



Competition and Markets Authority

Annual Report and Accounts 2017/18

(For the year ended 31 March 2018)



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Contents

Performance report	6
Overview	7
Chairman's foreword	9
Chief Executive's report	10
Year in highlights	16
Year in social media	18
About us	20
Governance	21
Performance summary	22
Performance analysis	24
How we measure performance	25
Performance against our commitments	27
Protecting consumers through effective enforcement	31
Operating an effective and efficient merger regime	43
Making markets work better	51
The CMA across the UK and the world	61
Making the CMA a great place to work	69
Evaluation and Research	73
Sustainability Report	77
Corporate information	85
Accountability Report	88
Directors' Report	89
Statement of Accounting Officer's Responsibilities	92
Governance Statement	93
Remuneration and Staff Report	110
Parliamentary Accountability and Audit Report	121
The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Financial Statements)	127
Financial statements	130
Statement of Comprehensive Net Expenditure	131
Statement of Financial Position	132
Statement of Cash Flows	133
Statement of Changes in Taxpayers' Equity	134
Notes to the Financial Statements	135
CMA Trust Statement	153
The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Trust Statement)	154
Statement of Revenue, Other Income and Expenditure	157
Statement of Financial Position	158
Statement of Cash Flows	159
Notes to the Trust Statement	160

Performance report

Overview

The Competition and Markets Authority (CMA) works to promote competition for the benefit of consumers, both within and outside the UK. Our aim is to make markets work well for consumers, businesses and the economy. We are an independent non-ministerial department. We employ around 600 people, who work mainly at our office in London. We work across the whole of the UK, and we have representatives in Northern Ireland, Wales and an expanding presence in Scotland.

This section of the CMA Annual Report 2017/18 gives a summary of our performance over the course of the year. It aims to help the reader understand the CMA, what we do, how we have performed, how we are governed, and the key risks to the achievement of our objectives.



We help make sure people get a good deal from businesses and that firms treat their customers fairly

We enforce the law against price-fixing cartels and other anti-competitive and unfair practices

We prevent mergers that would harm competition

We examine whole areas of the economy to help people to get the best possible deal

We help government to design policies that support well-functioning markets

Chairman's foreword

In 2017/18, building on our progress and capitalising on the investments we made in our early years as the UK's primary competition and consumer agency, we have carried out important work in markets that really matter to millions of households and businesses across the UK.

We believe that vigorous competition helps consumers, spurring businesses to be more efficient, to innovate, and to make better offerings at keener prices to entice customers from their competitors. The result is that as customers we enjoy better quality goods and services and better value. As taxpayers we benefit from better value for money in the delivery of goods and services to government if anti-competitive practices that raise prices or reduce quality are stamped out. And we all benefit if the economy performs well because of the higher productivity that results from more vigorous competition.

This is good for ordinary people who benefit from better products and services, and good for the economy because it means that the best, most efficient, productive and innovative businesses succeed and grow.

Our work in the past three years is expected to achieve benefits to consumers of more than £3 billion – greater than ten times our cost to the taxpayer; a target set for us by government. This is an impressive figure; it shows that we are a good investment for the taxpayer and that we have made a real difference for millions of households and businesses across the UK. In another measure of success, Global Competition Review named the CMA as European Agency of the Year, recognising that our 2017 work was strategic, innovative and creative.



In June, I left the CMA, handing over to Andrew Tyrie. I am proud of what the CMA achieved in my time as its Chairman. The organisation is working well as a single competition and consumer body for the UK, helping ensure consumers get a better deal, and securing lasting change across a wide range of markets that really matter to millions of households and businesses across all nations and regions of the UK. I am confident that Andrew, the Executive Team and all CMA staff will work together to take the organisation into the next phase of its development, principally in its preparations for the UK's exit from the EU, including taking on the enforcement of State aid rules, and will continue in the CMA's mission to make markets work well for consumers, businesses and the UK economy.

David Currie
CMA Chairman

Chief Executive's report

I will begin my reflections on the past year with work that is central to our purpose in promoting competition for the benefit of consumers – protecting them, as well as fair-dealing businesses, from anti-competitive practices and unfair trading.

Protecting consumers through effective enforcement

We sustained our increased level of competition enforcement in 2017/18, opening ten new investigations into anti-competitive agreements and abuses of dominance; 60% higher than the annual average between 2010 and 2015. This includes four new investigations into potentially anti-competitive pricing practices in pharmaceutical supplies to the National Health Service.

Whilst 2017/18 has seen a range of important enforcement outcomes across a range of sectors, including online auction platforms, residential estate agency services, fairgrounds and supplies of household fuels, it has also been about making good progress in the high number of cases we launched both this year and last year. We have worked efficiently and innovatively, without compromising fairness and rigour, successfully decreasing the average time to carry out competition enforcement investigations against a rolling three-year average.

We used our full range of powers to halt practices which were harming consumers, including, where appropriate, settlements (in two investigations) and commitments (in two further investigations). To provide transparency and clarity for businesses and professional advisers, we have also not shied away from publicly issuing a reasoned 'no grounds for action' decision, rather than privately de-prioritising an investigation.



We are also using advanced digital marketing techniques to raise awareness of the law and drive new leads to our cartels hotline, launching a 'Stop cartels' campaign that reached over 21 million people, led to around 45,000 visits to our campaign webpage and a 41% rise in contacts to our cartels hotline in this period. Our free digital Screening for Cartels tool helps public procurers identify potential bid-rigging, which can cost taxpayers millions of pounds, and was shortlisted for a public finance innovation award.

Bolder enforcement brings with it a higher risk of litigation. Having achieved hard-hitting enforcement outcomes in 2016/17, we vigorously defended three of our competition enforcement decisions at the Competition Appeal Tribunal (the CAT).

The CAT upheld our decision and fine in an investigation into the sharing of pricing information amongst water tanks suppliers – reinforcing that any exchange of commercial information with competitors risks a fine, even when a business refrains from participating in price-fixing or market sharing. Following the appeal against our decision in the pay-for-delay investigation, in which we fined a number of pharmaceutical companies £45 million, the

CAT dismissed several grounds of the appeal and referred others to the Court of Justice of the European Union. In June 2018, the CAT handed down its judgment in the appeal against our infringement decision in the Phenytoin investigation, remitting part of the case back to us for further consideration, after setting aside the abuse element of our decision. We have sought permission to appeal against the CAT's judgment to the Court of Appeal.

Our consumer protection law enforcement is a natural complement to our competition work. In both, we make sure that markets can be trusted, and help people to know that 'what they're seeing is what they're getting'. Making sure that firms abide by consumer law, treating their customers fairly in ways which promote, rather than damage, trust, helps to create a more competitive marketplace. Our work enables consumers to make better-informed choices, meaning that firms have to work harder to earn customers' custom, offering better products and services at keener prices to both attract and retain them.

Much of our ambitious programme of consumer enforcement focuses on digital commerce, with investigations in markets as diverse as online dating, secondary ticketing, hotel booking, car hire and gambling. As part of our work on gambling, four leading operators formally committed to stop unfair online promotions that trap players' money; landmark changes that must now be adopted across the sector. In a more traditional market, a consumer protection investigation following our care homes market study, one of the UK's leading care home providers voluntarily dropped its policy of charging fees after a resident has died and another major provider agreed to provide more than £2 million in compensation to a large number of residents who paid substantial upfront charges.

Looking ahead, the government increased our enforcement funding by £2.8 million every year from April 2018, to allow us to take on even more cases against companies which are breaking competition law – further evidence of confidence

in the CMA and of the importance of our work to millions of households and businesses, as well as to the overall UK economy.

Operating an effective and efficient merger regime

Reviewing mergers is another way we protect consumers; preventing any harmful effects such as higher prices, lower quality or reduced innovation.

We continued to build on previous years' improvements to the efficiency of our merger control, minimising burdens on business and costs to the UK taxpayer. We are targeting our resources at those mergers we really need to look at: 60-70 per year out of the more than 500 brought to our attention annually – significantly fewer than during the years of the CMA's predecessors, the Office of Fair Trading and the Competition Commission.

Where possible, we use our powers to accept undertakings in lieu of a phase 2 reference, ensuring our concerns are addressed with minimal cost to business and the taxpayer (12 in 2017/18, the highest annual total since the passing of the Enterprise Act 2002).

We carried out several high-profile merger investigations of great significance to the UK economy, including Fox/Sky, Tesco/Booker and Wood/Amec. You can read more about these later in this report.

To further assure an efficient end-to-end process, we fast-tracked appropriate mergers to phase 2, including Tesco/Booker; a pragmatic approach which helps us to achieve a timely outcome whilst retaining high procedural standards.

In our Just Eat/Hungryhouse investigation, we issued our first procedural penalty in a merger case for not complying with a formal information request. We hope that demonstrating our intent to penalise procedural infringements will act as a deterrent to companies and their law firms in future.

Making markets work better

This year our in-depth reviews focused on markets which have long been central to people's lives (care homes) alongside rapidly evolving areas of the economy (digital comparison tools). We have also launched a market study into heat networks, which are a key part of the government's decarbonisation strategy, and we are undertaking an in-depth review of the investment consultancy sector following a reference to us by the Financial Conduct Authority.

In both the care homes and comparison tools studies, we set out far-reaching and challenging remedies to ensure these markets work in people's favour. We also joined up our markets and enforcement toolkits, by launching enforcement following each of these market studies: a competition investigation into the use of certain 'most favoured nation' clauses by a price comparison site in relation to home insurance products, a consumer protection investigation into online hotel booking, and a consumer protection investigation into a number of care home providers.

Millions of households and businesses are seeing the benefits from our market-wide reviews of energy, retail banking and legal services in England and Wales, with a range of innovative and important remedies coming into effect during 2017/18. Alongside protecting vulnerable consumers, these in-depth whole-market reviews have laid the foundations for a transformative change to competition in these sectors.

Four million energy customers on pre-payment meters are paying lower bills thanks to a price cap and smaller businesses are no longer trapped into expensive auto-rollover contracts.

Our banking orders have now come into force, requiring banks to work harder for their customers and helping people take control of their banking using innovative new services. Banks must support the tech-enabled Open Banking revolution; it is easier for customers

to switch banks; banks must warn personal account customers if they are about to slip into an unarranged overdraft, and must publicly announce the maximum monthly charges for doing so. Smaller businesses can more easily understand the costs of taking out a loan and find the best deal for them.

Following our legal services market study, eight regulators in England and Wales published their plans for implementing our recommendations to make the market more competitive and to make sure consumers can be confident about the price and service they can expect when they hire a lawyer.

In 2017/18, we implemented all our remedies without extensions to the statutory timescales, exceeding our Annual Plan commitment. We have continued to actively manage our stock of existing (markets and merger) remedies, ensuring they have the desired effects and removing them where they have become redundant.

A strong voice for competition

We remain a strong voice for competition across the UK and overseas, advising and challenging policy-makers domestically to use pro-competitive measures to achieve policy objectives where possible. We have also supported the development of the competition and consumer regimes internationally.

Our influence with government departments remains high, and over the year we have privately guided early-stage policy development. This includes making a series of informal recommendations and publicly responding to UK government consultations on the Green Paper on Industrial Strategy and on proposals to extend the scope of the national security public interest test. You can read more about our advocacy work on page 64.

Strong partnerships at home and overseas

Our partnerships, at home and overseas, remain strong.

Our latest Annual Concurrency Report shows that the concurrency arrangements, whereby the CMA and sector regulators work more effectively together to improve competition and competition law enforcement, have been working well. Almost all the regulators with concurrent powers have opened a competition enforcement investigation since the start of the new concurrency regime in 2014, and four new investigations in the regulated sectors have been launched in 2017/18, compared with two in each of the previous two years.

There has been a step-change in the level of cooperation between the CMA and regulators. We have carried out or are carrying out significant markets work alongside our regulatory partners, including the market studies on digital comparison tools (Ofcom, the Financial Conduct Authority (FCA) and Ofgem) and on heat networks (Ofgem), and the in-depth market investigation into the investment consultancy services and fiduciary management services markets following referral by the FCA. You can read more about our work with sector regulators on page 63.

With the importance of devolution to the political and business landscape of the UK, we are stepping up our approach to the devolved nations and the English regions, including by establishing a network of Regional Champions drawn from amongst our Directors. We aim to give due prominence to nation- and region-specific issues in our work, improve staff knowledge of regional issues, and ultimately achieve a more inclusive, relevant and informed CMA work programme. You can read more about this work on page 61.

Following extensive planning, in June 2018, we opened an expanded office in Edinburgh, which will grow to up to 25-30 staff by the end of 2018/19. As well as allowing us to build stronger and wider relationships with business and consumer groups, the Scottish government and Parliament, it will increase our capability to carry out UK-wide projects by drawing on a new and talented labour market.

We continued to work closely with other competition authorities and in competition and consumer protection networks across the world, including the International Competition Network, the OECD, and the International Consumer Protection and Enforcement Network.

Preparing for the UK's exit from the EU (Exit)

Exit from the EU presents opportunities for the CMA as we expect to take on a bigger role on the world stage. Planning for the new arrangements will continue to be an important priority for us, working closely with the government.

Over the past two years we have stepped up our antitrust enforcement activity, and streamlined and clarified aspects of our mergers and markets work, meaning the UK regime is in good shape to meet the challenges and make the most of the opportunities which Exit will bring.

We are fully focused on ensuring operational readiness for our post-Exit role, predicated on an assumption that we will take a significantly increased merger and antitrust review role, as well as the enforcement of State aid rules. If we are to deliver the additional cases and meet these further responsibilities efficiently whilst maintaining a healthy portfolio of other enforcement and markets work (including more local cases), we need more resources to do so. We have been carrying out detailed planning for what our additional needs would look like post-Exit, and welcome the increase to our budget from April 2018 of up to £23.6 million to allow us to prepare for Exit.

Key risks and challenges

As well as presenting opportunities, exit from the EU presents challenges for the CMA.

At this point we do not know the exact characteristics of the UK's future relationship with the EU, and although it now seems probable that there will be an overall implementation period until December 2020, we do not yet know exactly when we will take on new casework. From our perspective, we are keen to ensure a smooth transition as and when jurisdictional changes take effect, both to avoid unnecessary duplication and also to minimise the risk of enforcement gaps and ensure UK consumers are properly protected. As the future arrangements and responsibilities become clearer, we must be able to make tough decisions on our priorities, at pace, so that we can be flexible in new circumstances. A significant risk arises if we fail to recruit enough highly skilled staff to take on our new responsibilities at the point of transition. This is a major undertaking in a competitive labour market, and we are developing a range of recruitment initiatives to deliver this, now that the government has provided the necessary funding.

More widely, there is active political and public debate over the role of markets and when governments should step in to fix problems. In this context, our work is given added relevance. It is our task to intervene robustly in markets, where necessary, to make sure they work in people's favour. By doing our job well we can help build trust that markets benefit wider society. Consistent with our statutory role as an adviser within government, where appropriate we will also argue, both behind the scenes and through our powers to comment publicly, against short-termist interventions that could put at risk long-term consumer benefits, particularly where this concerns vulnerable consumers.

Spurred on by technological advances, our economy, the way people shop and the way businesses operate continue to evolve rapidly. We welcome the benefits digitisation can bring, including increased choice, convenience, lower prices and the increased spurs to efficiency of companies trading online. We must, however, also ensure that those who hold market power do not abuse it to the detriment of consumers or other businesses, that algorithms and forms of artificial intelligence do not become a vehicle for collusion, and that less digitally literate customers are not left behind.

As we press ahead with robust enforcement of the law, we can expect an increased risk of litigation against our decisions and the fines we impose. This will not dissuade us from being bold and pursuing big, challenging cases through which we can deliver significant benefit for consumers, taxpayers and the economy more generally. We have to expect that some judgments will go against us. We will learn lessons from such decisions but such setbacks will not diminish our appetite for important cases.

In September 2019, we will likely relocate our London head office. Offices moves can be disruptive, but we will work hard to ensure that disruption to our work is minimised.

Looking ahead

We will continue to push ahead with our work on all fronts, including to prepare for Exit and our new responsibility for State aid.

We will remain active in markets large and small: enforcing the law, protecting consumers (in particular vulnerable consumers), preventing anti-competitive mergers and making markets work better for households and businesses. Ensuring that markets can be trusted is another priority for us, alongside making sure that we better connect the role of competition, and of the CMA, to wider society.

We will continue to prioritise work in online and digital markets, and invest to further build our knowledge and capabilities in spotting and tackling anti-competitive and unfair trading practices online. We will deepen our understanding of how business practices and markets are evolving in an increasingly-digitised era, including through the creation of a digital, data and technology team, led by the Chief Data and Digital Insights Officer, a new role within the CMA. Not least, we will continue to address problems in markets which are important to economic growth and thus help to address the UK's productivity challenge.



Andrea Coscelli

Chief Executive and Principal Accounting Officer
10 July 2018

Year in highlights



Consumer benefit

The CMA benefits the consumer by over £3 billion, greatly exceeding our cost to the taxpayer.

Enforcement in numbers

New competition enforcement investigations	Infringement decisions	Commitments	Fines
10	5	2	£9.7 million
	No grounds for action		
	1		
New consumer enforcement investigations	Parties that have given undertakings to comply with consumer protection law		
5	9		

Mergers in numbers

62 Phase 1 merger reviews were completed. **41** were cleared, of which **37** were cleared unconditionally and **4** satisfied our de minimis criteria; we found the test for reference was met in **21** mergers, accepting undertakings in lieu in **12** mergers and referring **9** to phase 2. At phase 2, **4** were cleared unconditionally and **2** were cleared with remedies.

Remedies coming into force



Energy market investigation

9



Retail banking market investigation

12

Savings for pre-payment energy consumers



4 million households

Average saving of
£80
per year



Stop Cartels campaign

People reached

21.3m

Visits to campaign page

45K

Rise in contacts to the cartels hotline

41%



Year in social media

April (Lightbulb icon): A tweet from @CMAgovUK dated 12 Apr 2017. The text reads: "The pre-payment meter price cap, result of our energy investigation, came into force this month - find out more here [http://bit.ly/2u4819u](#)". The image shows a green background with the CMA logo and a meter labeled "CPR" with a needle pointing to the green section. Text on the image says "Limiting what you pay on pre-payment meters".

May (Magnifying glass icon): A tweet from @CMAgovUK dated 10 May 2017. The text reads: "3 mergers referred for investigation & last companies address competition concerns including Just Eat/ Hungryhouse [http://bit.ly/2wv9377](#)". The image shows a hand holding a smartphone displaying a red "Order Food" app interface.

November (Megaphone icon): A tweet from @CMAgovUK dated 30 Nov 2017. The text reads: "CMA calls for urgent reforms across the UK care home sector so people get the support they need in their old age [http://bit.ly/2y409ba](#)". The image shows two pairs of hands, one younger and one older, clasped together.

October (Briefcase icon): A tweet from @CMAgovUK dated 6 Oct 2017. The text reads: "CMA warns businesses after Competition Appeal Tribunal upholds fine in information sharing case [gov.uk/government/news...](#)". The image shows a modern office setting with people at desks and a computer monitor.

December (Magnifying glass icon): A tweet from @CMAgovUK dated 15 Dec 2017. The text reads: "The CMA has cleared the Tesco/Boaker merger after an in-depth review. [gov.uk/government/news...](#)". The image shows a shopping cart in a supermarket aisle.

January (Calendar icon): A tweet from @CMAgovUK dated 1 Jan 17. The text reads: "Major #carehomes provider drops its policy of charging #fees after a resident has died, thanks to CMA action [http://bit.ly/2wv9377](#)". The image shows a woman in a vest and an elderly man sitting together outdoors.



April



May



November



October



December



January



About us

The CMA has a primary **duty**, set by Parliament, to promote competition, both within and outside the United Kingdom, for the benefit of consumers.

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.

We are an independent non-Ministerial government department, taking on our powers as the UK's lead competition and consumer authority in April 2014. We adopt an integrated approach to 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, whilst most of our staff are located in our London office, we have representatives in Wales, Northern Ireland and an expanding presence in Scotland.

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 businesses and individuals to determine whether they have breached UK or EU competition law and, if so, to end and deter such breaches, and pursue individuals who commit the criminal cartel offence
 - To enforce a range of 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, aviation, rail, communications and health)
 - To conduct regulatory appeals and references in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation
 - To give information or advice in respect of matters relating to any of the CMA's functions to the public and to Ministers.
-

Governance

The CMA is a non-ministerial government department, funded by the taxpayer, reporting to parliament through its annual plan and report. Our staff are civil servants.

We are governed by a Board, comprising the Chair, the Chief Executive, executive and non-executive directors, and a number of members of the CMA panel. The Chief Executive, as the CMA's Principal Accounting Officer, is responsible for the economy and efficiency of its handling of public monies.

The Board:

- ensures that we fulfil our statutory duties and functions and that we observe the principles of good corporate governance
- establishes that the overall strategic direction of the CMA fits within the policy framework laid down under the Enterprise and Regulatory Reform Act 2013
- has regard to any opinions and reports of the CMA Principal Accounting Officer and ensures that we make appropriate use of public funds.

The Board also:

- decides whether to publish a market study notice and whether to refer a market for a phase 2 investigation
- considers the draft Annual Plan and consultation on the proposals
- is responsible for the annual performance and concurrency reports
- makes rules of procedure for merger reference groups, market reference groups, and special reference groups.

Some functions of the CMA must be performed by members of the CMA Panel who have clearly defined responsibilities and act as fresh decision-makers between the two phases of market and mergers cases to avoid confirmation bias.

Our governance structure helps us to maintain our reputation for fairness, independence, integrity, rigorous analysis, careful handling of sensitive information, and efficient use of public money. More detail on our governance can be found on page 99.

Performance summary

Funding

The CMA is accountable to Parliament for its expenditure. Parliamentary approval for our spending plans is sought through the Main Estimates¹ presented to the House of Commons, specifying the estimated expenditure and asking for the necessary funds to be voted. The CMA draws down voted funds in-year from the Consolidated Fund as required and within the remit of its Voted Estimates.

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.

In the 2015 Spending Review (SR15) HM Treasury awarded the CMA a Resource Departmental Expenditure Limit (Resource DEL) of £69.4m and a Capital Departmental Expenditure Limit (Capital DEL) of £1.3m for the financial year 2017/18. The Resource DEL included a ring-fenced budget of £3.5m to cover depreciation and placed a limit of £18.9m (including £1.1m of depreciation) on administration expenditure.

In the 2017/18 Supplementary Estimates Resource, the CMA's DEL was increased by £71m. This was to cover possible litigation costs of £70m and £1m allocated in the 2017 Autumn Budget to undertake critical preparations, between October 2017 and March 2018, to prepare for EU Exit. No change was made to Capital DEL. The CMA's Net Cash Requirement increased by £71m to £139.2m, reflecting the cash requirement of movements in Resource DEL.

Outturn

For the year ended 31 March 2018 the CMA reported comprehensive net expenditure of (£8.2m). This compares to £135.5m for the year to 31 March 2017.

As set out in the Statement of Parliamentary Supply, the CMA's 2017/18 Resource DEL outturn was £63.2m, compared with an Estimate of £140.4m. Of this total variance saving of £77.3m, £70m related to additional budget received to cover litigation costs that did not materialise during the year. The remaining £7.3m represents 5% of the CMA Resource DEL limit. This saving arose from various sources, including a requirement to ensure sufficient headroom in the budget to cover potential dilapidations payment arising from the CMA's intention to relocate from Victoria House, as well as an associated adjustment for rent smoothing as a result of the intended lease break. Other factors include a ruling agreed during SR15 that allows the CMA to offset 50% of litigation costs against Competition Act 1998 fines income received through the Trust Statement account.

The Capital DEL outturn of £0.8m was lower than the Estimate by £0.5m.

The CMA's Net Cash Requirement outturn of £64.3m was £75m lower than Estimate (£139.2m). This variance arose predominantly from litigation costs which did not materialise in year.

1 The 2017/18 Supply Estimates for the CMA is available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609174/Main-Supply-Estimates-2017-2018-web.pdf

Creditor payments, target and performance

The CMA's target is to pay suppliers promptly in line with our standard terms and conditions, which are to pay all undisputed invoices within 30 days of receipt of invoice. In 2017/18, 94.2% of undisputed invoices were paid within the 30-day target (2016/17: 98.6%).

The CMA is reviewing internal procedures and working actively with suppliers to ensure that performance improves in 2018/19.

HM Treasury guidance is that government departments should aim to pay 80% of undisputed invoices within five days. In 2017/18 CMA paid 47% of invoices within five working days (2016/17: 57%). In 2018/19 we will significantly improve upon systems and reporting to ensure we make meaningful headway towards meeting this target.

Going concern

The going concern basis is set out in note 1.14 of the CMA's financial statements. The financial statements for the CMA in respect of the year to 31 March 2018 are prepared on a going concern basis in accordance with the FReM issued by HM Treasury.

The Statement of Financial Position at 31 March 2018 shows net liabilities of £8,307k (2016/17: £80,842k). Provision for resource and capital expenditure for 2017/18 for the functions performed by the CMA have been included in Supply Estimate submissions, which have been approved by Parliament.

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 and in key commitments and initiatives set out in the CMA's Annual Plan. These are a challenging, ambitious set of targets to work

towards based on our known budget and portfolio, and are set out in the following two pages 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.



**Competition means
that people can
expect a good deal**

Performance against our commitments

Enforcement

Launch as many new civil competition enforcement investigations as possible, where we have the requisite evidence, with six as a minimum	Achieved: 10 opened
Open new criminal investigations and pursue prosecutions as appropriate, having regard to lessons from our most recent cases as well as the change in the law in respect of cartel activity occurring from April 2014	None opened
Continue to improve processes and challenge our ways of working to decrease the time taken to conclude competition enforcement investigations against a rolling three-year average benchmark	Achieved: 5-week reduction in average time taken for all investigations
Launch as many consumer cases or projects as possible where we have the requisite evidence, with four as a minimum	Achieved: 5 opened
Conclude our consumer enforcement cases or projects effectively either by agreement or by proceeding to litigation, with the majority to be concluded within 18 months of being publicly opened	Achieved
Conduct further research into businesses' awareness and understanding of the law, to track progress and help target our compliance activity	Achieved
Carry out further cartel lead generation events and communications activity with public procurement and anti-fraud teams in central and local government across the UK	Achieved

Markets and mergers

Launch two to four new markets projects in the course of the year	Achieved: 2 opened
Conclude the review of how we carry out market investigations and take appropriate steps to improve how we undertake these projects in the future, including consulting on the strategic role of market investigations and revised markets guidance	Achieved
Seek to clear at least 70% of phase 1 merger cases that are less complex (and therefore do not require an issues meeting and case review meeting) within 35 working days	Achieved: 91%
Seek to complete 70% of phase 2 merger cases without an extension to the statutory deadline, measured as a three-year average of all relevant merger cases	Achieved: 83%
Continue our ongoing programme of reviews of older remedies and launch three to four further reviews of existing merger or market remedies in the course of the year	Achieved: 7 reviews opened
Commence an internal review of the rules and guidance applicable to merger remedies across phase 1 and phase 2 investigations	Achieved
Review and update, as appropriate, the procedural rules and guidance applicable to our various regulatory appeals functions	Achieved
Seek to implement phase 2 merger and market investigation remedies without the need for an extension to the statutory deadline in at least 80% of cases, as measured as a three-year average of all relevant merger and markets cases	Achieved: 100%
Conclude our joint programme of work with the UKCN to develop a better understanding of consumer behaviour to inform proposed remedies, and publish our findings	Achieved

Partnership and advocacy

Continue to play a leading role in the development of competition and consumer protection internationally	Achieved
Within the UK, continue to play an active role in the CPP and continue to work closely with consumer enforcement, regulatory and advisory bodies in the wider consumer landscape	Achieved
Launch one or two new evaluations of previous cases	Achieved: 2 launched
Publish two economic research reports	Achieved: 2 published
Based on our work, make recommendations to the government on the impact of policy frameworks on competition in at least two sectors	Achieved: 2 sets of recommendations made
Support and challenge the government in its implementation of its economic (and other) strategies and its development of policies affecting markets following the UK's exit from the EU	Achieved

Developing the CMA

Build our leadership and management skills to improve the engagement score in the annual Civil Service People Survey and become one of the Civil Service High Performers, fulfilling our ambition to make the CMA a great place to work	Partially achieved
Make further progress towards the objectives set out in our Single Equality Scheme Action Plan to promote equality of opportunity, diversity and inclusivity across the CMA. We will give a progress report on how the CMA is demonstrating its achievement of these against its published objectives and our desire to create a diverse and inclusive environment and culture	Achieved
Offer new apprenticeship starts equivalent to 2.3% of headcount	Not achieved: 1.6%
During the year, meet the government target of paying 80% of undisputed invoices within five working days of receiving them	Not achieved: 47 %



**Competition
rewards businesses
that treat their
customers fairly**

Protecting consumers through effective enforcement

Effective enforcement of competition and consumer law is central to our purpose as an organisation.

As well as stopping and penalising unlawful anti-competitive conduct and unfair trading where it is ongoing, enforcement plays a vital role in deterring future breaches by others. It is thus central to making markets work well, both by protecting customers and by protecting the competitive dynamic, which is the spur to increased productivity and economic growth.

In 2017/18, we committed to taking forward a higher volume of cases, doing so as efficiently and quickly as possible, without compromising fairness and rigour.

We maintained our sharp step-up in competition enforcement, launching 10 new competition enforcement investigations; matching the previous year and 60% higher than the 2010-15 annual average.

Competition Act 1998 (CA98) investigations opened in 2017/18

Roofing materials (Ch. I)

Design, construction and fit-out services (Ch. I)

Pharmaceutical sector (Ch. I)

Pharmaceutical sector (Ch. I and Ch. II)

Pharmaceutical sector (Ch. I and Ch. II)

Pharmaceutical sector (Ch. I and Ch. II)

Price comparison website: use of most favoured nation clauses (Ch. I)

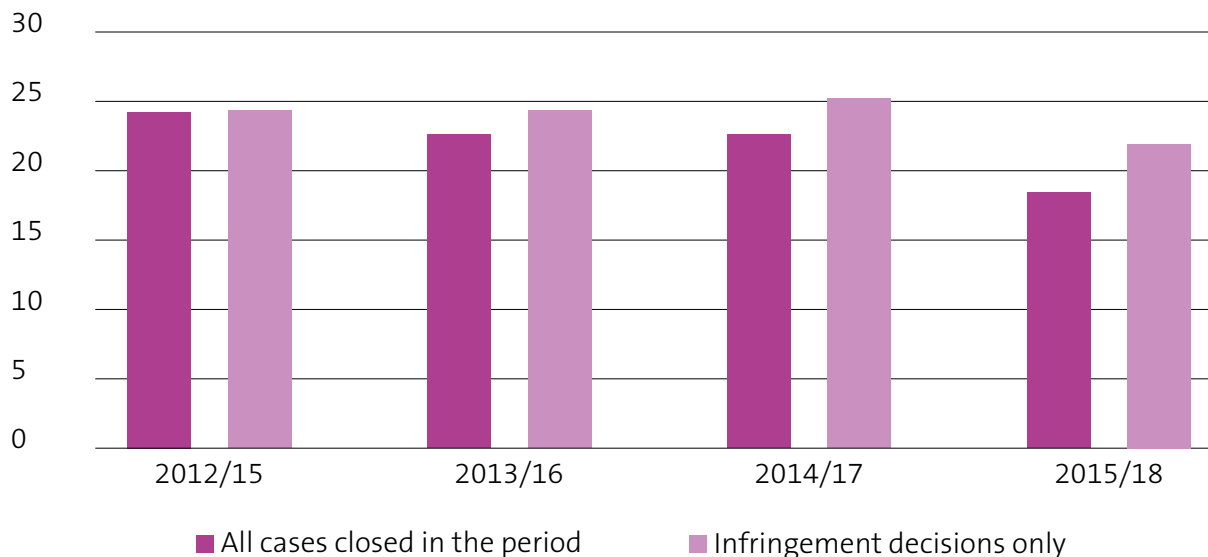
Transport sector (facilities at airports) (Ch. I)

Residential estate agency services (Ch. I)

Mobility scooters – lifting immunity from fines (Ch. I)

Ch. I refers to investigations under the Chapter I prohibition in the Competition Act 1998, which covers anti-competitive agreements, collusion and coordination (including cartels); Ch. II refers to investigations under the Chapter II prohibition in the Competition Act 1998 which covers abuse of a dominant position

Average number of weeks to conclude CA98 investigations



Our competition and consumer protection investigations spanned digital markets, major global companies, and markets for goods and services that matter to the economy and people’s everyday lives, including the most vulnerable: buying and insuring our homes, booking hotels, hiring a car at home and abroad, medicines for the NHS and ensuring our elderly relatives are well-cared for.

These investigations relate to alleged anti-competitive practices that risk leading to higher prices for essential drugs supplied to the NHS – and therefore all of us as taxpayers – and diverting resources that could otherwise be spent on patient care, including for the most vulnerable. You can read more about our work to protect the NHS, its patients and taxpayers, in a feature box page 33.

There were several clear themes to our competition and consumer enforcement this year: protecting the vulnerable, tackling illegal and unfair practices online, cracking down on cartels, and making sure that we use our powers flexibly and join up our toolkit to get the best outcome for consumers and fair-dealing businesses.

Alongside our competition powers, we pursued a consumer enforcement investigation to protect the elderly in residential care homes, and their families, from overcharging and from misleading practices. As a result of this investigation, one of the UK’s leading care home providers voluntarily dropped its policy of charging fees after a resident has died and another voluntarily reimbursed some families for fees they were charged upfront.

Protecting the vulnerable

Four of the new competition enforcement investigations we opened in 2017/18 were into alleged anti-competitive practices in the pharmaceutical sector. At year-end, we were pursuing eight investigations in this sector; half of our competition enforcement portfolio.

PROTECTING THE NHS, PROTECTING PATIENTS, PROTECTING TAXPAYERS



This year, we have continued to pursue investigations into a range of alleged illegal anti-competitive practices by several pharmaceutical companies.

Such practices would harm consumers in any market; but if the NHS has to pay significantly more than it should for essential medicines and treatments because of anti-competitive practices, there is less money available to fund other treatments, so millions of NHS users lose out.

This is one of the reasons why we have devoted considerable resources to our investigations into alleged practices in this vital market.

We issued statements of objections in two investigations, both relating to alleged abuse of a dominant position: into an anti-competitive discount scheme which was likely to restrict competition from 'biosimilar' versions of the drug that were new to the market; and into charging excessive prices for an essential thyroid drug.

The latter centred on a drug primarily used to treat hyperthyroidism, which affects at least one in every 50 people and which can lead to depression, tiredness and weight gain. While there are other treatments, for many patients there is no suitable alternative. Our investigation uncovered that in 2016 the NHS spent more than £34 million on the drug, an increase from around £600,000 in 2006. The amount it paid per pack rose by almost 6,000% between 2007 and 2017, while production costs remained stable.

These cases remain under way with no final decision on whether the law has been broken.

To protect the NHS, its patients and UK taxpayers, we are determined to crack down on any illegal behaviour in the pharmaceutical sector and will push ahead with our existing investigations, to determine whether the law has been broken and if so take appropriate steps.

Tackling illegal and unfair online practices

Trust in online markets is essential if the digital economy is to develop towards its full potential. Over the year we have continued to use our full range of competition and consumer protection tools to promote better competition and more choice in online markets, and to sharpen the spurs to efficiency and innovation by firms.

Using our competition enforcement powers, we clamped down on online resale price maintenance by a lighting supplier, fining it £2.7 million for requiring retailers to use a minimum price when selling its products online. We also fined a major golf club manufacturer £1.45 million for banning UK retailers from selling its clubs online; the relatively low level of the fine reflecting that the illegal activity occurred in the context of a genuine



commercial aim of promoting in-store custom fitting. This case is currently subject to appeal at the Competition Appeal Tribunal.

Four out of the five new consumer protection law investigations we opened this year centre on online practices or markets. Working with the Gambling Commission, we secured landmark changes to how online gambling operators offer bonus promotions, which will ensure that players will not face unfair restrictions that prevent them from getting to their money. You can read more about this case in a case study below. The other investigations are ongoing and we look forward to securing more good outcomes for consumers in the coming year. We concluded two consumer protection investigations, both within 18 months of publicly opening them.

Consumer protection enforcement investigations opened in 2017/18
Care homes
Online gambling
Online car hire
Online dating
Online hotel booking

CASE STUDY: ONLINE GAMBLING

Gambling always carries a risk, but the cards shouldn't be unfairly stacked against players.

As part of a major overhaul of how the £4.7 billion online gambling sector operates, four leading firms formally committed to change the way they offer bonus promotions to ensure players can always access and release their own money.

Working alongside the Gambling Commission, we closely examined promotions designed to attract players onto casino-like gaming websites by offering bonus funds when players put in their own money. We found that certain terms in these promotions



were likely to be unfair, in breach of consumer protection law, and could mislead consumers. We were particularly concerned that people could be made to play for longer than they had bargained for before being able to withdraw their own money.

The firms have agreed to be more upfront and clear in the terms and conditions of their bonus promotions, to allow players to withdraw their own money when they play as part of a bonus promotion, and to make it easier for them to stop gambling when they want to.

As a result of the CMA's close partnership working with the Gambling Commission, licensed gambling firms will be required to review the promotions and sign up deals they offer customers and take whatever steps they need to take to ensure they comply with consumer law. They will otherwise face regulatory action.

Cracking down on cartels

We are committed to tackling cartels wherever we find them and more people are reporting illegal activity to us.

We fined six Somerset estate agents over £370,000k for agreeing minimum commission rates, meaning that local homeowners were denied a fair deal when selling their property. In April 2018, we secured the disqualification of two directors of one of the estate agents concerned and are investigating others. We also launched a digital 'stop cartels' campaign, which you can read about on page 40.



CASE STUDY: TACKLING A MARKET SHARING CARTEL

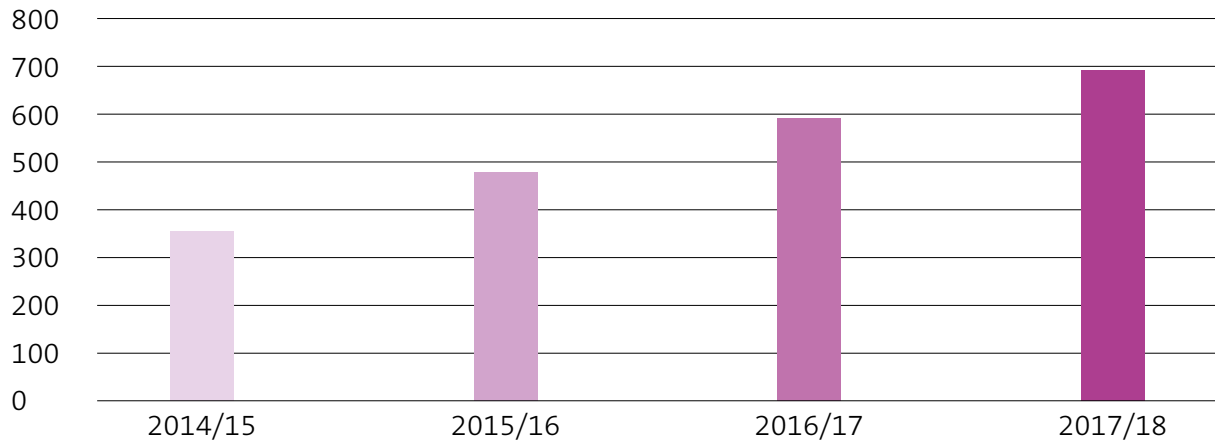
In March, we fined two of the biggest suppliers of coal and charcoal for households in the UK £3.4 million for taking part in a market sharing cartel.

Millions of people buy these products to help keep their homes warm in winter and fire up their barbecues in summer. It is important that shoppers are offered the best price and this only happens when companies compete fairly.



These two suppliers admitted rigging competitive tenders to supply Tesco and Sainsbury's supermarkets and petrol stations, and sharing confidential pricing information. Our investigation started after intelligence work following a tip-off to the CMA's cartels hotline which led us to carry out surprise inspections at their premises.

Annual contacts to the CMA's Cartel Hotline²



DEFENDING OUR DECISIONS IN COURT

Having secured important outcomes in our competition enforcement last year, this year we defended three of those decisions at the Competition Appeal Tribunal (CAT). The UK has one of the most rigorous systems of judicial oversight of competition regimes in the world, which requires that our legal analysis and procedural approach must meet the highest standards.

In our investigation into a water tanks cartel, we fined a company £130,000 for illegally sharing competitively-sensitive information at a meeting with competitors, which we secretly recorded. Although the company did not join the long-running price-fixing cartel, it is well-established that it can be illegal for competitors to exchange competitively-sensitive information. The clear message of our decision is that illegally exchanging such information, even without actual price-fixing or market-sharing, and even if at only one meeting, will not be tolerated. In the appeal, the CAT upheld our decision and our fine on the information exchange; the party has been granted permission to appeal to the Court of Appeal.

The CAT also issued a judgment in the appeal by three pharmaceutical companies of our decision to impose fines of £45 million on them for breaking competition law. The case concerned a 'pay for delay' arrangement relating to the anti-depressant medicine paroxetine. The CAT supported many of our findings of fact, dismissed several grounds of appeal, and decided to refer the rest to the Court of Justice of the European Union before issuing its final judgment.

In May 2018, the Supreme Court ruled in our favour in an appeal related to the Office of Fair Trading's tobacco competition enforcement investigation.

In June 2018, the CAT handed down judgment in the appeal against our decision findings for unfair and excessive pricing in the supply to the NHS of the anti-epilepsy drug phenytoin. The CAT upheld several aspects of our case; however, it decided to remit the case back to us for further consideration, after ruling against our finding of abuse element. We have sought permission to appeal against this judgment to the Court of Appeal.

² Contacts to the Cartels Hotline may have been handled by other teams in the CMA, based on which team is best placed to respond appropriately.

USING OUR WHOLE TOOLKIT TO BEST EFFECT

We have a broad range of powers to make sure people get a good deal from businesses and that firms treat their customers fairly. In some cases, these powers can achieve a good outcome when used in isolation; in others, we are able to get an even better result if we use them together. This year, we have gone even further in using our whole toolkit to best effect.



Market studies and investigations are our most flexible powers, on which you can read more from page 51. Such reviews provide us with a wealth of information about how well businesses within a market are serving the interest of their customers, and sometimes flag up practices which may be against the law. This year what we discovered in market studies led to us launching targeted competition and consumer protection investigations.

Following our digital comparison tools markets study, we launched a competition enforcement investigation into how a price comparison website has set up its contracts with insurers, which we suspect may result in higher home insurance prices.

We subsequently launched a consumer protection investigation into hotel comparison sites, following concerns about the clarity, accuracy and presentation of information, which could mislead people, stop them finding the best deal and potentially break consumer law.

In our care homes market study, we carried out a market-wide consumer law compliance review. Following this, and whilst the market study was ongoing, we launched a targeted consumer protection investigation to explore concerns about certain care homes charging families for extended periods after a resident has died, and homes charging large upfront fees. This has already led to one of the UK's leading care home providers voluntarily dropping its policy of charging 'after death' fees and another major provider agreed to reimburse a large number of families who had paid substantial upfront fees.

We are pressing ahead with our ongoing investigations and will look to launch further investigations in these markets or following future market-wide reviews, if we think that enforcement can get the right result for customers and fair-dealing businesses.

This is not the only way we join up our functions. During a merger investigation in 2014, we identified practices in a market sharing agreement that caused us concern. We subsequently launched a competition law enforcement investigation into the two companies concerned in the 'cleanroom' laundry services market, leading to fines of £1.7 million when the case concluded this year.

We also use our statutory function of giving information or advice to the public and to Ministers as an active part of our toolkit. We consistently amplify the deterrent effect of our enforcement cases through communications campaigns targeted at specific sectors – you can read more about this on page 40. And we follow up on recommendations to government from our markets projects, working with officials to help ensure that our remedies are taken forward and get the right results. You can read more about our approach to advocacy on page 64.

USING OUR POWERS FLEXIBLY

Securing infringement decisions is important in setting precedent and driving deterrence, but Competition Act investigations, if they are to be fair and rigorous, inevitably take time. In this context we have a range of options available to us that can help us achieve a good outcome more swiftly.

Settlements and commitments

A settlement is a formal legally-binding decision in circumstances where a business admits that it has broken the law, and the fine is reduced because of the benefit to the taxpayer of being able to reach a conclusion more swiftly and cost effectively. A commitment is also legally-binding, and leads to a change in behaviour that addresses the CMA's concerns, but it is not an admission of liability and it does not result in fines.

In 2017/18, we secured commitments in the online auctions and Showmen's Guild investigations. We reached infringement decisions by way of settlements in the investigation into a market sharing cartel in the supply of charcoal and coal for households in the UK and in the investigation into an estate agents cartel. You can read about these cases on page 35.

We will not reach settlements or commitments in every case. But sometimes, as part of a balanced portfolio, it is appropriate to do so. We can then close the case sooner, releasing resources to look into, and combat, other suspected anti-competitive practices.



Interim measures

Sometimes, particularly in fast-moving markets such as technology sectors, an anti-competitive practice can so weaken a competitor that the damage to competition, and therefore to consumers, has been done before we can reach a final decision. In such cases of urgency, we may impose an order to stop the alleged anti-competitive practice for the duration of the competition investigation. We dealt with an interim measures application this year, in our online auctions investigation, which you can read about in the case study on page 40.



Withdrawal of immunity from fines

Firms that make illegal agreements with other companies where their combined turnover is no more than £20 million are generally immune from fines under UK law. However if, as a result of our investigation, we consider that any such agreement is likely to break competition law, we may withdraw this immunity. This year we did so for a mobility scooter supplier that was stopping its retailers from advertising prices online. We opened the investigation in April, withdrew immunity in August (the first time that immunity has been withdrawn so early in an investigation) and closed the investigation in October following action from the supplier to address our concerns. Should the behaviour recur, we would be able to fine the company.

Warning and advisory letters

Where we think there is or may be illegal activity, but we do not think it appropriate to pursue a full investigation, we often send the business(es) concerned an advisory or warning letter – the latter being stronger than the former in that it requests that the business writes back to us with details of what it has done to address our concerns.

CASE STUDY: ONLINE AUCTION PLATFORMS

In June 2017, eight months after we opened the investigation, we accepted legally-binding commitments from the largest provider of live online bidding platforms in the UK, to cease practices about which we had competition concerns. These platforms are used by auction houses to allow people to bid without having to attend in person.

The company was acting in ways which, in our view, prevented its rivals from being able to compete effectively in the market and prevented consumers for getting a better deal for online bidding.

Early in our consideration of this case, we received an application from a third party for interim measures to halt the practices pending the outcome of a full investigation. We carefully considered this application, but the firm then made its commitments offer. The legally-binding commitments prevent it from carrying out any of these practices for five years. We now believe that alternative platforms or new entrants will be able to compete more easily and offer cheaper commission rates to bidders.



Securing commitments in this case allowed us to bring the alleged anti-competitive practices swiftly to a halt: protecting consumers and releasing resources early to enable us to combat other anti-competitive practices.

Promoting compliance

We know that most businesses want to comply with the law and we are committed to helping them do so.

Our enforcement and compliance work are two sides of the same coin. We can significantly amplify the deterrent effect of a successful enforcement investigation through a compliance campaign, which helps to ensure that businesses understand the law better, are more likely to comply with it and are more likely to report illegal activity to us – a virtuous circle.

This year, we have followed up our casework with compliance messaging to sectors including estate agents, creative industries and light fittings suppliers.



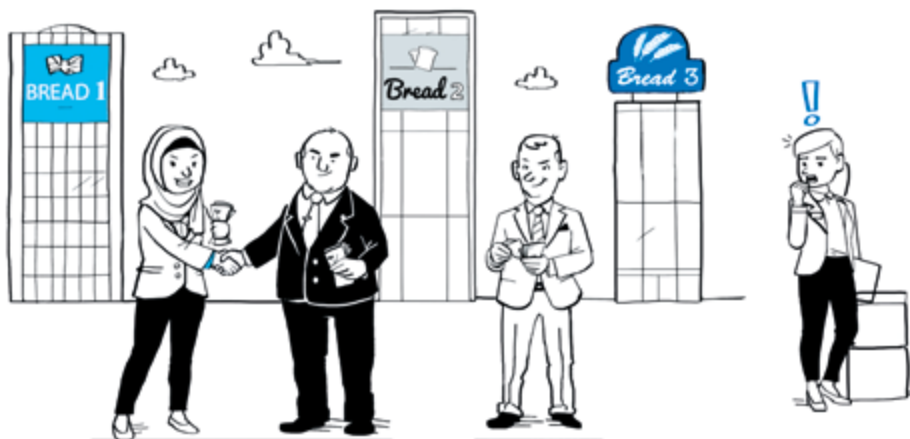
Particularly notable has been our work with estate agents. Our 2015 investigation generated a new case and a second successful enforcement outcome. The extensive compliance work following this led to a further investigation which we carried out this year. In that investigation, we imposed fines on the companies and, in April 2018, we secured the disqualification of two company directors.

We also ran a new digital 'stop cartels' campaign, encouraging people to be 'safe, not sorry' and to 'do the right thing' by coming to us first with information that will help us hunt out illegal cartels.

This campaign reached 21.3 million people, generating over 45,000 visits to our campaigns page and led to 108 tip offs to our cartels hotline – a significant increase on the number we would expect to see monthly.



WHEN IT COMES TO CARTELS, BE SAFE NOT SORRY.



A photograph of three business professionals in a modern office setting, overlaid with a semi-transparent blue filter. The individuals are engaged in a collaborative discussion, with one person pointing towards a large screen or whiteboard. The scene is brightly lit, suggesting a high-tech or corporate environment.

**Competition spurs
higher efficiency
and productivity,
promoting long-term
economic growth**

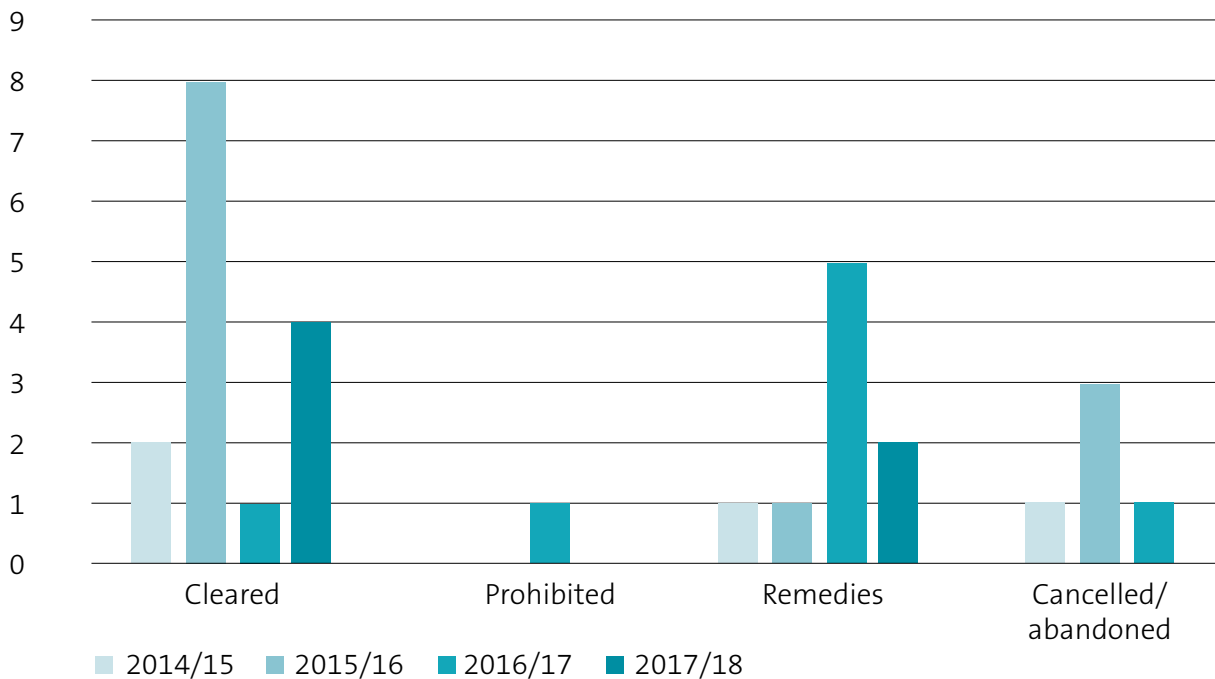
Operating an effective and efficient merger regime

We continue to review cases across a wide range of sectors of the economy, stepping in where necessary to protect consumers and setting out well-reasoned decisions to provide those considering mergers in future with as much predictability as possible.

We sought to refine our approach further over the year, and make it even clearer for businesses thinking of merging. This consistency and clarity of our approach really matters for businesses and is important in making the UK an attractive place to invest, and to grow a business. You can read more about the improvements we made on page 46.

To manage the end-to-end process in the most efficient way, we continued to fast-track appropriate mergers to phase 2, as soon as possible. In previous years, we have done so with BT Group plc’s acquisition of EE Limited, the merger between Ladbrokes plc and certain businesses of Gala Coral Group Limited and a merger between two Manchester hospital trusts; in 2017/18, we fast-tracked Tesco PLC’s acquisition of Booker Group plc, allowing us to achieve a timely outcome whilst retaining procedural rigour.

Phase 2 merger outcomes



CASE STUDY: TESCO/BOOKER

In May, we opened our phase 1 investigation into Tesco's proposed acquisition of wholesale supplier Booker.

This is a huge merger for the high street, affecting millions of shoppers. Tesco, the UK's biggest supermarket chain by market share, operates more than 3,000 stores across the UK. Booker supplies services to over 5,000 independent grocery retailers operating under the Premier, Lonsis, Budgens or Family Shopper brands – also known as 'symbol' stores.

We heard concerns that, after the merger, Booker might reduce the wholesale services or terms it offers the stores it currently supplied, in order to drive customers to their local Tesco. In addition, as many Tesco shops and 'symbol' stores are close to each other, we initially found a risk that shoppers could face worse terms when buying groceries in over 350 local areas.

The companies requested a 'fast track' referral to phase 2, and on the basis of what we had already found during phase 1, we agreed that this was the most efficient way to get to the heart of what this merger could mean for customers.

Our in-depth investigation found that Tesco, as a retailer, and Booker, as a wholesaler, do not compete head-to-head in most of their activities. Although Booker supplies stores that do compete with Tesco, those stores independently decide what to sell and for how much. A survey of hundreds of retailers also showed that most shops use more than one wholesaler and frequently switch. And nearly half of the 'symbol' retailers we surveyed said that if Booker raised its prices, they might stop buying from Booker altogether.

Our final decision was to clear the merger. UK retail and wholesale markets are highly competitive and it is vital that millions of shoppers continue to enjoy enough choice to secure the best deal for them. Having examined the evidence in depth, we were satisfied that this will remain the case following this particular merger.



We also investigate mergers which are referred to us by the UK government on public interest grounds; on either national security, financial stability or media plurality. This year, we carried

out an investigation into 21st Century Fox's proposed acquisition of the shares in Sky it doesn't already own.

CASE STUDY: 21ST CENTURY FOX/SKY

Following a referral from the Secretary of State for Digital, Culture, Media and Sport in September, we investigated how 21st Century Fox's acquisition of the shares in Sky it doesn't already own would affect media plurality and broadcasting standards in the UK.

Media plurality goes to the heart of our democratic process. It means that a diversity of independent viewpoints is available to and consumed by members of the public, and no media owner has too much influence over the political agenda.

Broadcasting standards apply to programmes broadcast on TV and radio in the UK. They include reporting the news with accuracy and impartiality, and ensuring that harmful or offensive material is not broadcast on radio and TV.

We reviewed around 100,000 submissions from across the inquiry phases, including Ofcom's phase 1 investigation and from the Secretary of State, and received around 12,600 submissions directly. We held a roundtable on media plurality with academic and industry experts, and carried out hearings with over 40 different people and organisations, including news organisations, campaign groups and politicians. We also engaged with over 75 third parties through requests for information and evidence gathering.

With such scrutiny, we had to make sure that we carried out our work as efficiently as possible whilst retaining our high procedural standards. We are always transparent in how we carry out our work. In this case, given the unusually high level of interest and engagement, we published the full transcripts of our hearings, rather than the summaries, and summaries of the hearings with the merging companies themselves, which we would not usually publish.

We sent our final report to the Secretary of State for Digital, Culture, Media and Sport on 1 May. On 5 June, he accepted our recommendation that the anticipated acquisition was not in the public interest due to media plurality concerns, and accepted the CMA's recommendation that the most effective and proportionate remedy is for Sky News to be divested to a suitable third party.



To ensure that we target our resources where they are most needed, we have raised the figure at which markets are generally considered to be sufficiently important to warrant a merger reference from above £10 million to above £15 million per annum. We expect this change to reduce the number of mergers that are subject to investigation, including those subject to initial phase 1 examination.

The overall number of mergers we review remains low compared to the previous regime; businesses' self-assessments of how their intended merger may affect competition are increasingly accurate, which has decreased both the number of mergers notified to us and the number we call in. This is in part due to the consistency and clarity of our process; it is also in part due to our willingness to accept informal briefings from companies considering a merger,

and consider whether it is likely to be called in or raise competition concerns.

Our approach is as light-touch as possible, minimising burdens on merging companies as far as we can whilst still ensuring that we protect consumers, businesses and the UK economy from any potentially harmful effects. In total, we reviewed less than 10% of UK mergers and acquisitions activity (by transaction value) in 2017/18 with the vast majority able to proceed with limited or no interaction with the CMA, as they do not harm competition.

Over the year, we cleared 91% of less complex phase 1 mergers³ within 35 working days, well ahead of our Annual Plan commitment, and completed 83% of our phase 2 investigations without an extension to the statutory deadline.⁴

REFINING OUR APPROACH

Over the CMA's first four years, we have consistently sought ways to refine how we investigate mergers. This helps to ensure that we have a process which is clear and consistent, which minimises the burden on businesses and on the CMA, whilst preserving analytical rigour and, most importantly, protecting consumers, businesses and the UK economy from any harmful effects of potential mergers.

Alongside raising the thresholds to reduce the number of mergers we investigate in depth in smaller markets, we made three further improvements this year.

The first change is the publication of additional guidance on the CMA's use of Initial Enforcement Orders. These are orders that we may put into place during our investigations to prevent merging companies from coming together in a way that could affect the outcome or interfere with our ability to introduce any necessary measures to protect consumers.

Secondly, we made several improvements to the merger notice form to reduce the overall amount of information that businesses need to provide, and we improved guidance on our merger intelligence function.

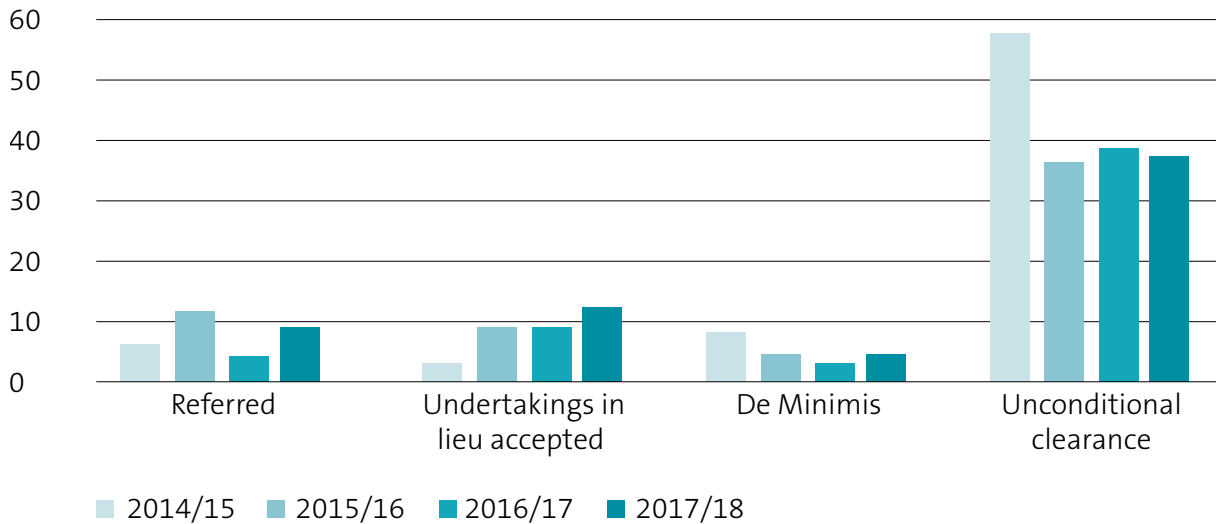
Taken together, these improvements further reduce the burdens on companies and their advisers, help them to better understand how we work and help them cooperate better with us in the course of our investigations.

³ Those that do not require an issues meeting and/or case review meeting

⁴ Measured as a three-year average of all relevant merger cases

Merger performance	2015/16	2016/17	2017/18
Average number of working days across all phase 1 cases	34	34	34
% of less complex merger cases cleared within 35 working days	74	81	91
% of phase 1 investigations completed in 40 working days	100	100	100

Phase 1 merger outcomes



Phase 2 investigations are time-consuming and costly – both for the businesses involved and the CMA – so we only want to carry them out where we find a competition problem arising from a merger that the companies cannot or will not resolve through offering acceptable solutions, or undertakings, at phase 1.

We continued to make good use of this power to accept undertakings in lieu of a phase 2 referral, saving money and time for firms and taxpayers by allowing our concerns to be addressed proportionately and promptly in 12 separate cases; the highest since the Enterprise Act 2002 came into force.

CASE STUDY: JOHN WOOD GROUP/AMEC FOSTER WHEELER

In June, we began investigating the merger of these two companies which provide engineering services to the offshore oil and gas sector in the UK Continental Shelf.

After we found that competition concerns could arise in the supply of engineering and construction services and operation and maintenance services, the companies offered to sell Amec Foster Wheeler's businesses in these areas.



In this case, to carry out our investigation and get the right result as quickly and efficiently as possible, we worked constructively with the companies on a 'twin-track' approach, engaging with them on shaping solutions that might address our concerns, if any were found, whilst still investigating whether such concerns arose. We ensured separate decision-making for the investigation and for the potential remedies, to avoid pre-judging the outcome of the investigation.

This enabled us to promptly reach a final view on the proposed remedy after competition concerns were identified, helping to reduce uncertainty about the potential impact of the merger for customers within this industry.

Qualifying mergers which created a realistic prospect of a substantial lessening of competition (SLC) at the end of phase 1 (SLC decisions in 2017/18)

Name	Outcome	SLC date	Phase 2 decision date
Cygnnet/Cambian	Referred to Phase 2 and cleared with remedies	21/04/2017	15/12/2017
Cardtronics/ DirectCash Payments	Referred to Phase 2 and cleared	03/05/2017	22/09/2017
Euro Car Parts/ Andrew Page	Referred to Phase 2 and cleared with remedies	10/05/2017	12/01/2018
Capita/Vodafone	SLC finding; merger was cancelled after the parties abandoned the transaction	10/05/2017	n/a

Name	Outcome	SLC date	Phase 2 decision date
Just Eat/ Hungryhouse	Referred to Phase 2 and cleared	10/05/2017	16/11/2017
Solera/Autodata	Accepted undertakings in lieu after Phase 1 decision	17/05/2017	n/a
David Lloyd Clubs/ Virgin Active Gyms	Accepted undertakings in lieu after Phase 1 decision	19/05/2017	n/a
Heineken/Punch Taverns	Accepted undertakings in lieu after Phase 1 decision	13/06/2017	n/a
Electro Rent/ Microlease	Referred to Phase 2 and investigation ongoing	14/06/2017	30/5/2018
21st Century Fox/ Sky	Final report sent to the Secretary of State, DCMS on 1 May 2018	20/06/17 – advice to Secretary of State	01/05/2018
FirstGroup/South Western rail franchise	Accepted undertakings in lieu after Phase 1 decision	11/07/2017	n/a
Tesco/Booker	Referred to Phase 2 and cleared	12/07/2017	20/12/2017
Origin UK/Bunn Fertiliser	Accepted undertakings in lieu after Phase 1 decision	14/07/2017	n/a
John Wood Group/ Amec Foster Wheeler	Accepted undertakings in lieu after Phase 1 decision	02/08/2017	n/a
Vision Express/Tesco Opticians	Accepted undertakings in lieu after Phase 1 decision	28/09/2017	n/a
Refresco/Cott	Accepted undertakings in lieu after Phase 1 decision	03/01/2018	n/a
European Metal Recycling/Metal & Waste Recycling	Referred to Phase 2 and currently ongoing	24/01/2018	n/a
Mole Valley Farmers/ Countrywide Farmers	SLC finding; merger reference was cancelled after the parties abandoned the transaction	21/02/2018	n/a



**Competition
ensures that firms
that put their
customers first can
succeed and grow**

Making markets work better

We aim to secure lasting change in sectors that matter to consumers, businesses and the UK economy. Our work takes us into markets at the heart of people's lives and at the centre of the UK's rapidly changing economy.

We have powers to bring about change to make markets work in people's favour even where there has been no formal breach of competition or consumer protection law.

We often work in large and important markets, seeking to achieve positive changes for consumers, businesses and the economy. This year, we completed market studies in two markets that affect many people either in their daily lives or when they are at their most vulnerable: digital comparison tools and care homes for the elderly.



CASE STUDY: DIGITAL COMPARISON TOOLS (DCTS) MARKET STUDY

'DCTS' range from price comparison websites to smartphone apps. They help people to compare products and services on quality as well as price, and to switch between suppliers.

DCTS have become an important way for many people to buy services such as insurance and utilities. For example, our survey showed that 84% of people looking for car insurance had used a comparison site, 67% looking for energy had done so, and 52% for broadband.

Our year-long examination found that these tools offer a range of benefits, including helping people shop around by making it easier to compare prices and forcing businesses to up their game. This is particularly helpful in sectors such as energy where people are less inclined to shop around.

We found that most consumers have a good experience of such tools – 60% of recent users were very or fairly satisfied – but we also heard concerns, especially on DCTS' transparency, accessibility and



clarity about their use of personal information. Although some vulnerable consumers cannot access DCTs, we heard that those who are able to do so can find them helpful. However, some DCTs appear not to be doing all they could or should to make their sites user-friendly for some vulnerable people and some may not be meeting the requirements of relevant equality law.

We laid down clear ground rules for how sites should behave, as well as being clear on how regulators can help DCTs to work better for consumers.

Our CARE principles demand that DCTs are Clear, Accurate, Responsible and Easy to use. They need to be upfront about how they make money and how they are filtering the search results, and be clear on how they protect personal information and how people can control its use.

We continue to work with the sector, regulators, and other bodies to ensure our recommendations are understood and taken on board.

Joining up our markets and enforcement toolkit, we launched a competition law investigation into how one site has set up its contracts with insurers, which we suspect may result in higher home insurance prices, and a consumer protection investigation into online hotel booking sites to find out whether their customers really are able to choose the best hotel deal for them.

We launched two new markets projects this year: a market study into domestic heat networks and a market investigation into the investment consultancy and fiduciary management sector, following a referral from the Financial Conduct Authority.

We are running this complex market investigation under our improved streamlined process, which should allow us to complete the work more quickly but without reducing its effectiveness. Under the improved process, we can have discussion with parties from the start about potential remedies alongside discussions about possible competition issues, we are reducing the number of fixed formal consultation points, and we are strengthening links between market studies and market investigations by ensuring a smoother transition between them.

2017/18 was a big year for our market remedies from our market investigations into energy and retail banking, and our market study into legal services in England and Wales, taking effect. Taken together, these markets have a combined market turnover of over £80 billion and affect millions

of households and businesses across the UK. They are also big contributors to the UK economy.

Following our energy market investigation, four million households on pre-payment meters are benefitting from a price cap, which we imposed with effect from April 2017. This is helping to keep costs down for some of the most vulnerable households, reducing their bills by an average of £75 per customer per year, or around £300 million in total.

We found that around 45% of microbusinesses were stuck on their supplier's expensive default tariffs. It was difficult for these customers to shop around as energy price information was not easily available. In some cases, microbusinesses also found themselves being 'rolled over' onto these contracts, with limited opportunities to switch, when their original deal ended. We ordered suppliers, from June 2017, to stop locking small firms into automatic rollover contracts and to make it easier for microbusinesses to compare the cheapest energy prices, by making information clearly available on their website, or via a link to a price comparison website.

CASE STUDY: CARE HOMES MARKET STUDY

Following an extensive review of whether the residential care homes sector is working well for older people and their families, we called for urgent reform so that people get the support they need in their old age, and took action against some homes.

Care homes provide a vital service to some of the most vulnerable people in our society. It is essential that residents and their families can make informed choices, understand how these services will be paid for, and be confident they will be fairly treated and able to complain effectively if they have concerns.

We found that fee rates paid by local authorities were below the level needed to sustain the industry. We also found that providers are not investing in new care homes intended for local authority-funded residents because of uncertainty about future social care policy and levels of future funding, including whether local authority fee rates will cover the full costs of care. Most care homes serve a mix of local authority-funded and self-funded residents, where there are substantial differences in the fee rates they pay; we estimated the fee differential for larger care homes at 41 per cent. We do not think this is sustainable.

We identified an immediate shortfall in the funding shortfall of care homes of around £1 billion a year across the UK. This sum is the minimum needed to support the existing care homes most at risk of closure just to maintain current service provision. Beyond the challenges of continuing to meet existing needs, the sector must also invest substantially to meet growing care needs for an ageing population.

We found that the basic information and support needed is often not available to help the elderly to choose the right types of care and find the right care home. It is extremely challenging for them to make informed choices at what can often be an emotionally traumatic time. Finally, we found that residents and their families often find it difficult to raise concerns or make complaints, and that the systems for redress and feedback within care homes need to be improved.

We made a range of recommendations to the UK and devolved governments and others, to inform future social care policies and consultations in England, Scotland, Wales and Northern Ireland, including on creating a social care policy and funding that enables the sector to be sustainable and invest for the future. While some measures to address these challenges have already been introduced in Scotland and Wales, we reported that all the nations in the UK also will not be able to meet the growing needs of its ageing population without substantial reform to the way that councils plan and commission care, and greater confidence that the costs of providing care will be covered.

We also took direct action under consumer protection law. We wrote to several providers to set out our concerns about their business practices and contract terms around the charging of upfront fees, and for charging fees after a resident has died (so-called 'after death' fees). As a result, one of the leading care homes voluntarily dropped its after death fees and another major provider agreed to pay more than £2 million in compensation to a large number of families who had paid substantial upfront fees.

The Department of Health & Social Care welcomed our market study and accepted our recommendations either entirely or in principle. Our report and recommendations are being taken forward as a critical contribution to the government's Green Paper on the future of adult social care to be published in the summer of 2018.

These improvements are expected to help microbusinesses save up to £180 million a year.

These measures were part of a package of around 30 remedies resulting from the investigation, others of which are being taken forward by Ofgem and the government (which responded to our report in March 2018). Taken together, our remedies should help energy customers save money for many years into the future.

Following our legal services market study, we worked with the Legal Services Board (LSB) and eight frontline regulators in England and Wales to push ahead with the changes we recommended; recommendations designed specifically to improve transparency from legal firms on price, quality and service. In June, the regulators published detailed action plans for implementing our recommendations, making it easier for people to shop around and get value for money. We continue to work alongside them to ensure that customers – households and businesses – see the full benefit of our work in this sector.

Orders from our retail banking market investigation also came into force, which should help customers get a better deal from their banks. One important change is the further improvements made to the redirection service operated by the Current Account Switch Service (CASS). Switching is the best way for people and small firms to find better banking deals and save money, but we found that customers worried it was difficult and risky to change banks. The improvements to CASS will give customers greater confidence that a switch will be smooth and successful, and that all their payments will be made successfully, during and for years after the switch.

During our investigation, we found that banks receive around £1.2 billion a year from unarranged overdrafts. Banks must now alert their customers when they are about to slip into an unarranged overdraft and implement other measures, such as a grace period in which people can transfer money into their account to avoid being charged. This could create significant savings for many bank customers, particularly when combined with another of our orders that requires banks to publicly announce their maximum monthly charges.

A major part of our shake-up of the banking industry is Open Banking, which has the potential to radically change how people manage their finances. The UK is the first country to adopt open banking but there now around a dozen countries where it is either being contemplated or implemented. You can read more about this on page 55.

THE OPEN BANKING REVOLUTION

Open Banking is going to put people in control of their financial data and help them manage their money better. This ground-breaking intervention represents a step change in how people bank, by allowing customers to share their data with trusted providers of financial services.

Our market investigation found that banks didn't have to work hard enough to keep their customers and as a result consumers and small businesses were not getting a good deal.



For a long time, it has been very difficult for bank customers to work out if they are getting good value – bank charges are personalised, complicated and opaque. This is a central problem of competition in personal banking, which Open Banking addresses head on. By using a new breed of comparison tools enabled by Open Banking, people will be able much more easily to find the best current account for their needs, based on their individual transaction history. Alongside this, Open Banking will also make it easier for people to apply for a mortgage, or for small businesses to apply for a business loan, by sharing the contents of their bank statements electronically with a lender.

People will also be able to use apps which provide new services that could save them money. For example, we found that banks impose big charges for overdrafts, particularly unauthorised ones. A 'sweeping' service using Open Banking technology could monitor a person's bank balance, automatically push money into their account to avoid overdraft charges, take it out again when they are back in credit, and guarantee to charge them less for this borrowing than their bank would. This new breed of app could alternatively be instructed to push money out of a person's current account into a savings account in a different bank where this would help them to earn more interest.

While some services like this already exist, people have to disclose their online banking credentials including their password. With Open Banking, they don't have to do this, improving security which will make more people comfortable to use such services.

We made sure that Open Banking services were thoroughly tested before being made available publicly, in particular to ensure that the banks' systems were appropriately secure. The banks started a rigorous testing programme in January 2018 and completed this process by April 2018 when the new services first appeared on the market.

We anticipate that Open Banking will make a transformational change to banking for personal customers and small businesses, employing innovative and secure apps to provide personalised services and information to make it easy for people to find the best banking products for them.

The CMA is also responsible for conducting regulatory appeals, where the CMA acts as an expert tribunal, hearing appeals where a regulatory decision by a sector regulator has been challenged. The decisions being challenged in such appeals often concern significant sums

of money for the regulated companies, influence billions of pounds of investment each year, are key to the UK’s outstanding record in attracting foreign direct investment, and affect millions of people across the UK.

REGULATORY APPEALS

Decisions by UK economic regulators, predominantly relating to price controls and charges for access to regulated infrastructure, can be appealed to the CMA. This appeal regime is intended to provide an opportunity for an independent review by an expert body of what are often complex decisions, requiring specialist economic skills and judgment. Appeal decisions need to balance a wide range of factors, including both the needs of customers and the need for companies to be able to invest in the infrastructure needed to provide essential services used by all such as power, water and communications.

The CMA’s appeal functions are largely in these regulated infrastructure sectors, which cover approximately £50 billion of revenues per annum. Regulatory references and appeals can currently be made to the CMA in relation to decisions made by nine different regulators across ten sectors of the economy:

Regulator	Sector
Ofwat (England and Wales)	Water and sewerage
WICS (Scotland)	Water and sewerage
Ofgem (Great Britain)	Gas, electricity
Office of Rail and Road (Great Britain)	Railways
Ofcom (UK)	Telecommunications, post
Civil Aviation Authority (UK)	Airports, air traffic control
Payment Systems Regulator (UK)	Payment Systems
NHS improvement (UK)	Healthcare
Utility Regulator (Northern Ireland)	Electricity, gas, water

Having a right to appeal a regulatory decision provides confidence to investors in UK regulated infrastructure that decisions will be fair and balance all the relevant issues, as well as providing consumers with additional protection that the prices charged in regulated markets are not set too high.


In considering regulatory appeals and references, we use our economic and financial expertise and knowledge of markets. The structure of the CMA, with independent panellists with commercial and regulatory expertise, allows us to act as an impartial appellate body, to review regulators' decisions and where necessary implement remedies, with an understanding of how the decisions will affect the development of competition in the regulated sectors.

We issued final determinations in four regulatory appeals in 2017/18. The details are below.

Case	Issues	CMA Decision	Size
Business Connectivity Market Review leased lines price controls appeal, April 2017	This was an appeal by CityFibre and TalkTalk of a decision by Ofcom to impose a new 'Dark Fibre' access obligation on BT. BT lays fibre optic cables (leased lines) which directly connect businesses and business districts to its network, resulting in very fast connections. Ofcom's proposal was for BT to introduce a product allowing other operators to use BT's cables for their own business services, in return for a fee to allow BT to recover the cost of installing the cables. CityFibre, an infrastructure operator competing with BT, and TalkTalk, a business retail operator, appealed to us that Ofcom's decision included errors in how prices were set.	We accepted TalkTalk's appeal, on the basis that Ofcom's treatment of business rates when setting the price control was wrong. The CMA rejected CityFibre's appeal.	The UK market for such leased lines is worth around £2 billion.
Firmus Energy (FE) energy licence modification appeal, June 2017	FE has the licence to develop a gas distribution network in 10 towns across Northern Ireland. The appeal related to the price control on FE set by the Utility Regulator (UR) for the six-year period from January 2017 to December 2022. FE submitted four grounds of appeal covering operating costs, new connection targets, under-recovery of revenues and its cost of capital.	The CMA allowed the appeal on some of the grounds, concerning the new connection targets and operating costs. The CMA rejected FE's appeal in whole on two other grounds.	The CMA's decision rejected c.£12 million of additional revenue that Firmus was seeking, compared to its annual revenue of c.£26 million.

Case	Issues	CMA Decision	Size
System Operator of Northern Ireland (SONI) energy licence modification appeal, November 2017	This was an appeal by the independent System Operator of Northern Ireland for electricity (SONI) against the regulatory framework imposed by the UR, following a change whereby it took on new responsibilities from Northern Ireland Electricity (NIE). SONI has relatively low assets (<£10 million) and revenues (total revenues <£20 million per year), but has a key role in planning and operation of the NI electricity network. It said it was taking too much risk given its small size and could not finance its activities.	We accepted certain of SONI's grounds of appeal, agreeing with the appellants that the revenue allowance was insufficient for SONI to manage its operating risks.	The CMA's decision increased the allowed return for SONI over the five-year charge control by £5.4 million.
SSE/EDF Energy code modification, February 2018	EU regulation sets limits on the transmission charges levied on UK generators at €2.5/MWh. Whether the cap has been breached in 2015/16 was dependent on whether charges for generation-only spurs (GOS) connecting offshore windfarms to the onshore grid were included in the cap. SSE and EDF submitted that the charges were transmission charges and therefore should be included in the cap, whereas Ofgem submitted that the charges should be excluded.	The CMA agreed with Ofgem that – applying the correct approach to EU law – the charges for offshore GOS were excluded from the cap and therefore there had not been a breach of EU Regulation. The appeal was therefore rejected in full.	The generators were seeking a rebate worth £120 million, which was rejected by the CMA.





**Competition makes
a difference in the
daily lives of people
across all nations
and regions**

The CMA across the UK and the world

Achieving our mission relies heavily on productive relationships in the UK and internationally, both with those like us who have competition and consumer policy at their core, and with those whose principal focus is on other policy objectives.

This year we have continued to work hard to sustain and develop productive partnerships both at home and abroad.

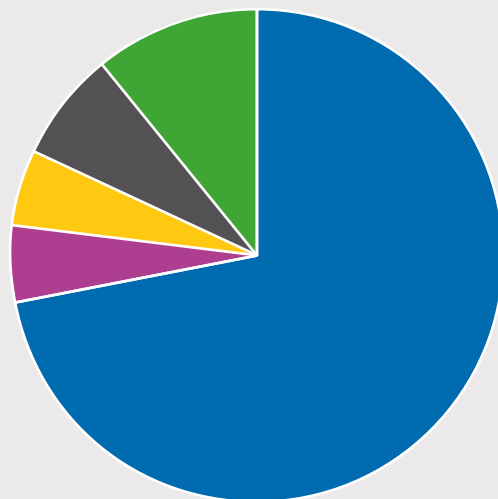
WORKING FOR ALL PARTS OF THE UK

As a UK institution, the CMA has a remit that extends across England, Northern Ireland, Scotland and Wales.⁵

While most of our staff are located in our London office, we have representatives in Scotland, Wales and Northern Ireland. This year, we announced that we intend to expand our office in Scotland to accommodate a team of around 25-30 staff.

As well as continuing to build on relationships with partners in the nations, we have engaged with partners in different English regions, including those with devolved powers, to help us better understand the challenges facing local economies. We have also appointed Director-level Champions covering all nine English regions to help us identify and engage with key stakeholders, secure a clear understanding of regional issues and differences and identify opportunities or risks and respond accordingly.

Geographic reach of CMA projects



⁵ The CMA did not carry out any Scotland- or Wales-only projects in 2017/18.

This year we engaged with the devolved governments on a number of policy initiatives, including public transport (rail, taxi and bus policy in Wales and Scotland), property management and consumer policy. We have responded formally to government consultations on district heating, buses/taxis, legal services and the collaborative economy. And we delivered Competition Impact Assessment training in Northern Ireland, Wales and Scotland.



We continue to meet regularly with the Scottish Government in respect of its consumer and competition policy and responded last year to its consultation on the development of a Consumer Taskforce for Scotland.

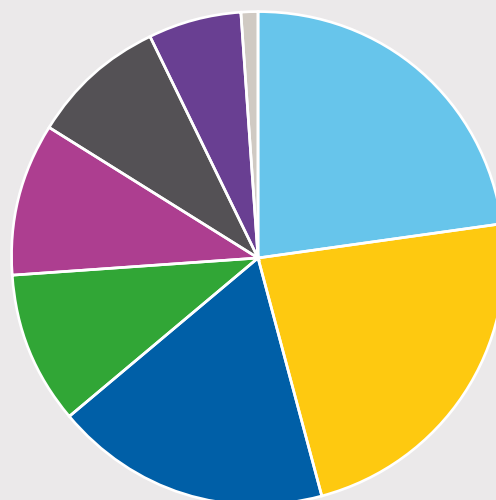
On cross border issues, we have maintained our strong relationship with the Competition and Consumer Protection Commission (CPC) in the Republic of Ireland to coordinate our work and protect consumers, including a secondment of one of our mergers officials to the CPC.

Our business engagement continued during the year through direct promotion of our compliance campaigns. In particular, there was productive engagement in Northern Ireland on our cartels campaign with the CBI, Institute of Directors and the government’s Central Procurement Directorate (who actively supported the development of the CMA’s bid-rigging tool).

During 2017/18 the Board held formal meetings in Birmingham and Edinburgh, also engaging with a broad group of stakeholders in both cities. CMA staff were involved in a wide range of externally facing engagement in the nations, contributing to events on a wide range of topics including algorithms, consumer enforcement, EU exit and open banking.

Devolved nations engagement 2017/18

Consumer bodies	23%
Devolved governments and legislatures	23%
Regulators	18%
Business	10%
Other	10%
Other public sector	9%
Legal professionals	6%
Academic	1%



WORKING IN PARTNERSHIP IN THE REGULATED SECTORS

Our latest Annual Concurrency Report shows that the concurrency arrangements have been working well and that the levels of cooperation between the CMA and the regulators have strengthened significantly since new legislation came into force in 2014, resulting in more effective application of competition thinking and powers in the regulated sectors.

The first couple of years of the regime were about putting in place the building blocks for more effective competition enforcement and developing cooperation between the regulators. The last two years have been about deepening that cooperation.

The CMA and the sector regulators have been working together to increase the effectiveness not only of Competition Act 1998 (CA98) enforcement in the regulated sectors, but also the promotion of competition for the benefit of consumers through effective markets work and other areas of competition policy and regulation.

Almost all the regulators with concurrent powers have opened a competition enforcement investigation since the start of the concurrency regime in 2014. Four new investigations were launched in the regulated sectors in 2017/18 – in the energy, airport services and financial services sectors – compared to two in each of the previous two years.

Meanwhile we have carried out or are carrying out significant markets work alongside our regulatory partners, including the digital comparison tools study (Ofcom, Financial Conduct Authority (FCA) and Ofgem) and heat networks study (Ofgem), and the in-depth market investigation into the investment consultancy services and fiduciary management services markets (following referral by the FCA). The regulators have also undertaken a wide variety of market reviews under their sector-specific powers, such as the FCA's market study into how investment platforms compete for both advised and non-advised retail investors and Ofwat's review of the New Appointment and Variations market.

The FCA and Ofgem, with assistance from the CMA when necessary, have continued implementing remedies from the retail banking and energy market investigations, while Ofcom has worked to promote competition in fixed-line services by creating a more independent Openreach.

The number of CA98 cases is only one factor in assessing the impact of the concurrency arrangements. In particular, there has been increased sharing of know-how, innovation and expertise between the CMA and the regulators.

The CMA has supported the regulators on procedural and substantive issues, sharing expertise and advice earlier in cases to enable more effective enforcement. In the other direction, regulators have shared know-how gained from their own enforcement experience and their sector expertise, not only to assist the CMA in CA98 cases but also in markets, merger control and other competition policy work.

This is one of the real benefits to have been realised through the strong working relationships that have developed as a result of the concurrency regime, which goes beyond competition enforcement to support closer working on, and greater effectiveness of, all aspects of competition regulation and policy.



WORKING ACROSS GOVERNMENT

Government can harness competition to make markets work in consumers' and taxpayers' favour. In some cases, its actions may restrict competition – either inadvertently or to achieve other policy aims.

Our ambition is to be seen as a trusted but challenging competition and consumer protection adviser to the UK and devolved governments, promoting the benefits of competition and raising awareness of policies, practices and regulations that could inadvertently reduce competition and mean over the long term, markets work less in people's favour.

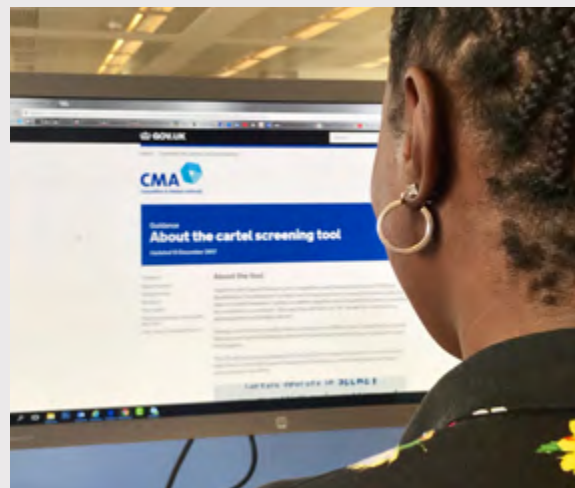
This year we have continued to guide policy development, including on the UK's exit from the EU, sometimes away from public view.

We are participants in a group advising ministers in the Department for Transport on the future of regulation of taxis and private hire vehicles, and we seek to ensure that due regard is given to the benefit of competition for passengers. We also publicly responded to government consultations on the Industrial Strategy and on proposals to extend the scope of the national security public interest test, with advice on how competition could best support economic growth, and on how to safeguard national security whilst also retaining the benefits of a predictable and independent mergers regime.

To help procurement professionals across the whole of government – both in local and national government, and in private business – we launched a free digital Screening for Cartels tool to help identify suspicious behaviour by suppliers when bidding for contracts. Bid-rigging in the public sector can cost taxpayers many millions of pounds and this software uses algorithms to spot unusual bidder behaviour and pricing patterns which may indicate that bid-rigging has taken place.

The tool was shortlisted for a public finance innovation (digital finance project of the year) award.

In 2016/17, we used our power to make formal recommendations on the Higher Education and Research Bill. We built on those recommendations this year to offer detailed comments on the Higher Education regulatory framework. The Department for Education publicly credited the CMA with inspiring policy change on issues originally considered too radical, and the work has won the International Competition Network and World Bank Group's Competition Advocacy Contest on prompting structural reforms in key sectors.



WORKING IN PARTNERSHIP INTERNATIONALLY



International cooperation is essential to the successful delivery of our work, allowing us to achieve better casework outcomes and helping us to influence UK and wider law and policy development. This will be particularly important following the UK's exit from the EU.

We have continued to play an active role in competition and consumer protection networks across the world, including the International Competition Network (ICN), the OECD and the International Consumer Protection and Enforcement Network. We have also worked closely with European competition authorities, including the European Commission. We have done so bilaterally and as part of the European Competition Network (ECN) and the EU Consumer Protection Cooperation Network, cooperating on enforcement matters and other initiatives.

One of the questions that competition authorities around the world are increasingly considering is how might businesses' use of algorithms affect competition and consumers. In 2016, we carried out an enforcement investigation into two sellers on Amazon Marketplace who used price-matching software to give effect to an illegal agreement not to compete with each other on price, and we have been doing a range of work to learn more about the impact of algorithms on competition, markets and consumers.

A CMA cross-organisational Algorithms Steering Group has been carrying out economic research and legal analysis, and has contributed to international thinking on these issues. We took part in an OECD Competition Committee on Algorithms and Collusion, where we presented our insights from our case experience and wider work on algorithms, working with other competition authorities around the world to share experiences and discuss common challenges, and presenting our views at international conferences.

In November, we welcomed our Dutch and Italian counterparts to our head office for a roundtable where we shared our views and experiences, and committed to working closely together in the future. We will continue to play an active part in policy development in relation to algorithms and personalised pricing, both domestically (with government and the Information Commissioner's Office) and internationally (in particular through the OECD and ECN Digital Markets Working Group).



As part of the ICN, we led a new project to explore how different authorities conduct vertical merger analysis. With the assistance of ICN partners, we carried out a comprehensive survey on theories, practices and case studies, and set out a comprehensive report on the approaches in different jurisdictions. Our report, which ICN partners explored at the 2018 annual conference, will inform further work in 2018/19.

WORKING WITH CONSUMER ENFORCEMENT PARTNERS



We work alongside consumer enforcement and advice partners across the UK and overseas to ensure that the arrangements for working together are as effective as possible and that we use our expertise and knowledge to ensure consumers’ rights are protected.

We worked closely with the Gambling Commission in our consumer protection investigation into misleading promotional practices in the £4.7 billion online gambling sector. We shared appropriate information to ensure that the CMA benefits from the

Gambling Commission’s sector and regulatory expertise, and that the Gambling Commission in turn continues to build its capability in assessing issues of fairness in this sector. You can read more about this investigation on page 34.

We have also continued to focus on strengthening our and other UK enforcers’ ability to work collaboratively with international colleagues, to ensure that UK consumers are adequately protected when buying goods and services from abroad. We secured membership of the Bureau of the OECD Committee on Consumer Policy (CCP), which should help us to strengthen relationships with other Bureau members, such as France, Japan and the US, and to help shape policy internationally. We have also joined the International Consumer Protection and Enforcement Network’s (ICPEN) Intelligence Steering Group, through which we will help shape the Network’s enforcement priorities.



A blurred office hallway with people walking, overlaid with a purple tint and white text. The text is centered and reads:

**Our achievements
are built on the
hard work and
professionalism
of our staff**

Making the CMA a great place to work

The work of the CMA is more than the sum of our parts and we recognise fully that the achievement of our objectives is down to our highly experienced and professional staff.

We detail below some way in which we support our staff in making the CMA a great place to work. We have also developed a Corporate Action Plan to address themes coming out of recent staff surveys, led by our Senior Directors and supported by local plans for individual teams.

WELLBEING AND MENTAL HEALTH ACTION GROUP

More and more organisations across private, public and third sectors are recognising the importance of wellbeing and mental health to their ability to carry out their work successfully.

In February 2017, our Chairman was proud to sign the Time to Change pledge, which represents our public commitment to tackling mental health stigma and discrimination at the CMA. In the year since, our Wellbeing and Mental Health action group has continued to promote 'wellness at work' and work towards creating an environment in which colleagues can talk openly about how they are feeling. The group led a variety of events including tea and talk sessions facilitated by senior members of CMA staff, talks by external guest speakers on topics such as resilience and dealing with bereavement, blogposts by CMA colleagues who spoke openly about their mental health challenges and how they combated it, and the CMA's second wellbeing week in October 2017.

This work on organisational culture has been amplified by practical measures to support colleagues who are having a tough time. This includes training people to give face to face, accredited, mental health first aid to support colleagues with mental health concerns. In collaboration with the Equality, Diversity and Inclusion working group, the group carried out a survey that helped it to identify areas that needed more focus and accountability from the organisation.



The group has suggested how the CMA could improve its ways of working to better promote wellbeing and good mental health. As a result, our project management framework (the clear, standardised framework for managing our frontline projects) now includes a principle on 'effective team working' that helps project leaders to support staff wellbeing and improve overall team dynamics.

EQUALITY, DIVERSITY AND INCLUSION WORKING GROUP

The CMA wants and needs to be a great and inclusive place to work to attract and keep talented professionals. It is also essential that we, in our important work on behalf of UK consumers, reflect the diversity of the wider UK population. A diverse and inclusive workplace ensures that the broadest possible range of views are articulated and inform our approach to the exercise of our functions.



In 2015, we established the CMA's Equality,

Diversity and Inclusion Working Group whose mission is to support the CMA to become a diverse and inclusive organisation where we understand, accept, respect and value all people. In the past year, the Working Group has undertaken a wide range of activities, working together with other internal networks such as the CMA's Wellbeing and Mental Health Action Group. These included:

- A panel event with guest speakers from the Financial Conduct Authority, Department for Digital, Culture, Media and Sport, Nationwide and Baker & McKenzie exploring the theme of 'Building a Diverse and Inclusive Workplace'. The panel explored practical steps that organisations can take to foster an inclusive work environment, and create a positive momentum for change.
- An internal workshop exploring the role that faith and religious identity plays for those working at the CMA, and whether there is more the CMA can do to support people of different faiths or to improve understanding of issues around faith and religious identity. This event has led to the creation of a CMA multi-faith network.
- An internal presentation and TED talk on intellectual diversity, considering the risks of group-think.
- A rolling series of presentations by members of CMA staff under the banner 'Tea and Talk'. These presentations have explored the personal experiences of CMA staff in relation to a number of important themes and topics, including parenting and caring for children with special needs, depression, adoption and living with acquired brain injury.
- Supporting four members of staff to join the Positive Action Pathway, a Civil Service development programme for staff members from under-represented groups.

2017/18 has also seen the creation of further internal CMA networks, including a dyslexia support group as well as the multi-faith network. And all members of the CMA's senior leadership team were asked to renew an individual and specific pledge to undertake at least one specific action

during 2017/18 to promote diversity and inclusion. We have also conducted an internal survey to assess the CMA's staff perceptions about the CMA's progress on equality, diversity and inclusion matters, and to invite suggestions about further activities that would support the creation of a diverse and inclusive workplace.

However, our current diversity data highlights that the CMA needs to do more to advance equal opportunity for BAME and disabled people, and to improve the diversity of our Senior Leadership Team, where we are below the civil service averages. We take these issues very seriously, and we have identified a number of specific areas where we intend to focus our activity in the year ahead to address these as well as other issues that our work has identified. These include capturing and using diversity data more effectively; reviewing how we empower staff to work flexibly; creating new routes for talent to join from a wider pool and to progress within the CMA and gaining Disability Confident accreditation.

**Competition
rewards businesses
that innovate**

Evaluation and Research

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 each year. 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.

Our evaluation work forms part of our wider portfolio of economics research, which helps us deliver projects more effectively and make better decisions for consumers and the economy.

Impact estimation

Our performance management framework commits us to achieving direct financial benefits to consumers of at least 10 times our cost to the taxpayer. The target is measured as a three-year rolling average, so for 2017/18 the calculation is based on cases concluded in the three financial years since April 2015.

We undertake this assessment, with subsequent review by an external academic. Our methodology is based on that developed by the Office of Fair Trading (OFT), validated by successive independent academic reviewers and consistent with approaches now regarded by the OECD as international good practice.

For the period 2015 to 2018 our estimated average direct financial benefit to consumers was £1.1 billion per annum and the ratio of direct benefits to cost was 17.0:1. For this period, our markets work generated an average of £722 million per annum of direct financial benefit, with a further

£105 million from competition enforcement, £61 million from consumer enforcement and £163 million from merger control.

The methodologies underlying the estimates of direct financial benefit are recognised as being conservative. They 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.

We have published our review of existing academic studies on the deterrence effects of competition enforcement.⁶ This research suggests that interventions by competition authorities can have substantial effects in addition to the direct benefits to consumers. To our understanding of the wider benefits of our interventions, we commissioned DotEcon and IFF Research to estimate the indirect deterrent effect of five competition enforcement cases, as described below.

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

Independent evaluations of cases

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

In 2017/18, we commissioned DotEcon and IFF Research to conduct an ex-post evaluation of five competition enforcement cases. The focus of the study was to estimate empirically the deterrent effect of specific cases, and to draw lessons about our cases and follow-up compliance actions that are associated with or lead to higher direct and indirect impact.

⁶ <https://www.gov.uk/government/publications/deterrent-effect-of-competition-authorities-work>

DotEcon found evidence of a clear link between our intervention and greater levels of awareness and understanding of competition law, and estimated that the indirect deterrent effect of those cases were several times higher than the direct financial benefit to consumers. DotEcon made recommendations on our awareness raising activities and the impact of fines, which we will consider.

A second evaluation was conducted as part of our Digital Comparison Tools market study, and looked at the impact of our 2014/15 prohibition of wide price parity clauses in contracts between the providers of private motor insurance and price comparison websites.⁷

In 2015, we ordered private motor insurance providers and price comparison websites not to use clauses where an insurance provider agrees not to offer an insurance product at a lower price on any other sales channel than on the price comparison website, or to engage in any equivalent behaviour. These wide price parity clauses reduce the incentives for price comparison websites to compete on the level of commissions that they charge insurance providers, and they reduce the ability and incentive of price comparison websites to enter and expand by seeking to attract lower prices for insurance products from providers via lower commission fees.

We estimate that wide Most Favoured Nations arrangements increased commissions by around 3 to 4% on average during 2010 to 2016.

Economics Research

The main purpose of our economics research programme is to help us deliver projects more effectively and make better decisions in our cases. It can also play a role in supporting our strategic priorities and vision and in building our reputation for thought leadership.

Research can help us perform better by:

- Improving our analysis of common economic issues;
- Helping us understand issues better to prioritise cases; and
- Providing tools to help us conduct our work more effectively and efficiently.

For 2017/18, our main economic research projects have been:

- A published literature review on the indirect effects of competition authorities' work;⁸
- A published submission to the OECD on common ownership by institutional investors and its impact on competition;⁹
- The impact of pricing algorithms on collusion and personalised pricing; and
- A joint research project with the Dutch ACM on estimating the prevalence and effects of trademark keyword restrictions in search advertising (also known as non-brand bidding agreements).

Our research on pricing algorithms and search advertising restrictions, and our research on consumer and firm's online search behaviour in 2016/17, builds on our commitment, in our 2017/18 and the 2018/19 Annual Plans, to prioritise online and digital market by investing further in our in-house expertise, to increase our understanding of e-commerce markets and practices, and to keep up to date with their rapid evolution.

⁷ See paragraphs 3.21 to 3.26 and Appendix 2 of Paper E of the Digital Comparison Tools Market Study Final Report

⁸ <https://www.gov.uk/government/publications/deterrent-effect-of-competition-authorities-work>

⁹ [https://one.oecd.org/document/DAF/COMP/WD\(2017\)92/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2017)92/en/pdf)





Sustainability Report

We continue to support the 'Greening Government Commitments: Operations and Procurement (GGCOP)' targets and the Government's 'Sustainable Development Strategies' which are designed to reduce the organisation's impact on the environment.

We are a relatively small government organisation, with our HQ based in a multi-tenanted office building within central London (Victoria House), and a small number of representatives in Scotland, Wales and Northern Ireland.

In our London office, our utilities, air-conditioning and most of our waste services are provided by our landlord. The building has other tenants from the private sector and the landlord provides limited energy and waste information to individual tenants. Our representatives in the devolved nations are housed by other government departments.

In September 2019, we plan to move our head office to new offices in London and to move and further expand our presence in Edinburgh. Both moves will mean that we will be able to provide better accommodation for our staff and to reduce our impact on the environment.

Flexible approach to working patterns and work life balance

To make the most efficient use of our workplace, we adopt a hot desking system, operating in 'villages' to ensure collaborative working and encouraging our staff to work from home where appropriate.

We regularly review our use of office space to ensure that our villages are reconfigured to meet our case teams' needs and we also regularly review any files or equipment that we store.

These activities have helped us to comply with the Government's Estates Strategy, as we continue to achieve a ratio of approximately eight desks for every 10 members of staff, based upon a density of 8m² of total internal space for each employee (excluding the CMA's Hearing Rooms).

In 2018/19, we are expecting our headcount to increase by 140-50 FTEs. During this time, we will be looking at a number of choices to create a good working environment for staff despite the increase in headcount. Options under consideration include increased remote working and office reconfiguration.

Details of the other actions we have taken to assist our staff with improving their work life balance are included in the 'Making the CMA a great place to work' chapter, and include ongoing programmes, educational assistance, employee assistance and counselling programmes, alternative work arrangements and supporting the HMG Apprenticeship programme.

Health and Safety

We believe that the health, safety and welfare of our employees and others affected by our operations are of paramount importance, including that of contractors and visitors to the CMA's offices. We updated our health and safety policy in 2017 and we also undertook work to improve our business continuity and incident management arrangements. We had no serious injuries last year and only a small number of workplace accidents were reported.

People

We encourage 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. In the past year, our staff have raised money for a number of charities including the British Heart Foundation, Rethink Mental Illness and SANE.

In mid-2016, we set up a Wellbeing and Mental Health Action Group (you can read more about this on page 69). We also continued to work with our landlord to improve the wellbeing of staff. Initiatives this year have included lunch time runs, the provision of table tennis, yoga and pilates, and a jointly-hosted Wellbeing Fair.

The CMA also contributes to the Camden Council Business Improvement District (BID) levy. A BID is a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area. Under the scheme improvements may include, but are not limited to, extra safety or security, street cleansing and environmental measures.

Heating, ventilation and air conditioning (HVAC)

The heating, ventilation and air conditioning within Victoria House is controlled by a modern Environmental Building Management System (EBMS), 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. We utilise point of use water heaters for most of our hot water needs.

In 2017, we worked with the landlord to optimise the control of the HVAC plant to reduce energy usage and costs and installed additional control and monitoring equipment that will allow the CMA's equipment to be operated in a more efficient manner.

Lighting

We have installed additional lighting controls in some areas of our property which incorporate presence detection. We also continue to encourage members of staff to switch off lighting in meeting rooms and conference rooms when these facilities are not in operation.

We have installed LED lighting in various areas which significantly reduces the electricity usage required for lighting these spaces.

Information technology

To further reduce consumption of energy and other resources, we have realised savings through the following initiatives:

- reducing the use of multiple computer screens for staff, instead providing efficient screens with the ability to display multiple documents at the same time
- continuing to migrate our services to the cloud through the replacement of our virtual desktop infrastructure and expanding our use of online file hosting services
- installing automated blinds to our hearing rooms, thereby reducing solar gain
- using collaboration and teleconferencing solutions in our hearing rooms and meeting rooms
- reducing the need for printing materials for meetings by providing IT equipment to enable flexible and mobile working
- reducing the need for travel through an improved teleconferencing solution.

CRC Energy Efficiency Scheme

Victoria House became eligible for the second phase of the CRC (Carbon Reduction Commitment) Energy Reduction Scheme in 2014. Under the terms of the lease, all tenants, including the CMA contribute to this scheme through the landlord.

We continue to actively support our landlord's Green Forum which is designed to work collectively to reduce environmental impact associated with Victoria House.

Greenhouse gas emissions – travel

	Year	Spend (£)	Distance (miles)	Emissions (Kg CO ₂ e)
Air travel	2015/16	119,120	627,790	93,440
	2016/17	67,690	250,800	46,440
	2017/18	75,974	312,356	54,785
Rail travel	2015/16	41,290	128,860	9,390
	2016/17	52,890	157,984	10,138
	2017/18	54,038	153,849	8,898

The rail figures reflect our drive to utilise collaborating and teleconferencing solutions in our hearing rooms and meeting rooms. The increase in air travel reflects our work to maintain working relations with the EU and the broader competition world. We continue to use rail travel (for example Eurostar) as an alternative to international air travel wherever this is feasible.

We use a business travel management company to provide our rail and air travel. The service allows us to book travel at real time prices

allowing us to save money and ensure that staff travel safely and securely. In line with our travel and subsistence policy, most of our travel is at standard (rail) or economy (air) class.

Greenhouse gas emissions – utilities

As the CMA is an occupant of a multi-tenanted premises, the landlord provides utility services. Our consumption is listed in the table below.

	Year	Consumption (kWh)	Emissions (Kg CO ₂ e)
Electricity	2015/16	1,913,570	884,430
	2016/17	1,643,760	845,290
	2017/18	1,471,900	661,358
Gas	2015/16	814,880	150,310
	2016/17	993,810	183,370
	2017/18	801,117	147,422

These figures are apportioned across all tenants. The reduction in electricity consumption can be attributed to the measures that we have undertaken to reduce consumption within our demise, the landlord’s negotiation of a 12 month half hourly electricity supply starting in July 2017 and the landlord’s negotiation of a 24-month gas supply contract starting January. We continue to work with our landlord to work collectively to reduce overall utilities usage throughout the property.

Water

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

	Year	Spend (£)	Consumption (m³)
Water	2015/16	21,310	9,910
	2016/17	25,030	11,310
	2017/18	28,063	12,991

Waste minimisation and management

The landlord handles and manages most of our waste and recyclables for the CMA, along with all the other tenants within Victoria House.

We have therefore provided details of the CMA’s percentage based on the area occupied in Victoria House compared to other tenants: this data aligns to the landlord’s financial year 1 January 2017 to 31 December 2017:

- Recycling: 15,692 kg
- Energy recovery: 33,967kg
- Waste arising: 49,936 kg
- Total recycling: 32%
- Total recovery: 68%

We have also provided figures for our own recycling activities, which includes recycling 100% of our confidential waste.

	Year	Recycled Waste (kg)
Recycled Confidential Waste	2015/16	22,920
	2016/17	24,490
	2017/18	10,435

By recycling our paper, we also made the following savings:

- 172 trees
- 24 m³ of landfill
- 43,818 kWh of power
- 6,259 kg of CO₂ emissions
- 33,856 litres of water

We believe the large savings in paper have been generated by the CMA’s move to smarter working and the introduction of new IT equipment.

Finite resource consumption

We continue our policy of printing through efficient multi-functional devices (MFDs), 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 the following amount of paper:

	Year	Reams of Paper
Use of Paper	2015/16	10,800
	2016/17	12,480
	2017/18	8,361

We believe the large savings in paper have been generated by the CMA's move to smarter working and the introduction of new IT equipment in 2017/18.

The CMA's paper is certified by the Forest Stewardship Council confirming that the CMA's paper is made from forest products produced from well-managed forests and/or recycled materials and Elemental Chlorine Free where paper is bleached using chlorine dioxide instead of using the environmentally less acceptable chlorine gas method of bleaching. Our paper also complies with ISO9706 accredited meaning that there is an alkaline reserve, in the form of Calcium Carbonate, which maintains the pH of the product above 7.0. This ensures that the product is suitable for long life documents, provided they are stored in normal conditions.

Our supplier is also ISO14001-accredited meaning that they have an effective environmental management system in place.

Sustainable procurement

Our purchasing activity continues to comply with the EU public procurement directives to achieve maximum value for money and to minimise waste throughout our supply chain. The CMA typically uses crown commercial service frameworks to ensure that any procurement activity meets agreed government standards. 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.

The CMA purchases a small amount of prepared foods typically sandwiches. Most of this food is purchased from Pret A Manger. In 2017 Pret reviewed its Sustainable Business Strategy and refined its approach into five key areas: health and nutrition; sustainable farming; resources; society; and people. The Pret Foundation Trust supports over 40 charities up and down the UK in the communities local to its shops.

CMA accommodation

In September 2019, the CMA head office is due to relocate to new accommodation in London. Likewise, our Edinburgh office will in 2020 be relocated into the UK Government's Edinburgh hub. Both the new offices will meet the standards set out in the GPU's Hubs policy, and the implementation of smart working is integral to both moves. We expect our property programme to increase productivity, reduce costs, improve wellbeing, support the attraction and retention of top talent and to contribute to wider objectives including sustainability. As a minimum both buildings will be designed to BREEAM (Building Research Establishment Environmental Assessment Method) 'very good standard' and the WELL building standard.

The aims of BREEAM are to:

- mitigate the life cycle impacts of buildings on the environment
- enable buildings to be recognised according to their environmental benefits
- provide a credible, environmental label for buildings
- stimulate demand and create value for sustainable buildings, building products and supply chains.

The objectives of BREEAM are to:

- provide market recognition of buildings with a low environmental impact
- ensure best environmental practice is incorporated in the planning, design, construction and operation of buildings and the wider built environment.
- challenge the market to provide innovative, cost effective solutions that minimise the environmental impact of buildings.
- raise awareness amongst owners, occupants, designers and operators of the benefits and value of buildings with a reduced life cycle impact on the environment.
- allow organisations to demonstrate progress towards corporate environmental objectives.

BREEAM considers amongst other factors, sustainability, water quality consumption and monitoring and the mitigating ecological impact of any building.

The WELL building standard focuses exclusively on human health and wellness, and marries best practices in design and construction with evidence-based medical and scientific research. It also sets performance requirements in seven concepts relevant to occupant health in the built environment – air, water, nourishment, light, fitness, comfort and mind. WELL spaces can help create a built environment that improves the nutrition, fitness, mood, sleep patterns, and performance of its occupants.

It is envisaged that by ensuring these standards are applied to both building, we will ensure that we will significantly improve the staff user experience and will contribute to making the CMA a great place to work.

The CMA's commercial and property teams will work together to ensure that any construction work – including the fit-out of our new buildings – will prioritise sustainability by using a public sector-approved contractor via an appropriate framework.

About our data

The utilities and most of our services are provided to us 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.

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



Andrea Coscelli

Chief Executive and Principal Accounting Officer
10 July 2018





Corporate information

General correspondence

In 2017/18 we handled 2,077 items of written correspondence from the public, which included many reports from consumers and businesses about anti-competitive behaviour or problems in markets, and which may lead us to scrutinise markets or investigate businesses that may be breaking the law. We have a 10-day working target for replying to such correspondence and responded to 82% of this correspondence within this target.

During 2017/18 we received 80 MPs letters. We responded to 92% of these within our target of 15 working days.

Freedom of Information Act (FoIA) requests

In 2017/18, we responded to 97% of the FoIA requests we received within the statutory 20 working day period. We also received and responded to seven appeals against non-disclosure of information; our original decision was upheld in all 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 three such appeals. Two are currently under consideration by the ICO and one complaint was not upheld by the ICO and was appealed to the First-Tier Tribunal. In this period, the CMA received three requests under the Data Protection Act 1988.

FoIA requests 1st April 2017 – 31st March 2018	
Total number of requests for information under the FoIA.	123
Of these:	
Number of requests granted in full	51
Number of requests where advice and assistance were provided to the requester	3
Number of requests refused in full because the CMA does not hold any of the information requested	15
Number of requests refused because the cost of the response would exceed the cost threshold	7
Number of requests refused because request was vexatious	1
Number of requests where the CMA refused to provide some of the information	11
Number of requests where the CMA refused all the information requested	35

Corporate complaints

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

own conduct. Under these terms, in 2017/18, the CMA received one communication which raised issues about our own conduct and which was treated as a corporate complaint; the complaint was not upheld in this case.

No complaints were made about the CMA to the Parliamentary and Health Ombudsman during 2017/18.



Accountability 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

Andrea Coscelli is the CMA's Principal Accounting Officer. The CMA Board advises the Principal 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 consists of the Principal Accounting Officer and the following executive and non-executive members:

Executive members:

Andrea Coscelli, Chief Executive/Principal Accounting Officer*

Erik Wilson, Executive Director, Corporate Services**

Michael Grenfell, Executive Director, Enforcement

Rachel Merelie***, Acting Executive Director, Markets and Mergers

Andrea Gomes da Silva****, Executive Director of Markets and Mergers

* At the request of the Board and Audit and Risk Assurance Committee a change to Accounting Officers was made in April 2018. Andrea Coscelli, is now the Principal Accounting Officer.

** Erik Wilson was appointed as Additional Accounting Officer in April 2018. In this role, Erik Wilson has responsibility for areas covering Corporate Services and wider corporate issues.

*** Rachel Merelie covered the role of Executive Director, Markets and Mergers on an interim basis until the permanent appointment of Andrea Gomes da Silva to this role. As part of the interim arrangement, Rachel Merelie attended the CMA Board in an advisory capacity, but was not a formal member.

**** Andrea Gomes da Silva was appointed to the role of Executive Director, Markets and Mergers on 15 March 2018.

Non-Executive members:

David Currie, Chair

Alan Giles, Senior Independent Director

Amelia Fletcher

Anne Lambert

Annetje Ottow

Jonathan Scott

Sarah Chambers*

William Kovacic

Martin Coleman**

* Sarah Chambers ended her appointment term at 31 March 2018

** Martin Coleman joined the CMA in October 2017.

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, Energy & Industrial Strategy.¹⁰

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 2017/18 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.

We have a Staff and Union Representative Executive (SURE) which is made up of Trade Union officials and Staff Forum members (our employee elected representative group) and whose role is to represent the interests of all employees. This group works with the CMA management team to maintain good employment relations.

¹⁰ See Remuneration and staff report, page 110

Our commitments to equality and diversity

In 2017/18 we built on the solid foundations of the Equality and Diversity Working Group, created in 2016, whose mission is to support the CMA to become a diverse and inclusive organisation where we understand, accept, respect and value all people. Working alongside existing and new internal networks a wide range of events has been made available to all staff. We have also surveyed staff about their perceptions of progress in this area and asked for their views on how to further support the creation of a diverse and inclusive workplace.

Further information on our commitments to equality and diversity is contained in the 'Making the CMA a great place to work' section of this report on page 69.

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 and Staff Report.

Auditors

Our resource accounts have been audited by the Comptroller and Auditor General who was appointed under statute and is responsible to Parliament. The notional cost of the audit is disclosed in Note 4 of the CMA's Financial Statements and relates solely to statutory audit work. The auditors did not undertake any non-audit work during the 2017/18 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

Two personal data incidents were formally reported to the Information Commissioner's Office (ICO) during 2017/18. These were reported on the 30 June 2017 and 31 January 2018. Both were relatively minor incidents and the appropriate internal action was taken and as such the ICO decided not to take any action. The CMA currently requires all staff to complete the Responsible for Information Course and also GDPR training to improve compliance with data protection legislation.

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/publications/cma-register-of-interests>. Panel members' relevant interests are disclosed as part of the appointment process for the inquiries in which they are involved.

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, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the CMA and of its net resource outturn, application of resources, 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 Chief Executive is Principal 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.

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

Signed for and on behalf of the CMA



Andrea Coscelli
Chief Executive and Principal Accounting Officer
10 July 2018

Governance Statement

Introduction

This Governance Statement sets out the governance, risk management and internal control arrangements for the CMA.

The CMA is the UK's independent competition authority, established by the Enterprise and Regulatory Reform Act 2013.

CMA Board

The CMA Board consists of the Chair, Non-Executive Directors, and Executive Directors (including the Chief Executive).

Our Board establishes the overall strategic direction of the CMA, ensures that we fulfil our statutory functions and obligations in relation to the use of public funds, and that we observe the principles of good corporate governance. The Board is decision-maker on reserved matters as set out in our Rules of Procedure.

Board attendance

The CMA Board met 11 times in 2017/18. We held two meetings outside of the London office, the first in Birmingham in September 2017 and the second in Edinburgh in January 2018. Our Board plans to continue to hold meetings outside of London and to use the opportunity these provide to meet and engage with relevant stakeholders.

Attendance of Board members at Board and committee meetings is set out in the table below. The Board is also advised by Sarah Cardell, General Counsel, and Mike Walker, Chief Economic Adviser.

Rachel Merelie attended the Board in her capacity as Acting Executive Director of Markets and Mergers. Paul Ellis, Director of Finance and Security, Paul Latham, Director of Strategy, Communications and Devolved Nations, and Erika Lewis, Director of Governance and Performance also attend the Board.

Board member	Board	Audit and Risk Assurance Committee (ARAC)	Remuneration Committee (RemCo)
David Currie	11/11	3/4	4/4
Andrea Coscelli ¹¹	11/11	4/4	4/4
Sarah Chambers	11/11	N/A	4/4
Martin Coleman ¹²	6/6	N/A	N/A
Amelia Fletcher	11/11	4/4	N/A
Alan Giles	11/11	1/1	4/4

11 Acting Chief Executive from April 2017. Permanent Chief Executive as of 26 July 2017.

12 Appointed to CMA Board in October 2017.

Board member	Board	Audit and Risk Assurance Committee (ARAC)	Remuneration Committee (RemCo)
Andrea Gomes da Silva ¹³	1/1	N/A	N/A
Michael Grenfell	11/11	N/A	N/A
Bill Kovacic	11/11	N/A	N/A
Anne Lambert	11/11	N/A	N/A
Annetje Ottow	8/11	N/A	2/4
Jonathan Scott	11/11	4/4	N/A
Erik Wilson	11/11	4/4	4/4

In September 2017, our Chair, David Currie, announced his intention to step down. BEIS launched a recruitment campaign for the new Chair in October 2017 and held interviews in February 2018. On 20 June 2018, BEIS announced that Andrew Tyrie is to become the new CMA Chair.

Board performance

Under the Rules of Procedure, our Board commits to annually reviewing its performance and that of its committees. Following the lengthy recruitment process for new Non-Executive Directors and the permanent Chief Executive that had taken place in 2016/17, and in light of the announcement of the Chairman's intention to step down from the Board, our Board did not undertake a review until spring 2018. The external review looked at the CMA Board, ARAC and RemCo and the review findings will inform and steer the Board at an important time as the new Chair joins the CMA.

The Senior Independent Member, Alan Giles, assessed the performance of the Chair in consultation with the Non-Executive Directors, and provided feedback to BEIS.

Board membership

David Currie (Chairman)

David Currie was Chairman of the CMA and was first appointed in July 2012. He is also Chairman of the Advertising Standards Authority, Member of the Board of the Dubai Financial Services Authority, and sits on the crossbenches in the House of Lords as Lord Currie of Marylebone. Previous career highlights include being the Founding Chairman of Ofcom (2002–09) and Dean at Cass Business School (2001–07). David stepped down as CMA Chairman on 19 June 2018, handing over to his successor, Andrew Tyrie.

Dr Andrea Coscelli (Chief Executive)

Andrea Coscelli is the Chief Executive of the CMA and was appointed in July 2016. Prior to taking up this role, Andrea was Executive Director, Markets and Mergers, in which he ensured strategic leadership of the markets portfolio and acted as a decision maker in important merger cases. In the past, Andrea has held 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.

¹³ Appointed as Executive Director for Markets and Mergers from 15 March 2018.

Andrea Gomes da Silva (Executive Director, Markets and Mergers)

Andrea Gomes da Silva was appointed as the CMA's Executive Director, Markets and Mergers in March 2018, a role in which she ensures strategic leadership of the markets portfolio and acts as a decision maker in important merger cases. Andrea was previously Senior Legal Director for Mergers, Markets and Regulatory Appeals at the CMA. Before that, she was a Partner at Freshfields Bruckhaus Deringer.

Dr Michael Grenfell (Executive Director, Enforcement)

Michael Grenfell is Executive Director, Enforcement, a role in which he leads the CMA's activities enforcing competition law and consumer protection law. Michael joined the CMA in 2014 as the Senior Director of Sector Regulation and Concurrency, a post he held until his appointment to lead the CMA's enforcement work in 2015. 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.

Erik Wilson (Executive Director, Corporate Services)

Erik Wilson was appointed as Executive Director, Corporate Services in September 2013. Erik ensures the CMA has first-class support functions, including governance & performance, human resources, strategy, organisational development, finance, communications and Information Technology. Before joining the CMA, Erik was Director of the Executive Office and Strategy Group at the Office of Fair Trading (OFT). Erik also previously held corporate and support service leadership roles both within the OFT and across the Civil Service. Erik was appointed as Additional Accounting Officer in April 2018, following approval from the Board, ARAC and HM Treasury for the creation of an Additional Accounting Officer at the CMA. In this role, Erik will have responsibility for areas covering Corporate Services and wider corporate issues.

Sarah Chambers (Panel Member, Non-Executive Director)

Sarah Chambers was appointed as a Panel Member Non-Executive Director of the CMA in October 2016, having been a Panel Member of the CMA (and previously the Competition Commission), and of its communications and utility panel since 2013. She is also a Member of the Qualifications Committee of the Bar Standards Board, Panel Member of the Judicial Appointments Commission, Chair of the Applications Panel of the Renewable Energy Consumer Code, and Member of the Civil Aviation Authority Consumer Panel. Sarah has previously held roles as Chief Executive of the Postal Services Commission, Director of Consumer and Competition Policy, Department of Business, Innovation and Skills, and Director of Renewable Energy, Department of Energy and Climate Change. Sarah stepped down from the Board on 31 March 2018.

Martin Coleman (Non-Executive Director) – since October 2017

Martin Coleman was appointed Non-Executive Director in October 2017. He is also a Board member of the Higher Education Funding Council for England and Deputy Chair of the Office for Students, the new regulator for higher education in England. Prior to joining the CMA, Martin led the global competition practice of the global law firm, Norton Rose Fulbright, and served as a member of the firm's management group until he retired as a Partner in 2017. He also co-authored (with Michael Grenfell) 'The Competition Act 1998' (Oxford University Press), was a Board member and Chair of the Education and Training Committee and of the Solicitors Regulation Authority, and was a Council Member of the Economic and Social Research Council, the UK's largest organisation for funding research on economic and social issues.

Professor Amelia Fletcher OBE (Non-Executive Director)

Amelia Fletcher was appointed Non-Executive Director in October 2016. She is also Professor of Competition Policy at the Centre for Competition Policy and Norwich Business School at the

University of East Anglia, Non-Executive Director of the Financial Conduct Authority and Payment Systems Regulator, a member of the Enforcement Decision Panels at Ofgem and the Civil Aviation Authority, and a member of the Royal Economic Society Council and the expert advisory board to the National Infrastructure Commission. Amelia has previously held roles as Chief Economist, Senior Director of Mergers and Senior Director of Policy at the Office of Fair Trading, and as an economic consultant at London Economics and Frontier Economics.

Alan Giles OBE (Non-Executive Director)

Alan Giles was appointed in July 2013 and has the additional responsibility of being Chair of the Remuneration Committee; Alan is also the Senior Independent Member of the CMA Board. Alan is a Non-Executive Director of Perpetual Income & Growth Investment Trust 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 being Non-Executive Director of Rentokil Initial Plc, 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.

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 being 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. Bill is co-editor of the Journal of Antitrust Enforcement.

Anne Lambert CMG (Panel Chair, Non-Executive Director)

Anne Lambert was appointed as a Panel Member Non-Executive Director in October 2016. She is also the CMA's Panel Chair. Anne is currently a Governor of Portsmouth University and a member of the Quality Assurance Agency for Higher Education's Advisory Committee on Degree Awarding Powers. She was awarded a CMG in 2006 for her work as the UK's Deputy Permanent Representative to the EU. Anne has previously held roles as Deputy Director General of the Office of Telecommunications, Director of European and Government Affairs for the National Air Traffic Services (NATS), and Chair of European Satellite Services Provider SAS for NATS.

Professor Annetje Ottow (Non-Executive Director)

Annetje Ottow was appointed in July 2013. Annetje's other roles include being Dean of the Faculty of Law, Economics and Governance at the University of Utrecht and 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.

Jonathan Scott (Non-Executive Director)

Jonathan Scott was appointed Non-Executive Director in October 2016. He has the additional responsibility of being Chair of the Audit and Risk Assurance Committee. Jonathan is also a Gambling Commissioner and a member of the Audit and Regulatory Compliance Committee of the Press and Assessment Board of the University of Cambridge. He was previously Senior Partner and Chair of Herbert Smith and post-merger, Herbert Smith Freehills, a leading global law firm, from 2010–15. He was responsible for setting up the Brussels office of Herbert Smith and subsequently led the competition group for 12 years. He retired as Chair and as a Partner in 2015.

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

Dr Mike Walker (Chief Economist)

Mike Walker was appointed in September 2013. Mike advises 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.

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.

Rachel Merelie also attended the Board in her capacity as Acting Executive Director of Markets and Mergers. Paul Ellis, Director of Finance and Security, Paul Latham, Director of Strategy, Communications and Devolved Nations, and Erika Lewis, Director of Governance and Performance also attend the Board.

CMA Panel

Decisions on phase 2 merger investigations, 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 an Inquiry Chair. The CMA Panel Chair and panel members are appointed by the Secretary of State for Business, Energy and Industrial Strategy as required by law. 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.

Panel members who are also Non-Executive Directors 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.

Following a recruitment campaign launched by BEIS in March 2017, 16 Panel members were appointed. Start dates for these Panel members have been staggered in order to mitigate the business risks of several Panel members leaving at the same time in the future. BEIS launched another Panel member recruitment campaign in spring 2018.

The Panel, as at March 2018, consisted of a Panel Chair, two Inquiry Chairs, and 26 Panel members. The Panel Chair and one other Panel member also sit on the CMA Board. They are appointed through open competition for their experience, ability and diversity of skills in economics, law, business and public policy. More information about each of the members is available on our website.

Panel Chair

Anne Lambert

Anne Lambert CMG (appointed in September 2014) spent 30 years in the UK Civil Service, focusing on regulation and EU affairs. Anne is a specialist communications panel member and was appointed as Panel Chair on 1 October 2016. She is also a Governor of the University of Portsmouth and a member of the Quality Assurance Agency for Higher Education's Advisory Committee on Degree awarding powers.

Inquiry Chairs

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. Simon's term of appointment ended on 31 December 2017 but he is staying on to complete his outstanding casework.

John Wotton

John Wotton (appointed in April 2013) practised as a solicitor with Allen & Overy LLP throughout his career, and was a Partner there before retiring in 2012. He is an external expert for NHS Improvement, the sector regulator for health

services in England. John's term of appointment ended on 31 March 2018 but he is staying on to complete his outstanding casework.

Two Inquiry Chairs completed their terms in 2017/18: Professor Martin Cave OBE and Professor Alasdair Smith.

In April 2018, Stuart McIntosh was appointed as an Inquiry Chair, having been a member of the CMA Panel since October 2017.

Panel members

The following members were appointed to the CMA panel in 2017/18, starting in October 2017, April 2018 or July 2018.

Humphrey Battcock	Gareth Davies	Richard Feasey
Anne Fletcher	Roland Green	Susan Hankey
Dr Ulrike Hotopp	Sheila McClelland	Paul Muysert
Jeremy Newman	Keith Richards	Professor John Thanassoulis
Mark Thatcher	David Thomas	Claire Whyley

The terms of the following members ended on 31 March 2018 but they remained on the CMA panel until the conclusion of their assigned casework.

Lesley Ainsworth	Sarah Chambers	John Krumins
Andrew Popham	Jayne Scott	Bob Spedding
Professor Jon Stern	Tim Tutton	

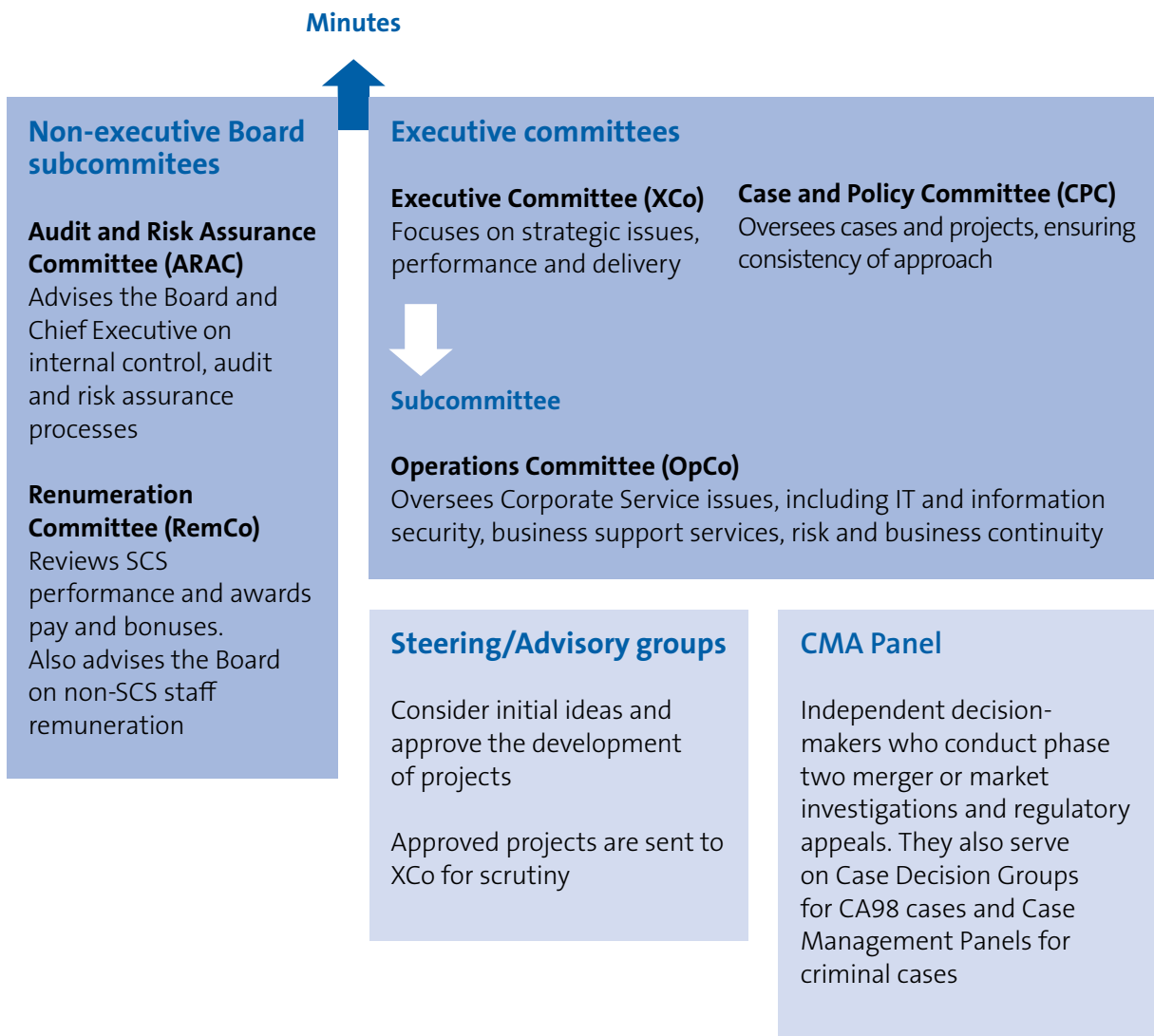
The following members ended their terms in 2017/18

Robin Aaronson	Marisa Cassoni	Phil Evans
Roger Finbow	John Harley	Rosalind Hedley-Miller
Professor Tom Hoehn	Katherine Holmes	Michael Hutchings
Professor Robin Mason	Jill May	Anthony Morris
Malcolm Nicholson	Gavin Robert	Dr Graham Sharp
Roger Witcomb		

CMA governance structure

CMA Board

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



Through the Statutory Authorisations, the CMA Chair, acting on behalf of the Board, authorises staff to exercise our functions. Oversight of these functions is provided by the Board and two executive committees: the Executive Committee (as well as its sub-committee, the Operations Committee), and the Case and Policy Committee.

The Board has two sub-committees: the Audit and Risk Assurance Committee and the Remuneration Committee. We share minutes of all committee meetings with the Board. We make our public Board minutes available on our website.

The Executive Committee

The Executive Committee (XCo) is the overall decision-making body for performance and delivery, under delegated authority from the Board.

As set out in its terms of reference, XCo oversees and makes any necessary decisions relating to: strategy, delivery and performance, portfolio and pipeline, finance and risk, staffing, organisational transformation, regime issues, reputation, and matters relating to the Board, including preparing for and reviewing Board meetings.

XCo also considers and approves recommendations from its sub-committee, the Operations Committee (OpCo), whose purpose is to ensure we have in place, and operate effectively, appropriate and robust procedures and business processes.

OpCo is the decision-making body for issues relating to business continuity and information security, and risk, under delegated authority from XCo. It acts in an advisory capacity in relation to finance and staff issues.

The Case and Policy Committee

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

CPC is authorised to make decisions in relation to ongoing policies, cases and projects as appropriate under delegated authority from the Board.

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by a Non-Executive Director, Jonathan Scott. Amelia Fletcher (Non-Executive Director) and Bob Spedding (a Panel Member with extensive financial experience) are also members of the Committee. ARAC advises our Principal Accounting Officer (the Chief Executive) and Board on the appropriateness of the financial statements and whether they are meaningful and understandable, the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of our risk management system and procedures and our internal controls including business continuity and information technology. ARAC's remit covers all aspects of corporate governance, risk management and internal control within the CMA.

ARAC held four meetings in 2017/18. As Principal Accounting Officer, the Chief Executive attended all ARAC meetings. The National Audit Office (NAO) and Government Internal Audit Agency were also represented at each of these meetings. The CMA Chair attends ARAC meetings as does the Executive Director Corporate and Support Services and the Director of Finance and Security.

ARAC received regular updates throughout the year on IT development and security from the Director of Business Services, updates on financial performance from the Director of Finance and Security, and updates on the Procurement and Commercial position including preparations for the relocation of our offices from the Director of Commercial and Contract Management. It also receives regular updates regarding HR policies and updates from the CMA's Antifraud and Security Working Group.

ARAC considered a range of issues during 2017/18 including: the continued improvement in the financial control environment, commercial/ procurement processes and the development of our IT infrastructure. ARAC also conducted deep dives on disaster recovery and business continuity and preparations for the introduction of the General Data Protection Regulations.

The Committee also considered complex areas of risk and accountability for the CMA during the year, including the accounting treatment of the Tobacco case that was concluded in May 2018. The Committee also discussed implications to the Trust Statement accounts of post balance sheet developments, specifically, the judgment relating to 'Phenytoin' that was handed down by the Competition Appeals Tribunal in June 2018. ARAC also reviews and recommends the CMA financial statements, including the Trust Statement accounts, to the Board.

The Remuneration Committee

The Remuneration Committee (RemCo) is chaired by a Non-Executive Director, Alan Giles. The purpose of RemCo is to review the performance of all SCS staff members and to award pay and bonuses in accordance with Cabinet Office rules. RemCo also provides a strategic steer on pay issues relating to non-SCS staff.

RemCo met four times in 2017/18. As Principal Accounting Officer, the Chief Executive attended all RemCo meetings.

RemCo's key focus during 2017/18 was overseeing the Senior Civil Servant (SCS) performance management process including objective setting and appeals, approving the 2017/18 SCS pay settlement and ensuring ongoing compliance with our SCS pay policy. In 2017/18 we received appeals from two SCS members of staff. The appeals were considered by an independent partner organisation in August. The partner organisation upheld one appeal and declined the other. As a result of feedback, RemCo made recommendations on improvements to our performance management

process for 2018/19 onwards and we have now actioned these improvements.

Compliance with Corporate Governance Code

As part of the preparation of this report, the CMA has undertaken an assessment of its compliance with the Corporate Governance Code for Central Government Departments and is content that it complies with the principles of the Code.

We manage conflicts of interest in accordance with our published Conflicts of Interest policy (annexed to the Board's Rules of Procedure). This policy is followed at the launch of every project and updated quarterly through the life of a project as necessary.

Risk management

Our risks are identified, monitored and managed at corporate directorate and project level. We hold directorate and project risks on risk registers at the appropriate level and these are maintained and managed by the relevant directorate or project leader, who are required to identify, manage, review and escalate risks as necessary. Risks that are considered to have significant potential impact on the delivery of our objectives are escalated to a corporate risk register.

We review the corporate risk register each quarter as a part of the KPI reporting dashboard at both our Executive Committee and at the Board. Our internal audit in 2016/17 of our approach to risk management was positive and rated as having moderate assurance.

The risk management pages on our intranet set out our Risk Management Policy, risk culture, risk management control framework and the risk escalation process. In 2015/16 our Board provided a note on its risk appetite which detailed how it approaches the trade-off between risk and reward and how this differs from the day to day management of projects. This statement was accompanied by a note on treating risk sensibly, setting out general principles on how our

Board expects our staff to approach risk in their projects. Both remain valid in the current period although we are planning a strategic review of our risk policy in 2018/19.

We will be required to change the Corporate Risk Register for 2018/19, following announcements in the first quarter of 2018 regarding the roles that we will take on in relation to EU exit and proposed management of the State aid regime. Additionally, the relocation of our office in 2019 will also have an impact to the Corporate Risk Register and our risk management processes.

Our corporate risks fall into three broad categories: frontline risks covering pace, efficiency and effectiveness of delivery and the impact of adverse outcomes; Corporate Services risks covering infrastructure such as IT and other administrative operations; and the people and financial resources needed to deliver our objectives.

Our corporate risks are set out below:

- Implications of EU Exit
- Impact and confidence failings
- Major case failure
- Failure to increase pace and efficiency
- Governance: misuse of public funds in accordance with Managing Public Money
- Loss of data/security and issues with integrity of data
- IT failure/loss of IT
- Staff: attracting talent
- Staff: engagement and performance/retention issues
- Business continuity and disaster recovery.

Significant risks and issues addressed in 2017/18

Leaving the EU: The UK's forthcoming withdrawal from the European Union is likely to present significant opportunities and challenges for our functions. In particular, it is likely that we will acquire jurisdiction over mergers, cartels and other anti-competitive agreements and practices that have previously been the preserve of the European Commission (and which are typically larger cases). In addition, the Government has

announced that the CMA will be responsible for the enforcement of a UK State aid regime post exit. As yet, it is unclear when we will acquire jurisdiction over these matters – on the date of exit, or if there is to be an implementation period, subsequently. We will need the resources and skills to fulfil these functions. In March 2018, the Government announced additional annual funding of up to £23.6m from April 2018, to allow us to prepare for the UK's exit from the EU (Exit). In addition, cross-border cooperation (including exchange of information) which currently occurs between us and other competition and consumer authorities in the EU will be at risk; we will seek to mitigate that risk by pressing for the closest practicable cooperation with those authorities post-Exit. Questions also need to be addressed about the handling of cases that are in progress at the point of the UK's exit.

CMA Legal Service

The Legal Service supports us in performing all our functions. In doing so it is assisted by external counsel as necessary, including our standing counsel.

Our Legal Service conducts litigation on our behalf, including the appeals mentioned below concerning its decisions in merger and market investigation cases under the Enterprise Act 2002 and the Competition Act 1998.

In 2017/18 we also continued to defend proceedings arising out of decisions of our predecessor body, the Office of Fair Trading (OFT), relating to fines paid following an investigation it conducted concerning tobacco products. In these proceedings, in July 2016, the Court of Appeal ordered us to repay the fines paid by two parties in that case, Gallaher and Somerfield, plus interest and costs, to those parties. We were subsequently granted permission to appeal against this judgement to the Supreme Court and the appeal was heard by that court in March 2018. We were successful in the appeal.

The Policy and International unit of the CMA supports us by keeping our policies, procedures and guidance under review, and dealing with proposals to change the law or international arrangements affecting our activities.

In 2017/18, this has included considering potential changes to the law as a result of the UK leaving the European Union, as well as liaising with other competition and consumer authorities in the EU and internationally. This international work is often critical to enabling us and other authorities to take effective action in cross border cases affecting UK consumers.

Enforcement

Competition Act cases: In the past few years, there have been concerns that the amount and speed of competition enforcement were insufficient, both under the CMA and our predecessor organisation, the OFT. This was reflected in a February 2016 report by the National Audit Office in which it commented that ‘the low case flow we identified in 2010 has continued’. We have made, and continue to make, vigorous efforts to increase the number and pace of our competition enforcement casework, without prejudicing analytical rigour and procedural fairness. In 2017/18, we comfortably exceeded our annual plan target of opening at least six new Competition Act cases, opening 10. In the same period, we issued a total of five infringement decisions under the Act, imposing fines on infringing parties totalling £9.7 million. For Competition Act cases, our rules (which have statutory force) provide for decisions on whether there has been an infringement to be made by a group of at least two persons different from those who were involved in the investigation, and our guidance provides for there to be three such persons, at least one of whom is legally qualified, constituting a ‘Case Decision Group’; this ‘separation of powers’ is designed to reduce the risk of confirmation bias in Competition Act decision-making. We have published guidance on our investigation and governance procedures for Competition Act cases.

Competition Act appeals: The UK is widely considered to have one of the most stringent systems of judicial oversight over competition decisions anywhere in the world, through the procedure for parties to appeal to the Competition Appeal Tribunal against the CMA’s Competition Act decisions; under this procedure decisions may be challenged on all aspects of merit of the decision, rather than just on limited ‘judicial review’ grounds. As at 31 March 2018, four of our infringement decisions are subject to appeal (in one of which questions have been referred to the EU Court of Justice) with a total of nine undertakings appealing against our decisions that they infringed the Act and against the fines imposed on them. We are vigorously defending our decisions in all these cases and consider that our decisions and the level of fines were justified in all of them; nevertheless, a degree of uncertainty and risk is inherent in any litigation, and moreover, defending the appeals consumes considerable resources, both of our staff time and of the costs of engaging external advisers and experts.

Criminal cartel offence: At the end of 2017/18 we had no continuing criminal investigations under the cartel offence in the Enterprise Act 2002. We will open further criminal cartel investigations as appropriate.

Consumer protection law enforcement: In addition to our competition law enforcement activity, we have been engaged in significant consumer protection law enforcement activity, and our achievements in this respect were acknowledged by the NAO. A challenge has been that our deterrent power is relatively weak for consumer law enforcement compared with competition law enforcement because of the lack of a power to secure civil fines for infringements. We therefore welcome the government’s announced intention (in chapter 4 of its Modernising Consumer Markets green paper) to legislate to introduce such powers.

Additional funding: In November 2017, the government announced additional funding of £2.8m per year for us to take on more cases against companies that are acting unfairly. The funding will take effect from 1 April 2018 and is in addition to funding for preparing for the UK's exit from the EU

Markets and mergers

There is significant external scrutiny of our performance on mergers. Businesses and their advisors review and discuss our performance in terms of timeliness of review and robustness of outcomes. Internally, we collect information to allow senior management to review KPIs relating to 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 are immediately flagged for discussion among senior management and remedial action is taken as necessary. We publish KPIs on case outcomes (including referrals, remedies at Phase 1 and outcomes of Phase 2 cases) monthly. This is useful to detect any changes to long term trends that might need to be tackled. We also manage litigation risk carefully though having legal advisers embedded within the case teams. Senior management and case teams discuss where new guidance to business and advisers may be required and work to produce this, and we keep existing guidance under review to identify where changes may be required to reflect variations in practice.

Our markets portfolio also receives significant external scrutiny from industry and consumer groups, the media and from parliamentary committees.

We are applying our streamlined investigation process for the first time, on which we consulted last year, in the Investment Consultants market investigation reference made to us by the

FCA. Our senior management are monitoring progress to manage litigation risk. The digital comparison tools and care homes market studies led to recommendations to others for action as well as follow on competition and consumer enforcement cases respectively.

Corporate Services – Finance and Security, Commercial and Contract Management, HR and IT

During the year, we reorganised the Finance & Commercial and Security teams into Finance & Security and Commercial & Contract Management to better reflect the range of ongoing priorities in each area and our future objectives. Over the year, we have implemented processes to ensure we are fully compliant with the GDPR requirements coming into effect in May 2018.

Finance: During the year, our Finance & Security team took steps to continue to improve governance and financial management and reporting in the CMA. We have worked to automate production of management accounts and financial reports, making more efficient use of our accounting system. We continue to review and revise as needed finance guidance and manuals to ensure that our finance practices are consistent with other government departments.

In 2016 we launched our Fraud Strategy and revised a number of associated policies and procedures including the creation of a high-level fraud risk assessment. This continues to be a key factor in the governance of our finance practices, and we review and audit it regularly. In 2017/18, a CMA Government Procurement Card (GPC) was compromised and five fraudulent payments were made totalling £1,356.80. Our internal processes identified these transactions and they were reported to the National Westminster Bank and a full refund was provided, meaning no financial loss to the CMA.

We continue to review and update our financial controls and checks on a regular basis to minimise the risk of misuse of public funds and to ensure we deliver recommendations made during

internal audits. We achieved a moderate rating for the 2017/18 Key Financial Controls audit, which highlighted the continuing improvements that we made during the year.

Following a period of staff turnover during the year, our Finance & Security team is anticipated to be at full capacity in summer 2018, as we continue to work toward the Government target of paying 80% of non-disputed invoices within five days, and have adequate checks and balances in place to move to a controls-based audit in 2018/19.

Security: The CMA's Executive Director for Corporate Services is the Senior Information Risk Owner (SIRO). He is supported by the Director of Finance & Security who is our nominated Departmental Security Officer (DSO). The day to day activities of security are carried out by the Head of Security and Information Assurance.

We had 85 reported security breaches and near misses in 2017/18; these primarily related to the loss of our information assets (i.e. laptops and phones). Our incident response plans and the use of technical controls prevented access to information through the unauthorised use of our devices. We detected all malware infections and resolved these with minimal disruption to operations. There were two instances during the year where personal data was accidentally sent externally to people who were not the intended recipients, which we reported to the Information Commissioner's Office (ICO). On both occasions the ICO were content with the mitigating actions that we had taken and did not wish to pursue the cases further. We had no incidents that required escalation to the Cabinet Office.

We report all security breaches and near misses to ARAC with individual breaches considered and escalated as appropriate dependent on their seriousness.

We have a protective monitoring third party cloud service solution for the CMA. This provides an additional layer of defence against cyber security threats. We also carry out our own

independent penetration tests to identify vulnerabilities to our systems.

Following on from last year where we consulted with a physical security expert from the Centre for the Protection of the National Infrastructure, this year we commissioned a test of the physical security of our offices. Several recommendations were made that we are implementing with the help of our facilities management supplier and the building landlord.

We carried out a phishing test. The results indicated that training was required for staff which will take place in 2018/19. Subsequently we plan to carry out another phishing test to assess the success of the training.

In January, we asked all staff and members to carry out the Cabinet Office's mandatory 'Responsible for Information' training. We also have procedures in place to ensure that all new starters at the CMA complete the mandatory training. This establishes a baseline understanding of security for all staff. We have also developed and put in place a Security Communications plan. This ensures that there are constant communications on security to increase staff awareness.

It is recognised that fraud and security are closely related. We have a fraud strategy to prevent, deter, detect and investigate all forms of fraud and corruption within the CMA and partner organisations. We have ensured that fraud is now a component of the Antifraud and Security Working Group's agenda and is also included in the Security Risk Management Group's work.

Commercial and Contract Management: our Commercial and Contract Management team leads on procurement, contract management, property and business continuity. We have taken over management of a number of central contracts including facilities management, travel, hotel bookings and transcription services to ensure that an excellent service is delivered to the CMA, and to ensure that we hold our suppliers to account.

In 2017/18 our Commercial and Contract Management team worked to reduce the number of single tender actions and put in place procurement strategies for key business areas. We also expanded our Fast Track Delegated Procurement (FTDP) process across all frontline activities with the aim of improving commercial accountability within the CMA whilst allowing us to meet our statutory deadlines for projects. We also audit each FTDP exercise to ensure compliance with our policies and best practice. A key part of our Commercial and Contract Management work has been supporting the 'Big Move Contract' including securing relevant government approvals to relocate and negotiating our exit from Victoria House.

In terms of business continuity, we have made arrangements with the BEIS business continuity team to use the business continuity space within a BEIS property as an alternative place of operations for our Incident Management Team (IMT) and our key frontline projects. Our IMT has visited and tested the operation of this facility. Battle boxes have been set up at this location with the equipment that is required to assist us to return to normal operation in the event of an incident. All Incident Management Guidance is held in the cloud in the event of an emergency.

We have purchased and are now using an Emergency Mass Notification System (EMNS) and an Incident hotline to ensure that we can communicate with all staff and visitors in an emergency. We have revised and updated our guidance and we now have Disaster Recovery (DRT), Emergency Response (ERT) and Incident Management teams in place. We have also revised our evacuation processes to take account of best practice. In line with our approach to business continuity, we have tested the incident management line across the CMA. The landlord's team have simulated situations which have necessitated the lockdown of the property. These operations were completed successfully. The IMT has received two training sessions this year and DRT, ERT and IMT were invited to attend a session on counter-terrorism led by Project Griffin.

HR: Over the past year, we have maintained our processes in relation to workforce planning to ensure our vacancies are filled as quickly as possible. We have prioritised recruitment in business-critical areas, responded to EU exit implications, planned for our expanded office in Scotland, and ensured that we remain within our staff budget. As part of this work we have reduced our reliance on contractors and agency workers with only 2% of established roles currently filled by agency workers. We uphold our compliance in recruitment practices with the Civil Service Commission Recruitment Principles including the roll out of hiring manager training. We have also continued to look for innovative ways to attract staff to the CMA, including candidates from under-represented backgrounds through targeted advertising, open evenings and the improved use of social media.

We have appointed nine apprentices across the CMA, aiming to reach our statutory target of 2.3% apprentice new starters (or 13 full time equivalents) in 2017/18. Both the wider Civil Service and the CMA suffered from not all the procurement arrangements for apprentices being in place early enough to reach the target of 13 full time apprentices starting this year. We do however, have the remaining four staff identified and they will join us early in 2018/19.

In 2017/18, we were one of the few organisations accepted onto the HM Treasury's Pay Bill Control Pilot. This scheme has allowed us to deliver a transformative pay settlement for our non-SCS staff which focused on giving our lowest earners the best base pay increase possible, more meaningful pay progression and rewarding our most talented, skilled and high-performing staff. We anticipate that the settlement will reduce turnover, enabling us to compete for the best talent as we expand ahead of the EU Exit and will therefore increase our productivity.

In March 2018, we published our Gender Pay Gap report. Our report showed a median gap of 4.4% and a mean gap of 7.4%. We are proud of our overall gender split in the CMA, which is nearly 50:50, but we know there is more to do to

reduce our average pay gap. And while we do not pay differently by grade, we acknowledge that the gender pay differences are caused by having more men than women in our more senior roles, so we will be working hard to remove any barriers that stop women from joining our highest grades.

Staff turnover in the CMA (all permanent employees) has risen very slightly by 1.25 percentage points to 18.5%, from 17.24% in 2016/17. This is 6.5% greater than our annualised target of 12%, so we continue to monitor turnover and target activity in our highest risk areas. We have invested, and continue to invest, in talent and career development to motivate and retain high performers.

Our staff engagement score in November 2017 was 59% – a reduction on last year of two percentage points. Earlier in February 2017, we had identified particular concerns in our quality of leadership and management capability and a need to promote and ensure a culture of respect and inclusion in the workplace. In March 2017 we put in place a Corporate Action Plan, led by Senior Directors to respond to these three key engagement issues. We held our regular Learning at Work Week and Wellbeing and Mental Health Week and renewed our Time to Change pledge. Our Equality, Diversity and Inclusion Working Group have worked with HR to put in place a number of initiatives. In January 2018 we published a full update and renewed ambition on our website. We will continue to focus on building capability, wellbeing and mental health during 2018/19. You can read more about these initiatives on page 69.

IT: During the year, our IT team has continued to deliver improved systems availability, reporting, assurance and risk mitigation and consistently met the improved Service Level Agreements across the service catalogue. We have maintained the focus on first-time-fix, continued improvements in change control, adoption of cloud, digital and user-first strategies and the implementation of improved cyber security capabilities. We have

continued reporting through OpCo and ARAC on performance and risk.

We have carried out several audits including around cyber security with no major issues identified. We have also carried out penetration tests throughout the year against accreditation checks for connection to the Public Services Network as well as when new services are introduced into service. We have reviewed IT business continuity processes and disaster recovery functionality for improvement and have initiated service and supplier management improvements.

Continuing the shift of core activities to improving business capabilities using technology and digital tools, we have delivered further improvements to the CMA's cloud based forensic and analysis functions, using technology to deal with the scale of demand. We have also delivered a significant replacement to the technology in the CMA's largest meeting rooms, enabling integration with applications, telephony, Skype and other audio-visual services. We have also rolled out a major improvement to print facilities.

We have completed the delivery of the new end-user computing service, moving to modern, flexible, mobile and secure solutions, which were rolled out across the business by the end of June 2017. This has significantly improved the capability for staff to work flexibly and collaboratively. Staff have access to the latest cloud based applications and services through a range of devices. This has enabled business change to occur as staff innovate and adapt, as well as improving morale as evidenced in the latest IT services Staff Survey results.

We have completed significant discovery and planning on the second phase of the transformation project to move other on-premise services to the cloud where appropriate. These designs have taken into account the planned move of our staff from Victoria House. Staff turnover has continued to be an issue and as a result we have completed and implemented a further IT People Strategy, taking into account

recent business changes and the planned increase in staff numbers. We are developing additional ways of attracting talent with HR looking at both short and long-term strategies.

Internal Audit

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

This work concluded in a “moderate” opinion, reflecting that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Overall, the Internal Audit Report found recognised the evidence of continued improvement from the previous year, and with good progress and initiatives taken across the CMA to further develop the governance, risk management and control framework.

The Head of Internal Audit also recognised that in progressing the control environment, the CMA has also been presented with further challenges, with the need to maintain business as usual activities, whilst supporting delivery of some high-profile commitments and organisational change projects. While the internal audit work identified a strengthened governance, risk management and control environment, it also identified areas and themes where further improvements are required to build on the work already being undertaken across the department and help establish the foundations of the control environment, such as strengthening assurance around the 2nd line of defence, and continue to ensure that the CMA has sufficient capacity and capability to meet the challenges of the EU Exit and its future State Aid role, whilst also maintaining business as usual activities.

Whistleblowing

Our whistleblowing policy, known as ‘Speaking Out’, is available to all staff on our intranet and is highlighted to new staff during their induction programme.

We received no whistleblowing complaints during 2017/18.

Equality and diversity

You can read more about our work on equality and diversity on pages 70-71.

Accounting Officer’s assessment of governance effectiveness and conclusion

In 2017/18, the CMA strengthened its governance in a number of ways including:

- continued enhancements to the monthly and quarterly reporting reports with an increased emphasis on forward planning and resourcing. XCo and Board continue to interrogate both reports on a regular basis
- production of a monthly tracking tool to improve the pipeline process and help explain current resourcing constraints. Reporting methods in line with those at XCo and the Board for consistent messages across the CMA
- continuing to hold regular workforce planning meetings which are integral to the success of the planned expansion of the CMA
- agreement to establish a digital, data and technology team
- systematic focus on EU exit operational readiness and planning for the State aid function CMA will hold
- restructure of the cartels directorate to better deploy talent and experience for the benefit of the whole organisation
- reviews of Board and Committee effectiveness and CMA Panel stocktake.

Additionally, we have implemented recommendations from internal audit reviews which have further improved the governance, risk management and control framework and enhanced 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 Principal Accounting Officer and Additional Accounting Officer will continue to work with the Senior Executive Team and colleagues across the CMA to continue to strengthen the internal controls where necessary in 2018/19.

Signed for and on behalf of the CMA



Andrea Coscelli

Chief Executive and Principal Accounting Officer
10 July 2018



Remuneration and Staff Report

Remuneration policy

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

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

In reaching its recommendations, the SSRB considers:

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

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

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit and on the basis of fair and

open competition. The Recruitment Principles published by the Civil Service Commission explain the limited circumstances when appointments can be otherwise made.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. In 2017/18 no such payments were made.

Salaries and bonuses

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

Bonuses are based on performance levels attained and are made as part of the performance review process. The bonuses disclosed for senior management relate to performance in that year.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the CMA and treated by HM Revenue and Customs (HMRC) as taxable. The CMA's senior management did not receive any benefits in kind in 2017/18 (2016/17: nil).

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 4.6% and 8.05% of pensionable earnings for members of Classic, Premium, Classic Plus, Nuvos and Alpha. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in premium. In Nuvos, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members 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.)

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 benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It excludes 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.

Remuneration

Senior management – single total figure of remuneration (audited)

Senior management	Salary		Bonuses ****		Pension benefits *		Total *****	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000	£000	£000	£000	£000
Andrea Coscelli	175-180	170-175	15-20	20-25	30-35	35-40	225-230	230-235
Alex Chisholm	–	45-50	–	–	–	15-20	–	65-70
Michael Grenfell	160-165	160-165	15-20	20-25	60-65	60-65	240-245	240-245
Erik Wilson	110-115	110-115	–	–	10-15	30-35	125-130	140-145
Rachel Merelie **	130-135	135-140	–	–	40-45	75-80	170-175	210-215
Sarah Cardell ***	175-180	170-175	15-20	15-20	25-30	30-35	220-225	220-225
Mike Walker	175-180	175-180	–	–	65-70	65-70	245-250	240-245
Andrea Gomes Da Silva ****	5-10	–	–	–	–	–	5-10	–

* 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.

** Rachel Merelie covered the role of Executive Director of Markets and Mergers on an interim basis until a permanent replacement was appointed. Rachel returned to her SCS PB2 role on 15 March 2018.

*** During 2017/18 Sarah Cardell was employed on a 0.9 FTE contract over 4 days per week. On an FTE basis this equates to a salary of £195-200k (2016/17 £190-195k).

**** Andrea Gomes Da Silva was appointed to the role of Executive Director of Markets and Mergers on 15 March 2018. On an FTE basis this equates to a salary of £160-165k. Andrea Gomes Da Silva was not awarded a bonus for this role in 2017/18.

***** At the time of publication, guidance for the 2017/18 bonus payments for SCS staff has not yet been approved by government.

***** The prior year totals for Andrea Coscelli, Michael Grenfell and Sarah Cardell have been restated to reflect the actual bonuses received.

Pay multiples (audited)

The pay multiple is the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

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 CETV of pensions.

The banded remuneration of the highest-paid director in the CMA in the financial year 2017/18 was £305-£310k (2016/17: £305-£310k). This was 5.52 times (2016/17: 5.66 times) the median remuneration of the workforce, which was £55.7k (2016/17: £54.5k).

In 2017/18, no employees received remuneration in excess of the highest-paid director (2016/17: nil). Remuneration, excluding the highest-paid director, ranged from £21k-£195k (2016/17: £13-£192k).

Senior management – pension benefits (audited)

	Accrued pension at pension age as at 31 March 2018 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase/decrease in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Alex Chisholm	–	–	–	155	–	–
Andrea Coscelli *	–	–	–	–	–	32
Michael Grenfell	10–15	2.5–5	187	134	34	–
Erik Wilson	60–65	0–2.5	1102	1025	9	–
Sarah Cardell *	–	–	–	–	–	29
Mike Walker	15–20	2.5–5	209	157	32	–
Rachel Merelie	30–35	2.5–5	607	533	35	–
Andrea Gomes Da Silva	–	–	–	–	–	–

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

Non-Executive Board members remuneration (audited)

	2017/18		2016/17	
	Salary	Benefits in kind ****	Salary	Benefits in kind ****
	£000	Nearest £100	£000	Nearest £100
David Currie*	145-150	500	180-185	–
Alan Giles	25-30	800	25-30	700
Amelia Fletcher	25-30	800	10-15	100
Anne Lambert**	25-30	500	10-15	–
Annetje Ottow	25-30	2,700	25-30	1,600
Jonathan Scott	25-30	600	10-15	400
Martin Coleman***	10-15	300	–	–
Sarah Chambers****	25-30	700	10-15	–
William Kovacic	25-30	100	25-30	–

* David Currie's contract on a FTE basis equates to salary of £305-310k.

** The salary above for Anne Lambert relates to her role as a CMA NED only. In 2017/18 Anne was also employed as a CMA Panel/ Inquiry chair and in 2017/18 earned a total remuneration £130-135k for her work on the CMA Board and Panel.

*** Martin Coleman joined the CMA Board as a NED on 1 October 2017.

**** Sarah Chambers remained in her Panel member role when she became a NED. In 2016/17 Sarah earned a total remuneration £45-50k for her work on the CMA Board and Panel.

***** The benefit in kind (BIK) 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 17/18 relate to previous financial years (2016-17 £0-1k).

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 2018 was engaged on a 2-days per week contract. He moved from 3 days per week to 2 days per week on 3 September 2017.

The Chairman and 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 (2016/17: nil).

Staff Report

Introduction

The CMA has a fully committed and competent workforce capable of delivering our strategic 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 (audited)

The number of FTE people employed at 31 March 2018 and the average number of FTE people employed during the year was as follows:

	At year end		Average for year	
	2017/18	2016/17	2017/18	2016/17
	Number	Number	Number	Number
Permanent staff	592	521	575	537
Others*	48	59	53	52
Total	640	580	628	589

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

Staff composition

The number of FTE persons employed at 31 March 2018 by grade.

	2017/18		2016/17	
	Male	Female	Male	Female
SCS3 (Director)	2	1	2	0
SCS2 (Director)	9	5	8	7
SCS1 (Director)	40	25	39	21
Grade 6	74	75	63	54
Grade 7	81	82	80	66
SEO	19	15	19	13
HEO	45	60	43	50
EO	29	33	25	27
AO	6	6	2	2
Total	305	302	281	240

*Includes persons employed on a contract of employment only and excludes secondees and agency workers.

Diversity and inclusion

The CMA is fully committed to diversity and inclusion in all that we do.

The CMA has the following active initiatives:

- an Equality, Diversity and Inclusion Working Group;
- a Wellbeing and Mental Health Action Group;
- a Wellbeing Peer Support Network; and
- a Dyslexia Support Group.

In February 2017, the CMA signed up to the 'Time to Change' pledge to demonstrate our commitment to eradicating stigma associated with mental health and to raise its profile so that it has the same level of importance as physical health.

We have also organised 'Wellbeing at Work' weeks; talks on resilience; provided training on managing staff with mental health issues; and established a network of Mental Health First Aiders.

The CMA is wholly dedicated to providing opportunities for people with disabilities. All applicants, including existing staff, 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 a minimum of 4 'Acceptable Demonstration' for all competencies required for the role.

The CMA has also helped to ensure the continuing employment of, and arranging appropriate training for, staff who have become disabled persons while working for the CMA. This includes support through the CMA's attendance management process and agreeing reasonable adjustments.

The CMA is committed to the cross-civil service Talent Action Plan and funds places on the Positive Action Pathway Programme which provides civil servants from under-represented groups (including disabled staff) with the skills and confidence to enable them to realise their full potential, to assist with career progression (to at least one grade higher).

Diversity and inclusion underpin all our people policies and working practices and we ensure that we comply with our obligations under the Equality Act 2010. Further details on our efforts to build a diverse and inclusive workplace can be found in our Equality Scheme Update for 2018.

Sickness absence

Over the year 1 April 2017 to 31 March 2018, the average working days lost due to absence per FTE employee was 3.85 days (2016/17: 6.25 days). The most recently published civil service figure was an average of 7.0 days.

Staff costs (audited)

Staff costs comprise:

	2017/18			2016/17
	Permanently employed staff	Others*	Total	Total
	£000	£000	£000	£000
Wages and salaries	34,384	2,735	37,119	35,454
Social security costs	3,966	–	3,966	3,922
Pension costs	6,855	–	6,855	6,712
Sub total	45,205	2,735	47,940	46,088
Other staff costs	326	–	326	176
Less: recoveries in respect of outward secondments	(102)	–	(102)	(97)
Total	45,429	2,735	48,164	46,167

*Wages and salaries of others comprises of contractors, agency and temporary staff.

Expenditure on consultancy

In 2017/18 the CMA spent £103k on consultancy (2016/17: £63k).

Exit packages (audited)

Exit package cost band	2017/18 (2016/17 figures shown in brackets)		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0 (0)	0 (2)	0 (2)
£10,000-£25,000	0 (0)	0 (1)	0 (1)
£25,000-£50,000	0 (0)	0 (8)	0 (8)
£50,000-£100,000	0 (0)	0 (10)	0 (10)
£100,000-£150,000	0 (0)	0 (0)	0 (0)
£150,000-£200,000	0 (0)	0 (0)	0 (0)
Total number of exit packages	0 (0)	0 (21)	0 (21)
Total cost of exit packages (£000)	0 (0)	0 (1,033)	0 (1,033)

Exit packages are paid, where applicable, in accordance with the terms of the Civil Service Compensation Scheme. Exit costs are accounted for in full when a commitment has been made by the CMA and are paid in the year of departure. No exit packages were paid in 2017/18 (2016/17: £1,033k).

Off-payroll engagements

The table below provides information on all off-payroll engagements as of 31 March 2018, for more than £245 per day and that lasts for longer than 6 months

	CMA
Number of existing engagements as of 31 March 2018.	0

The table below provides information on new off-payroll engagements, or those that reached 6 months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than 6 months.

	CMA
Number of new engagements, or those that reached 6 months in duration, between 1 April 2017 and 31 March 2018.	0

The table below provides information on any off-payroll engagements of Board members and/or senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018.

	CMA
Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility, during the financial year.	0
Number of individuals on payroll and off-payroll that have been deemed Board members and/or senior officials with significant financial responsibility.	2

Trade Union facility time

The table below provides information on relevant union officials between 1 April 2017 and 31 March 2018.

Number of employees who were relevant union officials	FTE employee number
11	11

The table below provides information on the percentage of time spent on facility time between 1 April 2017 and 31 March 2018.

Percentage of time	Number of employees
0%	3
1-50%	8
51%-99%	0
100%	0

The table below provides information on the percentage of the total pay bill spent on facility time between 1 April 2017 and 31 March 2018.

	%
Percentage of the total pay bill spent on facility time	0.07

The table below provides information on the percentage of time spent on paid trade union activities as a percentage of total paid facility time between 1 April 2017 and 31 March 2018.

	%
Time spent on paid trade union activities as a percentage of total paid facility time hours	19.54

Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply and related notes (audited)

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 analysing the net resource and capital outturn against the budgetary control totals voted by Parliament through the Supply Estimates.

Voted totals and the net cash requirement figures shown below are subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the Estimate of Administration costs will also result in an excess vote. Explanations of variances between Estimate and outturn are given in the notes to the SoPS. The SoPS and supporting notes are subject to audit.

	2017/18								2016/17
	Estimate				Outturn				Outturn
	SoPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental expenditure limit									
Resource	1.1	140,426	–	140,426	63,175	–	63,175	77,251	64,469
Capital	1.2	1,300	–	1,300	791	–	791	509	1,790
Annually managed expenditure									
Resource	1.1	(64,500)	–	(64,500)	(71,616)	–	(71,616)	7,116	71,006
Capital	1.2	–	–	–	–	–	–	–	–
Total budget		77,226	–	77,226	(7,650)	–	(7,650)	84,876	137,265
Non-budget									
Resource		–	–	–	–	–	–	–	–
Total		77,226	–	77,226	(7,650)	–	(7,650)	84,876	137,265
Total resource		75,926	–	75,926	(8,441)	–	(8,441)	84,367	135,475
Total capital		1,300	–	1,300	791	–	791	509	1,790
Total		77,226	–	77,226	(7,650)	–	(7,650)	84,876	137,265

Net cash requirement 2017/18

2017/18			2017/18		2016/17
SoPS Note	Estimate		Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	£000		£000	£000	£000
3	139,240		64,286	74,954	66,389

Administration costs 2017/18

2017/18			2017/18		2016/17
SoPS Note	Estimate		Outturn		Outturn
	£000		£000		£000
1	18,885		14,428		13,811

SOPS 1 Net outturn

SOPS 1.1 Analysis of net resource outturn by section

	2017/18									2016/17
	Outturn						Estimate			Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate, adjusted for virements*	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)										
Voted: A Competition Promotion	16,169	(1,741)	14,428	50,985	(2,238)	48,747	63,175	140,426	77,251	64,469
Annually Managed Expenditure (AME)										
Voted: B Competition Promotion	–	–	–	(71,616)	–	(71,616)	(71,616)	(64,500)	7,116	71,006
Total	16,169	(1,741)	14,428	(20,631)	(2,238)	(22,869)	(8,441)	75,926	84,367	135,475

*There were no virements in 2017/18.

In 2017/18 the CMA requested additional resource DEL funding of £69,175k in respect of a potential payment due to the CMA's appeal relating to the Office of Fair Trading's (OFT) tobacco competition enforcement investigation.

In May 2018, The Supreme Court handed down its judgement in the appeal and rejected claims by Gallaher and Somerfield that they should have their penalties repaid because the OFT treated them differently to another company that had entered into an early resolution agreement. See note 11.4 and note 16.

Consequently, the additional resource DEL budget cover was not needed resulting in an underspend in the CMA's resource DEL budget in 2017/18. The underspend arose from an adjusting event after the Statement of Financial Position (or Balance Sheet) date.

SOPS 1.2 Analysis of net capital outturn by section

	2017/18					2016/17
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared to Estimate, adjusted for virements*	Net
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)						
Voted: A	791	–	791	1,300	509	1,790
Annually Managed Expenditure (AME)						
Voted: B	–	–	–	–	–	–
Total	791	–	791	1,300	509	1,790

*There were no virements in 2017/18.

SOPS 2 Reconciliation of outturn to net operating expenditure

SOPS 2.1 Reconciliation of net resource outturn to net operating expenditure

	2017/18	2016/17
	Outturn	Outturn
	£000	£000
Total resource outturn in Statement of Parliamentary Supply	(8,441)	135,475
Add: research capitalised under ESA10*	276	380
Net operating expenditure in statement of comprehensive net expenditure	(8,165)	135,855

* The European system of regional and national accounts, 2010.

SOPS 3 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	75,926	(8,441)	84,367
Capital outturn	SOPS 1.2	1,300	791	509
Accruals to cash adjustments				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	4	(3,486)	(1,734)	(1,752)
New provisions and adjustments to previous provisions	4	(5,500)	71,550	(77,050)
Other non-cash items	4	–	(80)	80
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables	9	–	(931)	931
(Increase)/decrease in payables	10	1,000	751	249
Increase/(decrease) to be surrendered to the Consolidated Fund		–	2,314	(2,314)
Use of provisions	11	70,000	66	69,934
Net cash requirement		139,240	64,286	74,954

SOPS 4 Income payable to the Consolidated Fund

SOPS 4.1 Analysis of income payable to the Consolidated Fund

During 2017/18 there was no income payable to the Consolidated Fund (2016/17: nil).

SOPS 4.2 Consolidated Fund income

Consolidated Fund income does not include any amounts collected by the CMA where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the CMA's 2017/18 Trust Statement published separately from, but alongside, this Annual Report and Accounts.

Parliamentary accountability disclosures

Losses and special payments (audited)

During the current year, the CMA's resource accounts had no losses or special payments totalling over £300k (2016/17: nil).

The CMA's Trust Statement account had total losses in 2017/18 of £5,618k (2016/17: £793k) relating to CA98 debts. These debts pre-date the launch of the CMA in 2013 and are legacy OFT debts. These debts were no longer considered to be collectable and they were written-off following approval from HM Treasury.

The Trust Statement account had 2 write-offs greater than £300k in 2017/18

The first was an amount of £4,230k in relation to Connaught Partnerships Limited. This company was dissolved on 25 July 2017.

The second was an amount of £767k in relation to Lotus Construction Limited. This company is in liquidation and has advised unsecured creditors of an estimated dividend of 3p for every £1 owed. This is subject to further review.

Remote Contingent liabilities (audited)

There were no remote contingent liabilities in 2017/18.

Signed for and on behalf of the CMA



Andrea Coscelli

Chief Executive and Principal Accounting Officer

10 July 2018

The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Financial Statements)

Opinion on financial statements

I certify that I have audited the financial statements of the Competition and Markets Authority for the year ended 31 March 2018 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, including the significant accounting policies. 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 Parliamentary Accountability disclosures that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of the Department's net operating expenditure 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 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 2018 and shows that those totals have not been exceeded; and

- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Competition and Markets Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Principal 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Competition and Markets Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Competition and Markets Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Competition and Markets Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 parts of the Remuneration and Staff Report and 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

Date 13 July
Comptroller and Auditor General

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 2018

	Note	2017/18	2016/17
		£000	£000
Operating income	5	(3,979)	(2,372)
Total operating income		(3,979)	(2,372)
Staff costs	3	48,164	46,167
Other costs	4	16,825	22,885
Total staff and other costs		64,989	69,052
Movements in legal costs provision	4	(69,175)	69,175
Total operating expenditure		(4,186)	138,227
Net operating expenditure / (income) for the year		(8,165)	135,855
Other comprehensive net expenditure			
Actuarial net loss/(gain) on by-analogy pension scheme	11.3	(4)	(361)
Comprehensive net expenditure / (income) for the year		(8,169)	135,494

The notes on pages 135 to 152 form part of these Financial Statements.

Statement of Financial Position

as at 31 March 2018

	Note	2017/18	2016/17
		£000	£000
Non-current assets			
Property, plant and equipment	6	2,275	3,316
Intangible assets	7	1,636	1,814
Trade and other receivables	9	302	628
Total non-current assets		4,213	5,758
Current assets			
Cash and cash equivalents	8	3,644	1,330
Trade and other receivables	9	3,725	4,330
Total current assets		7,369	5,660
Total assets		11,582	11,418
Current liabilities			
Trade and other payables	10	(13,905)	(12,194)
Provisions	11	(3,308)	(62)
Total current liabilities		(17,213)	(12,256)
Total assets less current liabilities		(5,631)	(838)
Non-current liabilities			
Trade and other payables	10	(1,440)	(3,902)
Provisions	11	(1,236)	(76,102)
Total non-current liabilities		(2,676)	(80,004)
Total assets less liabilities		(8,307)	(80,842)
Taxpayers' equity and reserves			
General fund		(8,307)	(80,842)
Total equity		(8,307)	(80,842)

The notes on pages 135 to 152 form part of these Financial Statements.



Andrea Coscelli

Chief Executive and Principal Accounting Officer
10 July 2018

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2017/18	2016/17
		£000	£000
Cash flows from operating activities			
Net operating income/(expenditure)	SoCNE	8,165	(135,855)
Adjustments for non-cash transactions	4	(69,736)	73,934
(Increase)/Decrease in trade and other receivables	9	931	368
Increase/(Decrease) in trade and other payables	10	(751)	(208)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(2,314)	299
Use of provisions	11	(66)	(1,278)
Net cash (outflow) from operating activities		(63,771)	(62,740)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(502)	(1,317)
Purchase of intangible assets	7	(13)	(92)
Net cash (outflow) from investing activities		(515)	(1,409)
Cash flows from financing activities			
Financing from the Consolidated Fund (supply)		66,600	63,850
Advances from the Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-
Net financing		66,600	63,850
Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund		2,314	(299)
Payments of amounts due to the Consolidated Fund		-	-
Net Increase/(Decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		2,314	(299)
Cash and cash equivalents at the beginning of the year	8	1,330	1,629
Cash and cash equivalents at the end of the year	8	3,644	1,330

The notes on pages 135 to 152 form part of these Financial Statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

	Note	General fund
		£000
Balance as at 31 March 2016		(9,581)
Net Parliamentary Funding – drawn down		63,850
Net Parliamentary Funding – deemed		1,629
Unspent Supply repayable to the Consolidated Fund		(1,330)
Non-cash charges – auditors' remuneration	4	84
Net operating expenditure for the year		(135,855)
Actuarial (loss)/gain on pension liability	11	361
Balance at 31 March 2017		(80,842)
Net Parliamentary Funding – drawn down		66,600
Net Parliamentary Funding – deemed		1,330
Unspent Supply repayable to the Consolidated Fund	10	(3,644)
Non-cash charges – auditors' remuneration	4	80
Net operating expenditure for the year		8,165
Actuarial (loss)/gain on pension liability	11	4
Balance at 31 March 2018		(8,307)

The notes on pages **135 to 152** form part of these Financial Statements.

Notes to the Financial Statements

1. Statement of accounting policies

Basis of preparation

In accordance with the direction received from HM Treasury under the Government Resources and Accounts Act 2000 (GRAA), these financial statements have been prepared in accordance with the 2017/18 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 CMA selects the accounting policy which is judged to be most appropriate to the particular circumstances for the purpose of giving a true and fair view. The particular policies adopted by the CMA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

These financial statements have been prepared in accordance with the GRAA and on a going concern basis.

1.1. Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of land and buildings and certain financial instruments to fair value, as determined by the relevant accounting standards and the accounts direction issued by HM Treasury.

1.2. Critical accounting judgements and estimates

The Accounting Officer, in preparing the accounts, is required to select suitable accounting policies, apply them consistently and make estimates and assumptions that are reasonable and prudent. These judgements and estimates are based on historical experience and other factors considered relevant. Actual results may differ from these estimates and assumptions.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the CMA's business that typically require such estimates in implementing the accounting policies set out above are explained in more detail 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. Effects of future accounting policies

The following is a list of relevant changes to IFRS that have been issued but which were not effective in the reporting period:

- IFRS 9 'Financial instruments' replaces IAS 39 'Financial instruments: Recognition and measurement' and amends IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures' and has been adopted by the public sector from 1 April 2018. It is not expected to have a material impact on the financial statements. The FReM removes the option to adopt IFRS 9 retrospectively, and therefore (if applicable) the CMA will recognise any difference between the previous carrying amount and the carrying amount under IFRS 9 on 1 April 2018.
- IFRS 15 'Revenue from contracts with customers' replaces IAS 18 'Revenue' and has been adopted by the public sector from 1 April 2018. It is not expected to have a material impact on the financial statements. The FReM removes the option to adopt IFRS 15 retrospectively, and therefore (if applicable) the CMA will recognise any difference between the previous carrying amount and the carrying amount under IFRS 15 on 1 April 2018.
- IFRS 16 'Leases' replaces IAS 17 'Leases' and is effective for financial reporting periods beginning on or after 1 January 2019 and is expected to be adopted by the public sector in 2019/20. IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. The CMA is currently assessing the impact that it will have.

1.4. Income

Income recognised consists principally of:

- recoveries of accommodation expenditure;
- service income; and
- regulatory appeals.

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.

1.5. Early departure costs

The CMA is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The CMA recognises a provision for these costs when the early retirement of an employee is agreed and approved.

1.6. Pensions

The CMA recognises the expected pension costs 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 Directors General of the OFT, which is 'by analogy', or similar to, the PCSPS. A legacy pension provision has been recorded for the future costs of benefits under this scheme.

1.7. Leases

Expenditure in relation to operating lease rentals are charged to the SoCNE on a straight-line basis over the lease term.

1.8. Property, plant and equipment

Expenditure on property, plant and equipment (excluding assets under construction) is capitalised at cost provided it satisfies the CMA's capitalisation criteria – i.e. 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 calculated under a depreciated historical cost model. There was no revaluation in 2017/18 on the grounds of materiality.

1.9. Assets under construction

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 the information technology category of assets, at which point depreciation commences.

1.10. Intangible assets

Intangible assets comprise software and software licences capitalised at cost where they satisfy the CMA's capitalisation criteria – i.e. to capitalise expenditure of £10k or more for individual purchases.

1.11. 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 16 years to lease break date.

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

Intangible assets (amortisation)

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

1.12. Financial instruments

The CMA does not hold any complex financial instruments. The only financial instruments included in the financial statements, and disclosed in Notes 8, 9 and 10, are the following assets/liabilities:

- cash at bank and in hand;
- receivables; and
- payables.

These are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in an active market and 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 reassess.

1.13. Value Added Tax

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

1.14. 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 2018/19 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 2018 is surrenderable to the Consolidated Fund.

2. Statement of operating costs by operating segment

2.1. Analysis by operating segment

The CMA recognised 7 reportable segments within its management accounts with the following breakdown of total gross expenditure:

	Total gross expenditure 2017/18	Total gross expenditure 2016/17
	£000	£000
Cartel & Criminal Group	6,278	6,914
Mergers Phase 1 & Sector Regulation	4,507	4,299
Legal Services	8,262	9,030
Office of Chief Economic Advisor	1,808	2,495
Policy and International	1,739	1,506
Competition, Consumer and Markets Group*	19,673	19,819
Corporate Services**	23,370	20,377
Balance at 31 March 2018	65,637	64,440

*Competition, Consumer and Markets Group total gross expenditure of £19,673k comprises the following operational segments:

	Total gross expenditure 2017/18	Total gross expenditure 2016/17
	£000	£000
Mandatory work	7,284	7,338
Markets	3,273	3,297
Enforcement	9,116	9,184
Balance at 31 March 2018	19,673	19,819

**Corporate Services total gross expenditure of £23,370k is analysed as follows:

	Total gross expenditure 2017/18	Total gross expenditure 2016/17
	£000	£000
Premises (CMA wide costs)	9,228	9,085
Information technology (CMA wide costs)	2,218	2,967
Staff and other non-staff costs	11,924	8,325
Balance at 31 March 2018	23,370	20,377

2.2. Reconciliation between operating segments and SoCNE

	Total gross expenditure 2017/18	Total gross expenditure 2016/17
	£000	£000
Total gross expenditure reported for operating segments	65,637	64,440
Reconciling items:		
Income	(3,979)	(2,372)
Depreciation and non-cash items	(69,823)	73,787
Total net expenditure per the SOCNE	(8,165)	135,855

3. Staff costs

Staff costs comprise:

	2017/18 Total	2016/17 Total
	£000	£000
Wages, salaries and other associated costs	47,940	46,088
Sub total	47,940	46,088
Other staff costs	326	176
Less: recoveries in respect of outward secondments	(102)	(97)
Total net costs	48,164	46,167
Total	48,164	46,167

More detailed information on staff costs is available in the Staff Report on page 118.

4. Other costs

	2017/18	2016/17
	£000	£000
Rent (operating leases)	4,505	4,211
Rates	2,162	1,812
Utilities	331	349
Service charge	1,181	1,197
Other premises costs	197	828
Net premises costs	8,376	8,397
Research expenditure	276	407
Other expenditure		
Litigation costs	771	878
Professional services	1,742	1,623
Training	865	673
Publicity and campaigns	285	154
Travel and subsistence	363	346
Recruitment	440	247
Telecommunications	400	502
IT (including maintenance)	2,030	2,654
Printing, copying and mailing	515	635
Publications	11	187
Facilities Management	1,085	719
Other expenditure	224	768
Total other expenditure	8,731	9,386
Non-cash items		
Depreciation of property, plant and equipment	911	1,210
Depreciation of intangible assets	823	356
Impairment of trade receivables	(6)	(63)
Apprenticeship Levy – training	9	–
Provisions – amounts provided for in year	37	72,351
Auditors' remuneration and expenses	80	84
Provisions- amount not required, written back	(71,587)	(68)
Total non-cash items	(69,733)	73,870
Total other costs	(52,350)	92,060

5. Income

	2017/18	2016/17
	£000	£000
Recovery of accommodation costs	1,732	1,650
Appeal costs reimbursed	488	–
Regulatory Appeals	1,695	685
Other income	55	37
Total income (cash items)	3,970	2,372
Non-cash items		
Apprenticeship Levy – notional grant	9	–
Total income	3,979	2,372

6. Property, plant and equipment

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2017/18 Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2017	9,063	1,487	371	332	11,253
Additions	87	–	14	401	502
Disposals	–	(315)	(18)	–	(333)
Reclassification	71	–	–	(703)	(632)
Revaluations	–	–	–	–	–
Impairments	–	–	–	–	–
At 31 March 2018	9,221	1,172	367	30	10,790
Depreciation					
At 1 April 2017	6,597	1,107	233	–	7,937
Charged in year	714	162	35	–	911
Disposals	–	(315)	(18)	–	(333)
Reclassification	–	–	–	–	–
Revaluations	–	–	–	–	–
Impairments	–	–	–	–	–
At 31 March 2018	7,311	954	250	–	8,515
Carrying amount at 31 March 2018	1,910	218	117	30	2,275
Carrying amount at 31 March 2017	2,466	380	138	332	3,316

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2016/17 Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2016	9,033	2,483	371	199	12,086
Additions	30	282	–	1,005	1,317
Disposals	–	–	–	–	–
Reclassification	–	(1,278)	–	(872)	(2,150)
Revaluations	–	–	–	–	–
Impairments	–	–	–	–	–
At 31 March 2017	9,063	1,487	371	332	11,253
Depreciation					
At 1 April 2016	5,622	1,171	196	–	6,989
Charged in year	975	198	37	–	1,210
Disposals	–	–	–	–	–
Reclassification	–	(262)	–	–	(262)
Impairments	–	–	–	–	–
At 31 March 2017	6,597	1,107	233	–	7,937
Carrying amount at 31 March 2017	2,466	380	138	332	3,316
Carrying amount at 31 March 2016	3,411	1,313	175	199	5,098

The Leasehold improvements category includes the dilapidations' asset which in prior years was disclosed separately. The dilapidations' asset was inherited from the Competition Commission on creation of the CMA and relates to the initial cost of restoring the CMA's part of Victoria House to its original state upon termination of the lease.

A reclassification from Information technology to Software licences (see note 7) took place in 2017/18.

Asset financing

All property, plant and equipment and intangible assets were owned by the CMA. The leasehold improvements charged in year relate to Victoria House, which is occupied via an operating lease.

7. Intangible assets

	Software licences	
	2017/18	2016/17
	£000	£000
Cost or valuation		
At 1 April	2,495	253
Additions	13	92
Disposals	–	–
Reclassification	632	2,150
At 31 March	3,140	2,495
Depreciation		
At 1 April	681	63
Charged in year	823	356
Disposals	–	–
Reclassification	–	262
At 31 March	1,504	681
Carrying amount at 31 March	1,636	1,814

A reclassification from Information Technology (see note 6) to Software licences took place in 2017/18.

8. Cash and cash equivalents

	2017/18	2016/17
	£000	£000
Balance at 1 April	1,330	1,629
Net change in cash and cash equivalent balances	2,314	(299)
Balance at 31 March	3,644	1,330
The balance at 31 March was held at		
Government Banking Service	3,644	1,330
Balance at 31 March	3,644	1,330

9. Trade and other receivables

9.1. Amounts falling due within one year

	2017/18	2016/17
	£000	£000
Trade receivables (gross)	617	563
Impairment provision	(66)	(72)
Trade receivables (net)	551	491
Deposits and advances	176	165
Other receivables	353	305
VAT	128	624
Prepayments and accrued income	2,517	2,745
Total	3,725	4,330

9.2. Amounts falling due after more than one year

	2017/18	2016/17
	£000	£000
Tenants' rent-free period	21	62
Tenants' rent - operating lease asset	281	566
Total	302	628

10. Trade and other payables

10.1. Amounts falling due within one year

	2017/18	2016/17
	£000	£000
Trade payables	839	508
Accruals and deferred income	4,619	6,967
Taxation and social security	1,391	1,046
VAT	394	–
Other payables	3,018	2,343
Amounts issued from the Consolidated Fund for supply but not spent at 31 March	3,644	1,330
Total	13,905	12,194

10.2. Amounts falling due after more than one year

	2017/18	2016/17
	£000	£000
Victoria House rent – rent-free period *	148	444
Victoria House rent – operating lease liability **	1,292	3,458
Total	1,440	3,902

* Under the rules of UITF Abstract 28: Operating Leases, the value of the rent-free period is amortised on a straight-line basis over 16 years to the lease break date.

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

11. Provisions for liabilities and charges

	Early Departure provision	Legacy pension provision	Dilapidation provision	Exit cost provision	Legal cost provision	2017/18 Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	43	1,284	5,662	–	69,175	76,164
Provided for in year	–	37	–	–	–	37
Provisions not required written back	–	–	(2,412)	–	(69,175)	(71,587)
Provisions utilised in the year	(20)	(46)	–	–	–	(66)
Actuarial loss/(gain)	–	(4)	–	–	–	(4)
Balance at 31 March 2018	23	1,271	3,250	–	–	4,544

	Early Departure provision	Legacy pension provision	Dilapidation provision	Exit cost provision	Legal cost provision	2016/17 Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	110	1,662	2,647	1,101	–	5,520
Provided in year	103	58	3,015	–	69,175	72,351
Provisions not required written back	–	–	–	(68)	–	(68)
Provisions utilised in the year	(170)	(75)	–	(1,033)	–	(1,278)
Actuarial loss/(gain)	–	(361)	–	–	–	(361)
Balance at 31 March 2017	43	1,284	5,662	–	69,175	76,164

11.1. Analysis of expected timing of cash flows

	Early Departure provision	Legacy pension provision	Dilapidation provision	Exit cost provision	Legal cost provision	2017/18 Total
	£000	£000	£000	£000	£000	£000
Not later than one year	19	39	3,250	–	–	3,308
Later than one year and not later than five years	4	559	–	–	–	563
Later than five years	–	673	–	–	–	673
Balance at 31 March 2018	23	1,271	3,250	–	–	4,544

	Early Departure provision	Legacy Pension provision	Dilapidation provision	Exit cost provision	Legal cost provision	2016/17 Total
	£000	£000	£000	£000	£000	£000
Not later than one year	23	39	–	–	–	62
Later than one year and not later than five years	20	559	5,662	–	69,175	75,416
Later than five years	–	686	–	–	–	686
Balance at 31 March 2017	43	1,284	5,662	–	69,175	76,164

11.2. Pension provision

An actuarial valuation was carried out by the Government Actuary's Department as at 31 March 2018.

The financial assumptions used in the calculation of the liability as at 31 March 2018 were as follows:

- the gross rate used to discount scheme liabilities was 2.55% per annum (2016/17: 2.8% per annum);
- the gross rate of increase for pensions in payment and deferred pensions was 2.45% per annum (2016/17: 2.55% per annum); and
- in nominal terms, these assumptions implied price inflation of 2.45% per annum (2016/17: 2.55% per annum).

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

	2017/18 Total	2016/17 Total
	£000	£000
Interest cost	37	58
Actuarial loss	(4)	(361)
	33	(303)
Benefits paid	(46)	(74)
(Decrease)/Increase in provision	(13)	(377)

11.3. 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. The lease for the property expires in 2023 with a break option in 2019. The provision assumes that as at 31 March 2018 it is highly probable that we will break the lease. This position was confirmed when in early July 2018 we made a payment to the Victoria House landlord of £3,250k exercising our option to break the lease in September 2019.

The latest review was undertaken this year by GVA LLP 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 and assumes that the break clause will be exercised in 2019.

11.4. Legal Cost provision

The hearing for the CMA's appeal on the litigation relating to the Office of Fair Trading's (OFT) tobacco competition enforcement investigation case was held on 13 and 14 March 2018 at The Supreme Court. On 16 May 2018, The Supreme Court unanimously allowed the CMA's appeal. See note SoPS 1.1 and note 16.

The CMA have therefore reduced the value of this provision to £0, in accordance with IAS 10 'Events after the reporting period', as the timing of the Supreme Court's decision was an adjusting event.

12. Capital and other commitments

12.1. Capital commitments

CMA has no capital commitments as at 31 March 2018.

12.2. Commitments under operating leases

	2017/18	2016/17
	£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 1 year	6,823	6,352
Later than 1 year and not later than 5 years	3,620	10,362
Later than 5 years	–	–
Total	10,443	16,714

The CMA has a 20-year lease for office space in Victoria House. The earliest break date is September 2019, at which point the CMA will be breaking the lease. This has been reflected in the commitments under operating lease.

13. Financial instruments

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

14. Related party transactions

The CMA had a number of transactions with other government departments and central government bodies.

Except for remuneration found in the Remuneration Report section of the Accountability Report, no Board member or key manager has undertaken any material transaction with the CMA during the year.

The CMA sublets part of its office premises at Victoria House to the Competition Appeals Tribunal and the Groceries Code Adjudicator which are sponsored by Department for Business, Energy & Industrial Strategy and the Oslo/Paris Convention (OSPAR) Commission which is part of DEFRA.

Details of compensation for key management personnel can be found in the Remuneration Report section of the Accountability Report. Information regarding Board Members' Register of Interests can be found in the Director's Report under the Register of Interests section.

15. 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.

16. 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 & Auditor General (C&AG). The CMA have included the following adjusting events in these accounts:

- Litigation provision – The CMA has reversed its litigation provision of £69,175k. See note SoPS 1.1. and note 11.4.
 - Regulatory appeals – A decision on an underlying case was made on 26 February 2018. The CMA issued a Costs Order on 3 May 2018 for £217k which has been accounted for as accrued income in these financial statements.
-

CMA Trust Statement

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

Statement of Accounting Officer's responsibilities

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

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

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

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

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

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

Signed for and on behalf of the CMA



Andrea Coscelli

Chief Executive and Principal Accounting Officer
10 July 2018

Governance Statement

The CMA's Governance Statement, covering both the Accounts and the Trust Statement, is shown on pages 89 to 109.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Trust Statement)

Opinion on financial statements

I certify that I have audited the financial statements of the Competition and Markets Authority Trust Statement for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- The Competition and Markets 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 2018 and of the net revenue 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial

Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Competition and Markets Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Statement of Principal 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when

it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Competition and Markets Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Competition and Markets Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my

auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Annual 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

Date 13 July

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 2018

	Note	2017/18	2016/17
		£000	£000
Revenue			
Fines and penalties income			
Penalties imposed under the Competition Act 1998		9,736	99,727
Interest earned on penalties imposed under the Competition Act 1998		38	95
Total fines and penalties income		9,774	99,822
Merger fees			
Fees received under the Enterprise Act 2002		6,180	5,120
Interest earned on penalties imposed under the Enterprise Act 2002		–	1
Total merger fees		6,180	5,121
Total revenue		15,954	104,943
Expenditure			
CA98 Penalty offset to Legal cost*		(771)	(1,262)
Debts written off or otherwise impaired		(20)	(216)
Total expenditure		(791)	(1,478)
Net revenue for the Consolidated Fund	5	15,163	103,465

*As part of the 2015 Spending Review settlement the CMA are permitted to offset CA98 income against 50% of in-year litigation costs incurred within the CMA resource accounts.

The notes on pages **160 to 163** form part of these Trust Statements.

Statement of Financial Position

as at 31 March 2018

	Note	2017/18	2016/17
		£000	£000
Non-current assets			
Receivables	2	404	1,044
Total non-current assets		404	1,044
Current assets			
Receivables	2	143,447	140,218
Cash and cash equivalents	3	12,453	–
Total current assets		155,900	140,218
Total assets		156,304	141,262
Current liabilities			
Payables	4	258	379
Total current liabilities		258	379
Total assets less liabilities		156,046	140,883
Total assets less current liabilities		156,046	140,883
Represented by:			
Balance on Consolidated Fund account	5	156,046	140,883

The notes on pages **160 to 163** form part of these Trust Statements.



Andrea Coscelli

Chief Executive and Principal Accounting Officer
10 July 2018

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2017/18	2016/17
		£000	£000
Net cash flow from operating activities	A	12,453	8,966
Amounts paid to the Consolidated Fund	5	–	(8,966)
(Decrease)/increase in cash in the year		12,453	–

Notes to the Cash Flow Statement

A: Reconciliation of Net Cash Flow to movement in Net Funds	Note	2017/18	2016/17
		£000	£000
Net revenue for the Consolidated Fund	5	15,163	103,465
Decrease/(increase) in assets	2	(2,589)	(94,878)
(Decrease)/increase in liabilities	4	(121)	379
Net cash flow from operating activities		12,453	8,966

B: Analysis of Changes in Net Funds	Note	2017/18	2016/17
		£000	£000
(Decrease)/increase in cash in the year	3	12,453	–
Net funds at 1 April (net cash at bank)		–	–
Net funds at 31 March (closing balance)		12,453	–

The notes on the following pages **160 to 163** form part of this Trust Statement.

Notes to the Trust Statement

1. Statement of accounting policies

Basis of preparation

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury. The Trust Statement is prepared in accordance with the accounting policies detailed below. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in these statements are those flows of funds which the CMA handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

1.1. Accounting convention

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

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 2 calendar months in which to appeal the decision if it so 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 judgements and estimates

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

1.4. 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 an impairment provision in the event that recovery of the receivable is in doubt. The impairment provision serves to reduce the receivable in the SoFP, but also reduces the balance on the Consolidated Fund account. The creation of this impairment 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

	2017/18	2016/17
	£000	£000
Amounts falling due within one year		
Competition Act 1998 penalties	143,005	145,678
Less provision for impairment	(598)	(6,140)
Net Competition Act 1998 penalties	142,407	139,538
Merger fees receivables	805	661
Less provision for impairment	(5)	(61)
Net Merger fees	800	600
Accrued income	240	80
Other receivables	–	–
Total	143,447	140,218

The provision for impairment covers amounts due relating to merger fees and also 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, a provision is made for the full amount of the debt at the time the entity enters administration.

In 2017/18 the CMA received HM Treasury approval to write-off £5,618k of CA98 debt against 8 entities. Four of these entities were dissolved, and their debts of £4,527k have been fully written off. The remaining 4 entities are in administration or liquidation, with a minimal potential repayment reported. The majority of their debt has therefore been written off.

Receivables over £10,000k include the following fines currently under appeal: Pfizer (£84,200k) and Glaxo Smith Kline (£37,600k).

On 7 June 2018, the Competition Appeal Tribunal announced its judgement¹⁴ on the Phenytoin case, referring the investigation back to the CMA. In accordance with the HM Treasury Financial Reporting Manual, a receivable relating to penalties is written down at the date of successful appeal. As such, the related receivable continues to be recognised in the 2017-18 Trust Statement, and will be written down within the 2018-19 accounts.

2.2. Non-current receivables

	2017/18	2016/17
	£000	£000
Amounts falling due after more than one year		
Competition Act 1998 penalties	404	1,044
Total	404	1,044

14 The details of the Competition Appeal Tribunal's judgement can be located at http://www.catribunal.org.uk/files/1275-1276_Flynn_Judgment_CAT_11_070618.pdf

3. Cash and cash equivalents

	2017/18	2016/17
	£000	£000
Balance held at Government Banking Service at 1 April	–	–
Net change in cash balances	12,453	–
Balance held at Government Banking Service at 31 March	12,453	–

The CMA will transfer this closing balance to HM Treasury in the next financial year.

4. Payables

	2017/18	2016/17
	£000	£000
CA98 Penalty offset to Legal cost payable	258	379
Total	258	379

5. Balance on the Consolidated Fund account

	2017/18	2016/17
	£000	£000
Balance on Consolidated Fund account at 1 April	140,883	46,384
Net revenue for the Consolidated Fund	15,163	103,465
Less amount paid to the Consolidated Fund	–	(8,966)
Balance on Consolidated Fund account at 31 March	156,046	140,883

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 C&AG. There are no subsequent events to report.

The Court of Appeal judgement on the Phenytoin case is a non-adjusting event after the reporting period in line with paragraph 8.2.9 of the 2017/18 FReM. See note 2.1 above.



Competition and Markets Authority

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