more than one year

	Early departure provision	Pension provision	Dilapidations provision	Exit cost provision	2015/16 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2015	111	1,682	2,647	-	4,440
Provided in year	-	62	-	-	62
Provisions not required written back	-	-	-	-	-
Actuarial loss/(gain)	-	(84)	-	-	(84)
Transfer to amounts falling due within one year	(66)	(101)	-	-	(167)
Balance at 31 March 2016	45	1,559	2,647	-	4,251

	Early departure provision	Pension provision	Dilapidations provision	Exit cost provision	2014/15 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2014	355	1,610	2,647	-	4,612
Provided in year	5	75	-	-	80
Provisions not required written back	-	-	-	-	-
Actuarial loss/(gain)	-	106	-	-	106
Transfer to amounts falling due within one year	(249)	(109)	-	-	(358)
Balance at 31 March 2015	111	1,682	2,647	-	4,440

11.3 Analysis of expected timing of cash flows

	Early departure provision	Pension provision	Dilapidations provision	Exit cost provision	2015/16 Total
	£000	£000	£000	£000	£000
Not later than one year	65	103	-	1,101	1,269
Two to five years	46	412	-	-	458
Later than five years	-	1,146	2,647	-	3,793
Balance at 31 March 2016	111	1,661	2,647	1,101	5,520

	Early departure provision	Pension provision	Dilapidations provision	Exit cost provision	2014/15 Total
	£000	£000	£000	£000	£000
Not later than one year	118	103	-	-	221
Two to five years	111	412	-	-	523
Later than five years	-	1,270	2,647	-	3,917
Balance at 31 March 2015	229	1,785	2,647	-	4,661

11.4 Early departure provision

The CMA meets the additional costs beyond the normal PCSPS benefits in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The CMA provides for this in full when the early retirement programme becomes binding through establishing a provision for the estimated payments. There were no new early retirees during the 2015/16 year (2014/15: nil).

11.5 Pension provision

The pension provision relates to the previous Chairman and Director Generals of the former OFT. The pension arrangement is unfunded and all payments are guaranteed by the CMA. Benefits are paid as they fall due and there is no surplus or deficit on the provision. An actuarial valuation was carried out by the Government Actuary's Department (GAD) at 31 March 2016.

The financial assumptions used in the calculation of the liability as at 31 March 2016 were as follows:

- the gross rate of increase in salaries was 4.2% per annum (2014/15: 4.2% per annum);
- the gross rate used to discount scheme liabilities was 3.60% per annum (2014/15: 3.55% per annum);
- the gross rate of increase for pensions in payment and deferred pensions was 2.2% per annum (2014/15: 2.2% per annum); and
- in nominal terms, these assumptions implied price inflation of 2.2% per annum (2014/15: 2.2% per annum).

Other amounts disclosed in order to understand the change in provision:

	2015/16 Total	2014/15 Total
	£000	£000
Interest cost	62	75
Actuarial loss	(84)	106
	(22)	181
Benefits paid	(101)	(103)
(Decrease)/increase in provision	(123)	78

11.6 Dilapidations provision

The dilapidations provision is an estimate of the expenditure required to return the Victoria House building, used as the CMA's offices, to its original condition as at the commencement of the lease. An estimate of value, probability and timing of future payments, have been taken into account by management in determining this provision. The lease for the property expires in 2023 with a break option in 2019.

The estimated cost has been capitalised and is generally revalued on a quinquennial basis by independent surveyors. This asset is also depreciated over the remaining term of the lease. The latest review was undertaken in May 2015 by Deloitte Real Estates Surveying Services whose services are regulated by the Royal Institution of Chartered Surveyors (RICS), a settlement figure was given which incorporated the floor space and current market factors. The outcome of the review by Deloitte's was deemed immaterial and as such no revaluation was carried out. The CMA intends to commission an extra review to take place in 2017/18 in advance of the break option in 2019.

11.7 Exit Cost provision

The exit cost provision relates to the voluntary redundancy scheme ran in 2015/16 outlined in the Remuneration and Staff Report. As per IAS19 the CMA has provided for the scheme in full as it was deemed committed as at 31 March 2016 with no realistic possibility of the scheme being withdrawn. The amount of the provision has been calculated in accordance with the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

12. Capital and other commitments

12.1 Capital commitments

	2015/16	2014/15
	£000	£000
Contracted capital commitments not otherwise included in these financial statements:		
Information technology	-	195
Total	-	195

12.2 Commitments under operating leases

	2015/16	2014/15
	£000	£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	6,352	6,352
Later than one year and not later than five years	27,493	26,659
Later than five years	17,966	25,152
Total	51,811	58,163

The CMA has a 20 year lease for office space in Victoria House, Southampton Row, London WC1 4AD. The lease start date was September 2003. The total space is 8,258 square metres, of which 1,916 square metres (23%) had been sublet as at 31 March 2016 and 6,342 square metres (77%) is used by the CMA. The CMA's net operating lease commitment is £42,233k (2014/15: £47,410k).

The terms of the Victoria House lease include a compounded annual rent increase of 2.5% that is applied every five years. The operating lease commitments shown above include the compounded annual rent increase. The first increase was in September 2008, the second increase was in September 2013 and the third increase is due in September 2018. The rental increase each review date is 13.14%.

13. Financial instruments

The cash requirements of the CMA are met through the Estimate process, so financial instruments play a much more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to the CMA's purchase contracts and usage requirements. The CMA is, therefore, exposed to little credit, liquidity or market risk.

14. Financial guarantees, indemnities and letters of comfort

The CMA does not enter into any financial guarantees and indemnities, or provide letters of comfort.

15. Related-party transactions

The CMA had a number of transactions with other government departments and central government bodies. None of the Board Members, key managerial staff or other related parties have undertaken any material transactions with the CMA during the year.

The CMA sublets part of its office premises at Victoria House to the Competition Appeals Tribunal (sponsored by Business Innovation and Skills (BIS)). It also sublet office space to the OSPAR Commission (sponsored by the Department of Energy Climate and Change) and the Groceries Code Adjudicator (sponsored by BIS).

Information regarding Board Members' Register of Interests can be found in the Director's Report under the Register of Interests section.

16. Contingent Liabilities

There is a possibility of a transfer of economic benefits to third parties where appeals are made against the CMA decisions. Therefore, contingent liability information required under IAS 37 is not disclosed on the grounds that it may prejudice the outcome of those proceedings.

17. Events after the reporting period

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

There are no subsequent events to report.

CMA Trust statement

A separate Trust Statement is maintained for revenues collected in relation to 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

Under Section 5 of the Government Resources and Accounts Act 2000, 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.

HM Treasury has appointed the Chief Executive as Accounting Officer of the CMA 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 Government Financial Reporting Manual prepared by HM Treasury 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; and
- Prepare the Trust Statement on a going concern basis.

Governance Statement

The CMA's Governance Statement, covering both the Accounts and the Trust Statement, is shown on pages 79 to 91.

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 Trust Statement for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 circumstances of the Competition and Markets Authority Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Competition and Markets Authority; 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 and report.

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.

Opinion on regularity

In my opinion, in all material respects 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 Competition and Market's Authority Trust Statement gives a true and fair view of the state of affairs of the Competition and Markets Authority Trust Statement as at 31 March 2016 and of the net revenue for the Consolidated Fund 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 information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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 are not in agreement with the accounting records and 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

Comptroller and Auditor General

5 July 2016

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 2016

	Note	2015/16	2014/15
		£000	£000
Revenue			
Fines and penalties income			
Penalties imposed under the Competition Act 1998		46,110	-
Interest earned on penalties imposed under the Competition Act 1998		1	33
Total fines and penalties income		46,111	33
Merger fees			
Fees received under the Enterprise Act 2002		5,320	5,800
Interest earned on penalties imposed under the Enterprise Act 2002		1	-
Total merger fees		5,321	5,800
Total revenue		51,432	5,833
Expenditure			
CA98 Penalty offset to Legal cost*		(248)	-
Release of debt impairment provision		3	492
Total expenditure		(245)	492
Net revenue for the Consolidated Fund	5	51,187	6,325

*As part of the 2015 SR settlement the CMA was permitted to offset CA98 income against 50% of in-year litigation costs incurred within the CMA main accounts.

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

Impairment provisions are made when it is deemed unlikely that a debt will be recovered. However, if such a debt is recovered the related impairment provision is released, leading to the credits shown above.

The notes on pages 144 to 147 form part of these Trust Statements.

Statement of Financial Position

as at 31 March 2016

	Note	2016	2015
		£000	£000
Current assets			
Receivables	2	46,384	1,704
Cash and cash equivalents	3	-	581
Total current assets		46,384	2,285
Current liabilities			
Payables	4	-	109
Total current liabilities		-	109
Total assets less current liabilities		46,384	2,176
Represented by:			
Balance on Consolidated Fund account	5	46,384	2,176

The notes on pages 144 to 147 form part of these Trust Statements.



Alex Chisholm
Chief Executive and Accounting Officer

30 June 2016

Statement of Cash Flows for the year ended 31 March 2016

	Note	2015/16	2014/15
		£000	£000
Net cash flow from operating activities	A below	6,398	6,907
Amounts paid to the Consolidated Fund	5	(6,979)	(6,326)
Increase/(decrease) in cash in the year		(581)	581

Note to the Cash Flow Statement

A: Reconciliation of Net Cash flow to movement in Net Funds	Note	2015/16	2014/15
		£000	£000
Net revenue for the Consolidated Fund	5	51,187	6,325
(Decrease)/increase in non-current assets	2	(44,680)	473
Increase in liabilities	4	(109)	109
Net cash flow from operating activities		6,398	6,907

B: Analysis of Changes in Net Funds	Note	2015/16	2014/15
		£000	£000
Increase/(decrease) in cash in the year	3	(581)	581
Net funds at 1 April (net cash at bank)		581	-
Net funds at 31 March (closing balance)		-	581

The notes on pages 144 to 147 form part of these Trust Statements.

Notes to the Trust Statement

1. Statement of accounting policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7 of the Government Resource and Accounts Act 2000 and the accounting policies detailed below. The policies are developed with reference to International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector, and other relevant guidance. They are applied consistently in dealing with items that are considered material to the accounts.

The income contained in the Trust Statement is the flow of funds which the CMA handles on behalf of the Consolidated Fund where it acts as agent rather than principal.

The financial information contained in the accounts and in the notes is rounded to the nearest £000.

1.2 Revenue recognition

Fees and penalties are measured in accordance with IAS 18 Revenue. They are measured at the fair value of amounts received or receivable, net of any repayments.

For merger fees, revenue is recognised once the CMA has investigated the intended merger and has issued its decision.

For Competition Act 1998 (CA98) penalties, revenue is recognised when a penalty is imposed and a decision letter sent out to the entity concerned. The entity is given two calendar months in which to appeal the decision if it chooses. However, the full value of the penalty income is recognised in the accounts at the time the decision letter is issued.

1.3 Critical accounting estimates and judgements

In calculating accrued income for enforcement and other services, estimates and judgements are made on the status of underlying activities. A provision for anticipated irrecoverable amounts is included. The estimates and judgements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed in these statements, this includes receivables and accrued income.

1.4 Receivables

Receivables are shown net of impairments in accordance with the requirements of IAS 39 Financial Instruments.

1.5 Impairment of receivables

Receivables are reviewed periodically for all outstanding CA98 Penalties to determine recoverability and establish a provision in the event that recovery of the receivable is in doubt. The provision 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 provision, 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 into Administration, every step is taken to pursue the debt. However, usually an impairment provision is created for the outstanding balance until such time as the recovery process has been completed, at which time any unused provision 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.

1.6 Value Added Tax (VAT)

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

1.7 Recovery of litigation expenditure

As part of the 2015 Spending Review the CMA has been given permission to offset 50% of in year litigation costs incurred within the CMA main account against fine income in the Trust Statement.

2. Receivables

2.1 Current receivables

	2015/16	2014/15
	£000	£000
Amounts falling due within one year		
Competition Act 1998 penalties	6,818	7,879
Less provision for impairment	(6,776)	(7,455)
Net Competition Act 1998 penalties	42	424
Merger fees receivables	440	440
Other receivables	872	-
Accrued income	45,030	840
Total	46,384	1,704

The provision for impairment covers amounts due from entities involved in CA98 cases that are in administration or liquidation. Whilst every effort is made to recover these debts, due to the uncertain nature of entity liquidations, provision is made for the full amount of the debt at the time the entity enters administration.

3. Cash and cash equivalents

	2015/16	2014/15
	£000	£000
Balance held at Government Banking Service at 1 April	581	-
Net change in cash balances	(581)	581
Balance held at Government Banking Service at 31 March	-	581

4. Payables

	2015/16	2014/15
	£000	£000
Merger fees repayable	-	109*
Total	-	109

*This balance arises from duplicate payments to the CMA of merger fees.

5. Balance on the Consolidated Fund account

	2015/16	2014/15
	£000	£000
Balance on Consolidated Fund account at 1 April	2,176	2,177
Net revenue for the Consolidated Fund	51,187	6,325
Less amount paid to the Consolidated Fund	(6,979)	(6,326)
Balance on Consolidated Fund account at 31 March	46,384	2,176

6. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, post year end 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 accounts do not reflect events after this date.

There are no subsequent events to report.

Accounts Direction given by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000

1. This direction applies to those government departments and pension schemes listed in the attached appendix.
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2016 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for 2015-16.
3. If the Treasury has made an order for the year under section 4A(3) and (4) of the Government Resources and Accounts Act 2000, a department must detail the same information for each body designated in the Order under its name. This means that the department must also detail in its accounts the resources acquired, held or disposed of during the year by each of its designated bodies, and each such body's use of resources during the year.
4. The Treasury made the following designation order for financial year 2015-16: the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2015 (SI 2015/632). The list of bodies designated in the Schedules to that Order are amended by the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2015 (SI 2015/2062). The amendments designate additional bodies, change the names of some designated bodies and remove some bodies from being designated.
5. The accounts of Government departments, with the details outlined above (for itself and its designated bodies) shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2016 and of the net resource outturn, the application of resources, changes in taxpayers' equity and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
6. The accounts for pension schemes shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2016 and of the net resource outturn, changes in taxpayers' equity and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them; and
 - (c) demonstrate that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

7. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

Michael Sunderland

Acting Deputy Director
Government Financial Reporting
HM Treasury
18 December 2015



Competition and Markets Authority

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