CMA Competition & Markets Authority

Competition and Markets Authority
Annual Report and Accounts 2018/19

(For the year ended 31 March 2019)

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Annual Report presented to Parliament pursuant to Section 25(4) of the Enterprise and Regulatory Reform Act 2013

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

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

Ordered by the House of Commons to be printed on 18 July 2019

HC2283

This publication is available at **www.gov.uk/official-documents**

Any enquiries regarding this publication should be sent to us at Strategy, Competition and Markets Authority, Victoria House, 37 Southampton Row, London, WC1B 4AD or by email to general.enquiries@cma.gov.uk.

ISBN: 978-1-5286-1415-3

CCS0619386236 07/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office

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Overview

Overview

The Competition and Markets Authority (CMA) has a statutory duty to promote competition for the benefit of consumers. Our aim is to make markets work well for consumers, businesses and the economy, right across the UK. We are an independent non-ministerial department. We employ around 810 people, who work mainly at our offices in London and Edinburgh, with representatives in Wales and Northern Ireland.

This section of the CMA Annual Report 2018/19 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.

Chairman's foreword

When I joined the CMA earlier this financial year, I said that I wanted the CMA to move closer to the heart of UK economic life. This past year, the CMA has made a difference to people's everyday lives in a number of respects.

It has acted to protect vulnerable consumers, and to learn more about their issues so that it can better tackle them.

It has intervened on issues that matter to consumers across the UK, from preventing the proposed merger of Sainsbury's and Asda to tackling the loyalty penalty that sees far too many people paying over the odds: "exploited" is not an exaggeration.

It has taken action in the online world, using consumer law to ensure better transparency of prices for hotel bookings, for example, and reviewing mergers of a number of digital companies to protect competition.

And it has acted to reform markets that underpin the economy, in particular statutory audit and investment consultancy.

There is plenty of consumer detriment out there, and much for the CMA to do.

In particular, the twin challenges of the growth of the digital economy and decline in trust in the value of competitive markets will require legislative reform to equip us for the future. It is with that in mind that, at the request of the Government and following extensive consultation with CMA colleagues, I recently set out proposals for reforming the competition regime.

Taken together, these changes would mark a decisive shift in favour of consumers. They will benefit the vast majority of firms that already compete strongly and treat their customers fairly. Those proposals require consultation. The Secretary of State for BEIS recently said "These proposals ... are an encouraging step in the right direction and should now form part of the proposals on which we will consult in the competition review." I'm delighted by that.

EU Exit remains both a major opportunity, and a major risk, for the CMA. We have done much to prepare ourselves for our future role of undertaking major global mergers and enforcement cases, and enforcing state aid rules. But the scale of the challenge should not be underestimated, and the uncertainty over the timing and form of Exit makes planning difficult.

The year ahead will bring many challenges for the UK, its consumers and its economy. I have been very impressed by the calibre and dedication of the whole CMA team. That, above all else, can give us confidence that we can and will meet these challenges.

Andrew Tyrie
CMA Chairman

Chief Executive's report

This year, the CMA has carried out a wide range of work that will make a positive difference for consumers, businesses and the UK economy. I focus here on some particular highlights of the year.

Protecting consumers through effective enforcement

Protecting consumers from illegal, anti-competitive practices and unfair trading – whether online or on the high street – is central to our purpose. Our competition and consumer protection enforcement investigations span online commerce, major global companies, and markets for goods and services that matter to the economy and to people's everyday lives.

This year, much of our programme of consumer protection enforcement focused on digital commerce; unsurprising when one considers that the huge expansion of online trade has created new opportunities for consumer harm alongside its many benefits in terms of choice, convenience and lower prices.

In our online hotel booking investigation, six of the biggest booking sites gave formal commitments to end practices that could mislead customers and prevent them finding the best deal. We also secured formal commitments from three of the biggest players in the online secondary ticketing market to overhaul the way they do business and give their customers greater clarity and confidence, and we launched legal action to compel the fourth major player – viagogo – to follow suit.

You can read more about these and other online consumer protection investigations, including into dating sites and celebrity endorsements, later in this report.

Away from the online world, we secured important outcomes in our consumer protection investigation into practices by some care homes for the elderly. Through our action we wanted to make sure that people were protected from unfair contract terms and business practices at a time of vulnerability.

Our care homes work is an example of how we have sought to use our whole toolkit to best effect by launching enforcement cases off the back of market studies: our care homes investigation emerged alongside our 2017 care homes market study. Another example is our digital comparison tools market study, which in part led to our online hotel booking consumer protection investigation. This also led to a new competition enforcement investigation in which we have provisionally found that clauses in many of the contracts that ComparetheMarket has with home insurers break competition law, and could mean that customers are missing out on better deals.

We announced that in our investigation into a cartel in the market for office fit-out services, five companies admitted breaking the law and agreed to pay fines totalling over £7 million. We concluded our investigation with the issue of a formal infringement decision in April 2019.
In another investigation, which was our first

competition law case involving a land agreement Heathrow Airport agreed to pay a fine of £1.6m for restricting competition in airport car park charges in a lease with the operator of a Terminal 5 hotel.

We are determined to protect the public from individuals who, in their business activities, are involved in anti-competitive practices – and to send a clear message about the personal responsibility that business people have for ensuring compliance with competition laws.

In support of this aim, this year we secured the disqualification of two directors whose estate agency companies broke competition law, and issued court proceedings to seek further disqualifications. Since the end of the year, we have secured six further disqualifications; this means that from December 2016, we have secured the disqualification of nine directors in relation to four different infringement decisions, and there are more in progress. We will continue to press for more in appropriate cases, underlining that individuals must take responsibility for ensuring that their businesses comply with competition law.

As well as making good progress in existing competition law enforcement cases, we launched eight new ones, including one that centres on a business agreement between five airlines on cross-Atlantic routes. In 2010, the airlines gave commitments to the European Commission for a period of 10 years to address its competition concerns. Given their approaching expiry, the UK's exit from the European Union, and the fact that five of the six routes subject to commitments are between the UK and US, we have decided to review the competitive impact of the original agreement.

Competition enforcement in the pharmaceutical sector has been a priority for us for several years. Illegal, anti-competitive 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 actions then the people who depend on these drugs lose out – as do millions of other NHS users as there is less money to go around. You can read more about our work in this area in the Protecting vulnerable consumers chapter.

An increasingly common consequence of tough action, whether through enforcement, merger investigations, or market-wide interventions, is appeals against our decisions. You can read about the several appeals we have defended in our competition investigations into supply of medicines to the NHS on page 33.

In relation to other investigations, the Competition Appeal Tribunal (CAT) this year dismissed an appeal by Ping Europe, the golf club manufacturer, against our decision to fine it for breaking the law by banning retailers selling its clubs online. This is now under appeal at the Court of Appeal.

Following the CAT's judgment in our favour, the Court of Appeal upheld our decision and fine against Balmoral Tanks for illegally exchanging price information. This judgment sends another clear signal to businesses that, even if they are not directly involved in price-fixing, the exchange of competitively-sensitive information with competitors, even if only at one meeting, can be illegal and can lead to fines.

The prospect of fighting appeals against our decisions does not deter us from pursuing strong enforcement of the law, and we will continue to take on big, challenging cases to protect people from illegal practices and make markets work in their favour.

Operating an effective and efficient merger regime

Protecting consumers from the harmful effects of mergers is a core part of our role. This year, we have carried out a high number of phase 2 investigations, including into the proposed merger of two of the UK's biggest supermarkets: Sainsbury's and Asda. We concluded that their combination would have led to increased prices in stores, online and at many petrol stations across the UK, and therefore blocked it. You can read more about this in the chapter on tackling issues that matter in everyday life.

In several of our phase 2 investigations, we were the only authority conducting such an in-depth review, despite them being multi-jurisdictional transactions. This approach demonstrates our ability and our willingness to review mergers that have the potential to harm UK consumers, even where they have not raised concerns in other jurisdictions. The UK currently operates a voluntary notification regime and a significant proportion of these mergers were not notified to us; some were completed prior to our investigation. But this did not prevent us from taking action where necessary.

As with our consumer protection enforcement, mergers and acquisitions in the online world featured prominently in this year's work. We carried out reviews of the mergers of TopCashback/Quidco and Experian/Clearscore, resulting in the companies abandoning their mergers, and PayPal's acquisition of Swedish start-up iZettle. You can read more about merger control in the online world in the Promoting better competition online chapter.

We took strong action where necessary to protect competition. We required JLA and Washstation to completely unwind their completed merger, and ordered Electro Rent to sell its UK arm for the proposed merger with Microlease to proceed. In three separate cases, companies abandoned their mergers after we raised competition concerns.

We investigated a proposed merger, subsequently abandoned, of two of the biggest energy suppliers, SSE and npower. We concluded that these companies were not close competitors for an important set of customers: those on standard variable tariffs. There are also dozens of energy suppliers in the market and many of the people who switch move to one of the smaller energy suppliers, which now account for more than 20% of the market.

Even where mergers were subject to review by the European Commission rather than the CMA, we worked hard to ensure that UK consumers were protected. In particular, and in the context of significant pressure from the French and German governments to establish a European 'industrial champion', we joined forces with other European competition authorities to raise concerns about the Siemens AG and Alstom SA merger. In a joint letter, we told the EU Competition Commissioner that the overall loss of competition in rail signalling systems and rolling stock would be both widespread and very significant, and that the concessions offered by the companies fell far short of what would be needed to address these concerns. In February, the European Commission acted decisively to prohibit this merger.

We impose interim enforcement orders to prevent companies from integrating to such an extent that it prevents us from unpicking the merger if we find that it could damage competition. Reinforcing how seriously we take this, we penalised companies that breached our orders to the tune of nearly three quarters of a million pounds this year. This included penalties totalling £300,000 on Electro Rent for twice breaching the terms imposed. We also issued our first unwinding order, requiring the reversal of actions by Tobii AB/Smartbox Assistive Technology Limited and Sensory Software International Ltd to integrate their businesses. These actions demonstrate our robust approach to merger control and send a clear signal that we will not allow companies to proceed with their merger whilst under investigation.

We are always looking to refine how we approach merger control and make it even clearer and more efficient for companies considering merging, and their advisors. We published revised guidance on exceptions to the duty to refer mergers and on merger remedies. We also published good practice in the design and presentation of consumer survey evidence.

Making markets work better

Our enforcement powers are significant but there are times when markets are not working in people's favour and need to change, even where there is no breach of competition or consumer protection law. This year, we have carried out in-depth reviews of markets that are central to people's lives and essential to a well-functioning economy.

Firms in the investment consultancy and fiduciary management sector have influence over half of all UK households' retirement savings and advise on pension schemes worth £1.6 trillion. Our market investigation set out a suite of improvements that will help ensure that the sector works better for pension scheme members, and under the first use of our streamlined procedure, concluded three months ahead of the statutory deadline.

Whilst most people will never read an auditor's opinion on a company's accounts, tens of millions of people's jobs, pensions or savings depend on robust and high-quality audits. Our market study into the statutory audit market, which concluded in April 2019, resulted in a comprehensive package of recommended reforms; these will require legislation to implement, in combination with planned regulatory improvements recommended by Sir John Kingman.

You can read more about our investment consultancy investigation and our audit services market study in the Supporting productivity and economic growth chapter.

Heat networks are a key part of the government's decarbonisation strategy and earlier this year we concluded our market study recommending regulation. We made our recommendations to UK and devolved governments to improve transparency and consumer protection in a market that is expected to grow significantly as energy-efficient technology develops.

In March, we launched an in-depth market investigation into the £2 billion funerals sector. Our initial market study had raised serious concerns about large price hikes, affecting people when they are at their most vulnerable as they grieve the loss of a loved one.

Following a super-complaint from Citizens Advice, we investigated concerns that not enough has been done to tackle the 'loyalty penalty' being paid by longstanding customers in five key markets. We set out a package of reforms which we believe will help existing customers get a fairer deal. Joining up our toolkit once again, we launched a consumer protection enforcement investigation in the anti-virus software market, as a first step in a wider programme of enforcement in this area (which was followed by the launch of an investigation into online console video gaming in April 2019).

You can read more about the super-complaint and our funerals market study later in this report.

Households and small businesses continue to see the impact of our market-wide review of retail banking as more of our orders come into force. For example, banks must now display information on their customers' opinion of their services, and that of their rivals; we hope this will help to drive up standards in the personal and business banking sector, making it easier for consumers to judge whether they are with the best bank for them, and consider switching if not. First Direct, which topped the first set of customer satisfaction league tables, ran a major marketing campaign including TV advertisements as a result.

A strong voice for competition

We have remained a strong voice for competition across the UK and overseas, advising and challenging policy-makers domestically and supporting the development of the competition and consumer protection regimes internationally.

As our Chairman says in his foreword to this Report, in February we set out a range of proposals that will allow us to act more effectively and more swiftly in consumers' interests, in the process driving enterprise and innovation, and helping to improve public confidence in markets.

Our advocacy team worked on a wide range of issues, engaging with national, devolved and local government officials and lawmakers both publicly and privately to encourage pro-competitive policy-making in the interests of consumers. Issues we worked on included housing, public transport, local journalism, motorway fuel pricing, government outsourcing and the design of the competition for the next National lottery licence.

Transport has been an important focus for our advocacy this year. We took part in the Task and Finish Group commissioned by the Department for Transport into the regulation of taxis and private-hire vehicles (including apps like Uber). We published advice for the Department for Transport on competition impacts of airport slot allocation alongside the government's aviation strategy. CMA staff helped to develop the government's 'Outsourcing Playbook' and led on the development of new 'Market Management' policy and guidance for those in government involved in the procurement of public services delivered by third parties.

Strong partnerships

The CMA is a UK-wide institution committed to working on behalf of consumers and businesses across all the nations and regions of the UK, supported by our offices in Belfast, Cardiff and Edinburgh. In June, we opened an expanded office in Edinburgh, which has now grown to more than 40 staff across a wide range of professions including policy, law and economics. We expect numbers to continue to increase over the coming year and also plan modest expansions in Belfast and Cardiff.

This year, we have worked with the devolved governments in Scotland and Wales on several policy initiatives, including public transport, property management and district heating. We made two formal responses to the Scottish government, on the creation of a state-owned energy company, and of a new agency, 'Consumer Scotland'. We also supported the Review of the Regulation of Legal Services in Scotland based on what we found in our 2017 market study on legal services in England and Wales.

Across all three devolved nations we have begun to develop relationships to enable the effective operation of the UK State aid regime.

In 2017/18, we established a network of English Region Champions, drawn from amongst our Directors. This year, they have been gradually building relationships, particularly focussing on promoting campaigns to raise awareness of cartels, and on engaging with the legal and business communities and local government.

Meanwhile our latest Annual Concurrency Report shows that joint working between the CMA and sector regulators has increasingly become embedded into day-to-day working. There has been particularly good progress with delivery of competition law cases by sector regulators: there were five ongoing cases at the start of the year, of which two have now been concluded with an infringement decision and four new investigations have been opened in the energy, airport services, payment systems and financial services sectors. Prior to this year, there had been only two infringement decisions since the concurrency regime was strengthened in 2014.

Market studies and sectoral reviews also form an important part of the concurrency arrangements and both the CMA and regulators have carried out significant work during this reporting period, including our own investment consultants market investigation and heat networks market study. A further good example was the response to Citizens Advice's super-complaint. We worked closely with the Financial Conduct Authority and Ofcom, and both provided staff secondments to ensure our work benefited from their market-specific expertise.

Preparing for the UK's exit from the EU

The UK's exit from the EU (Exit) presents opportunities for the CMA to secure better outcomes for UK consumers as we expect to take on a bigger role on the world stage. Ensuring that we are ready for the new arrangements and to take advantage of these opportunities has been a central priority for us this year.

Working alongside government and the legal community, we made great strides to ensure we have the people, skills, infrastructure and legal framework to launch or take over major international cartel or antitrust cases, merger investigations and State aid enforcement when the UK leaves the EU.

Our preparedness plans, including readiness for the no deal Exit that could have occurred in March, were endorsed by rigorous third-party reviews: by the Infrastructure and Projects Authority, the National Audit Office and the Government Internal Audit Agency.

You can read more about our preparations and our role after Exit in the Preparing for the UK's exit from the EU chapter, as well as below where I reflect upon future challenges.

Risks, challenges and opportunities ahead

There remains political and public debate over the extent to which competitive markets can secure long-term benefits for consumers, and how and when regulators and government should step in to fix problems.

The CMA has a key role to play here, by making tough interventions where necessary. We must make sure that markets work in people's favour and that the vast majority of businesses which play by the rules are not disadvantaged by those who do not.

Technological advances are changing how people shop and how businesses trade. These advances provide opportunities for improvement, such as more choice, convenience, lower prices, spurs to efficiency and innovation. But they can also create new risks of harm. It is important that we continue to ensure that those who hold market power do not abuse it to the detriment of consumers or other businesses, that algorithms and other artificial intelligence systems do not become vehicles for collusion, and that less digitally-literate customers are not left behind.

As the Chairman reflects in his Foreword, the CMA believes the twin challenges posed by the growth of the digital economy, and declining public confidence in market competition, require reforms to competition and consumer protection law and policy. We set out proposals in March 2019 to increase the pace and effectiveness of our interventions, and we will now work alongside government and interested parties to develop them further in the context of the planned Competition Green Paper.

As we test our existing powers to their full extent in advance of any reforms, we expect to face intensifying legal challenge. Some judgments will not go our way, and we will learn from those, but the risk of litigation will not dissuade us from pursuing big cases and taking whatever steps are necessary to protect consumers and make markets work well.

In the summer of 2019, we will move our London headquarters to Canary Wharf. Office moves can be disruptive, but we will work hard to ensure that any disturbance to our work is minimised. Our expansion in the Devolved Nations also places a real premium on new ways of working, across distance, utilising our improved technology.

We have entered the new financial year with continuing uncertainty over the nature and timing of the UK's Exit from the EU. We will continue to strike a balance between starting important new work within our current jurisdiction and being ready to take on a major increase in workload in the event of 'no deal'. We will continue to recruit heavily to ensure we have the full contingent of staff necessary to take on our new responsibilities when they arrive.

2018/19 has been a year of intense effort and achievement by everyone at the CMA. We have remained resolutely focused on delivering high-quality interventions that have an impact in people's everyday lives. We have been bold and innovative in how we carry out our work and have remained flexible and determined in a period of significant uncertainty. I am pleased that the latest staff survey results showed engagement among staff has improved, in no small part due to the initiatives we have carried out to make the CMA a great place to work.

We will maintain this momentum to ensure that our work continues to protect consumers, particularly those in a vulnerable situation, and that markets for well for them, for businesses and for the economy.

Andrea Coscelli
Chief Executive and Principal Accounting Officer
10 July 2019

Year in highlights

£3 billion 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	Statements of objections	Fines
8	2	5	£8.6 million
	No grounds for action: 1		

New consumer enforcement investigations	Parties which have given undertakings to comply with consumer protection law
4	46

Mergers in numbers

56 Phase 1 merger reviews were completed. 41 were cleared. We found the test for reference was met in 13 mergers, accepting undertakings in lieu in 2 mergers and referring 11 to phase 2.

At phase 2, 3 mergers were cleared unconditionally, 4 were cleared with remedies, 1 was prohibited and 3 were abandoned by the companies.

Brexit expansion

£23.6 million

HM Treasury allocated up to **£23.6** million

More than **300** roles have been successfully filled, which brings us to

80% of our total workforce target of **986**

Stop Cartels campaign

People reached	**10m**
Visits to campaign page	**22k**
Contacts to the cartels hotline	**95**

This year's key moments

April

Secondary ticketing sites pledge overhaul
Following enforcement action, 3 major secondary ticketing websites pledged a number of changes to the way information is provided to customers

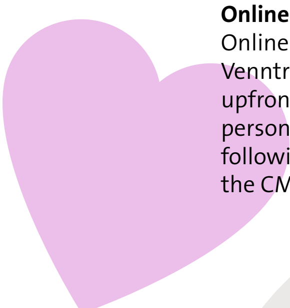
Estate agent cartel directors disqualified
The CMA has secured the disqualification of two directors whose company broke competition law

May

£2 million in compensation for care home residents
The CMA secured more than £2 million in compensation for residents of a major care homes group as part of an investigation into compulsory 'upfront fees'

June

Online dating
Online dating platform Venntro pledged to be more upfront about how it shares personal information, following an investigation by the CMA



July

Heat networks must be regulated, CMA study finds
Heat networks in Great Britain must be regulated and Ofgem is well placed to take on the role, the CMA announced

Banks scored on quality of service
New information means customers can more clearly see how their bank compares on quality of service, following CMA and FCA action

August

September

Win in Ping golf clubs case sends online retail signal
The Competition Appeal Tribunal upheld the CMA's decision that Ping Europe Ltd broke the law by banning the online sale of its golf clubs

October

SSE Retail / Npower merger inquiry
The CMA cleared the anticipated merger between SSE Retail and Npower

ComparetheMarket home insurance deals could deny people better prices
The CMA provisionally found that clauses in many of ComparetheMarket's contracts with home insurers break competition law and could lead to higher premiums

November

CMA secures court order against viagogo
Ticket resale site viagogo must overhaul the way it does business to comply with a court order, secured after CMA enforcement action

CMA tackles loyalty penalty charges
The CMA announced a package of reforms to tackle the substantial loyalty penalty impacting millions of people

December

Open letter from the CMA to the European Commission on the Siemens/Alstom merger
The CMA wrote to the European Commission setting out concerns about the proposed merger of the mobility business of Siemens AG with Alstom SA

CMA proposes reforms to improve competition in audit sector
Improvements to the independence and the quality of audits are the focus of the CMA's market study update

January

Celebrities pledge to clean up their act on social media
Social media stars with millions of followers agreed to change the way they label their posts, as a result of CMA action

February

Sainsbury's / Asda merger could push up prices and reduce quality
The CMA provisionally found extensive competition concerns as part of its in-depth investigation of the proposed merger between Sainsbury's and Asda

Hotel booking sites to make major changes after probe
The CMA secured a victory for UK holidaymakers as some of the biggest online hotel booking sites make formal commitments to change their ways

Credit-score checking merger abandonned
The CMA has cancelled its merger investigation into Experian's anticipated purchase of Clearscore following the companies' decision to abandon the transaction

March

Funerals market investigation
The CMA launched an in-depth market investigation into the funerals sector

Pharma firms accused of illegal agreements
The CMA provisionally found Auden Mckenzie and Waymade broke the law by agreeing not to compete for the supply of hydrocortisone tablets to the NHS

About us

The CMA is 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 in our London office, we have representatives in Wales, Northern Ireland and an expanding presence in Scotland. You can read more about our functions in the Directors Report on page 59.

Governance

The CMA is 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 two 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.

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 65.

Performance summary

Where we spent our money in 2018/19

We incurred spending against parliamentary budgets for the year ending 31 March 2019 of £98.9 million[1] The significant areas of expenditure recorded include:

- £65.0 million on our business as usual activities of protecting consumers through effective enforcement, operating an effective and efficient merger regime, making markets work better, being a strong voice for competition, and strong partnerships; and
- £24.6 million on construction works and fitting out the office space for our London headquarters move to Canary Wharf; and
- £7.7 million on preparations for the CMA's expanded role after the UK exits the EU, which includes developing a new State Aid function.

The most significant transaction in 2018/19 in the Trust Statement was the derecognition of the receivable for £89.4 million for the Pfizer and Flynn appeal relating to the price of the anti-epilepsy phenytoin sodium capsules, following the Competition Appeal Tribunal's judgment in June 2018.[2]

Detailed explanations of the significant variances between the outturn and Estimate are included in the Directors' report: financial review on pages 61 to 63.

Contingencies Fund Drawdown

We submitted a request for £17.05 million to HM Treasury to draw money from the Contingencies Fund (under section 5.14d of the Supply and Estimate Guidance manual). The funds were required to cover an expected shortfall in the net cash requirement amount, as a result of costs associated with the fitting out of the office space in Canary Wharf, before the additional funds requested in the Supplementary Estimate 2018–19 became available. The funds were repaid to the Contingencies Fund, in full, on 22 March 2019.

1 This expenditure corresponds to total DEL expenditure for the CMA.

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

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 were reflected in key commitments and initiatives which we set out in the CMA's 2018/19 Annual Plan. These were a challenging, ambitious set of targets to work towards based on our known budget and portfolio and are set out in the following three 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.

Performance against our commitments

Our work in 2018/19 to prepare for Brexit has been intensive and we have devoted significant resource to ensuring we have the necessary people, skills, infrastructure and legal framework in place to take on the additional responsibilities. This has inevitably diverted resources away from our day to day activity. Yet we have, to the best of our ability, remained focused on delivering high-quality work that makes a difference in people's everyday lives, and we still met many of our ambitious objectives, as outlined below.

Enforcement

Launch as many new civil competition enforcement investigations as possible, where we have the requisite evidence, with ten as a minimum	8 opened
Open new criminal investigations and pursue prosecutions as appropriate	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	17 months (18 for preceding rolling 3 year period)
Launch as many consumer cases or projects as possible where we have the requisite evidence, with four as a minimum	4 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	75%
Carry out new digital campaigns to help businesses understand and comply with competition and consumer law	1 launched
Apply insights from our further research in 2017/18 into businesses' awareness and understanding of the law	Achieved

Markets and mergers

Launch two to four new markets projects in the course of the year	2 opened
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	79%
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	62%
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	100%
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	2 reviews opened
Consult on proposed amendments to rules and guidance applicable to merger remedies across phase 1 and phase 2	Achieved
Lead the International Competition Network's vertical mergers project, to better understand the approaches which different competition agencies take	Achieved

Developing the CMA

Establish a new digital, data and technology team to further enhance our digital capacity and capabilities	Achieved
Increase the engagement score in the annual Civil Service People Survey, by taking corporate and local action on feedback from our staff to the survey, fulfilling our ambition to make the CMA a great place to work	3% increase
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	Achieved
Offer new apprenticeship starts equivalent to 2.3% of headcount	2%

Partnership and advocacy

Run external symposia focused on the role of trust and impact on vulnerable consumers on approach to defining "well-functioning" markets	Achieved
Expand our office in Scotland to between 25-30 staff	35
Continue to play a leading role in the development of competition and consumer protection in the UK and internationally	Achieved
Within the UK, continue to play an active role in the Consumer Protection Partnership and continue to work closely with consumer enforcement, regulatory and advisory bodies in the wider consumer landscape	Achieved
Launch two new evaluations of previous projects	1 launched
Publish two economic research reports	1 published
Based on our work, make recommendations to the government on the impact of policy frameworks on competition in at least two sectors	7 recommendations made[3]

3 Including four substantial pieces of advice/input to government on: Taxis and private hire vehicles, airport slots, the government review of outsourcing, the CMA's letter to the Business Secretary on the reform of the competition and consumer protection regimes, six consultation responses to the government on the Modernising Consumer Markets Green Paper, the Scottish review of legal services, creation of a new Scottish consumer body, Scottish proposals to create a publicly-owned energy company, a call for evidence in relation to the Transport (Scotland) bill, and Welsh public transport.


CMA


business case or simply to be passionate
about your ideas


CMA


Quick Wins
Personal achievement

"...vulnerable consumers are less likely to engage and switch than other consumers across a range of regulated or essential services markets..."

Consumer vulnerability: challenges and potential solutions, CMA, Feb 2019.

Protecting vulnerable consumers

Protecting vulnerable consumers is an essential part of the CMA's job. We are committed to tackling practices that are harming people because they are vulnerable to exploitation or because of their personal circumstances.

case study: Exploring consumer vulnerability

Some of us will experience vulnerability during particularly difficult periods of our lives, such as going through a bereavement, while for others vulnerability derives from longer term challenges, such as physical disability or protracted periods of poor mental health. We can all be vulnerable in certain contexts: if we need to make a purchase at a time when we are distressed, for example, or feel under time pressure to make a choice between complex options that we do not fully understand.

Much of our previous work has focused on the latter aspects of consumer vulnerability. In 2018 we carried out an in-depth programme of work to better understand to what extent groups of consumers with certain characteristics face enduring problems across markets and challenges to getting a good deal, to put the CMA in a better position to help them.

Around **25%** of the population in England experience a **mental health** problem each year

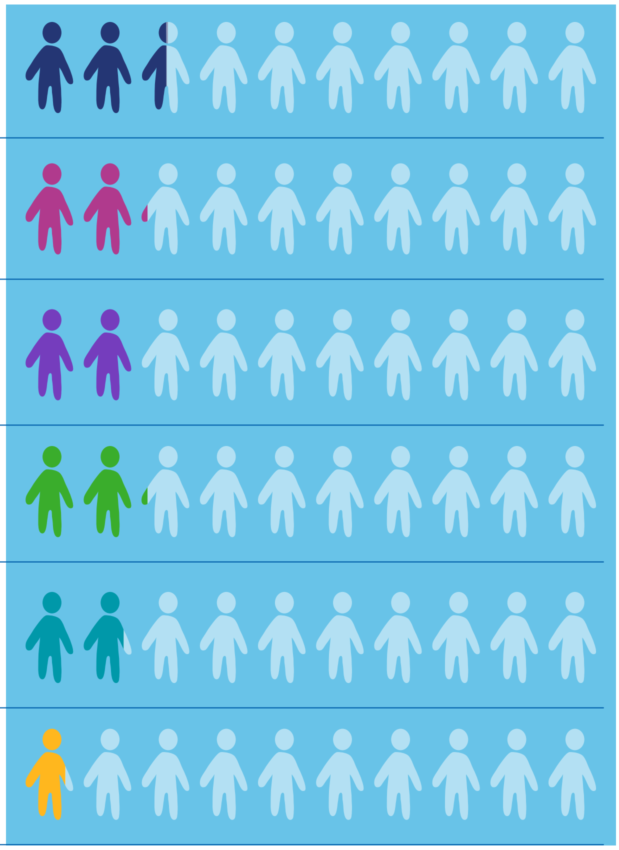
22% of the UK population report having some form of **disability**

20% of adults **with disabilities** have not accessed online content

22% of the UK population live in **low income** households

18% of the UK population are aged **65 or over**

8% of the UK population aged 16 to 64 have **no educational qualifications**



Sources: NHS, Adult psychiatric morbidity in England, 2007; DWP, Family Resources Survey 2016/17; Scope

"It's a struggle, because all you need is something to go wrong in the house, or something to go wrong with the car, and then you're not ticking over any more."
– Qualitative research participant, physical disability, aged 45-54, Watford.

We engaged with a wide range of expert organisations as part of our work, including consumer bodies, charities, think tanks, economic consultancies and research agencies, regulators, government, business and trade associations. A sample of those who contributed to our discussions, including by jointly hosting roundtables and speaking on panels at our Symposium, are highlighted below; however we note that this does not capture the full range of those who fed into and informed our work, and whose insights proved very valuable. As well as working with these groups, we also carried out analysis and commissioned external research and in February we published what we learned.

The insights we have gained will guide our approach to selecting projects, analysing problems and developing effective remedies to help vulnerable consumers, across the full range of our tools. They have already proved to be valuable, informing our review of the funerals market and our response to the loyalty penalty super-complaint – you can read more about this these on page 38.

This year, we have carried out casework in markets that really matter to vulnerable consumers, or where the nature of the product or service is such that it can heighten people's vulnerability to exploitation.

Social Market Foundation   Federation of Small Businesses   General Court
Money Advice Trust   Research Institute for Disabled Consumers   StepChange
Money & Mental Health Policy Institute   Behavioural Insights Team   Age UK   CTSI
CCNI   Natcen   Joseph Rowntree Foundation   BEIS   APPG Consumer (Yvonne Fovargue)
Ofcom   FCA   Ariel Ezrachi, Oxford   Fuel Poverty Action   Frontier Economics
UK Finance   Nicky Morgan MP – Chair of the Treasury Select Committee   Dot Everyone
Money Advice Service   Which?   APPG Poverty (Kevin Hollinrake)   Google   Britain Thinks
International Longevity Centre   National Infrastructure Commission   Alzheimers Society
Scope   CBI   Disabilities Rights UK   Money Saving Expert   Ofgem
National Energy Action   LSE   NI Housing Executive   Macmillan Cancer Support
ABI   Ofwat   Independent Age   Bristol University Personal Finance Research Centre
EHRC   Fair By Design   Legal Services Board   National Housing Federation   The Young Foundation
IPPR   Banking Standards Board   Demos   We are just   MIND   Citizens Advice
Policy Exchange   National Housing Federation   Toynbee Hall   Resolution Foundation

case study: Protecting the NHS and its patients

We have devoted considerable resources in recent years to investigations into alleged anti-competitive practices by 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 conduct, there is less money to fund other treatments, so millions of NHS users lose out – as does the UK taxpayer.

This year, in a competition enforcement investigation into the supply of hydrocortisone tablets to the NHS, we provisionally found that the sole supplier of such tablets in the UK paid a potential competitor not to enter the market, in breach of the law. This builds on previous Statements of Objections in parallel investigations related to the supply of this vital medicine to the NHS.

Since the end of the year, we have issued Statements of Objections in two further investigations into the supply of other drugs to the NHS.

We also continued to defend appeals against our decisions and our approach in pharmaceutical investigations.

This year, the Competition Appeal Tribunal's judgment partially set aside our infringement decision and fines where we had found that Pfizer and Flynn had charged excessive prices to the NHS for anti-epilepsy phenytoin sodium capsules. We do not consider the Tribunal's judgment to be legally correct and the Director-General of the European Commission's DG COMP publicly said it 'appears to go further than previous case law'. We have obtained permission to appeal to the Court of Appeal.

We have also successfully defended a challenge to a warrant related to our investigations into the supply of hydrocortisone to the NHS. This was a complex and time-consuming challenge to defend,

which held up our investigations for 15 months until the judgement in January 2019. The Court of Appeal ultimately agreed that we can rely on material protected by public interest immunity (PII) and that we were right to resist disclosing the material protected by PII.

The High Court has also recently decided that we can continue with our investigation into excessive and unfair pricing for liothyronine tablets following Advanz Pharma's request for a judicial review.

Where we have reason to suspect that their actions may be harming vulnerable consumers and the millions of UK citizens that use and fund the NHS, we will continue to pursue investigations in the pharmaceuticals market, and currently have eight live cases. The prospect of defending our decisions against both substantive and procedural challenge does not dissuade us from taking on large or complex cases, but it can slow our progress in resolving matters for both consumers and companies.

Following a market study, in March 2018 we launched a full market investigation into the £2 billion funerals market. Our study had found problems with the market that have led to price rises well above inflation for over a decade, both for funeral director services and crematoria services. We also found that the scale of these price rises is not justified by increases in costs or improvements in quality. People mourning the loss of a loved one are extremely vulnerable and at risk of being exploited. We need to make sure that they are protected at such a difficult time and feel that the full powers of a market investigation are required to address the concerns we have found.

We investigated the merger between Tobii and Smartbox, both leading suppliers of technology to enable people with complex speech and language needs to communicate, referring the case for a Phase 2 investigation after we found competition concerns. These are vital technologies bought on behalf of vulnerable people by the NHS, charities and schools. We have now provisionally found that the merged company would face little competition, which could lead to higher prices, reductions in the range of products available for users, and less product development. We have now set out potential options for addressing our concerns, which include blocking the deal by requiring Tobii to sell the Smartbox business.

case study: Residential care homes for the elderly

As part of our consumer protection enforcement into practices in the residential care homes sector, one major care homes group, Sunrise Senior Living, undertook to pay more than £2m in compensation for residents who left, or passed away, within two years of entering one of their care homes in England and Wales, having paid a large upfront non-refundable 'community fee'. In February, we issued court proceedings against another major provider, Care UK, after it failed to meet our requirement to pay £3m in compensation for residents who paid a large upfront 'administration fee'. We also published consumer law advice on the charging of fees after death, alongside wider consumer law advice for care home providers. All of these actions had been triggered by our wide-ranging market study into care homes, completed in 2017.

“There has been a widespread erosion of trust in markets, and the CMA and other regulators can and should be playing an important role in arresting and reversing that loss of trust”

Andrew Tyrie, Chairman, CMA:
Consumer vulnerability: challenges and potential solutions, CMA, Feb 2019

Tackling issues that matter in everyday life

Everyone hates feeling ripped off and we need to feel that 'what we're seeing is what we're getting' – whether we buy it online or in person. To help improve public confidence in markets, we have carried out work in markets that matter to everyday consumers, so they can be reassured that competition is working in their favour.

case study: Secondary ticketing

We have taken extensive action in our investigation into secondary ticketing websites to ensure that better information is given to consumers about tickets being resold on their platform. In particular, under consumer law ticket buyers should know whether there is a risk of being turned away at the door, which seat in the venue they will get, and who is selling the ticket, so they can benefit from enhanced legal rights when buying from a business.

At the end of our investigation we accepted formal commitments from three of the biggest platforms, but the fourth major player, viagogo, refused to improve its practices.

We therefore commenced court proceedings, and in November 2018, on the eve of a court hearing, viagogo accepted a binding court order requiring it to make the changes we considered necessary to bring it into line with the law. Despite this, our initial checks in January 2019 raised serious concerns that viagogo had not complied with important aspects of the court order and we continued to vigorously pursue this matter with the company.

case study: Sainsbury's/Asda

Our investigation into the proposed combination of two of the UK's biggest supermarkets, Sainsbury's and Asda, has been our highest-profile merger case in recent years. About £190 billion is spent each year on food and groceries in the UK, so it was vital for us to find out if the millions of people who shop in supermarkets – both in-store or online – could lose out as a result.

Considering the strong interest in the merger, we took the step of opening a case page and issuing a preliminary invitation to comment whilst at our pre-notification stage. The companies requested a fast-track referral to phase 2; our phase 1 investigation identified that the deal raised sufficient competition concerns to justify this approach.

As part of our in-depth phase 2 investigation, the Inquiry Group reviewed a wide range of issues in detail, such as the increased competition presented by discount stores like Lidl and Aldi, and how new or expanding competitors could affect the retail market, including online. They considered the full range of the stores' offerings, across groceries, toys, clothes and fuel, as well as supply chain impacts. It became clear that the merger raised extensive competition concerns, with risks of higher grocery prices in-store and online and for fuel at many filling stations, a poorer shopping experience and reductions in the range and quality of products offered. We concluded that people could lose out right across the UK should Sainsburys and Asda merge and in April 2019 we blocked the merger.

"It's our responsibility to protect the millions of people who shop at Sainsbury's and Asda every week. Following our in-depth investigation, we have found this deal would lead to increased prices, reduced quality and choice of products, or a poorer shopping experience for all of their UK shoppers. We have concluded that there is no effective way of addressing our concerns, other than to block the merger."
– Stuart McIntosh, Chair of the Inquiry Group

case study: Loyalty penalty super-complaint

In 2018, we investigated concerns that people who stay with their service provider can end up paying significantly more than new customers in five key markets: mobile, broadband, cash savings, home insurance and mortgages, following a super-complaint from Citizens Advice. Overall, we found that the loyalty penalty is significant and impacts many people, often those who can least afford it. We estimate the penalty could be around £4 billion in total across the five markets.

"A customer with dementia had the same home insurer for 15 years and was auto-renewed each year. The insurance company also told him that he was being given discounts for his loyalty and lack of claims. However, over this time his premium rose from £200 to £1,499. Equivalent cover was available online for £150."
– Tackling the loyalty penalty: Response to a super-complaint made by Citizens Advice on 28 September 2018; CMA.

Customers rightly feel ripped off, let down and frustrated. They should not have to be constantly 'on guard' or spend hours negotiating to get a good deal. This erodes people's trust in markets and the system as a whole. The most vulnerable in our society can have even greater challenges engaging in markets, for example struggling to use or access online services, or people with poor mental health who may avoid or fear change. This means they may be more at risk of paying the loyalty penalty.

"There must be a step change to protect the people being hardest hit."
– Andrea Coscelli, Chief Executive, CMA.

We found that focus should not only be on giving better support to consumers; but also on getting tough on harmful business practices and using targeted pricing interventions where needed to protect those who suffer most, particularly those who are vulnerable. We set out a package of cross-cutting reforms for Government and regulators as well as recommendations in the five markets for the the Financial Conduct Authortiy and Ofcom to take forward, to ensure that customers can get better and fairer outcomes.

We have also taken direct action, launching investigations in the anti-virus software market and then the online console video gaming market as part of a wider programme of enforcement, and have set up a working group including regulators and Government, chaired by the CMA, to oversee the implementation of our recommendations.

The Loyalty Penalty

Millions of people are affected by the loyalty penalty across many different markets- the CMA's recommendations will help stop this.

Government, regulators, the CMA and businesses will all work together.

We are making recommendations in 5 key markets:

Mortgages

Penalty: £0.8 billion

- Protect 'mortgage prisoners' by putting them on better deals
- Help the 10% who could switch but don't

Mobile contracts

Penalty: £0.3 billion

- People should pay less once they've paid off their handset
- Move these customers onto a fairer tariff once their contract ends
- Make people aware of sim- only deals

Savings

Penalty: £1.1 billion

- Stop creeping prices over time
- Introduce a targeted price cap if needed
- 'Basic Savings Rate' to be explored
- Consider collective switching

Home insurance

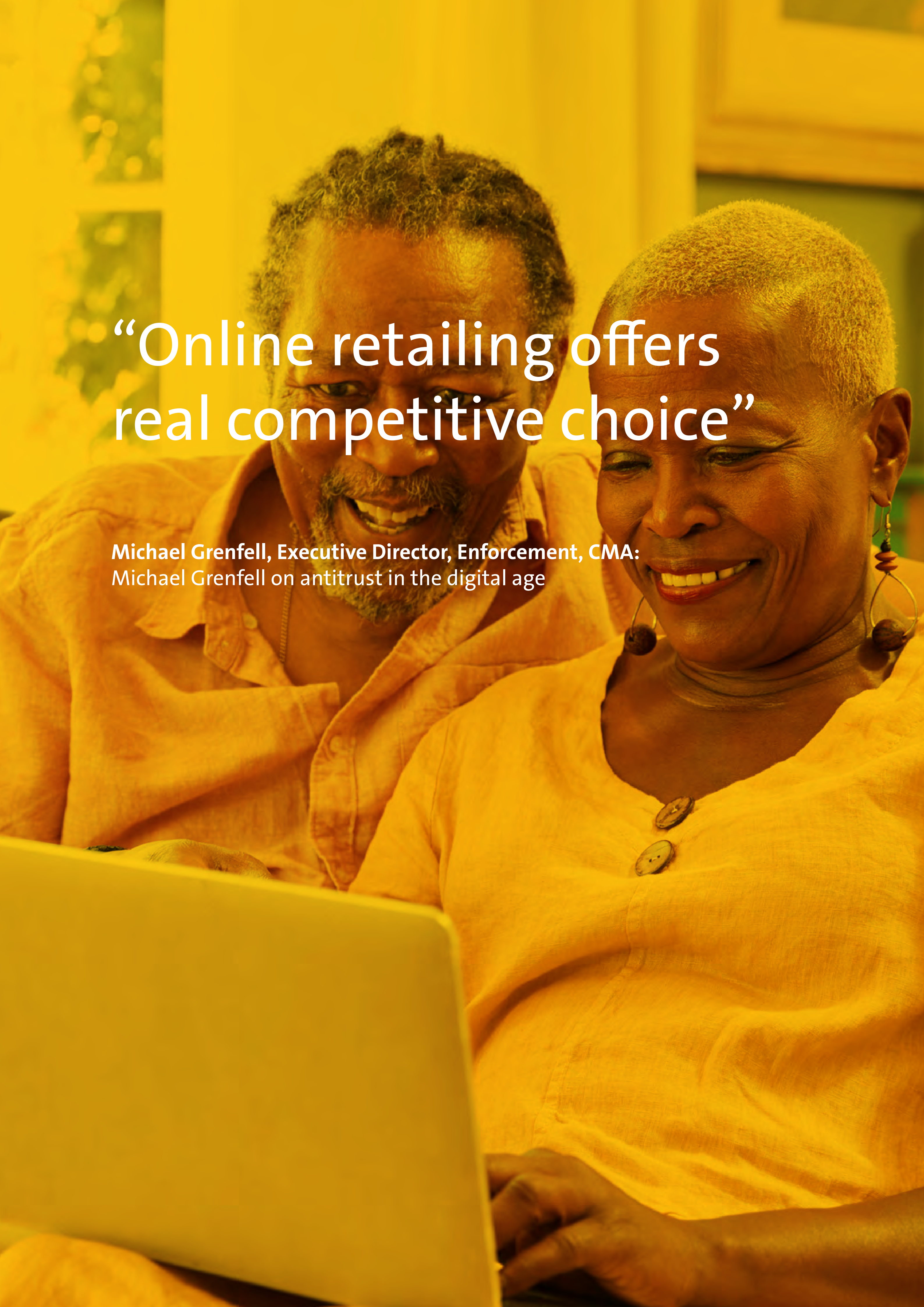
Penalty: £0.7 billion

- Investigate exploitative pricing practices
- Stop creeping price rises year on year
- Empower price comparison websites to work for people

Broadband

Penalty: nearly £1 billion

- Tackle price hikes and out of date deals
- Look at targeted price caps to protect vulnerable people
- Explore collective switching



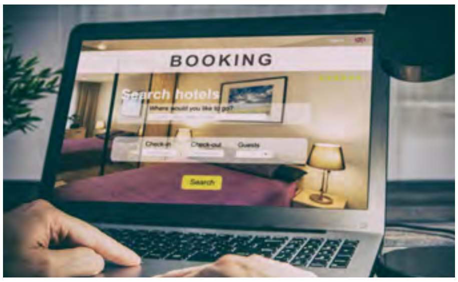
“Online retailing offers real competitive choice”

Michael Grenfell, Executive Director, Enforcement, CMA:
Michael Grenfell on antitrust in the digital age

Promoting better outcomes for consumers online

Technology is transforming how companies operate and how we search for and buy goods and services. The CMA welcomes the benefits that digitisation can bring, including increased choice, convenience, lower prices and the increased spurs to efficiency in the economy. However, we recognise that this same technology that can also create new risks of consumers losing out, being poorly treated or not getting the full facts to inform their purchase. We consider the impact of online commerce in much of the work we do, but during 2018/19 we have particularly focused on this area in our consumer protection investigations.

case study: Online hotel booking



In June 2018, we launched enforcement action against several of the biggest online hotel booking sites, founded on widespread concerns about practices that might mislead consumers and prevent them from getting a fair deal. Our consumer law investigation focused on the use of promotions, scarcity messages, pressure selling, discount claims, transparency of charges and disclosures about how the money earned by the booking sites affects the order of search results.

Eight months later, six of the biggest operators gave formal commitments to change their business practices. These include making it clearer how they rank hotels, not giving a false impression of availability or popularity or otherwise rushing customers into a booking decision, being clearer about discounts and displaying all compulsory charges in the headline price.

"The CMA has taken enforcement action to bring to an end misleading sales tactics, hidden charges and other practices in the online hotel booking market. These have been wholly unacceptable."
– Andrew Tyrie, Chairman, CMA

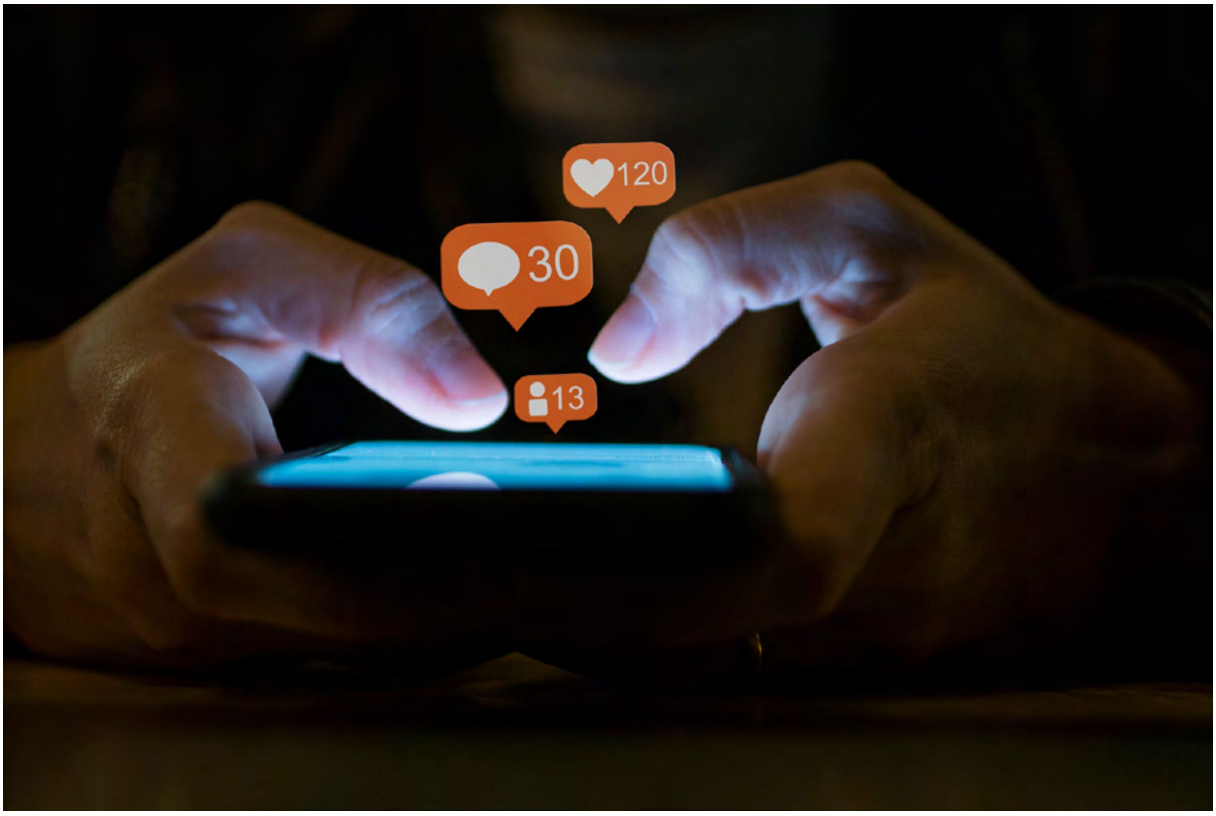
This investigation was important in promoting consumers' trust in online channels and should build confidence that the deal they find really is the best deal for them.

case study: Social media endorsements

Where celebrities and other social media influencers are paid or otherwise rewarded to promote, review or talk about a product, service or experience in their posts, consumer law requires that this must be made clear to people. In summer 2018, we launched a consumer enforcement investigation into concerns that social media stars may not be declaring these commercial relationships. If they do not label their posts properly, fans or followers may be led to believe that an endorsement represents the star's own view, rather than a paid-for promotion, and may make purchases for the wrong reason.

As a result of our investigation 16 influential celebrities, with millions of followers between them, committed to say clearly if they have been paid or received any gifts or loans of products which they endorse. We also sent warning letters to other celebrities, urging them to review their practices where some concerns have been identified.

We published a quick guide for social media influencers, marketing companies, agents and brands to ensure they are aware of their obligations under consumer protection law, in addition to the joint guidance we issued with the Committee of Advertising Practice.



case study: Online dating services

In June 2018, Venntro Media Group, which had over 55 million users worldwide and supplies online dating services through just under 3,500 websites, made legally binding commitments to make it clear to people before they sign up that it will share their information on other sites and obtain their full agreement to do this. It will also provide a list of these sites and will not place members' profiles on sites containing explicit adult material without their additional active consent. Further, Venntro has also agreed to make it easier for people to delete their profile when their subscription ends and not to make misleading claims about the number of members on its sites, or the number of messages sent through those sites.

We sent warning letters to 14 other leading dating websites and app providers demanding they review their terms and practices to ensure they are fair and comply with consumer protection law. We also worked closely with the Information Commissioner's Office to publish advice for online dating businesses to explain how to comply with both consumer and data protection laws and guidance for people when using online dating services.

Merger control in online commerce

As commerce becomes ever more digital, we are investigating an increasing number of mergers of companies with an entirely digital business model. There is an ongoing debate over whether there has been under-enforcement of such combinations in the past, and we are determined to protect UK consumers from harmful effects from mergers in fast-moving tech markets in future.

One of the biggest mergers of this type that we have reviewed is PayPal's $2.2 billion takeover of Swedish mobile payments company iZettle, which brings together the two largest suppliers of mobile point of sale devices in the UK; the companies completed this merger in September 2018. As we were concerned that the merger could leave PayPal facing insufficient competition in the UK, we referred the transaction for an in-depth investigation. As part of our review, we considered in detail how competition between the merging businesses would have been likely to develop in future, given that the payment services sector is evolving. We considered extensive evidence, including a survey of over 6,000 customers, relating to how they choose in practice between the more novel mPOS devices, such as those supplied by PayPal and iZettle, and 'traditional' point of sale devices, such as those supplied by Worldpay and Barclaycard. As a result of this detailed investigation, we found that the merger does not raise competition concerns.

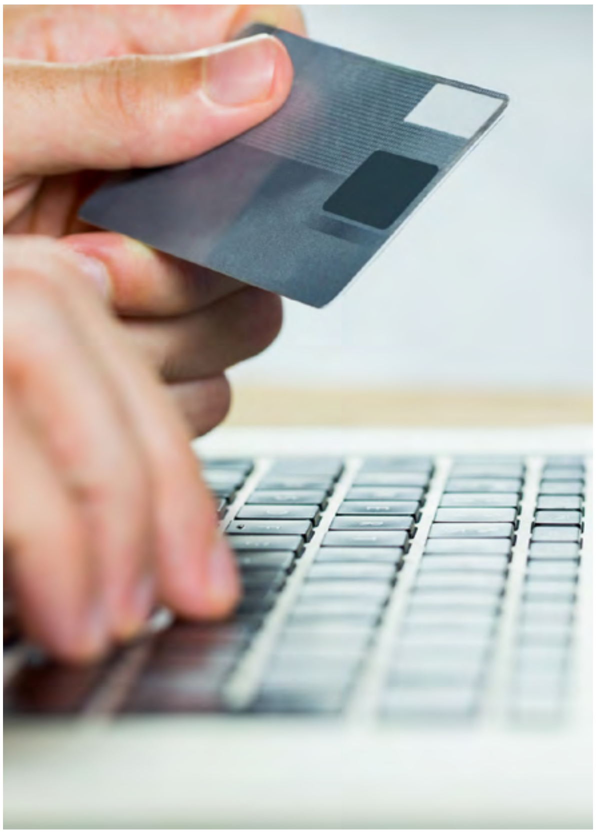
In February 2018, we concluded our consideration of the merger of Experian and ClearScore which provide credit-score checking and financial product comparison services in the UK, allowing people to understand their finances and choose loans and credit cards online. These companies abandoned their merger after we provisionally found that the merger could stifle product development and negatively impact consumers by substantially reducing the pressure to develop innovative offers and to make other improvements in services.

TopCashback and Quidco, the two largest cashback websites in the UK, also abandoned their merger after our phase 1 investigation found that it could give rise to significant concerns because they would subsequently face only limited competition from voucher websites and comparison sites. This could have had a detrimental impact on consumers with less cashback paid to shoppers or higher advertising prices for businesses.

Responding to developments in online commerce

We learn and refine our practices both through taking cases, and through undertaking and commissioning research. As part of this we commissioned research from Lear into a number of past UK merger cases in digital markets to understand whether widely voiced concerns about under-enforcement are borne out in practice.

Lear considered past merger decisions in the digital sector taken by the Office of Fair Trading and the Competition Commission, evaluating whether the evidence available at the time supported the decisions on the merger, and whether the subsequent evolution of the market meant that the merger led to detrimental outcome. It looked at five cases: Facebook/Instagram, Google/Waze, Priceline/Kayak and Expedia/Trivago and Amazon/The Book Depository.



This report found certain gaps in the way these cases were analysed. Lear noted that such gaps do not undermine the legitimacy of the decisions taken but instead can be properly perceived today thanks to a better understanding of how digital markets work and the actual behaviour of some market players that was highly uncertain at the time the mergers were investigated. It recommended that in future, we should investigate the users' side of the market as competition problems can lead to non-price effects on users and should continue to enhance our knowledge of the digital market, which has already improved as we continue to work in such mergers, such as those outlined on page 44. It concluded that the characteristics of digital markets, and the shape that competition takes within them, may justify accepting more uncertainty in arriving at conclusions about how a merger is likely to impact on competition in the future.

We also conducted research on the use of pricing algorithms and whether they could be used to support illegal practices, including collusion, or personalised pricing. We found widespread evidence of companies using algorithms to sell products and services online, but little evidence of companies using them to show personalised prices. We also found that algorithms can be used to help implement illegal price fixing and, under certain circumstances, could encourage the formation of cartels. However, the risk of algorithms colluding without human involvement is currently less clear. We will now use these findings to inform work across the CMA's portfolio, as we continue to expand our expertise in the digital sector.

"The digital revolution has brought positive change to people across the UK, such as improved innovation and increased choice, but also new forms of consumer detriment. The CMA is at the forefront of tackling these issues."
– Andrea Coscelli, Chief Executive, CMA.

We contributed to the Furman review, led by former economic adviser to President Barack Obama, Professor Jason Furman. The independent expert panel examined competition in the digital economy and whether the UK competition regime can ensure that digital markets are competitive, and consumers are protected. The panel reported in March 2019, finding that UK competition rules must be updated to be fit for the digital age. We welcome these findings, agreeing with most of them, and which complement our proposed reforms to the UK competition framework.

“The benefits of competition [are] one of the most powerful forces for ensuring people get a good deal from businesses”

Andrea Coscelli, Chief Executive, CMA:
Regulation and competition enforcement – a combined approach

Supporting productivity and economic growth

There are well-established links between competitive markets, innovation, productivity and economic growth, as the Government's Industrial Strategy recognises. When considering potential casework, we give greater weight to, amongst other things, work in markets which underpin and enable economic growth. In 2018/19, we carried out two significant markets projects that get to the heart of a healthy economy.

case study: Statutory audit services market study

In April 2019, after seven months' intensive work, we published the final report of our market study into the statutory audit services sector. This built on work by our predecessor competition agencies and responded to widespread concerns about the market in the wake of the collapse of Carillion, BHS and other public companies.

During our wide-ranging investigation we found that audit quality is falling short for several key reasons:

- companies choose their own auditors, picking those with whom they have the best cultural fit or 'chemistry' rather than those who offer the toughest scrutiny
- choice is too limited, with the Big Four audit firms conducting 97% of the audits of the biggest companies
- auditors' focus on quality appears diluted by the fact that at least 75% of the revenue of the Big Four comes from other services like consulting.

"People's livelihoods, savings and pensions all depend on the auditors' job being done to a high standard. But too many fall short – more than a quarter of big company audits are considered sub-standard by the regulator. This cannot be allowed to continue."
– Andrew Tyrie, Chairman, CMA.

More choice and competition for the audits of big businesses can and should drive up their quality, but the barriers to entry for challenger audit firms are currently high. We therefore proposed a robust set of changes to address both the current inadequate choice and competition and the vulnerability of the industry to the loss of one of the Big Four. Our key recommendations are

- the separation of audit from consulting services through mandatory changes to the internal structure and governance of audit firms. This will ensure that auditors focus exclusively on producing the most challenging and objective audits, rather than being influenced by their much larger consultancy businesses
- mandatory 'joint audit' to enable firms outside the Big Four to develop the capacity needed to review the UK's biggest companies, through working on these audits alongside the established players

- the introduction of statutory regulatory powers to increase accountability of companies' audit committees. We found it essential that audit committees choose auditors by seeking those likely to provide the most robust and constructive challenge to the accounting practices of their companies, recommending that the regulator should hold audit committees more vigorously to account.

Our recommendations will require legislation to bring them into effect. We also advocated that the regulator should review the effects of these changes periodically, in the first instance five years from full implementation.

Our proposals drew on extensive discussions with audit firms, investors and major UK companies and also took account of the recommendations of a report from the Business Select Committee, and the inquiry into regulation led by Sir John Kingman.

"We look forward to supporting the Government as it considers how best to take forward these changes through legislation, alongside Sir John Kingman's recommendations on regulation and the results from Sir Donald Brydon's review on the quality and effectiveness of audit."
– Andrea Coscelli, Chief Executive, CMA.

case study: Investment consultants market investigation

In December 2018, we announced significant reforms to the investment consultancy and fiduciary management sector, having completed an in-depth market investigation three months ahead of statutory deadline. The firms in this sector influence over half of all UK households' retirement savings and they advise on pension scheme assets worth £1.6 trillion. In 2017, the Financial Conduct Authority in September 2017 referred this market to us, following its own market study.

Our investigation found competition problems within both the investment consultancy and the fiduciary management markets, driven by features in the market that reduce pension trustees' ability to effectively compare all their options and providers' incentives to compete.

"This is an extremely important sector that influences how well millions of people's pension savings are invested, yet we've found that many pension trustees may not be getting the best value for money for their members... It's therefore imperative we make these changes so that the sector works better for those it is meant to support – pension scheme members."
– John Wotton, Inquiry Chair, CMA.

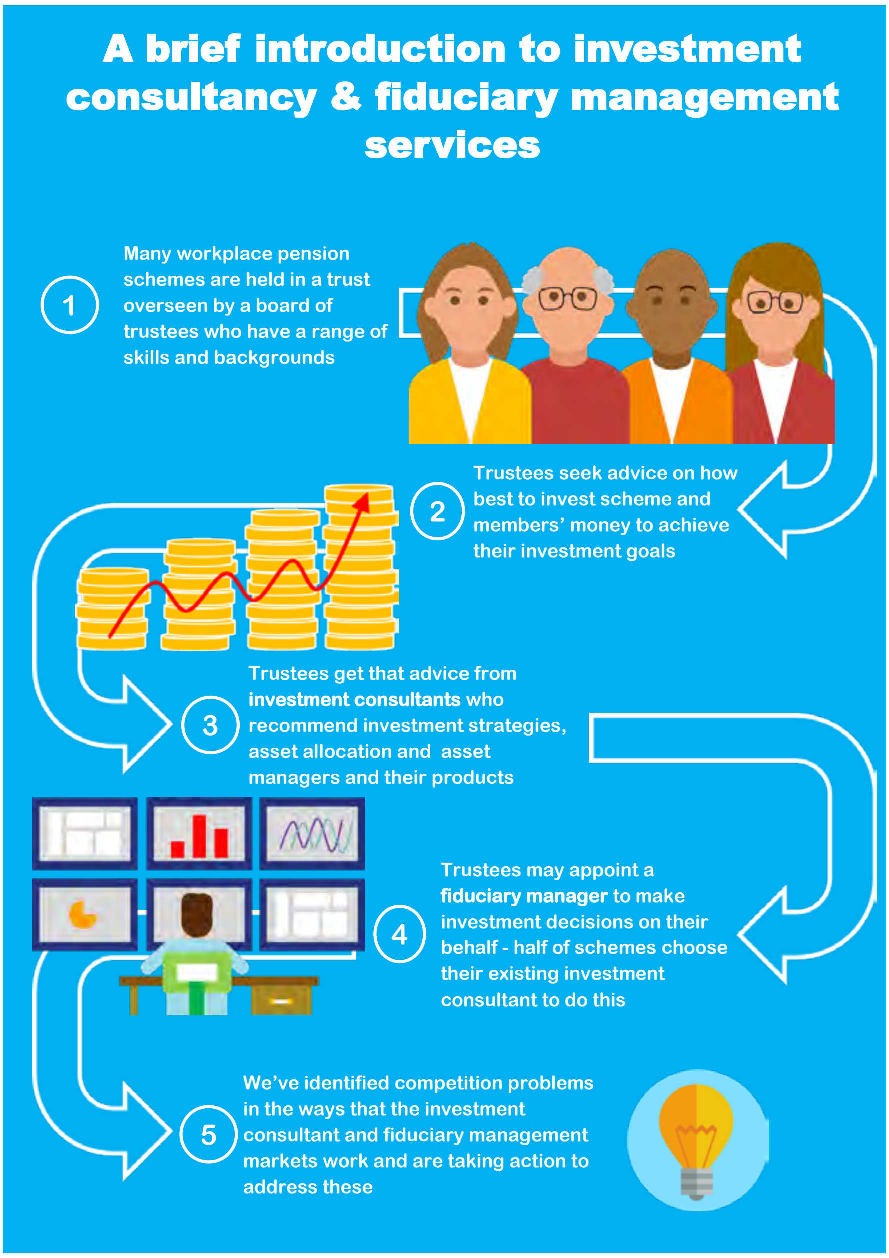
We concluded that:

- some pension trustees will choose their existing investment consultant to be their fiduciary manager even if a better deal may be available elsewhere
- investment consultants who offer fiduciary management services also have an advantage when it comes to getting business from existing clients
- many pension trustees do not have sufficient information on the fees or quality of investment consultancy and fiduciary management to be able to judge if they're getting a good deal from their existing provider
- these features reduce pension trustees' ability to effectively compare all their options and reduce providers' incentives to compete.

We found that these factors could lead a worse deal for pension trustees and the people whose pensions they manage and affect their ability to judge whether they could do better elsewhere.

We therefore set out a suite of changes to this sector to address our concerns. These include ensuring that pension trustees who wish to delegate investment decisions for more than 20% of their scheme assets to a fiduciary manager must run a competitive tender with at least three firms, and that trustees who have appointed a fiduciary manager without a tender, must retender for that service in five years. Also, fiduciary management firms must provide potential clients with clear information on their fees and use a standard approach to show how they have performed for other clients, so that pension trustees have the information they need to compare different providers.

We expect that these changes will increase competition and reduce the competitive advantage held by incumbent advisors. We also recommended that The Pensions Regulator (TPR) produces new guidance to help trustees with these services and that the Government broadens the scope of both the Financial Conduct Authority and the TPR to ensure greater oversight of the sector in the future. Implementation of the new requirements is expected to begin later in 2019.



“We remain focused on maintaining a leading role as a world class competition authority”

Sarah Cardell, General Counsel, CMA:
Reflections on the past; ambitions for the future

Preparing for the UK's exit from the EU

The UK's exit from the EU (Exit) presents opportunities for the CMA to secure better outcomes for UK consumers by taking a bigger role on the world stage post-Exit.

After Exit, we expect to investigate larger and more complex merger cases as well as carrying out a greater number of complex antitrust cases, often in parallel with other jurisdictions including the EU, which previously did this work on behalf of UK consumers. The government also decided that we should be responsible for monitoring and enforcing State aid rules across the UK.

In 2018/19, one of our main priorities was ensuring that we were ready for the new arrangements, that UK consumers would continue to be protected, and that we could take advantage of the opportunities offered by EU Exit. These opportunities are significant, as are the challenges to overcome if we are to take advantage of them.

Throughout the year, we were working through these challenges without certainty over when we would take on our additional responsibilities. Leaving the EU with a deal was the government's top priority, but we needed to plan for every eventuality, including a no deal scenario. We began our preparations early, working closely with government to build on our existing legislative framework, including on secondary legislation to underpin the transition. We addressed complex questions of policy and law, and tackled the practical challenges of making sure we have the people, processes, systems and infrastructure in place to take on the new work.

Rigorous third-party reviews thoroughly tested our preparedness plans (including readiness for a no deal Exit); the Infrastructure and Projects Authority, the National Audit Office and the Government Internal Audit Agency all examined our readiness in detail. Each of these reviews firmly endorsed our plans and our progress against

them, and helped us refine our plans further. Our Board also regularly discussed our preparations for Brexit and State aid.

Having secured additional funding, we significantly expanded our workforce to take on the extra responsibilities. Our recruitment targets were challenging in a highly-competitive market, particularly for specialist competition staff, but we ended the year at over 80% of our target establishment figure: an unprecedented expansion in the time available.

Businesses and their advisers needed as much clarity as we could provide over the new arrangements. We sought to provide, as far as we were able to do so given the uncertainty over the timing and nature of the UK's exit, detailed information to help their preparations for different eventualities. Through detailed guidance supported by summary information, we set out the way we intended to proceed for mergers and antitrust cases involving the European Commission or EU law pre-Exit in the event of a no deal scenario.

We prepared for our new role in managing the State aid regime for the UK, recruiting the staff and setting up the systems to ensure we will be ready on time. We have built an online notification system for aid grantors to notify us of State aid, as well as to report aid which is block-exempt and to report and publish information regarding individual aid awards. We tested this system thoroughly, with a range of aid grantors, large and small, to ensure it met their requirements.

To explain how we were preparing for our new role, we carried out a broad programme of meetings. This included large aid grantors such as the Department for Environment, Food and Rural Affairs and the Department for Business, Energy and Industrial Strategy, and the Local Government Association that represents 435 local authorities across England and Wales. We prioritised building strong relationships with State aid teams in Devolved Administrations, who helped us develop our procedural guidance and our new State aid IT system.

To assist grantors and beneficiaries of State aid in their Brexit planning, we published information and guidance on how we intend to operate the UK State aid regime, in the event of a no deal exit.

We are confident that we have made the preparations and set up the systems and guidance we need to take on our new and expanded role, when it comes to us. As we await further clarity on the nature and timing of EU Exit, we will continue to strengthen our staffing and our preparations so that as and when new responsibilities come to us, we are in good shape to take on the task.

Up to **£23.6 million** was allocated in 2018/19 to prepare

Recruitment campaigns were run for over **455** roles, and more than **300** roles were successfully filled

2 State aid IT systems were developed

3 pieces of guidance were published

3 in-depth external reviews of preparations were made

Sustainability Report

Sustainability Report 2018/19

The CMA is committed to environmental sustainability in the way we make work. As part of the Government Greening Commitments, we report on our greenhouse gas emissions, water use, and waste.

We are a relatively small government organisation, with an office in central London (which will move to Canary Wharf in summer 2019), and a growing presence in Scotland, Wales and Northern Ireland, where we are expanding our offices. Our offices in Cardiff and Belfast are housed by other government departments. Most of the services in our other offices are provided by landlords who provide limited information to individual tenants. In the past year, as part of our preparations for the UK leaving the EU, we have increased our headcount which has impacted accordingly on our overall emission numbers.

In the following tables, we have used arrows to illustrate comparison with 2017/18 figures.

Environmental sustainability

We contribute to the CRC Energy Efficiency Scheme (formerly known as the "Carbon Reduction Commitment") through our landlord in London.

Travel

	Year	Spend (£)	Distance (miles)	Emissions (Kg CO_2e)
Air travel	2018/19	112,683 ↑	468,305 ↑	91,005 ↑
Rail travel	2018/19	87,813 ↑	270,503 ↑	16,974 ↑

The rise in both air and rail travel reflects both our increased headcount and our work to maintain working relations with the EU and the broader competition world. We continue to use rail travel as an alternative to international air travel where feasible and we are working to reduce the need for travel through improved teleconferencing and videoconferencing solutions.

Utilities and waste management

As the CMA is an occupant of a multi-tenanted premises, the landlord provides utility services including waste management. Further, our increased headcount in 2018/19 has affected our energy, water usage and waste management. Our consumption is listed in the table below and is based on an apportionment across all tenants in our main offices (currently 40.24% of total building consumption). Also in our main office, the heating, ventilation and air conditioning is controlled by a modern environmental building management system, which provides economies of scale in terms of energy usage. In some areas of our properties, we use lighting controls to detect presence and LED lighting to reduce energy consumption more generally.

as the Department for Environment, Food and Rural Affairs and the Department for Business, Energy and Industrial Strategy, and the Local Government Association that represents 435 local authorities across England and Wales. We prioritised building strong relationships with State aid teams in Devolved Administrations, who helped us develop our procedural guidance and our new State aid IT system.

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We are confident that we have made the preparations and set up the systems and guidance we need to take on our new and expanded role, when it comes to usAs we await further clarity on the nature and timing of EU Exit, we will continue to strengthen our staffing and our preparations so that as and when new responsibilities come to us, we are in good shape to take on the task.

Information from the landlord for central waste management in 2018/19 is not currently available. In the past, our waste management ratio was 32% recycling: 68% waste to energy. We recycle 100% of our confidential waste.

	Year	Consumption (kWh)	Emissions (Kg CO_2e)
Electricity	2018/19	1,856,041 ↑	883,829 ↑
Gas	2018/19	956,478 ↑	176,472 ↑

	Year	Consumption (kWh)	Emissions (Kg CO_2e)
Water*	2018/19	29,304 ↑	13,072 ↑

* including sewerage

	Year	Recycled Waste (kg)
Electricity	2018/19	16,795 ↑

Finite resource consumption

We continue to work hard to reduce our finite resources. We have introduced improved technology that has supported smarter working practices. We discourage printing unless necessary; the default setting of our central printers is double-sided and monochrome to reduce printing costs and our carbon footprint, which also helps us to make savings in paper and printing.

Any paper we do use is certified by the Forest Stewardship Council confirming that the our paper is made from forest products produced from well-managed forests and/or recycled materials and is elemental chlorine-free. Our paper also complies with ISO9706 accredited certification, meaning that there is an alkaline reserve in the form of calcium carbonate where the pH stays above 7.0, ensuring that it is suitable for long life documents provided they are stored in normal conditions. Our supplier is ISO14001 accredited, meaning that it has an effective environmental management system in place.

Sustainable procurement

Our purchasing activity complies 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 CMA, while ensuring that we comply with equalities standards and other key legislation.

The CMA purchases a small amount of prepared foods for meetings, mainly from Pret a Manger which operates a sustainable business strategy including animal welfare and the reduction of plastic & food waste.

Accommodation

Our offices in London and Edinburgh will move to new buildings in 2019 and 2020 respectively. As a minimum, both buildings will be designed to Building Research Establishment Environmental Assessment Method (BREEAM) 'very good' standard and the WELL building standard and will also meet the standards set out in the Government Procurement Unit's Hubs policy. As part of these moves we expect to increase productivity, reduce costs, improve wellbeing, support the attraction and retention of top talent and to contribute to wider objectives including sustainability.

About our data

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

Signed for and on behalf of the CMA

Andrea Coscelli
Chief Executive and Principal Accounting Officer
10 July 2019

Corporate Governance Report

Directors' Report

Statutory powers

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

Our functions include:

- Investigating mergers that have the potential to lead to a substantial lessening of competition
- Conducting studies and investigations into particular markets where there are suspected competition and consumer problems
- Investigating 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
- Enforcing a range of consumer protection legislation, tackling issues which suggest a systemic market problem, or which affect consumers' ability to make choices
- Promoting stronger competition in the regulated industries (gas, electricity, water, aviation, rail, communications and health), working with the sector regulators
- Conducting regulatory appeals and references in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation
- Giving information or advice in respect of matters relating to any of the CMA's functions to the public, policy makers and to Ministers.

Pension liabilities

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

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 2018/19 we continued to build on initiatives aimed at strengthening staff participation and consultation and improving 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 a regular cycle of briefings from the Chief Executive and periodic meetings with the Chairman, which provide our 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 are passionate about developing the people that work at the CMA and looking after their wellbeing and mental health. We are committed to creating a workplace that is completely free of bullying, harassment and discrimination as well as building a broader culture of respect. This remains a central theme of our Corporate Action Plan.

Our staff engagement during the year has been especially important because of ongoing uncertainty relating to the UK's departure from the European Union. We have provided information on a dedicated 'hub' on the intranet and through blogs from the team and senior staff. We have also hosted 'Open

House' sessions which provide staff with an opportunity to hear directly from senior leaders in the organisation and ask questions about how wider factors affect the organisation and their work specifically.

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 our management team to maintain good employment relations.

Our commitments to equality, diversity and inclusion

Our mission continues to be to make the CMA a more diverse and inclusive organisation where we understand, accept, respect and value all people. In 2018/19 we became a Disability Confident Employer and a Stonewall Champion and created several new staff networks to strengthen our Equality, Diversity and Inclusion Working Group's activities. Further information is available on the CMA's published Equality Scheme and on page 85.

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

Accounting Officer

In April 2018, we appointed Andrea Coscelli, Chief Executive, as the CMA's Principal Accounting Officer, and Erik Wilson, Executive Director of Corporate Services, as Additional Accounting Officer with a specific responsibility for corporate and support services. As Principal Accounting Officer, Andrea Coscelli remains responsible for ensuring that the CMA operates effectively and to a high standard of probity in relation to governance, decision-making and financial management; he is advised by the CMA Board.

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.

Directors' report: financial review

Expenditure

How expenditure is presented

The CMA's expenditure is reported on two different bases in this Annual Report and Accounts:

- The Statement of Comprehensive Net Expenditure (page X) presents net expenditure of £77.3 million. This compares to (£8.2 million) in 2017/18.[4] This expenditure is calculated following accounting standards and guidance which are explained in more detail in note 1 (page X) and on a similar basis to those rules generally applied by private sector businesses.
- The Statement of Parliamentary Supply (page X) presents a total expenditure £98.9 million and compares this with the budget presented to Parliament of £119.7 million. These figures are calculated in accordance with HM Treasury's Consolidated Budgeting Guidance, which differs in several respects with the accounting basis above.

An overview of our expenditure

The Total Managed Expenditure (TME) of the CMA was £98.9 million, broken down by HM Treasury's spending categories as set out in the table below.

	2018/19 outturn	2018/19 budget	2017/18 outturn
	£000	**£000**	**£000**
TME	**98,863**	**119,726**	**(7,650)**
- Resource DEL	78,182	94,126	63,175
- Capital DEL	21,755	23,100	791
Total DEL[5]	99,937	117,226	63,966
- Resource AME	(1,074)	2,500	(71,616)
Total AME[6]	(1,074)	2,500	(71,616)

4 Total operating income was reported in 2017/18 as we reduced the value of the legal cost provision, from £69.2 million to £0, relating to the Office of Fair Trading's (OFT) tobacco competition enforcement investigation case and The Supreme Court's decision to unanimously allow the CMA's appeal.

5 DEL is the controllable budget total, issued by HM Treasury on behalf of Parliament, that the department uses to fund delivery of its strategic objectives.

6 AME budgets are volatile or demand-led in a way that the department cannot control. HM Treasury do not set firm AME budgets in spending reviews, but the department monitors AME forecasts closely and these are updated annually.

The CMA is accountable to Parliament for its expenditure. Parliamentary approval for our spending plans is sought through the Supply Estimates[7] presented to the House of Commons, specifying the estimated expenditure and asking for the necessary funds to be voted. The CMA draws down these voted funds in-year from the Consolidated Fund as required and within the scope of our 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.

Our RDEL budget for 2018/19 was £94.1 million increased from our Spending Review 2015 settlement of £69.4 million as it included additional funding as follows:

- £13 million to cover essential spending on preparations for the CMA's expanded role after the UK exits the EU (including setting up the UK state aid function);
- £6 million to cover legal costs incurred by the CMA not able to be covered by the Competition Act 1998 fine income reported in the Trust Statement;
- £2.9 million to support the CMA's property move project to Canary Wharf; and
- £2.8 million provided at Autumn Statement 2017 to increase our enforcement activity.

Our CDEL budget for 2018/19 was £23.1 million increased from our Spending Review 2015 settlement of £7.4 million as it included additional funding as follows:

- £14.8 million to support the CMA's property move project to Canary Wharf; and
- £0.9 million to develop a standalone IT system to support the new State Aid function.

Outturn

As set out in the Statement of Parliamentary Supply, the CMA's 2018/19 RDEL outturn was £78.2 million, compared with a Supply Estimate of £94.1 million. The main driver for the underspend of £15.9 million was due to the increased budget cover requested during the year, and agreed with our Audit and Risk Assurance Committee and HM Treasury, to ensure that the financial risks to the organisation were covered, while accepting the possibility that budgets may not be spent.

£6.0 million of the saving related to the additional budget cover for legal costs that did not materialise during the year, due to ongoing legal proceedings. A further £3.0 million of the saving represented budget required in the event of the UK leaving the EU with no deal, and due to the delay in this process, was no longer needed. A high turnover in staffing, predominantly due to movement of staff from 'business as usual' to EU exit posts, also effectively contributed toward the overall saving in RDEL.

The CMA's 2018/19 CDEL outturn was £21.8 million, compared with a Supply Estimate of £23.1 million. The main driver for the underspend of £1.3 million was due to the reprofiling of milestones in the project for fitting out our new London premises in Canary Wharf, resulting in some expected costs moving into 2019/20. Increased capital funding was required for the construction costs of office accommodation and for related IT activity at the new premises, specifically for network installations. To date the overall property move project is on target to be completed to the initial deadline and within the original budget approved by HM Treasury. Additionally, savings achieved through supplier negotiations on IT-

7 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701014/main_estimates_2018-19_web.pdf

related projects has also effectively contributed toward the overall saving in CDEL.

The CMA's 2018/19 RAME outturn was (£1.1 million), compared with a Supply Estimate of £2.5 million. The main driver for the saving of £3.6 million is attributed to the reversal of the Victoria House dilapidations provision (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). In early July 2018 we made a payment to the Victoria House landlord of £3.3 million exercising our option to break the lease in September 2019.

Statement of Accounting Officer's Responsibilities

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

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

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.

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 is 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 2019

CMA Governance Statement 2018/19

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

CMA Board

Led by the Chairman, the CMA Board establishes the overall strategic direction of the CMA within the policy framework laid down under the Enterprise and Regulatory Reform Act 2013. It ensures that we fulfil our statutory duties and functions and that we observe the principles of good corporate governance. The Board will have regard to any opinions and reports of the CMA Principal Accounting Officer and ensures that we make appropriate use of public funds.

The Board is the decision-maker on reserved matters. As set out in our Rules of Procedure, it:

- 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. Members of the Panel have clearly defined responsibilities and act as fresh decision-makers in the second phase of market and mergers cases.

The Board consists of the Chairman, Non-Executive Directors and Executive Directors (including the Chief Executive). Following Lord David Currie's resignation, the Secretary of State for Business, Energy and Industrial Strategy appointed Lord Andrew Tyrie as Chairman of the Board in June 2018.

The CMA Board met 11 times in 2018/19. Attendance of Board members at Board and committee meetings is set out in the table below.

We publish minutes of CMA Board meetings on the CMA website. In line with the CMA Conflicts of Interest policy, we maintain a register of the interests of Board members and their families which is also published online.

In the spring of 2018, the Board undertook an external review of its performance, the results of which were considered at the April 2018 Board meeting. During the past year we have implemented a number of recommendations to improve the effectiveness of Board meetings, the Board's oversight of risk management, and a review of the Boards governing documents (including delegations).

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

Board membership

Lord Currie (Chairman), term ended June 2018

David Currie was appointed as the inaugural CMA Chairman in July 2012 and stepped down in June 2018. He was the Founding Chairman of Ofcom (2002-09) and Dean at Cass Business School (2001-07). He is Chairman of the Advertising Standards Authority.

The Rt Hon Lord Tyrie (Chairman)

Andrew Tyrie was appointed as CMA Chairman in June 2018. He is also a Crossbench Member of the House of Lords. Lord Tyrie was previously the Chairman of the Treasury Select Committee (2010-2017), Chairman of the Parliamentary Commission on Banking Standards and MP for Chichester (1997-2017).

Dr Andrea Coscelli (Chief Executive)

Andrea Coscelli was appointed as the Chief Executive of the CMA in July 2017, having been Acting Chief Executive since July 2016. Prior to taking up this role, Andrea was the CMA 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. Andrea is the CMA's Principal Accounting Officer.

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.

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.

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. Erik is the CMA's Additional Accounting Officer.

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

Kirstin Baker was appointed a Panel Inquiry Chair and Non-Executive Director of the Board in September 2018. Kirstin has had a long career in the civil service and was most recently HM Treasury's Group Finance and Commercial Director. She was part of the senior team leading the Treasury's response to the banking crisis and was awarded a CBE for this work in 2011. Earlier in her career she worked as a competition official in the European Commission and on public spending policy in the Treasury and the Scottish Government. She is also a member of the CMA Audit and Risk Assurance Committee.

Martin Coleman (Panel Chair, Non-Executive Director)

Martin Coleman was appointed in October 2017, and appointed Panel Chair and Inquiry Chair in September 2018. He is also a member of the CMA Remuneration Committee. He is currently Deputy Chair of the Office for Students, a trustee of Police Now and a fellow of Hughes Hall, University of Cambridge. He was a competition law partner at Norton Rose Fulbright LLP.

Cynthia Dubin (Non-Executive Director)

Cynthia Dubin was appointed in January 2019. She is also Chair of the Audit and Finance Committee of Babcock & Wilcox Enterprises, Inc. and CFO of Pivot Power LLP in the UK. Cynthia has previously held senior positions at Edison Mission Energy and JKX Oil & Gas plc. She is also a member of the CMA Audit and Risk Assurance Committee.

Professor Amelia Fletcher OBE (Non-Executive Director)

Amelia Fletcher was appointed 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. She is also a member of the CMA Remuneration Committee and became Chair from April 2019.

Alan Giles OBE (Non-Executive Director), term ended March 2019

Alan Giles was appointed in July 2013 and was the Senior Independent Member and Chair of the CMA Remuneration Committee throughout the year until his term ended on 31 March 2019. Alan's previous roles include being Non-Executive Director of Rentokil Initial plcs, Chairman of 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. He is also a member of the CMA Remuneration Committee.

Anne Lambert CMG (Panel Chair, Non-Executive Director), term ended August 2018

Anne Lambert was appointed as a Panel Member Non-Executive Director in October 2016 and stepped down from the CMA Board in August 2018. She was also the CMA's Panel Chair until February 2019. 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.

Professor Annetje Ottow (Non-Executive Director), term ended August 2018

Annetje Ottow was appointed in July 2013 and stepped down from the CMA Board in August 2018. Annetje's other roles include Vice President of the Executive Board at the University of Utrecht and she is a Non-Governmental Advisor to the International Competition Network.

Jonathan Scott (Non-Executive Director)

Jonathan Scott was appointed in October 2016. Jonathan is 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 chairs the CMA Audit and Risk Assurance Committee and, following the departure of Alan Giles at the end of March 2019, is the CMA's Senior Independent Non-Executive Director.

The Board is advised by the CMA's General Counsel and Chief Economist who attend Board meetings in an advisory capacity. The Director of Finance and Security, the Director of Strategy, Communications and Devolved Nations, and the Director of Executive Office and Performance also attend Board meetings.

Sarah Cardell (General Counsel)

Sarah Cardell was appointed as General Counsel in September 2013. Sarah ensures consistently high quality legal work at the CMA, leading the CMA's Legal Service as well as the Policy & International Directorate.

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 and CMA's Data, Technology and Analytics Unit.

Board member attendance at Board and Committee meetings 2018/19

Board member	Notes on appointment	Board meetings	Audit and Risk Assurance Committee (ARAC)	Remuneration Committee (RemCo)
Kirstin Baker	Appointed 01.09.18	5/6	1/2	
Martin Coleman		11/11		5/6
Andrea Coscelli		11/11	2/4	6/6
David Currie	Term ended 18.06.18	2/2		1/1
Cynthia Dubin	Appointed 29. 01.19	2/2		
Amelia Fletcher		11/11	2/2	4/4
Alan Giles	Term ended 31.03.19	11/11		6/6
Andrea Gomes da Silva		10/11		
Michael Grenfell		11/11		
Bill Kovacic		11/11		
Anne Lambert	Term ended 31.08.18	3/4		
Annetje Ottow	Term ended 01.08.18	4/4		2/2
Jonathan Scott		10/11	4/4	
Andrew Tyrie	Appointed 19.06.18	9/9	3/4	4/6
Erik Wilson*	Term ended 30.09.18	6/6	4/4	6/6

*There was a break in Erik Wilson's term on the Board during 2018/19 due to an administrative error with Department of Business, Energy & Industrial Strategy's reappointment process. The error has been resolved and Erik Wilson continues to serve on the Board. Although not serving as a member of the Board during the break in the appointment term, Erik Wilson continued to attend all Board meetings.

CMA Board

CMA Board and Executive Committees

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

Non-executive Board subcommitees

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

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

Executive committees

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

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

Xco sub committees

Operations Committee (OpCo)
Oversees Corporate Services issues, including IT and information security, business support services, risk and business continuity

Steering and Advisory groups
Consider initial ideas and oversee project development

EU Exit Committee (EUEC)
Considers the potential outcomes and impacts of EU Exit on the CMA, and the CMA's preparation for Exit

Independent decision-making forums

CMA Panel

Independent decision-makers who conduct phase two merger or market investigations and regulatory appeals.

Panel members also serve on Case Decision Groups for CA98 cases and Case Management Panels for criminal cases.

Board sub committees

The Board has two sub-committees: the Audit and Risk Assurance Committee and the Remuneration Committee. The Chairs of these sub-committees present updates on key issues at Board meetings, and the minutes of both committees are shared with the Board.

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by a Non-Executive Director, Jonathan Scott, and has two other non-executive members. During the year, Amelia Fletcher left ARAC to join the CMA's Remuneration Committee. She was replaced by Kirstin Baker, who is a qualified accountant. Bob Spedding, a member of the CMA Panel and qualified chartered accountant, was a member of ARAC until his term as a Panel member expired at the end of March 2019. Cynthia Dubin has been appointed as the third member of ARAC.

ARAC advises the Principal Accounting Officer and CMA Board on the appropriateness of the financial statements, whether they are meaningful and understandable, and the adequacy of audit arrangements (internal and external). It also has a key role on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of 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.

During the year the ARAC Terms of Reference were updated to clarify the arrangements of quorum and for appointing members. The revised Terms of Reference are in line with HM Treasury's guidance for audit and risk committees and was adopted by the CMA Board in March 2019.

ARAC held four meetings in 2018/19. The Principal or Additional Accounting Officer (respectively the Chief Executive and/or the Executive Director for Corporate Services) attended all ARAC meetings. The National Audit Office (NAO) and Government Internal Audit Agency were also represented at each of these meetings. The CMA Chairman attends ARAC meetings as does the Director of Finance and Security.

In 2018/19 ARAC focussed on improving the CMA's risk management framework, preparations for the CMA relocation, prompt-payment processes and continuous improvements in cyber security, conducting deep dives on risk management. These will continue to be priorities for the committee, alongside the impact of EU Exit. The focused work on risk during the year resulted in improved risk reporting to ARAC, and the discussion of corporate and strategic risk is now a standing item at Board meetings. To ensure the assessment and treatment of risks continue to be an integral part of the governance of CMA, a Head of Risk role has been created to lead on implementing the revisions in the risk management framework.

ARAC also received regular updates on: the CMA financial performance and reports of the Antifraud and Security Working Group from the Director of Finance and Security; IT development and security from the Director of Business Services; and Procurement and Commercial improvements from the Director of Commercial and Contract Management.

The Remuneration Committee

The Remuneration Committee (RemCo) is chaired by Non-Executive Director Amelia Fletcher, who took over from Alan Giles on 1 April 2019. The purpose of RemCo is to review the performance and pay of all the Senior Civil Servant (SCS) staff members and to award pay and bonuses in accordance with Cabinet Office and HM Treasury rules. RemCo also provides a strategic steer on pay and performance issues relating to non-SCS staff. RemCo met six times in 2018/19. As Principal Accounting Officer, the Chief Executive, Andrea Coscelli, attended all RemCo meetings.
RemCo's focus during 2018/19 was overseeing

the SCS performance management process including objective setting and appeals, approving the 2018/19 SCS pay settlement and ensuring ongoing compliance with our SCS pay policy. During the year, RemCo received performance 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. RemCo has since made recommendations to move the consideration of CMA SCS performance rating appeals to an independent committee formed of CMA panel members. As the CMA grows to take on more EU Exit-related work, RemCo considered the current SCS pay ranges, how these compared across similar organisations and the impact of Cabinet Office pay constraints on recruitment and retention.

RemCo continued to recommend improvements to the CMA's performance management process which are being actioned as part of the 2019/20 performance process.

RemCo reviewed the CMA's Gender Pay Gap report which showed a small gender pay gap for ordinary pay (mean and median) which had increased from the previous year and advised on the executive's plan of action to improve the CMA's gender equality and close our gender pay gap.

Executive committees

Through the Statutory Authorisations, the CMA Chairman, acting on behalf of the Board, authorises staff to exercise our functions. The Board and two executive committees: the Executive Committee (as well as its sub-committees, the Operations Committee, and the European Union Exit Committee), and the Case and Policy Committee have oversight of these functions.

The Executive Committee

Under delegated authorities from the Board, the Executive Committee (XCo) is the overall decision-making body for performance and delivery. As set out in its terms of reference, XCo oversees and makes 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 is chaired by Andrea Coscelli.

XCo also considers and approves recommendations from its sub-committees:

- the Operations Committee (OpCo) ensures we have in place, and operate effectively, appropriate and robust procedures and business processes including in relation to business continuity, information security, finance and staff issues. During the year, the terms of reference for OpCo were revised to reflect a more focused role in providing oversight and assurance of CMA's risk management framework to ARAC. OpCo is chaired by Erik Wilson.
- the European Union Exit Committee (EUEC) considers the CMA's policy objectives and the potential outcomes and impacts of EU Exit and oversees preparation for the CMA's expanded role post-EU Exit. EUEC is led jointly by Erik Wilson and Sarah Cardell.

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 offers advice on high level legal, economic or policy issues as they arise. CPC is chaired by Andrea Coscelli.

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

CMA Panel

Decisions on phase 2 merger investigations, market investigations and regulatory appeals are made by independent groups drawn from the CMA Panel. Each Group has at least three members and is led by an Inquiry Chair. Panel members may also be appointed to antitrust (Competition Act 1998) case decision groups.

The Groups make their decisions independently of the CMA Board. The Board is kept informed about resourcing, efficiency, the application of CMA policy and the staff processes that support the work of the Panel.

The Panel Chair and one other Panel member also sit on the CMA Board. 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.

The Panel Chair, Inquiry Chairs and Panel members are appointed through open competition for their experience, ability and diversity of skills in competition economics, law, finance and business, and public policy. As required by law, appointments are made by the Secretary of State for Business, Energy and Industrial Strategy for up to eight years.

More information about each of the members is available on our website. Panel members' interests are disclosed as part of the appointment process. A conflicts check is conducted, on a case-by-case basis only, when Panel members are assigned to inquiries and, if necessary, a publication of the disclosure of interest would be made on the relevant case page.

CMA Panel members

Anne Lambert CMG (Panel Chair and Inquiry Chair), term ended August 2018

See Anne's biography on page 67

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

See Martin's biography on page 66

Inquiry Chairs

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

See Kirstin's biography on page 66

Stuart McIntosh (Inquiry Chair)

Stuart was appointed an Inquiry Chair in April 2018 having been a panel member since October 2017. He is a member of the CMA's specialist utility panel. He is an economist and specialist in regulatory economics. He is currently a member of the FCA's Regulatory and Competition Decisions Committee and the Payment Systems Regulator's Enforcement and Competition Decisions Committee. He is a member of Man Sat's Board of Advisers, and was previously an executive Board Member and Group Director at Ofcom and a senior adviser at KPMG.

Kip Meek (Inquiry Chair)

Kip was appointed an Inquiry Chair in November 2018. He is Chairman of Ascension Ventures and of A Million Ads and is a non-executive director of the Wireless Infrastructure Group. He was previously a Board member of Ofcom. He is a founder of the Communications Chambers and was (until March 2018) a Senior Adviser for EE and BT. He was the founder and Managing Director of Spectrum Strategy Consultants, has been the Chairman of the Radiocentre and South West Screen and was the first independent chairman of YouView.

Two Inquiry Chairs completed their terms in 2017/18 but they remained on the CMA Panel to complete outstanding casework: Simon Polito and John Wotton.

Panel members

At April 2018, Panel members were:

Richard Feasey	Anne Fletcher	Susan Hankey
Dr Ulrike Hotopp	Sheila McClelland	Jeremy Newman
Keith Richards	Professor John Thanassoulis	David Thomas
Claire Whyley		

The following members were appointed to the CMA panel in 2018/19, either in October 2018 or February 2019.

Humphrey Battock	Robin Cohen	Maria da Cunha
Gareth Davies	Robin Foster	Roland Green
Shrinivas Honap	Paul Hughes	Colleen Keck
Paul Muysart	Karthik Subramanya	Mark Thatcher

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	Bob Spedding	Tim Tutton

The following members ended their terms in 2018/19.

Sarah Chambers	John Krumins	Robin Foster
Jayne Scott	Professor Jon Stern	

Risk Management

The CMA operates in an environment where risks are discussed in an open and transparent way. This allows us to identify risks and treat these quickly and to create a culture of ownership of risk issues at all levels of the organisation. Fundamentally, we recognise that strong risk management helps the CMA make better and more effective decisions.

In 2018/19, we recognised that a strong risk management culture was more important than ever in a period of intensive delivery, uncertainty and change driven by organisational growth, EU Exit, our move to our new offices in Canary Wharf and other moves of our regional offices, and the reform agenda. As noted above, the Audit and Risk Assurance Committee (ARAC) has overseen a detailed review of the CMA's approach to risk management. It concluded that appropriate processes are in place, which follow the principles laid out in Cabinet Office's 'Management of Risk in Government', and that there is broad compliance. The review also identified potential improvements, including to the consistency of risk identification and management and risk reporting. As a result, we have started a more detailed review of our risk framework, strengthening the assurance provided by the executive and improving the Board's ability to hold management to account. We will implement further recommendations during 2019/20 including the recruitment of a Head of Risk.

We promote our risk approach to staff across the organisation. The risk management pages on our intranet set out our Risk Management Policy, risk culture, risk management control framework and the Board's risk appetite. On a day to day basis, our risks are identified, monitored and managed at a project and corporate directorate level. We escalate risks that are considered to have significant potential impact on the delivery of our objectives to a corporate risk register. The Executive Committee and Board review the corporate risk register each quarter as a part of the KPI reporting dashboard.

During 2018/19, the corporate risks reported to the Board were updated to include Organisational Change: Property. This was included to reflect the risks associated with the creation of new CMA sites in London, Edinburgh, Cardiff and Belfast, and to ensure these risks were appropriately managed. In relation to governance for the move in summer 2019 from Victoria House to The Cabot in Canary Wharf in London, a Property Relocation Board has been established which reports to XCo on the progress of the project and sets the overall project direction in line with the CMA's strategic objectives. We have also established a Property Working Group to oversee the day to day delivery of the move and to advise the Relocation Board on the selection, design, fit-out and occupation of the new CMA premises. In addition, a staff network of 'Change Champions' plays a key role in communicating, sharing information and gathering feedback. The Change Champions have also helped develop a more agile and flexible working culture and new work practices, taking advantage of improved technology in the run up to the move and beyond.

Compliance

Corporate Governance Code

Insofar as the Code of Practice applies to non-ministerial departments, we have complied with the Code and Guidance produced jointly by HM Treasury and the Cabinet Office.

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.

Whistleblowing

Our whistleblowing policy, known as 'Speaking Out', is available to all staff on the intranet and is highlighted to new staff during their induction programme and we have a group of trained Nominated Officers who are available to staff who want to raise a concern. The policy is part of our internal control framework and we reviewed it this year. Since this review, we have published an animated video to help bring the whistleblowing policy to life, highlighting the key features of the policy and reporting mechanisms.

We received no whistleblowing complaints during 2018/19.

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 2018/19, the CMA received five communications which raised issues about our own conduct and which were treated as corporate complaints (2017/18: one (not upheld); four complaints were not upheld, and one was partially upheld.

No complaints were made about the CMA to the Parliamentary and Health Ombudsman during 2018/19. (2017/18: none)

General correspondence

In 2018/19 we handled 4739 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 (2017/18: 2077). We have a 10-day working target for replying to such correspondence and responded to 99% of this correspondence within this target (2017/18: 82%).

During 2018/19 we received 88 MPs letters (not including ministerial departmental correspondence) (2017/18: 80). We responded to 87% of these within our target of 15 working days (2017/18: 82%).

Freedom of Information Act (FoIA) requests

In 2018/19, the CMA responded to 97% of the FoIA requests it received within the statutory 20 working day period. We also received and responded to 16 appeals against non-disclosure of information; our original decision was upheld in all but two of these 16 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 was one such appeal, where the CMA's decision was upheld.

In the same period, we also received 239 requests under the GDPR/Data Protection Act 2018 . A majority of these requests were made as a result of consumers exercising their individual rights after being contacted by research companies acting on behalf of the CMA to assess the effect of a merger on their customers.

FoIA requests 1st April 2018 – 31st March 2019

Total number of requests for information under the FoIA.	137
Of these:	
Number of requests granted in full	46
Number of requests where advice and assistance were provided to the requester	0
Number of requests refused in full because the CMA does not hold any of the information requested	7
Number of requests refused because the cost of the response would exceed the cost threshold	8
Number of requests refused because request was vexatious	0
Number of requests where the CMA refused to provide some of the information	22
Number of requests where the CMA refused all the information requested	54

Personal data related incidents

Eight personal data incidents were formally reported to the Information Commissioner's Office (ICO) during 2018/19. ICO considered these incidents based on the information provided and decided that no further action was necessary.

External advice on reform proposals

As the CMA has started to consider options for reforms to competition and consumer protection law and policy (see page 14), we have been seeking insights from external stakeholders. We are planning a series of roundtable events for 2019/20 for representatives of consumer bodies, business groups, regulators, the legal community and others, and we have engaged some highly-experienced external advisers. Peter Vicary-Smith, the former chief executive of Which? is providing expertise on consumer-related proposals and Simon Walker, former Director General of the Institute of Directors, is providing insights on some of the business and corporate governance issues. Lord Andrew Turnbull, a former Cabinet Secretary with extensive experience in the structure and form of governmental institutions, has been asked to lead a CMA working group supported by former Committee Clerk David Doig to articulate the operational challenges that the CMA is facing and to explore whether we have the necessary freedoms to be an agile and effective regulator. Given the one-off immediate need and very specific expertise required, Single Tender Arrangements were put in place for these four advisers. During 2019/20, we will give consideration to how such expert advice can be procured in the future.

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. Where our work does result in regulatory functions, it does so under competition or mergers law which are expressly excluded from better regulation reporting controls. We have no power to make rules or otherwise impose burdens affecting businesses generally. Our interventions take place in relation to specific businesses or markets and we intervene only in the light of clear evidence of market failure and/or breaches of law that threaten the proper working of markets.

Internal Audit

The Head of Internal Audit provides an annual report and option 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.

The work concluded in an overall 'moderate' opinion. While this headline opinion remains the same as last year, it reflects that further improvements can be made in some procurement processes and project-based accounting. Overall, the report found evidence that throughout the year the CMA has continued to make improvements to the governance, risk management and the control environment. These achievements were commended against a backdrop of needing to commit resources in preparation for the EU Exit and the CMA State aid responsibilities, the main office move, as well as maintaining ongoing delivery of business as usual activities and delivering high profile and complex projects, such as the mergers of 21stCenturyFox and Sky and J Sainsbury PLC and Asda Group Ltd, while also completing a number of market studies, including the review of price comparison sites, for example.

With regards to the EU Exit and the new State aid responsibilities, the CMA has successfully established the capacity and skills to deliver its obligations, where its work has seen the governance structures put in place to oversee progress and drive forward policy, State aid and operational readiness.

The CMA has continued to deliver a significant number of investigations and case studies enhancing its reputation as well as raising its profile. Work on the main office move continues to progress, and through our ongoing engagement and assurance activities the Head of Internal Audit has seen that the project is being delivered with the support of a good governance framework. Their review of the effectiveness of the ways the CMA works together, confirmed that an effective operating environment has been established supporting its activities, which have been focussed on progressing the CMA's priorities, with further work underway to improve this. The appointment of the new Senior Director – People, Capability and Culture, together with the move to the new accommodation should also provide greater focus, support and the environment for improving the effectiveness of internal engagement and way teams work together, helping to further develop a positive and engaging culture.

Work to improve the governance, risk management and control environment has also continued throughout the year, and we are now seeing progress in the development of the new risk management arrangements and the introduction of changes to the corporate governance arrangements, which should help to provide the foundations to support the CMA successfully managing the risks to delivering its objectives.

Remuneration and Staff Report

Remuneration Report

Senior management – single total figure of remuneration (audited)

Senior management	Salary		Bonuses[8] (restated)		Pension benefits[9]		Total	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000	£000	£000	£000	£000
Andrea Coscelli	180-185	175-180	15-20	15-20	30-35	30-35	230-235	225-230
Michael Grenfell	160-165	160-165	15-20	15-20	60-65	60-65	240-245	240-245
Andrea Gomes da Silva	150-155[10]	5-10	-	-	-	-	150-155	5-10
Erik Wilson	115-120	110-115	0-5	0-5[11]	50-55	10-15	170-175	125-130
Sarah Cardell	185-190[12]	175-180	15-20	15-20	30-35	25-30	235-240	220-225
Mike Walker	175-180	175-180	-	-	65-70	65-70	245-250	245-250

Fair pay disclosure - 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.

The banded full-time equivalent total remuneration of the highest-paid director in the CMA in the financial year 2018/19 was £230k-£235k (2017/18 £215k-£220k). This was 4.41 times (2017/18: restated 3.86 times) the median remuneration of the workforce, which was £52.2k (2017/18: £55.7k).

8 At the time of publication, guidance for the 2018/19 bonus payments for SCS staff has not yet been approved by government. 2017/18 figures were used.

9 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.

10 Andrea Gomes da Silva took one month of unpaid leave during the 2018/19 pay year. Her FTE rate is £160k-£165k.

11 This bonus was not published in the 2017/18 accounts and was paid in December 2018.

12 Sarah Cardell moved from part time to full time on 1 September 2018. Her FTE rate is £210k-£215k.

13 2017/18 has been restated to highest-paid Director in the Executive.

In 2018/19, no employees received remuneration in excess of the highest-paid director (2017/18: nil). Remuneration, excluding the highest-paid director, ranged from £21k - £180k (2017/18 restated: £21k-£175k).

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.

Senior management – pension benefits (audited)

	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	Real increase/ decrease in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Andrea Coscelli[14]	-	-	-	-	-	33
Michael Grenfell	15-20	2.5-5	261	187	39	-
Andrea Gomes da Silva[15]	-	-	-	-	-	-
Erik Wilson	65-70	2.5-5	1,276	1,102	43	-
Sarah Cardell[16]	-	-	-	-	-	32
Mike Walker	20-25	2.5-5	291	209	38	-

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

15 Andrea Gomes da Silva is not in a pension scheme.

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

Non-Executive Board members remuneration (audited)

	2018/19		2017/18	
	Salary	Benefits in kind[17]	Salary	Benefits in kind[17]
	£000	Nearest £100	£000	Nearest £100
David Currie[18]	30-35	-	145-150	500
Andrew Tyrie[19]	125-130	1,300	-	-
Alan Giles	25-30	1,500	25-30	800
Amelia Fletcher	25-30	400	25-30	800
Anne Lambert[20]	10-15	-	25-30	500
Annetje Ottow[21]	5-10	1,400	25-30	2,700
Cynthia Dubin[22]	0-5	-	-	-
Jonathan Scott	25-30	1,400	25-30	600
Kirstin Baker[23]	15-20	-	-	-
Martin Coleman[24]	25-30	400	10-15	300
William Kovacic	25-30	-	25-30	100

All the Non-Executive Board members (NEDs) were engaged on a 30-days per year basis except for Andrew Tyrie who at 31 March 2019 was engaged on a 3-days per week contract.

The Chairman and the NEDS are not members of the Principal Civil Service Pension Scheme and they have no other pension entitlements with the CMA (2017/18: nil).

17 The Benefits in kind figures relate to the cost of travelling to and from the CMA's office at Victoria House for board and committee meetings only. These figures have been grossed up as the CMA pays the tax on behalf of the NEDs.

18 Lord David Currie left the CMA on 18 June 2018. He worked 2 days per week on a FTE salary of £305-310k.

19 Lord Andrew Tyrie joined the CMA as Chairman on 19 June 2018. He works 3 days per week on a FTE salary of £265-270k.

20 The salary above for Anne Lambert relates to her role as a CMA NED only. In 2018/19 Anne was also employed as CMA Panel Chair and Inquiry Chair, and in 2018/19 she earned a total remuneration £120-125k for her work on the CMA Board and Panel.

21 Annetje Ottow left the CMA on 1 August 2018. She worked as a CMA NED on a FTE salary of £25-30k.

22 Cynthia Dubin joined the CMA as a CMA NED on 29 January 2019. Her FTE salary is £25-30k.

23 Kirstin Baker joined the CMA as a CMA NED on 1 September 2018 and the salary above relates to her role as a CMA NED only. Her FTE salary as CMA NED is £25-30k. In 2018/19 Kirstin was also employed as a CMA Inquiry Chair and in 2018/19 earned a total remuneration £70-75k for her work on the CMA Board and Panel.

24 The salary above for Martin Coleman relates to his role as a CMA NED only. In 2018/19 Martin was also employed as CMA Panel Chair, and in 2018/19 he earned a total remuneration £85-90k for his work on the CMA Board and Panel.

Remuneration Policy

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

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

In reaching its recommendations, the SSRB considers:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional and local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the government's departmental expenditure limits, and
- the government's inflation target, 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 2018/19 no such payments were made.

Salary and bonuses

Salary covers both pensionable and non-pensionable amounts and includes but may not necessarily be confined to: gross salaries; overtime; recruitment and retention allowances; private office allowances; other allowances (to the extent that they are subject to UK taxation); and any ex-gratia payments. This report is based on accrued payments made by the 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 HMRC as taxable. The CMA's Senior Management did not receive any benefits in kind in 2018/19 (2017/18: 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)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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.

Staff Report

Introduction

We have 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.

Equality, Diversity and Inclusion

Equality, diversity and inclusion remain at the top of our agenda. We seek to build a truly diverse organisation that reflects the wider UK population and consumers we serve. Diversity brings different insights, creates challenge and encourages change and innovation. This in turn produces more accountable and trusted public services and better decisions because they are more attuned to the needs and interests of all consumers.

Key achievements in 2018/19

We have much to celebrate for what we have achieved in 2018/19. Our growing internal networks are delivering impactful programmes whilst our Equality, Diversity and Inclusion Working Group have steered us to achieve significant milestones.

In 2018/19 we achieved Disability Confident Employer accreditation, showing our commitment to welcome people with disabilities and empower them to develop their careers within the CMA, and became a Stonewall Diversity Champion, showcasing our commitment to building an inclusive organisation.

We also signed the Race at Work Charter, showing our leadership commitment to ensuring that the CMA is an inclusive organisation that supports its BAME members of staff in their professional development, and built the strength of our existing diversity networks, including launching our LGBT+, VisAbility, Race, and Women's Networks.

Our commitment to inclusion lies at the heart of our organisation and we have recently published our Diversity and Inclusion Plan for 2019/20 which sets outs our future plans to meet our public-sector duties under the Equality Act 2010 and our broader vision and plans for embedding an inclusive culture within the CMA and celebrating all aspects of diversity.

Volunteering

We encourage staff to support charities and local community groups and offer up to six days paid special leave per year for staff to undertake volunteering. In the past year, our staff have raised money for several charities including the British Heart Foundation, Rethink Mental Illness and SANE.

Wellbeing

Initiatives in 2018/19 have included lunch time runs, the provision of table tennis and yoga. The Wellbeing and Mental Health Action Group hosted Wellbeing Week that had a number of initiatives including free health check-up, wellbeing fair and talks by distinguished speakers. We have had training sessions on building resilience, tackling unconscious bias and held talks on various topics such as fostering and managing a career with childcare responsibilities to support our staff.

Flexible working arrangements

In 2018/19, our headcount increased by 160 FTE. During this time, we have looked at options to create a good working environment for staff in light of our increased headcount and in preparation of our move to new offices in Canary Wharf in 2019. We have reviewed our flexible working arrangements in the CMA to improve our flexible working offer and practices.

Health and Safety

We updated our Health and Safety policy in 2017. In 2018/19, we did not record any serious injuries, and only a small number of workplace accidents were reported. A four day Institute of Occupational Safety and Health (IOSH) course was held in 2018 for members of the Health and Safety Committee.

Sickness absence

Over the year 1 April 2018 to 31 March 2019, the average working days lost due to absence per FTE employee was 3.65 days (2017/18: 3.85 days). The most recently published Civil Service figure was an average of 6.9 days.

Trade Union Facility Time

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

Relevant union officials

Eleven employees (11 FTE) were relevant union officials during 2018/19 (2017/18: 11 FTE). One union official spent none of their working hours on facility time in 2018/19 (2017/18: 3) and 10 union officials spent up to 50% of their working hours on facility time in 2018/19 (2017/18: 8).

The time spent by union officials on paid trade union activities as a percentage of total paid facility time hours in 2018/19 was 8.96% (2017/18: 19.54%).

The percentage of the total pay bill in 2018/19 spent on paying employees who were relevant union officials for facility time 0.07% (2017/18: 0.07%).

Off-payroll engagements

In 2018/19 there were no new or existing off-payroll engagements for more than £245 per day and lasting longer than six months. There were also no off-payroll engagements of Board members and/or senior officials with significant financial responsibility. There were three individuals on payroll that have been deemed Board members and/or senior officials with significant financial responsibility.

Staff costs (audited)

Staff costs comprise:

	2018/19			2017/18
	Permanently employed staff	Others[25]	Total	Total
	£000	£000	£000	£000
Wages and salaries	38,109	3,041	41,150	37,119
Social security costs	4,440	-	4,440	3,966
Pension costs	7,738	-	7,738	6,855
Sub total	**50,287**	**3,041**	**53,328**	**47,940**
Other staff costs	146	-	146	326
Less: recoveries in respect of outward secondments	(126)	-	(126)	(102)
Total	**50,307**	**3,041**	**53,348**	**48,164**

Number of people employed (audited)

The number of FTE people employed at 31 March 2019 and the average number of people employed during the year:

	At year end		Average for year	
	2018/19	2017/18	2018/19	2017/18
	Number	Number	Number	Number
Permanent staff	718	592	655	575
Others[26]	135	48	92	53
Total	**853**	**640**	**747**	**628**

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

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

Staff Composition[27] (audited)

The number of FTE persons employed at 31 March 2019 by grade:

	2018/19		2017/18	
	Male	Female	Male	Female
SCS3 (Director)	2	1	2	1
SCS2 (Director)	13	8	9	5
SCS1 (Director)	46	36	40	25
Grade 6	91	90	74	75
Grade 7	122	109	81	82
SEO	25	30	19	15
HEO	70	102	45	60
EO	41	47	29	33
AO	11	9	6	6
Total	**421**	**432**	**305**	**302**

Expenditure on consultancy

In 2018/19 the CMA spent £185k on consultancy (2017/18: £103k).

Exit packages (audited)

	2018/19		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000-£25,000	0	0	0
£25,000-£50,000	0	0	0
£50,000-£100,000	0	1	1
£100,000-£150,000	0	0	0
£150,000-£200,000	0	0	0
Total number of exit packages	**0**	**1**	**1**
Total cost of exit packages (£000)	**0**	**95**	**95**

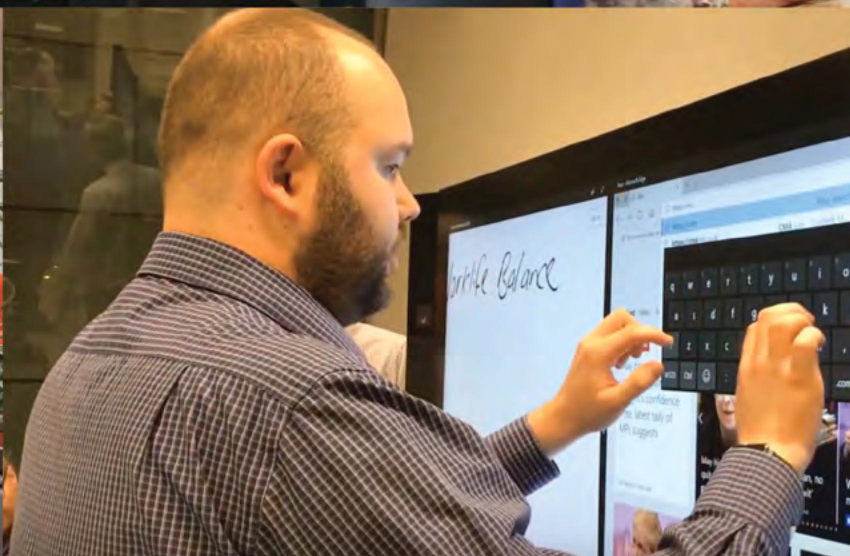
Exit packages are paid, where applicable, in accordance with the terms of the Civil Service Compensation Scheme. Exit costs are accounted for in full when a commitment has been made by the CMA and are paid in the year of departure. One exit package was paid in 2018/19 (2017/18: Nil).

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









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 (FReM) 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. Detailed explanations of the significant variances between the outturn and Estimate are included in in the Directors' report: financial review on pages 61 to 63. The SoPS and supporting notes are subject to audit.

	2018/19								2017/18
	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
Departmental expenditure limit									
Resource	1.1	94,126	-	94,126	78,182	-	78,182	15,944	63,175
Capital	1.2	23,100	-	23,100	21,755	-	21,755	1,345	791
Annually managed expenditure									
Resource	1.1	2,500	-	2,500	(1,074)	-	(1,074)	3,574	(71,616)
Capital	1.2	-	-	-	-	-	-	-	-
Total budget		**119,726**	**-**	**119,726**	**98,863**	**-**	**98,863**	**20,863**	**(7,650)**
Non-budget									
Resource		-	-	-	-	-	-	-	-
Total		**119,726**	**-**	**119,726**	**98,863**	**-**	**98,863**	**20,863**	**(7,650)**
Total resource		**96,626**	**-**	**96,626**	**77,108**	**-**	**77,108**	**19,518**	**(8,441)**
Total capital		**23,100**	**-**	**23,100**	**21,755**	**-**	**21,755**	**1,345**	**791**
Total		**119,726**	-	**119,726**	**98,863**	-	**98,863**	**20,863**	**(7,650)**

Net cash requirement 2018/19

	2018/19		2018/19		2017/18
SoPS Note	Estimate		Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	£000		£000	£000	£000
3	**112,740**		**86,631**	**26,109**	**64,286**

Administration costs 2018/19

		2018/19		2018/19		2017/18
SoPS Note		Estimate		Outturn		Outturn
		£000		£000		£000
1		**18,885**		**14,728**		**14,428**

SOPS 1 Net outturn

SOPS 1.1 Analysis of net resource outturn by section

	2018/19									2017/18
	Outturn							Estimate		Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate, adjusted for virements[28]	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)										
Voted: A Competition Promotion	16,557	(1,829)	14,728	64,484	(1,030)	63,454	78,182	94,126	15,944	63,175
Annually Managed Expenditure (AME)										
Voted: B Competition Promotion	-	-	-	(1,074)	-	(1,074)	(1,074)	2,500	3,574	(71,616)
Total	**16,577**	**(1,829)**	**14,728**	**63,410**	**(1,030)**	**62,380**	**77,108**	**96,626**	**19,518**	**(8,441)**

Detailed explanations of the significant variances between the outturn and Estimate are included in in the Directors’ report: financial review on pages 61 to 63.

28 There were no virements in 2018/19.

SOPS 1.2 Analysis of net capital outturn by section

	2018/19					2017/18
	Estimate		Outturn			Outturn
	Net	Net total compared to Estimate, adjusted for virements[29]	Gross	Income	Net	Net
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)						
Voted: A Competition Promotion	23,100	1,345	21,755	–	21,755	791
Annually Managed Expenditure (AME)						
Voted: B Competition Promotion	–	–	–	–	–	–
Total	**23,100**	**1,345**	**21,755**	–	**21,755**	**791**

Detailed explanations of the significant variances between the outturn and Estimate are included in in the Directors' report: financial review on pages 61 to 63.

SOPS 2 Reconciliation of outturn to net operating expenditure

SOPS 2.1 Reconciliation of net resource outturn to net operating expenditure

	2018/19	2017/18
	Outturn	Outturn
	£000	£000
Total resource outturn in Statement of Parliamentary Supply	77,108	(8,441)
Add: Research included within capital budget outturn[30]	142	276
Net operating expenditure in statement of comprehensive net expenditure	**77,250**	**(8,165)**

29 There were no virements in 2018/19.

30 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	96,626	77,108	19,518
Capital outturn	SOPS 1.2	23,100	21,755	1,345
Accruals to cash adjustments				
Adjustments to remove non-cash items:				
Depreciation	4	(3,486)	(2,496)	(990)
New provisions and adjustments to previous provisions	4	(2,500)	(2,326)	(174)
Other non-cash items	4	-	(80)	80
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables	9	-	2,937	(2,937)
(Increase)/decrease in payables	10	(1,000)	(17,563)	16,563
Increase/(decrease) to be surrendered to the Consolidated Fund		-	3,914	(3,914)
Use of provisions	11		3,382	(3,382)
Net cash requirement		**112,740**	**86,631**	**26,109**

SOPS 4 Income payable to the Consolidated Fund

SOPS 4.1 Analysis of income payable to the Consolidated Fund

During 2018/19 there was no income payable to the Consolidated Fund (2017/18: 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 2018/19 Trust Statement published separately from, but alongside, this Annual Report and Accounts.

Parliamentary accountability disclosures

Losses and special payments (audited)

The CMA's Trust Statement had total losses in 2018/19 of £89.9 million (2017/18: £5.6 million) relating to CA98 and merger fee debts, with £89.4 million relating to the derecognition of the Pfizer and Flynn Pharma receivables, originally recognised in 2016/17, due to the CAT provisionally remitting some of the case back to the CMA for further consideration in June 2018. These debts were no longer considered to be collectable and they were written-off following approval from HM Treasury.

The CMA's Trust Statement had one write-off greater than £300,000 in 2018/19 and relates to the Pfizer and Flynn Pharma receivables above.

Remote Contingent liabilities (audited)

There were no remote contingent liabilities in 2018/19.

Prompt payment of suppliers

Whilst our standard terms and conditions specify payment within 30 days of receipt, we aim to make payments within 10 working days. In 2018/19, 66% of all invoices received were paid within 10 working days (2017/18: 55%) and 92% of all invoices received were paid with 30 days (2017/18: 86%) There has been a marked improvement in our performance in this area:

2018/19	Invoices paid within 10 days	Invoices paid within 30 days
1st Quarter	44%	85%
2nd Quarter	53%	92%
3rd Quarter	76%	96%
4th Quarter	86%	96%

The Government Internal Audit Agency's report and opinion for 2018/19 reflects our continued improvements to the governance, risk management and control environment. We will maintain our efforts and work actively with suppliers to ensure that performance continues to improve in 2019/20.

Signed for and on behalf of the CMA

Andrea Coscelli
Chief Executive and Principal Accounting Officer
10 July 2019

The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Resource Accounts)

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 2019 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 2019 and of the Department's comprehensive net 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 2019 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.

Conclusions relating to going concern

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

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.
- 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 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, but does not include 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.

Gareth Davies
Comptroller and Auditor General
11 July 2019

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

CMA Financial Statements

Financial Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

	Note	2018/19	2017/18
		£000	**£000**
Operating income	5	(2,859)	(3,979)
Total operating income		**(2,859)**	**(3,979)**
Staff costs	3	53,348	48,164
Other costs	4	26,761	16,825
Total staff and other costs		**80,109**	**64,989**
Movements in legal costs provision	4	-	(69,175)
Total operating expenditure		**80,109**	**(4,186)**
Net operating expenditure / (income) for the year		**77,250**	**(8,165)**
Other comprehensive net expenditure			
Actuarial net loss/(gain) on by-analogy pension scheme	11.2	(18)	(4)
Comprehensive net expenditure / (income) for the year		**77,232**	**(8,169)**[31]

The notes on pages **105 to 121** form part of these Financial Statements.

31 Total operating income was reported in 2017/18 as we reduced the value of the legal cost provision, from £69.2 million to £0, relating to the Office of Fair Trading's (OFT) tobacco competition enforcement investigation case and The Supreme Court's decision to unanimously allow the CMA's appeal.

Statement of Financial Position

as at 31 March 2019

	Note	2018/19	2017/18
		£000	**£000**
Non-current assets			
Property, plant and equipment	6	21,977	2,275
Intangible assets	7	1,051	1,636
Trade and other receivables	9	-	302
Total non-current assets		**23,028**	**4,213**
Current assets			
Cash and cash equivalents	8	7,558	3,644
Trade and other receivables	9	6,964	3,725
Total current assets		**14,522**	**7,369**
Total assets		**37,550**	**11,582**
Current liabilities			
Trade and other payables	10	(27,641)	(13,905)
Provisions	11	(156)	(3,308)
Total current liabilities		**(27,797)**	**(17,213)**
Total assets less current liabilities		9,753	(5,631)
Non-current liabilities			
Trade and other payables	10	(5,267)	(1,440)
Provisions	11	(3,314)	(1,236)
Total non-current liabilities		(8,581)	(2,676)
Total assets less liabilities		**1,172**	**(8,307)**
Taxpayers' equity and reserves			
General fund		1,172	(8,307)
Total equity		**1,172**	**(8,307)**

The notes on pages **105 to 121** form part of these Financial Statements.

Andrea Coscelli
Chief Executive and Principal Accounting Officer
10 July 2019

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018/19	2017/18
		£000	**£000**
Cash flows from operating activities			
Net operating income/(expenditure)	SoCNE	(77,250)	8,165
Adjustments for non-cash transactions	4/5	4,902	(69,736)
(Increase)/Decrease in trade and other receivables	9	(2,937)	931
Increase/(Decrease) in trade and other payables	10	17,563	(751)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(3,914)	(2,314)
Use of provisions	11	(3,382)	(66)
Net cash (outflow) from operating activities		**(65,018)**	**(63,771)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(21,269)	(502)
Purchase of intangible assets	7	(344)	(13)
Net cash (outflow) from investing activities		**(21,613)**	**(515)**
Cash flows from financing activities			
Financing from the Consolidated Fund (supply)		90,545	66,600
Advances from the Contingencies Fund		17,049	-
Repayments to the Contingencies Fund		(17,049)	-
Net financing		**90,545**	**66,600**
Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund		**3,914**	**2,314**
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		**3,914**	**2,314**
Cash and cash equivalents at the beginning of the year	8	3,644	1,330
Cash and cash equivalents at the end of the year	**8**	**7,558**	**3,664**

The notes on pages **105 to 121** form part of these Financial Statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

	Note	General fund
		£000
Balance as 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		(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)**
Net Parliamentary Funding – drawn down		90,545
Net Parliamentary Funding – deemed		3,644
Unspent Supply repayable to the Consolidated Fund	10	(7,558)
Non-cash charges – auditors' remuneration	4	80
Net operating expenditure for the year		(77,250)
Actuarial (loss)/gain on pension liability	11	18
Balance at 31 March 2019		**1,172**

The notes on pages **105 to 121** form part of these Financial Statements.

Notes to the Financial Statements

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM), issued by HM Treasury, and the Government and Resource Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the FReM. 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 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 a Statement of Parliamentary Supply and supporting notes analysing the net resource outturn and capital outturn against control totals voted by Parliament through the Estimate. These are included within the Parliamentary Accountability section of this document.

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

1.1. Accounting convention

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

1.2. Significant judgements and estimates

Provisions 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. Standards issued but not yet effective

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

The IASB issued IFRS 16 ‘Leases’ in January 2016 with an effective date for annual periods beginning on or after 1 January 2019. 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.

A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value on the Statement of Financial Position. There are corresponding changes to the disclosure requirements to show the effect that leases have on the financial position, financial performance and cash flows of the lessee.

The lessor accounting model is significantly unchanged from IAS 17 'Leases', but entities should be aware of the introduction and impacts of IFRS 9 'Financial Instruments' and the enhanced disclosure requirements

IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. A cross-government Technical Working Group has been formed to assist with this assessment. We therefore presume IFRS 16 is to be adopted in the FReM from 1 April 2020. HM Treasury will issue an Exposure Draft on IFRS 16 in advance of the effective date.

The CMA is currently assessing the impact that IFRS 16 will have including:

- what operating lease commitments are currently held and whether these are material to the financial statements;
- the nature of the assets being leased and whether they may be classed as short term or low value leases; and
- whether there are sufficient existing disclosures in the financial statements regarding lease commitments where these are considered material.

1.4. Income

IFRS 15 'Revenue from Contracts with Customers' was introduced in the public sector in 2018/19.

All income is recognised when the service is provided or when a legal decision has been determined.

Income recognised consists principally of:

- regulatory appeals;
- recoveries of accommodation expenditure; and
- appeal costs reimbursed (relating to recovered legal costs) and other income.

Regulatory appeals

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

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

- Step 1: Identify the contract with a customer - This condition is satisfied when a third party challenges a regulatory decision by a sector regulator and the issued is referred to the CMA.
- Step 2: Identify the performance obligations in the contract - The performance obligations in the contract are for the CMA to act as an expert tribunal and to decide on the underlying case.
- Step 3: Determine the transaction price - This condition is satisfied when the CMA announces its costs order and costs final determination in an appeal.
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation - The revenue is recognised when the CMA has considered an appeal and decision is made (i.e. decision letter issued).

From a CMA perspective, the 5-step model framework does not change the revenue recognition point for Regulatory Appeals. Regulatory Appeals income is recognised when an appeal has been considered by the CMA (service provided) and a decision made.

Recoveries of accommodation expenditure

Income from recovery of accommodation costs is classified as administration to match against the related tenant accommodation expenditure which is included in administration costs.

IFRS 15 applies to all contracts with customers except for: leases within the scope of IAS 17 Leases. Rental income under operating leases are recognised in the on a straight-line basis over the lease term of the Memorandum of Terms of Occupation (MOTO).

The additional elements refer to recharges for the recovery of CMA expenditure incurred for service charge; rates; electricity and boilers; and general maintenance.

There is no change to the recognition of this income due to the implementation of IFRS 15.

Appeal costs reimbursed and other income

On the basis of materiality, the CMA has not assessed the impact of IFRS 15 on this category of income and therefore there is no change to the recognition of this income due to the implementation of IFRS 15.

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' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the CMA recognises the contributions payable for the year.

The CMA has a separate scheme for the previous Chairs and Directors General of the 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 initially at cost provided it satisfies the CMA's capitalisation criteria. The CMA capitalises expenditure of £5,000 or more for both individual and grouped assets. Thereafter these assets are carried at fair value less depreciation and impairment charged subsequent to the date of revaluation. There was no revaluation in 2018/19 on the grounds of materiality.

Prior to this financial year, the CMA's capitalisation policy was to capitalise expenditure of £10,000 or more for individual assets. We have revised this policy in 2018/19 as a result of our expansion, in preparation for the UK's exit from the EU and the resulting increase in our operations and staff numbers, and our property move to Canary Wharf. Under the previous policy this would have resulted in a material amount of assets being purchased but not capitalised. The impact of the retrospective application of this policy has not been presented as the cumulative impact would not be material.

1.9. Assets under construction

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

1.10. Intangible assets

Intangible assets comprise the development of information technology platforms for use across the CMA, other software and software licences capitalised at cost where they satisfy the CMA's capitalisation criteria of capitalising expenditure of £5,000 or more for individual purchases and grouped assets and where they are in use for over 12 months.

1.11. Depreciation and amortisation

Assets are depreciated or amortised at rates calculated to write down their value, less any estimated residual value, evenly on a straight-line basis over their estimated useful lives. 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. For assets under construction, the point at which the asset is brought into use is when depreciation commences.

Estimated useful asset lives are within the following ranges:

Property, plant and equipment (depreciation)
Leasehold improvement costs (including dilapidations asset) over the remainder of the lease term .

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

Intangible assets (amortisation)

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

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

1.12. Financial instruments

IFRS 9 'Financial instruments' became effective in the public sector from 1 April 2018, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes requirements for classification, recognition and measurement, impairment and derecognition. The CMA does not hold any complex financial instruments and are comprised of trade receivables and payables. Receivables are measured at amortised cost.

Based on our assessment, the introduction of an 'Expected Credit Loss' model for the assessment of impairment for financial assets will not have material impact on our Accounts. This is because we predominantly have trade receivables held for collecting cash in the normal course of business. Additionally, these Accounts do not include transition disclosures in respect of IFRS 9, due to the effect of IFRS 9 not being significant.

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.

2. Statement of operating costs by operating segment

2.1. Analysis by operating segment

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

	Total gross expenditure 2018/19	Total gross expenditure 2017/18(Restated)
	£000	**£000**
Competition, Consumer and Markets Group (Staff)*	16,822	14,846
Enforcement	3,382	6,280
Corporate Services**	33,513	24,174
Legal Services	7,700	7,458
Markets and Mergers	5,351	9,334
Office of Chief Economic Advisor	6,947	1,806
Policy and International	1,572	1,739
Balance at 31 March 2018	**75,287**	**65,637**

From 2019/20 we are disbanding the Competition, Consumer and Markets Group and embedding people in clearer groups around specific work areas. In 2018/19 we made steps in this direction and implemented some structural changes such as establishing a new Enforcement directorate and redistributing the Cartels and Criminal Group cost centres within the new structures. This also included moving staff between the new directorates, for example, transferring the economists from the Competition, Consumer and Markets Group directorate to Office of Chief Economic Advisor.

*Competition, Consumer and Markets Group (Staff) total gross expenditure of £16.8 million comprises the following operational segments:

	Total gross expenditure 2018/19	Total gross expenditure 2017/18(Restated)
	£000	**£000**
Mandatory work	6,320	5,005
Markets	1,744	1,826
Enforcement	8,758	8,015
	16,822	**14,846**

**Corporate Services total gross expenditure of £33.5 million is analysed as follows:

	Total gross expenditure 2018/19	Total gross expenditure 2017/18(Restated)
	£000	**£000**
Premises (CMA wide costs)	12,547	9,228
Information technology (CMA wide costs)	2,037	2,217
Staff and other non-staff costs	18,929	12,729
	33,513	**24,174**

The increase in Corporate Services total gross expenditure is mainly driven by the expansion of the CMA across the UK and therefore the increase in accommodation (and associated) costs and our preparation to take on our additional responsibilities when the UK exits the EU. For further detail on Premises (CMA wide costs) and Information technology (CMA wide costs) expenditure see note 4.

2.2. Reconciliation between operating segments and SoCNE

	2018/19	2017/18
	£000	**£000**
Total gross expenditure reported for operating segments	75,287	65,637
Reconciling items:		
Income	(2,859)	(3,979)
Depreciation and non-cash items	4,822	(69,823)
Total net expenditure per the SOCNE	**77,250**	**(8,165)**

3. Staff costs

Total staff costs at 31 March 2019 were £53.35m (2017/18: £48.16m), comprising £41.15m salaries and wages, £4.44m social security and £7.74m staff pension costs. More detailed information on staff costs is available in the Staff Report on page 87.

4. Other costs

	2018/19	2017/18
	£000	£000
Rent (operating leases)	6,301	4,505
Rates	2,040	2,162
Stamp duty	683	-
Utilities	293	331
Maintenances	144	(10)
Other premises costs	540	207
Service charge	2,031	1,181
Net premises costs	**12,032**	**8,376**
Research expenditure	**148**	**276**
Other expenditure		
Litigation costs	-	771
Hire of plant and machines	28	-
Professional services	3,239	1,742
Training	973	865
Publicity and campaigns	363	285
Travel and subsistence	508	363
Recruitment	849	440
Telecommunications	129	400
IT (including maintenance)	1,953	2,030
Printing, copying and mailing	422	515
Publications	11	11
Facilities management	740	1,085
Other expenditure	426	224
Total other expenditure	**9,641**	**8,731**
Non-cash items		
Depreciation of property, plant and equipment	1,567	911
Depreciation of intangible assets	929	823
Impairment of trade receivables	-	(6)
Apprenticeship Levy - training	38	9
Provisions – amounts provided for in year	2,326	37
Auditors' remuneration and expenses	80	80
Provisions- amount not required, written back	-	(71,587)
Total non-cash items	**4,940**	**(69,733)**
Total other costs	**26,761**	**(52,350)**

In October 2018, we signed a new lease for office space in The Cabot located in Canary Wharf. Since this date we have been incurring expenditure for both Victoria House and the new premises which is what has contributed to the increase other costs such as rent, stamp duty, service charges, and other premises costs. See note 12.2 for additional detail on our lease commitments for 2018/19.

At Autumn Budget 2017, HM Treasury announced that the proportion of qualifying litigation costs that the CMA is able to offset against CA98 fine income be increased from 50% to 100% with effect from 2018/19, effectively meaning that these costs are fully funded which consequently results in no litigation costs being disclosed in the table above.

Professional services expenditure increased in 2018/19 to better support frontline delivery (for example, advising on the proposed merger of Asda and Sainsbury), including additional consultancy, pre-litigation legal services and market research costs.

IT (including maintenance) costs have increased due to the expansion of the CMA as we prepare for the UK's exit from the EU. Some of this expenditure has included the purchasing of mobile phones for new employees and increasing the number of software licences for users.

5. Income

	2018/19	2017/18
	£000	**£000**
Recovery of accommodation costs	1,791	1,732
Appeal costs reimbursed	1,006	488
Regulatory Appeals	-	1,695
Other income	24	55
Total income (cash items)	**2,821**	**3,970**
Non-cash items		
Apprenticeship Levy – notional grant	38	9
Total income	**2,859**	**3,979**

The CMA offers training programmes for apprentices in a range of roles across the department and various professions. As of 31 March 2018 the CMA had 8 apprentice new starts. This increased by a further 13 apprentice starts throughout 2018/19, with a total of 21 apprentices having started in the CMA by 31 March 2019.

6. Property, plant and equipment

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2018/19 Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2018	9,221	1,172	367	30	10,790
Additions	14	2,818	8	18,429	21,269
Disposals	–	–	–	–	–
Reclassification	–	–	–	–	–
Revaluations	–	–	–	–	–
Impairments	–	–	–	–	–
At 31 March 2019	**9,235**	**3,990**	**375**	**18,459**	**32,059**
Depreciation					
At 1 April 2018	7,311	954	250	–	8,515
Charged in year	1,269	226	72	–	1,567
Disposals	–	–	–	–	–
Reclassification	–	–	–	–	–
Revaluations	–	–	–	–	–
Impairments	–	–	–	–	–
At 31 March 2019	**8,580**	**1,180**	**322**	–	**10,082**
Carrying amount at 31 March 2019	**655**	**2,810**	**53**	**18,459**	**21,977**
Carrying amount at 31 March 2018	1,910	218	117	30	2,275

In October 2018, we signed a new lease for office space in The Cabot located in Canary Wharf. Since then we have been fitting out the office space to ensure that it is suitable for our occupation expected in the summer 2019. These construction costs are being capitalised and approximately £16.2 million of the additions in the 'Assets under construction' category relate to these improvements to our new offices. See note 12.2 for additional detail on our lease commitments for 2018/19.

Information technology additions during the year account for initiatives delivered as part of our Information Technology Strategy. Some of these relate to several high-profile technology improvements, to provide greater efficiencies in the way we work as well as long-term operational costs savings, which included milestones such as CMA Live on SharePoint and the Agresso (CMA Direct) upgrade to the Cloud. Information technology assets are still being developed and at 31 March 2019, £2.2 million of these assets are still being developed and included as additions in the 'Assets under construction' category.

The 'Leasehold improvements' category includes a dilapidations asset, with a carrying amount of £0.14 million relating to the Victoria House lease. In 2018/19 we have reduced the expected useful life of this asset to 29 September 2019, the date we are expecting to be vacating Victoria House. Consequently, we have accelerated the depreciation of this and other assets associated with Victoria House accordingly, for example, some furniture and fittings.

	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)
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	–	–	–	–	–
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

7. Intangible assets

	Software licences	
	2018/19	2017/18
	£000	£000
Cost or valuation		
At 1 April	3,140	2,495
Additions	344	13
Disposals	–	–
Reclassification	–	632
At 31 March	**3,484**	**3,140**
Depreciation		
At 1 April	1,504	681
Charged in year	929	823
Disposals	–	–
Reclassification	–	–
At 31 March	**2,433**	**1,504**
Carrying amount	**1,051**	**1,636**

Asset financing

All property, plant and equipment and intangible assets are owned by the CMA.

8. Cash and cash equivalents

	2018/19	2017/18
	£000	**£000**
Balance at 1 April	3,644	1,330
Net change in cash and cash equivalent balances	3,914	2,314
Balance at 31 March	**7,558**	**3,644**
The balance at 31 March was held at		
Government Banking Service	7,558	3,644
Balance at 31 March	**7,558**	**3,644**

9. Trade and other receivables

9.1. Amounts falling due within one year

	2018/19	2017/18
	£000	**£000**
Trade receivables (gross)	1,112	617
Impairment provision	(45)	(66)
Trade receivables (net)	1,067	551
Deposits and advances	175	176
Other receivables	251	353
VAT	493	128
Prepayments and accrued income	4,978	2,517
Total	**6,964**	**3,725**

9.2. Amounts falling due after more than one year

	2018/19	2017/18
	£000	**£000**
Tenants' rent-free period	–	21
Tenants' rent - operating lease asset	–	281
Total	**–**	**302**

10. Trade and other payables

10.1. Amounts falling due within one year

	2018/19	2017/18
	£000	£000
Trade payables	2,119	839
Accruals and deferred income	13,077	4,619
Taxation and social security	1,381	1,391
VAT	1,088	394
Other payables	2,418	3,018
Amounts issued from the Consolidated Fund for supply but not spent at 31 March	7,558	3,644
Consolidated Fund extra receipts due to be paid to the Consolidated Fund – received	–	–
Total	**27,641**	**13,905**

10.2. Amounts falling due after more than one year

	2018/19	2017/18
	£000	£000
Victoria House rent - rent-free period	–	148
Victoria House rent - operating lease liability [32]	–	1,292
Accruals and deferred income	389	–
The Cabot rent - rent-free period[33]	1,785	–
The Cabot -lease incentive	3,093	–
Total	**5,267**	**1,440**

Accruals and deferred income within notes 10.1 and 10.2 each include £0.4 million of retention payments due for the fitting out and construction work currently taking place at our leased office space at The Cabot. The construction contract entitles us to withhold 5% of each staged payment made to the contractor as security to rectify any defects found during the construction phase and for 12 months after the construction works have culminated and the office space is handed over to the CMA as suitable for occupation.

It is expected that handover will occur during 2019/20 and at that time we will release 50% of the retention held, amounting to 2.5% of total payments made, with the remaining balance being released 12 months later.

32 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.

33 The value of the rent-free period and the lease incentive is amortised on a straight-line basis to the lease break date.

11. Provisions for liabilities and charges

	Early departure provision	Legacy pension provision	Dilapidation provision	Legal cost provision	2018/19 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2018	23	1,271	3,250	–	4,544
Provided in year	–	31	2,295	–	2,326
Provisions not required written back	–	–	–	–	–
Provisions utilised in the year	(18)	(114)	(3,250)	–	(3,382)
Actuarial loss/(gain)	–	(18)	–	–	(18)
Balance at 31 March 2019	**5**	**1,170**	**2,295**	**–**	**3,470**

	Early departure provision	Legacy pension provision	Dilapidation provision	Legal cost provision	2017/18 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2017	43	1,284	5,662	69,175	76,164
Provided 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**

11.1. Analysis of expected timing of cash flows

	Early Departure Provision	Legacy pension Provision	Dilapidation Provision	Legal cost provision	2018/19 Total
	£000	£000	£000	£000	£000
Not later than one year	5	151	–	–	156
Later than one year and not later than five years	–	710	–	–	710
Later than five years	–	309	2,295	–	2,604
Balance at 31 March 2019	**5**	**1,170**	**2,295**	**–**	**3,470**

	Early Departure Provision	Legacy pension Provision	Dilapidation Provision	Legal cost provision	2017/18 Total
	£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**

11.2. Legacy pensions

An actuarial valuation was carried out by the Government Actuary's Department as at 31 March 2019.

The financial assumptions used in the calculation of the liability as at 31 March 2019 were as follows:

- the gross rate used to discount scheme liabilities was 2.90% per annum (2017/18: 2.55% per annum);
- the gross rate of increase for pensions in payment and deferred pensions was 2.60% per annum (2017/18: 2.45% per annum); and in nominal terms, these assumptions implied price inflation of 2.60% per annum (2017/18: 2.45% per annum).

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

	2018/19 Total	2017/18 Total
	£000	**£000**
Interest cost	31	37
Actuarial loss	(18)	(4)
	13	33
Benefits paid	(114)	(46)
(Decrease)/Increase in provision	**(101)**	**(13)**

11.3. Dilapidations

The dilapidations provision is an estimate of the expenditure required to return The Cabot office space being utilised in the building, currently being fitted out so that it can be used as the CMA's offices from the summer of 2019, to their original condition as at the commencement of the lease. The lease for the floors (office space) expires in 2033 with a break option in 2028, although this is not currently expected to be utilised and therefore the provision assumes that we will occupy the space until the end of the lease.

The dilapidations provision for Victoria House has been reduced to nil as we exercised our right to end the lease on 29 September 2019 and negotiated a cash settlement to the landlord in 2018/19 in lieu of incurring any dilapidations expenditure.

12. Capital and other commitments

12.1. Capital commitments

As at the end of the reporting period, we had capital commitments amounting to £13.68 million relating to the fitting out of the office space in Canary Wharf (see note 4) and £0.91 million for IT related services.

12.2. Commitments under operating leases

	2018/19	2017/18
	£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	3,620	6,823
Later than 1 year and not later than 5 years	14,821	3,620
Later than 5 years	41,992	–
Total	**60,433**	**10,443**

In the summer of 2019, we will move our London headquarters to Canary Wharf where the CMA has signed a 15-year operating lease, within scope of IAS 17 and including a rent-free period, for office space in The Cabot. The CMA has exercised the break clause in the Victoria House lease with a break date of 29 September 2019. Both leases have been reflected in this note.

13 Related party transactions

The CMA has 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, key manager or related party has undertaken any material transaction with the CMA during the year. Information regarding Board Members' Register of Interests can be found in the Director's Report under the Register of Interests section.

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 and Industrial Strategy and the Oslo/Paris Convention (OSPAR) Commission which is part of DEFRA.

14 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.

15 Events after the reporting period

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a 2-year negotiation process between the UK and the EU. On 11 April 2019, the UK Government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.

The date the Accounts are authorised for issue is interpreted as the same date the Accounts are certified by the Comptroller and Auditor General.

CMA Trust Statement

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 Comptroller and Auditor General.

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

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

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

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

Signed for and on behalf of the CMA

Andrea Coscelli
Chief Executive and Principal Accounting Officer

10 July 2019

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 2019 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 give a true and fair view of the state of the Competition and Markets Authority Trust Statement as at 31 March 2019 and of the net 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 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.
- 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 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.

Gareth Davies
Comptroller and Auditor General
11 July 2019

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 2019

	Note	2018/19	2017/18
		£000	£000
Revenue			
Fines and penalties income			
Penalties imposed under the Competition Act 1998		1,600	9,736
Interest earned on penalties imposed under the Competition Act 1998		104	38
Total fines and penalties income		**1,704**	**9,774**
Merger fees			
Fees received under the Enterprise Act 2002		5,320	6,180
Interest earned on penalties imposed under the Enterprise Act 2002		–	–
Total merger fees		**5,320**	**6,180**
Total revenue		**7,024**	**15,954**
Expenditure			
CA98 Penalty offset to Legal cost[34]		(853)	(771)
Debts written off or otherwise impaired[35]		(89,848)	(20)
Total expenditure		**(90,701)**	**(791)**
Net (expenditure)/revenue for the Consolidated Fund	**5**	**(83,677)**	**15,163**

The notes on pages **130 to 134** form part of these Trust Statements.

34 At Autumn Budget 2017, HMT permitted the CMA to offset CA98 income against 100% of in-year litigation costs incurred within the CMA Resource accounts with effect from 2018/19.

35 The CMA has derecognised the Pfizer and Flynn Pharma receivables, originally recognised in 2016/17, due to the CAT provisionally remitting some of the case back to the CMA for further consideration in June 2018. This has resulted in the CMA reporting a deficit in the Trust Statement for the first time in 2018/19. HM Treasury are content with this approach.

Statement of Financial Position

as at 31 March 2019

	Note	2018/19	2017/18
		£000	**£000**
Non-current assets			
Receivables	2	187	404
Total non-current assets		**187**	**404**
Current assets			
Receivables	2	49,149	143,447
Cash and cash equivalents	3	10,498	12,453
Total current assets		**59,647**	**155,900**
Total assets		**59,834**	**156,304**
Current liabilities			
Payables	4	314	258
Total current liabilities		**314**	**258**
Total assets less liabilities		**59,520**	**156,046**
Total assets less current liabilities		**59,520**	**156,046**
Represented by:			
Balance on Consolidated Fund account	**5**	**59,520**	**156,046**

The notes on pages **130 to 134** form part of these Trust Statements.

Andrea Coscelli
Chief Executive and Principal Accounting Officer
10 July 2019

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018/19	2017/18
		£000	**£000**
Net cash flow from operating activities		10,498	12,453
Amounts paid to the Consolidated Fund	5	(12,453)	–
(Decrease)/increase in cash in the year		**(1,955)**	**12,453**

Notes to the Cash Flow Statement

A: Reconciliation of Net Cash Flow to movement in Net Funds	Note	2018/19	2017/18
		£000	**£000**
Net revenue for the Consolidated Fund		(83,677)	15,163
(Increase)/decrease in non-cash assets		94,515	(2,589)
Less movements in receivables relating to items not passing through SoROIE		(396)	–
Increase/(decrease) in current liabilities		56	(121)
Net cash flow from operating activities		**10,498**	**12,453**

B: Analysis of Changes in Net Funds	Note	2018/19	2017/18
		£000	**£000**
(Decrease)/increase in cash in the year	3	(1,955)	12,453
Net funds at 1 April (net cash at bank)		12,453	–
Net funds at 31 March (closing balance)		**10,498**	**12,453**

The notes on the following pages **130 to 134** form part of this Trust Statement.

Notes to the Trust Statement

1. Statement of accounting policies

The CMA acts as an agent responsible for collecting merger fees and Competition Act 1998 (CA98) penalties on behalf of the Consolidated Fund.[36] These financial statements provide an account of the collection of revenues, which by law or convention are payable into the Consolidated Fund, where the CMA undertaking the collection acts as agent rather than principal. The legislative requirement is set out in the Exchequer and Audit Departments Act 1921.

These financial statements have been prepared in accordance the 2018/19 FReM and the accounts direction issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the CMA selects the accounting policy which is judged to be most appropriate to the particular circumstances for the purpose of giving a true and fair view.

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

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

1.1. Accounting convention

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

1.2. Significant judgements and estimates

In calculating accrued income for enforcement and other services, judgements and estimates are made on the status of underlying activities. A provision for anticipated irrecoverable amounts is included. 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.

1.3. Revenue recognition

Prior to this financial year, fees and penalties recognised in the Trust Statement were measured in accordance with IAS 18 'Revenue' and at the fair value of amounts received or receivable, net of any repayments.

With effect from 2018-19, fees and penalties are measured in accordance with IFRS 15 'Revenue from Contracts with Customers'. The introduction of IFRS 15 has resulted in no change to the CMA's recognition of merger fee revenue, which is recognised once the CMA has investigated the intended merger and has issued its decision.

36 The Consolidated Fund is the central fund administered by HM Treasury which receives government revenues and makes issues to fund expenditure by government departments

IFRS 15 has had an impact on when the CMA recognises revenue from CA98 penalties. Previously CA98 penalties revenue was recognised when a penalty was imposed (1) and a decision letter sent (2) to the entity concerned.

The entity is given 2 calendar months in which to appeal (3) the decision if it so chooses, although, the full value of the penalty income was recognised in the Trust Statement at the time the decision letter was issued (2).

Effective from 2018-19, the recognition point has changed from (2) to (3) and therefore this revenue will be recognised when a decision letter had been issued (2) and the timeframe for an entity to appeal the decision has expired (3).

This approach is consistent with the FReM adaptation in relation to IFRS 15 for evaluating how much income is recognised and when it is recognised under FReM 8.2.9.

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

1.4. Receivables

IFRS 9 'Financial instruments' became effective in the public sector from 1 April 2018, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes requirements for classification, recognition and measurement, impairment and derecognition. There has been no impact on the classification and measurement of financial assets as a result of introducing IFRS 9.

The initial adoption of IFRS 9 on the Trust Statement has had an impact on the Current Receivables balance, as IFRS 9 requires a change in the way that impairment losses for financial assets are determined.

Under IFRS 9, allowances are made for credit losses on an 'expected credit loss' basis and are generally higher than allowances for credit losses under the IAS 39 'incurred loss' approach for financial assets held at amortised cost.

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

As permitted by IFRS 9, prior periods have not been restated. The classification, measurement and impairment requirements were applied retrospectively by adjusting the opening Statement of Financial Position at the date of initial application. This is the first year of IFRS 9 adoption and comparatives have not been restated.

The financial impact of initial adoption required the recognition of an impairment allowance of £0.40 million on the Current Receivables held as at 31 March 2018. The difference between the previous carrying value and the impaired carrying value as at 1 April 2018 has been recognised as an adjustment to the opening balances on the Consolidated Fund account (see note 5) and Current Receivables (see note 2.1).

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

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

1.5. Value Added Tax (VAT)

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

2. Receivables

2.1. Current receivables

	2018/19	2017/18
	£000	**£000**
Competition Act 1998 penalties	49,431	143,005
Cash and cash equivalents	(1,170)	(598)
Net Competition Act 1998 penalties	**48,261**	**142,407**
Merger fees receivables	681	805
Less provision for impairment	(7)	(5)
Net Merger fees	**674**	**800**
Amount owed from CMA Main Account	134	–
Accrued income	80	240
Total	**49,149**	**143,447**

2.2. Non- current receivables

	2018/19	2017/18
	£000	**£000**
Amounts falling due after more than one year		
Competition Act 1998 penalties	187	404
Total	**187**	**404**

In line with IFRS 9 and the 2018/19 FReM, our assessment of expected credit losses applied against both current and non-current receivables is £0.323 million using a rate of 0.66%. This rate is based on the receivables written- off or fully impaired, for example due to administration or dissolution of the entity, as a proportion of the total net receivable as at reporting date.

The impairment allowance 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 loss allowance is made for the full amount of the debt at the time the entity enters administration.

In 2018/19 the CMA received HM Treasury approval to write-off £89.6 million of CA98 debt and to fully impair £0.33 million of CA98 and merger fee debt against 5 entities. 2 of these entities are in liquidation or have filed for bankruptcy, and their debt of £0.33 million have been fully impaired. The remaining 3 entities' debts have been written off because they were dissolved or due to a CAT decision requiring derecognition of some or all of the debt.

3. Cash and cash equivalents

	2018/19	2017/18
	£000	£000
Balance held at Government Banking Service at 1 April	12,453	–
Net change in cash balances	(1,955)	12,453
Balance held at Government Banking Service at 31 March	**10,498**	**12,453**

4. Payables

	2018/19	2017/18
	£000	£000
CA98 Penalty offset to Legal cost payable	314	258
Total	**314**	**258**

5. Balance on the Consolidated Fund account

	2018/19	2017/18
	£000	£000
Balance on Consolidated Fund account at 1 April	156,046	140,883
Adjustment for IFRS 9 adoption	(396)	–
Revised balance on Consolidated Fund account as at 1 April	**155,650**	**140,883**
Net revenue for the Consolidated Fund	(83,677)	15,163
Less amount paid to the Consolidated Fund	(12,453)	–
Balance on Consolidated Fund account at 31 March	**(59,520)**	**156,046**

6. Events after the reporting period

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a 2-year negotiation process between the UK and the EU. On 11 April 2019, the UK Government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.
The date these Trust Statements are authorised for issue is interpreted as the same date they are certified by the Comptroller and Auditor General.

The CMA will transfer this closing balance to HM Treasury in the next financial year. See Note 5 below which reflects opening balance held at Government Banking Service at 1 April 2019 paid to the Consolidated Fund in 2018/19.

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CCS0619386236
ISBN 978-1-5286-1415-3