



Competition and Markets Authority

Annual Report and Accounts 2019/20
(for the year ended 31 March 2020)

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Contents

Overview	7
About us	7
Year in highlights	8
Chairman's foreword	10
Chief Executive's review	12
This year's key moments	22
Performance summary	24
Corporate Governance Report	26
Directors' Report	26
Directors' Report: financial review	28
Statement of Accounting Officer's Responsibilities	31
CMA Governance Statement 2019/20	32
Remuneration and Staff Report	51
Staff Report	57
Parliamentary Accountability and Audit Report	62
The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Resource Accounts)	68
CMA Financial Statements	72
CMA Trust Statement	94
The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Trust Statement)	95

The Competition and Markets Authority 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 across the UK.



Overview

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 employ around 840 people, who work mainly at our offices in London and Edinburgh, with smaller teams in Wales and Northern Ireland.

We adopt an integrated approach to our work, selecting those tools we believe will achieve maximum positive impact for consumers and the UK economy.

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.

Year in highlights (1 April 2019 - 31 March 2020)

Competition law enforcement

7
Competition Act
infringement
decisions

resulting in **£56m** of fines imposed, and

10 company director disqualifications.

**Cheating or
Competing?**

Our anti-cartel Cheating or Competing? campaign

 **reached 29 million+** people across the UK

 broadcast on **47 national radio stations**

Consumer protection

Consumer protection commitments secured from **29**

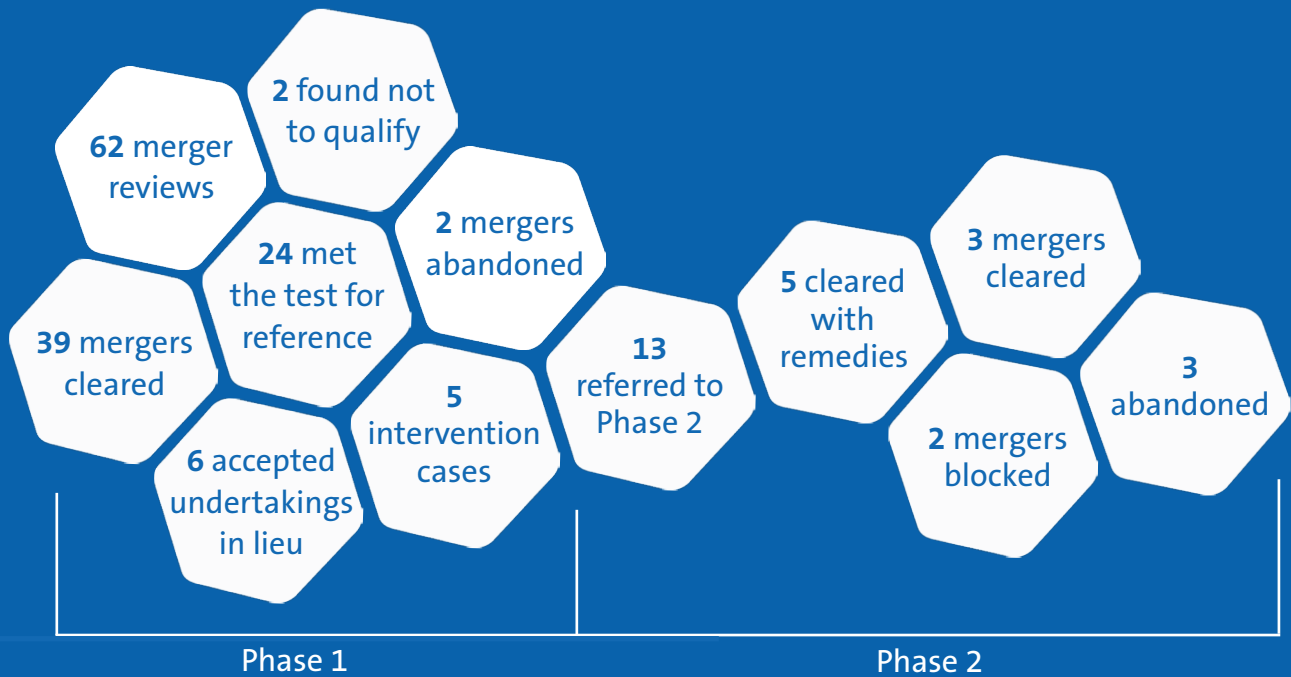
companies in **4** investigations.



5 market
studies and
investigations

- Digital markets
- Funerals
- Scottish legal services
- Online platforms/digital advertising
- Statutory audit

Merger control in numbers



UK leaving the EU

- CMA ready to take on an additional 30-50 Phase 1, around 5 Phase 2 mergers and 5-7 antitrust cases per year
- 180 EU exit posts filled
- EU exit training rolled out



CMA COVID-19 taskforce

- Produced **guidance on essential co-operation between businesses**
- **6,534** online complaints reporting **3,692** businesses
- **Written to 26 trade associations and 74 businesses** about increased prices
- **Published letter** to pharmaceutical, food and drinks industries warning about high prices and misleading claims

Chairman's foreword



The CMA has responded to outside events in ways that it could not envisage a year ago.

In a few months, the CMA has transformed itself into a body that can address the urgent consumer problems caused by the present coronavirus crisis. This comes in what has been a remarkably busy year for the CMA, including preparations for the UK's departure from the EU.

A whole institution is having to work at home without an office, and at the same time it has created a completely new function to deal with the crisis, while maintaining high levels of casework elsewhere. Many colleagues have played a direct role in the CMA's emergency response to COVID-19; many more have stepped forward to give invaluable support to others across the CMA to keep the show on the road.

Early on during the pandemic, we set up the CMA's COVID-19 taskforce to monitor market developments and gather evidence of harmful practices to enable us to intervene where we can, as quickly as we can. This included sending out warning letters, issuing guidance and a rolling programme of work and enforcement action.

In spite of the practical challenges of the crisis, and the urgent competition and consumer issues that coronavirus has raised, the CMA has largely managed to maintain business as usual, continuing to progress its significant caseload to protect UK consumers.

Throughout the year, the CMA has delivered a substantial volume of work to ensure effective enforcement of competition and consumer protection laws for the benefit of consumers. It has also reviewed a large number of mergers, with some significant successes.

In 2019/20, the CMA has issued seven decisions against companies for anti-competitive practices, imposing £56 million in fines (£29 million of which is recognised in the Trust Statement (page 98), with the remainder subject to appeal). In two separate cases concerning the supply of medicines, the CMA has secured millions of pounds in compensation for the NHS from pharmaceutical companies. The CMA has strengthened individual accountability for company compliance with competition law. In a significant increase on previous years, 10 company directors were disqualified during 2019/20 for competition law breaches, protecting the public from those who have shown themselves unfit to be directors. Strengthening individual accountability can have substantial deterrent effect, and can alter Board behaviour for the better.

In consumer protection law enforcement, the CMA has also secured important changes to ensure that consumers are treated fairly when shopping online, whether booking a hotel room, buying tickets for concerts or sports events or reading reviews when buying goods.



The CMA is grappling with shaping the future development of digital markets in a way that harnesses the benefits and minimises the harms. As digital markets continue to grow, competition in the UK appears to be getting weaker in some sectors, with some evidence of growing market concentration and rising profit margins and increased profitability. There has also been significant growth of new and rapidly emerging forms of consumer detriment, caused partly by the increasing digitalisation of the economy.

The CMA, on the government's request, is leading the Digital Markets Taskforce, looking at how to implement the recommendations from the Jason Furman review of digital competition. Digital markets are global, and the public policy issues they raise are broad. The CMA has been working closely with its international counterparts, as well as UK regulators, to share expertise and put us all in a stronger position to tackle the challenges posed by the digital economy. The CMA has just published its market study and is also considering what enforcement action might be appropriate in this sector.

In consumer protection law enforcement, the CMA has used its range of tools to maximum effect to tackle this detriment.

However, there is only so much that the CMA can do with our existing powers; in many ways the UK has an analogue system of competition and consumer law in a digital age. That is why the CMA also needs updated duties and powers to bolster competition and consumer protection laws by making the regimes swifter, stronger and more flexible.

Even without such legislation, there is more that the CMA can do. As Andrea Coscelli and I set out in February¹, the CMA can listen more closely to consumers to identify what matters most to them. We can review how we decide which cases to investigate and which tools to deploy, explaining the reasons for our choices and how they will really benefit consumers. And we can be more visible and vocal on behalf of consumers, including calling for changes in policy or legislation where this is needed in consumers' interests.



The CMA is an extremely hard-working institution, strongly committed to the public good. I won't be at the CMA when the next Annual Report is written: so I would like to take the opportunity to thank all of those with whom I have engaged - many of whom have become friends - and all those who have contributed to its work. It will be for others to respond to the challenges that the CMA will face over the coming years - they will have my strong support.

Andrew Tyrie
CMA Chairman

1. www.gov.uk/government/speeches/andrew-tyrie-closer-to-consumers-competition-and-consumer-protection-for-the-2020s

Chief Executive's review



The CMA has carried out a wide range of work this year to make a positive difference for consumers, businesses and the UK economy. This report gives a summary of our performance, highlighting some of our key work.

In line with HM Treasury guidance the Annual Report and Accounts is a slimmed down version because of the current situation arising from the pandemic. However, we are still providing full accounts and an overview of our performance.

Protecting vulnerable consumers

During 2019/20 the CMA continued to work to ensure as many consumers as possible, including the vulnerable, can access markets, get a good deal from traders and suppliers and be protected from unfair trading. There has been particular focus on ensuring that vulnerable consumers are not exploited.

In an innovative move, the CMA secured compensation from pharmaceutical companies for the National Health Service (and the public who depend on it as patients and fund it as taxpayers), following two separate investigations into alleged anti-competitive practices in the supply of medicines. Aspen agreed to pay the NHS £8 million as part of a wider package to resolve competition concerns in the supply of the vital life-saving medicine, Fludrocortisone, on which thousands of patients with Addison's disease depend. Separately, investigations into the supply of nortriptyline, a drug relied on by thousands of patients every day to relieve symptoms of depression, also resulted in a payment to the NHS of £1 million, alongside fines totalling more than £3.4 million.

**£9 million
paid to the
NHS**

We continued our action to stop care home residents from being unfairly treated in the fees they are charged. Building on our successful work securing changes from three care providers on the fees they charge after a resident has died, we have now launched proceedings against a provider to secure refunds for residents who have been charged a compulsory upfront administration fee.



The CMA also continued its market investigation into the funerals sector. People mourning the loss of a loved one are often extremely vulnerable, and we're very concerned about the substantial increases in funeral prices. Our initial work indicated problems that have led to above inflation price rises for well over a decade – both for funeral director services and crematoria services. The market investigation, launched at the end of March 2019, progressed throughout the year, and provisional findings are expected to be published later in the year. As a result of the COVID-19 pandemic, the industry has been under considerable

pressure and has had to adapt rapidly to ensure that the bereaved can bury their loved ones in accordance with the rules on social distancing. There is some evidence that this has led to a change in the nature of the services currently being provided by the industry.

Legal services are critical to people and businesses, who can face costly legal fees at important moments in their lives. However, there are indications that the Scottish legal services sector may not be delivering good outcomes for consumers. After completing a research project to examine competition and regulation in Scottish legal services, the CMA recommended a series of measures including improving the information made available to people to make it easier for them to shop around when arranging their house purchase or dealing with a divorce. This is the first Scotland specific project since the expansion of our Edinburgh office in May 2018.



Going through or exploring potential fertility treatments can be a stressful and emotional experience, with people having to make decisions in challenging circumstances. Working in partnership with the Human Fertilisation and Embryology Authority, the CMA launched a project to deliver consumer law guidance for IVF clinics and accompanying advice for patients. This will help ensure that clinics provide all the necessary information on treatments to allow patients to make informed choices.

During 2019/20 we secured formal commitments from the University of Liverpool to change its student debt policies. The university had stopped students from graduating, receiving certificates or re-enrolling and accessing the university library and computing services, if they had non-tuition fee debts like outstanding accommodation fees. The changes secured by the CMA mean that students who were prevented from graduating will be allowed to do so, and future students will no longer be penalised in their academic studies for non-tuition fee debt.

Our merger control work also touches markets that particularly affect vulnerable consumers. The CMA required the unwinding of a merger of two suppliers of augmentative and assistive communication solutions to people with complex speech and language needs. We broke up Tobii's purchase of Smartbox because of the very serious effects the deal would have for consumers such as less choice, less product development and higher prices.

Meanwhile, two of the UK's largest lone worker protection services abandoned their merger following the CMA's competition concerns. Send for Help and SoloProtect provide employees such as social workers, with personal alarm devices, connected to monitoring and response services, enabling them to get help if they are faced with danger. The CMA's investigation raised concerns that the merger could result in customers paying higher prices or receiving lower quality services, which could have had an adverse impact on lone workers, including many working with vulnerable people.

Improving trust in markets

Everyone hates being ripped off and we all want to be sure that ‘what we see is what we get’ – whether we buy online or in person. To help ensure that markets can be trusted we prioritised cases in markets for everyday goods and services like groceries and housing; things that matter to consumers, so they can be reassured that competition is working in their interest. We used the full range of our powers to tackle anti-competitive behaviour.

The most meaningful way to restore confidence in markets is to make them work better in the interest of consumers. The CMA has continued to use its powers to impose fines for breaches of competition law, including and increasingly using director disqualifications; to protect consumers from mis-selling and unfair contract terms; and to take an approach to merger control that prevents harm to consumer’s interests.

The CMA stopped companies cheating through fixing prices, including imposing a £36 million fine² for a cartel in the construction industry (£11.5 million of which is recognised in the Trust Statement (page 98), with the remainder subject to appeal). We issued the fines to three construction firms for breaking competition law in supplying concrete drainage products for building projects. The CMA also secured the disqualification of company directors involved in the case.

£36m fine imposed on construction cartel

Following a CMA investigation four Berkshire estate agents had a fine imposed³ after they broke competition law by illegally fixing the minimum commission rates they charged their customers. The result was that local homeowners were denied the chance of securing the best possible deal when selling their property because they were unable to meaningfully shop around all their local agents for better commission rates.

The CMA is committed to ensuring and strengthening personal responsibility for company compliance with competition law, and we have injected new vigour in our application of the law providing for disqualification of company directors for competition law breaches – protecting the public from individuals who have shown themselves unfit to be directors. During 2019/20 the CMA secured an increase in the number of director disqualifications. In this year alone there were 10 disqualifications (compared with a total of four in all previous years combined). Two directors were granted limited permission to continue to act as directors of certain companies, subject to strict conditions. The CMA has also applied to the court for the disqualification of a further five directors in three contested cases – the first time we have done this.

10 director disqualifications

During 2019/20 one of our key consumer enforcement investigations has been into leasehold property in England. This follows concern that leasehold homeowners have been unfairly treated and prospective buyers misled by housing developers. We found troubling evidence of potential mis-selling and unfair contract terms. We published a report in February 2020 outlining our



2. www.gov.uk/government/news/construction-firms-fined-36-million-for-breaking-competition-law
3. www.gov.uk/government/case-studies/estate-agents-fined-over-6000000-for-illegal-price-fixing

findings and are now preparing to launch enforcement action and working with government to ensure that homeowners are protected in the future.

The CMA's campaigns have continued to raise awareness amongst businesses about how to ensure their practices comply with the law, which is key in helping promote trust in markets. We asked companies in the travel and hospitality sector to 'check in on their terms' and change any potentially unfair deposit and cancellation terms and conditions. The 'Cheating or Competing?' campaign shines a light on illegal practices of price-fixing, bid rigging and market sharing. The hard-hitting message places the onus on business leaders to ensure their practices are fair and legal or risk the consequences.

Over the past year, we have taken tough action to protect consumers from the harmful effects of anti-competitive mergers. We believe a strong and independent system of merger control, which prevents harm to consumers' interests can build further trust in markets. We blocked the Sainsbury's/Asda merger after we found it would have led to increased prices, reduced quality and choice of products for millions of people in the UK. The CMA's investigation found that, as well as affecting in-store customers, the merger would result in increased prices and reduced quality of service, such as fewer delivery options, when shopping online. It would also lead to motorists paying more at over 125 locations where Sainsbury's and Asda petrol stations are located close together.



After an in-depth Phase 2 investigation the CMA blocked a merger between two cleaning chemicals firms to prevent potential price rises or a lower quality of service. Ecolab and Holchem, who completed their merger in November 2018, are two of the largest suppliers of cleaning chemicals to food and drink manufacturers in the UK. The merger would have created a new organisation which is much larger than any of its remaining competitors therefore it was likely to face limited competition from other suppliers.

During 2019/20 an offshore accommodation merger was abandoned after an in-depth CMA merger probe highlighted serious competition concerns. Prosafe abandoned its proposed deal with Floatel after the CMA provisionally found the merger may result in a substantial lessening of competition and customers may face higher prices, and/or lower quality. Both companies supply semi-submersible offshore accommodation support vessels to oil and gas companies.

The merger of receipt roll suppliers was abandoned after a Phase 1 CMA investigation raised competition concerns. We found that Iconex's purchase of two rival receipt paper suppliers Schades and R+S could lead to less choice and higher prices. The companies manufacture and supply lightweight thermal paper rolls and labels used by many businesses, including shops, restaurants and banks to print receipts.

Promoting better competition in online markets

Consumers and businesses are increasingly shifting their trading online, with fewer 'bricks and mortar' industries. While such developments are offering huge new opportunities for businesses and benefits for consumers, they can lead to new problems which can be particularly costly for consumers.

We published our Digital Markets Strategy which sets out our aim to protect consumers whilst fostering innovation in the rapidly developing digital economy. A key part of this strategy was the launch of a market study into online platforms and digital advertising. It looks at market power of digital platforms and digital advertising in consumer-facing markets, the lack of consumer control over data, and competition in the supply of digital advertising. The final report was published in July 2020.

The CMA was also asked by government to lead a digital markets taskforce. The taskforce will provide government with expert advice on the functions, processes and powers needed to deliver on its objectives in the digital platform markets in a proportionate and efficient way. The work of the taskforce forms part of the CMA's ongoing work under its Digital Markets Strategy, complementing and building on the work undertaken by the CMA's digital advertising market study.



Digital
markets
taskforce

We are at the forefront of competition agencies around the world in exploring how technology is changing the business models and investment strategies of firms in the digital economy.

Making sure that we understand and address the challenges that the growth of the digital economy poses – for consumers, businesses and competition authorities – is vital. This year we hosted a digital event, bringing together leading experts from across the world to explore how to shape the future development of digital markets in a way that can harness the benefits and minimise the harm.

More than three-quarters of people are influenced by reviews when they shop online, and billions of pounds are spent every year based on write-ups of products or services. Fake and misleading reviews are illegal under consumer protection law and websites have a responsibility to ensure that this unlawful and harmful content isn't advertised or sold through their platforms. Consumers need to know that online reviews can be trusted. In a win for online shoppers, following action from the CMA, Facebook and eBay committed to combatting the trade of fake and misleading reviews on their sites, taking action to remove groups, disable accounts and ban users, as well as introducing more robust systems for the future.



Meanwhile, the CMA continues to investigate the role and responsibilities of social media platforms. This follows the CMA securing formal commitments from celebrities to ensure they will clearly state if they have been paid or received any gifts or loans of products which they endorse. Influencers can have a huge impact on what their fans decide to buy. People could, quite rightly, feel misled, if what they thought was a genuine recommendation from someone they admired, turns out to be something they were paid to say.

During the year, the CMA secured changes from the majority of hotel booking sites operating in the UK. 25 firms, including big brands like TripAdvisor, Airbnb and Google, as well as major hotel chains, agreed to change how they display information where needed and signed up to the CMA's sector wide principles for complying with consumer protection law. These principles include not giving a false impression of a room's popularity and always displaying the full cost of a room upfront.



Meanwhile, the CMA continues to investigate suspected breaches of consumer protection law in the online secondary tickets market. This year this included telling ticket resale firm StubHub to make changes to its site after identifying problems that could mean it is breaking consumer law. Viagogo also addressed the CMA's outstanding concerns about how it presents important information to its customers.

We are examining the practices of the major online console gaming subscription services run by Microsoft, Sony and Nintendo. This is the second consumer protection law investigation opened by the CMA following its report on the 'loyalty penalty', which we considered in response to a super-complaint from Citizens Advice. We are considering in particular whether the firms' approach to automatically renewing subscription services complies with consumer protection law.

During 2019/20 the CMA carried out competition law investigations into the prevention of online discounting in the sale of musical instruments. Online sales of musical instruments have grown to around 40% of total sales, making it even more important that musicians have access to competitive prices online. The CMA fined Casio, the piano and keyboard supplier, £3.7 million for breaking competition law by preventing online discounting for its digital pianos and keyboards. Later in the year, the CMA fined the guitar maker Fender £4.5 million for similar practices in the supply of its guitars.



The CMA continues to investigate the comparison website ComparetheMarket in connection with its home insurance deals. Our investigation provisionally found that ComparetheMarket broke the law by preventing home insurers from offering lower prices elsewhere. This could result in people paying higher premiums than they need to. Over 20 million UK households have home insurance and more than 60% of new policies are found on price comparison sites. A final decision on this case is expected later this year.

Meanwhile, following an initial Phase I investigation by the CMA, the cashback website TopCashback abandoned its acquisition of Quido. TopCashback and Quidco are the two largest cashback websites in the UK and each other's main competitor. These websites allow shoppers to receive money back on certain types of online shopping and enable retailers to advertise and promote cashback discounts. The CMA found that the merger would give rise to serious competition concerns with the merged company able to decrease the amount of cashback paid to shoppers and increase advertising prices for businesses.

Supporting economic growth and productivity

A strong economy is underpinned by markets that work effectively, where competition is driving innovation, efficiency and growth. In well-functioning competitive markets, businesses innovate and compete vigorously and fairly to attract customers' business. Customers can make informed choices between suppliers on price, quality, innovation and service. This drives further competition and innovation in a virtuous circle. The CMA's competition and consumer protection, interventions contribute to this working effectively.

This year, the CMA published its final report with recommendations to address serious competition problems in the UK audit industry. The statutory audit market should help

underpin strong investment in the UK economy, but our market study published last April concluded that weak competition meant it was not working well. The CMA recommended the separation of audit from consulting services, mandatory 'joint audit' to enable firms outside the Big 4 - Ernst & Young, Deloitte, KPMG and PricewaterhouseCoopers - to develop the capacity needed to review the UK's biggest companies, and the introduction of statutory regulatory powers to increase accountability of companies' audit committees.

Following an in-depth CMA merger investigation that highlighted serious competition concerns, Illumina abandoned its anticipated \$1.2 billion takeover of PacBio. Illumina and PacBio are both global suppliers of Next-Generation DNA sequencing systems to organisations across the world, including UK universities, laboratories and research institutes. DNA sequencing systems are vital to the study of genetic variation in humans and other species, for purposes such as essential disease research and drug development. The CMA provisionally found the merger would result in a significant loss of competition and would lead to a reduction in overall levels of innovation in the market. Illumina and PacBio decided not to continue with the deal before the CMA's final report.



Meanwhile, Thermo Fisher abandoned its anticipated purchase of Gatan after an in-depth CMA merger probe highlighted serious competition concerns. Thermo Fisher supplies, among other things, high-tech electron microscopes used for scientific research. Gatan produces highly specialised "peripherals" or add-ons, such as filters and cameras, which are used in the operation of microscopes by customers including UK universities and research institutions. The CMA found in its provisional findings that that the proposed deal may result in a substantial lessening of competition in all the relevant markets in the UK, enhance Thermo Fisher's already strong market position, and lead to higher prices or lower quality for customers using electron microscopes.

Over the past year, we started to assess the state of competition in markets across the UK and consumers' experiences of those markets. In light of the COVID-19 outbreak, we will be postponing the work until later in the year and we expect to produce an initial report early next year.

The UK's exit from the EU

At the end of the transition period, due on 1 January 2021, the CMA will take on responsibility for larger and more complex merger, cartel and competition enforcement cases that were previously reserved for the European Commission.

In 2019/20 we made substantial progress in ensuring that we have the necessary people, skills and infrastructure in place to take on this expanded role.

The UK's exit from the EU presents both challenges and opportunities for the CMA. We remain committed to capitalising on these opportunities to secure continued good outcomes for UK consumers, and to play a bigger role in working internationally to promote competition and protect consumers – including working alongside competition and consumer agencies and policymakers across the world.

The CMA published guidance to explain how it will conduct its work during the transition period. This guidance is designed to explain how EU Exit affects the CMA's powers and processes for competition law enforcement ('antitrust', including cartels), merger control and consumer protection law enforcement during the transition period, towards the end of that period, and after it ends.

Guidance on how EU Exit affects the CMA's powers and processes

The guidance also explains the treatment of 'live' cases, which are cases being reviewed by the European Commission or the CMA during, and at the end of, the transition period.

Over the past year, we have contributed to and advised on the government's planning for various options for the creation of a domestic Subsidy Control regime. It is for the government to decide how this will be regulated in the future, including whether the CMA has a role to play in a new regime.

Response to COVID-19

The end of the 2019/20 reporting year saw the CMA's emerging response to COVID-19. The pandemic demanded urgent and critical decisions by government to address exceptional issues of public health and wider public policy. The CMA acted quickly to ensure that its approach to enforcing competition law did not stand in the way of necessary co-operation between suppliers to maintain continuity of supply for essential goods and services. We published clear guidance for businesses across all sectors, setting out the conditions under which firms will be exempted from competition law enforcement during the pandemic. At the same time, the guidance emphasises that the CMA will not tolerate conduct which goes beyond what is necessary or which seeks opportunistically to exploit the crisis.

At the early stages of the pandemic, we were concerned that a small minority of businesses were exploiting the situation to take advantage of consumers, for example by charging inflated prices, making misleading claims about their products or refusing to respect consumers' cancellation rights.

We set up the CMA's COVID-19 taskforce to monitor market developments and gather evidence of harmful practices to enable us to intervene where we can, as quickly as we can.

CMA's COVID-19 taskforce

We have deployed a range of options for dealing with the challenges identified to date, from warning letters, to published guidance and a rolling programme of work and enforcement action. We will also continue to advise the government on where further legislative change might be needed. We have worked closely with regulators, international and domestic partners including Trading Standards, Which? and Citizens Advice, to get the best possible understanding of the challenges facing consumers during the pandemic, and to come together to protect them.

Within our remit, we have also been advising government on the measures it takes in response to the pandemic, aiming to ensure policies protect competition and consumers, both in the short and longer term.

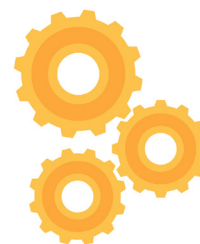
Risks, challenges and opportunities ahead

The COVID-19 pandemic and its impact on the economy will be the biggest challenge facing the CMA in the foreseeable future. We are still in the midst of the outbreak and the full impact of the crisis is yet to emerge.



What is clear is that the pandemic will adversely affect economic growth and productivity. The effects on markets will be wide-ranging and persistent. Experience tells us that such economic shocks can incentivise anti-competitive behaviour. The CMA will be vigilant to the risk of collusion, to mergers seeking to capitalise on the financial distress of firms, and to profiteering in the supply chain. Our role in restoring and promoting competition and innovation will be critical to ensure future growth, in what will be difficult market conditions for many sectors of the economy. The CMA's work to assess the state of competition in markets will play an important role in this.

As the effects of the crisis change, and the immediate pressures subside, co-operation for positive short-term reasons can easily become harmful to competition and consumers, if it persists over the longer term. A key challenge for government will be to unwind the measures put in place to protect the economy and ensure security of supply, including exclusion orders and financial assistance, at the right moment. For its part, the CMA will continue to promote well-functioning, competitive markets as a critical ingredient in helping consumers, businesses and the wider economy to recover.



The pandemic has also brought challenges to the CMA's ability to continue with its core business. We still have statutory deadlines on a large portion of our work. We have made changes to the way we work, for example by further improvements in the equipment and technology required for effective remote working, and re-deployed staff across the CMA to deal with this rapidly developing situation. CMA staff have risen to the challenge of dealing with this outbreak and I am proud to lead an organisation of such dedicated and adaptable people. However, those businesses providing us with information and involved in our investigations have also been impacted by the pandemic, seeking additional time to provide information and evidence to us. These challenges to the delivery of our core business may limit the number of major new projects we can launch in the coming months.

The CMA has continued to make the case for new statutory duties – to promote the consumer interest, and to carry out our work as swiftly as possible. And for those duties to be backed by new and improved powers that we need to do the job. We have advised government on the shape these duties and powers might take, building on the positions our Chairman set out in February 2019. We will continue to support government in this way, in anticipation of future consultation on reform of the competition and consumer regimes. We are also taking forward work on what more we can do to improve the robustness of the regimes without legislative reform, and we will announce more on this over the next year.

In February, the CMA set out how it will become closer to consumers. We will do this by engaging more closely with consumers to deepen our understanding of how existing markets are changing, new markets are emerging and of consumers' experience and concerns. We will also look at the experience of small to mid-sized businesses, who are often

not much better off than individuals in dealing with big, powerful companies. We will be working with Citizens Advice and other consumer bodies so we can understand the concerns of consumers first-hand. This is necessary so that our interventions deliver impact where it is most needed, and it is why we will engage more actively with consumers and businesses over the coming year. We will improve how we choose which problems to take on and do more to explain these decisions. The CMA will take every opportunity to explain how consumers benefit from competition and well-functioning markets. We will effect change through speaking up publicly as well as through enforcement.



It is an uncertain future for the UK. However, the CMA will continue to ensure our work protects consumers and that markets work well for them, businesses and the economy during this difficult time.

Andrea Coscelli
Chief Executive and Principal Accounting Officer
09 July 2020

This year's key moments

CMA blocks Sainsbury's/Asda merger after finding it would lead to increased prices in stores, petrol stations and online.



April

CMA publishes report to **address serious competition problems in the UK audit industry.**

Apple commits to be clearer and more upfront with iPhone users about battery health and performance.

May

CMA **secures the disqualification of 3 directors of office fit-out companies** for their involvement in illegal cartel behaviour.

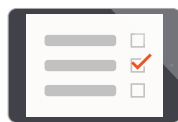
CMA **clears PayPal/iZettle mobile payments merger.**

June



July

CMA **launches its digital markets strategy**, setting out how it will continue to protect consumers in rapidly developing markets, while fostering innovation.



August

CMA **orders Tobii to sell Smartbox** after finding their merger could lead to a reduction in the range of assistive communication.

People booking hotels online can now do so with more confidence following a CMA probe of the sector

September

viagogo fixes concerns about the way it presents information in face of further legal action.

CMA imposes fines on 3 firms totalling more than £36 million for breaking competition law in supplying concrete drainage products for building projects.



October

Drug firm Aspen pays the NHS £8 million, to resolve competition concerns over the supply of a medicine.

November

HSBC and Santander agree to refund customers after they failed to comply with a legal order.

December

CMA publishes its online platforms and digital advertising update, uncovering new detail about how the sector's biggest names operate.



CMA imposes fines on 3 Berkshire estate agents for illegally fixing the minimum commission rates they charged.

January

CMA fines Fender Europe £4.5 million for breaking competition law by preventing online discounting for its guitars.

Following CMA action, **Facebook and eBay commit to combatting fake and misleading reviews** on their sites.

February

CMA finds troubling evidence of potential mis-selling and unfair contract terms in the leasehold housing sector, and is set to launch enforcement action.

CMA develops guidance for IVF clinics in the UK to make sure they treat their patients fairly.

March

CMA launches a taskforce to tackle negative impacts within its remit of the COVID-19 pandemic.



CMA publishes its research project into **competition and regulation in the Scottish legal services sector**.

Performance summary

Where we spent our money in 2019/20

We incurred spending against parliamentary budgets for the year ending 31 March 2020 of £112.9 million.⁴ The significant areas of expenditure recorded include:

- **£69.7 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
- **£16.0 million** on construction works fitting out the office space and other associated capital expenditure for our London headquarters move to Canary Wharf; and
- **£18.2 million** to cover essential spending on preparations for the CMA's expanded role after the UK exited the EU (including the potential administration of the future Subsidy Control regime).

Detailed explanations of the significant variances between the outturn and Estimate are included in the Directors' report: financial review on pages 28 to 30.

2019/20 was a challenging year from a funding perspective, as we continued to increase our staff resources in preparation for the UK leaving the EU and utilised part of our business as usual budgets to complete the construction works and fitting out the office space at the Cabot in Canary Wharf, while also delivering our commitments with regard to merger control and enforcement.

We have successfully delivered within our parliamentary budgets in 2019/20, with effective financial management decisions delivering an underspend in our resource budget, despite the additional pressures we have faced this year.

COVID-19

Like all organisations, we've had to act swiftly and effectively to manage our response to COVID-19. We enacted business continuity plans and put in place many actions quickly in order to mitigate risk and ensure that staff affected by COVID-19 have been supported and communicated with on an ongoing basis. On 20 March 2020, we took the decision to close all our offices across all nations, resulting in all our staff working from home.

The timing of COVID-19 and the UK's lockdown has meant that we did not incur material expenditure in 2019/20, with most of this expenditure falling in the 2020/21 financial year. Our current spending includes the introductory costs of creating a specific COVID-19 task-force focused on protecting consumers from opportunistic and anticompetitive behaviour resulting from the pandemic, additional costs for supporting staff with any equipment they need to work from home effectively, as well as other facilities management and associated specialist cleaning costs.

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

Fines and penalties income

We also collected £29.7 million from fines and penalties under the Competition Act, imposed on companies across a variety of sectors, showing the tangible effect of the CMA in curtailing anticompetitive practices, all of which goes directly to central government resulting in a direct benefit to the government's finances. This is reported separately in the CMA's Trust Statement.

Contingencies Fund Drawdown

We submitted a request for £14.7 million to HM Treasury to draw money from the Contingencies Fund (under section 5.14a 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 2019/20 became available. The funds were repaid to the Contingencies Fund, in full, on 22 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 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 in the Remuneration Report (page 51) and note 3 of the financial statements (page 81).

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. We provide weekly briefings that are delivered in person by senior staff in each local area which 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 at an organisational and directorate-level. These

provide an opportunity to engage with staff about key strategic, economic and operational issues facing the organisation, and update staff on the CMA's performance against its strategic objectives and Annual Plan commitments. They 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.

We have continued to provide information to staff on the impact of the UK's departure from the European Union through our dedicated 'hub' on the intranet, blogs from the team and senior staff and the establishment and maintenance of an EU Nationals network.

Our approach to ensuring staff were kept informed during the COVID-19 pandemic and the steps we took to protect their wellbeing is covered in the COVID-19 section on page 46.

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) who 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

In May 2019, the CMA published its diversity and inclusion strategy which focused on three areas:

- Building a workforce that reflects and understands the public we serve
- Ensuring all colleagues feel valued and can contribute to our success
- Empowering our colleagues to succeed whatever their background.

During 2019, Amelia Fletcher was confirmed as the CMA Board champion for diversity and inclusion and in November 2019, we held our inaugural Wellbeing, Inclusion, Diversity and Equality (WIDE) Steering Group. This Group, chaired by Amelia Fletcher, brings together representatives from the diversity and inclusion networks, executive and senior directors, sponsors of the CMA's network groups and the CMA lead for culture and change to drive collaboration and steer the strategic direction of activities in the CMA. A further meeting in January 2020 explored more joined-up ways of working to support career progression and inclusion and also discussed the shape and content of the CMA's next strategic plan which will be published later in 2020.

The Board reviewed the CMA's most recent Gender Pay Gap report for 2018/19 which showed a small gender pay gap for ordinary pay (mean and median) but noted it had decreased from the last year along with an increase in female representation within the Senior Civil Servant cadre at the CMA. The Board also advised on the executive's plan of action to continue to improve the CMA's gender equality and close our gender pay gap. Further information is available on the CMA's published Diversity and Inclusion Strategy and in the staff report on page 57.

Auditors

Our Resource Accounts and the Trust Statement Accounts have been audited by the National Audit Office (NAO) and certified by the Comptroller and Auditor General who was appointed under statute and is responsible to Parliament. The notional cost of the audit is disclosed in note 4 of the CMA's financial statements (page 83) and relates solely to statutory audit work. The auditors did not undertake any non-audit work during the 2019/20 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, with support of the NAO, is unaware.

Accounting Officer

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

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*⁵ 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 72) presents net expenditure of £98.0 million. This compares to £75.0 million in 2018/19 (restated). This expenditure is calculated following accounting standards and guidance which are explained in more detail in note 1 (page 76) and on a similar basis to those rules generally applied by private sector businesses.

5. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742188/Managing_Public_Money__MPM__2018.pdf

The Statement of Parliamentary Supply (page 62) presents a total expenditure £115.5 million and compares this with the budget presented to Parliament of £125.8 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 £115.5 million, broken down by HM Treasury’s spending categories as set out in the table below.

	2019/20 outturn £000	2019/20 budget £000	2018/19 budget £000
TME	115,495	125,769	119,726
- Resource DEL	95,292	95,969	94,126
- Capital DEL	17,574	19,800	23,100
Total DEL⁶	112,866	115,769	117,226
- Resource AME	2,629	10,000	2,500
Total AME⁷	2,629	10,000	2,500

The CMA is accountable to Parliament for its expenditure. Parliamentary approval for our spending plans is sought through the Supply Estimates⁸ 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 2019/20 was £96 million, including agreed funding priorities of £19.5 million to cover essential spending on preparations for the CMA’s expanded role after the UK exited the EU (including the potential administration of the future Subsidy Control regime) and £2.5 million to support the CMA’s property move to Canary Wharf.

Our CDEL budget for 2019/20 was £19.8 million, increased from our Spending Review 2015 settlement of £2.1 million, including funding of £17.2 million to complete the CMA’s property move to Canary Wharf and £0.5 million to develop an IT system for any potential UK government Subsidy Control regime.

6. 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.
7. 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.
8. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800671/main_estimates_2019-20_web.pdf

Outturn

As set out in the Statement of Parliamentary Supply, the CMA's 2019/20 RDEL outturn was £95.3 million, compared with a Supply Estimate of £96 million. Of this, £19.5 million was ringfenced to cover essential spending on preparations for the CMA's expanded role after the UK exited the EU.

HM Treasury removed this ringfence in March 2020 recognising the CMA's strong financial management to utilise its funding efficiently, but that at such a late stage in the financial year there may be little flexibility to react quickly to COVID-19 spending pressures. Ultimately COVID-19 did not have a material impact on the CMA's Accounts in 2019/20 with most of this expenditure being incurred in the 2020/21 financial year.

This resulted in a small underspend in 2019/20 of £0.7 million, of which £0.4 million related to depreciation, a significantly smaller underspend compared to previous years, which reflected the CMA's intention to effectively utilise the budget provided to the department to deliver our strategic objectives.

The CMA's 2019/20 CDEL outturn was £17.6 million, compared with a Supply Estimate of £19.8 million. The main driver for the underspend of £2.2 million was savings in The Big Move project, found through strong financial control of fit-out costs and not needing to utilise £1.0 million of the project's contingency budget. Further savings emerged as the department revised the split between RDEL and CDEL as the project progressed after the Supplementary Estimates.

The CMA's 2019/20 RAME outturn was £2.6 million, compared with a Supply Estimate of £10 million. This is a demand led budget which is largely outside of the control of the department; the spending here is comprised of provisions in respect of legacy pensions, dilapidations and other costs.

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
09 July 2020

CMA Governance Statement 2019/20

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

CMA Board

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

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

The Board is the decision-maker on reserved matters. As set out in the CMA 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 CMA Board met 13 times in 2019/20. Board meetings were held in each month except in the month of August. In response to the developing COVID-19 pandemic, two extraordinary Board meetings were convened on 20 March and 27 March 2020.⁹ Attendance of Board members at Board and committee meetings is set out in the table below.

The minutes from CMA Board meetings are published on the CMA website. In line with the CMA Conflicts of Interest policy, a register of the interests of Board members and their families is maintained and published online.

In the spring of 2020, the Board commissioned an external review of its performance. The outcome of the review, including any recommendations, was shared with the Board in June 2020.

9. Please see the COVID-19 section on page 46 for further details on our organisational response.

Board membership

The Rt Hon Lord Tyrie (Chairman)

Andrew Tyrie was appointed as CMA Chairman in June 2018. He sits on the Cross Benches in the House of Lords. Andrew was MP for Chichester for 20 years. He served as Chairman of the Treasury Select Committee, Chairman of the Liaison Committee, and Chairman of the Parliamentary Commission on Banking Standards.

Dr Andrea Coscelli CBE (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 certain Phase 1 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 CBE (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 and performance, people, capability and culture, organisational development, finance, internal 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. She is a member of the CMA Audit and Risk Assurance Committee. 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.

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 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 the Global Head of Antitrust and Competition at Norton Rose Fulbright.

Cynthia Dubin (Non-Executive Director)

Cynthia Dubin was appointed in January 2019. She is a member of the CMA Audit and Risk Assurance Committee. She is currently on the Board of Directors of Babcock & Wilcox Enterprises, Inc. and the Chair of its Audit and Finance Committee and a member of its Governance Committee. She is on the Board of Hurco Companies, Inc. and a member of its Audit Committee. Cynthia was Chief Financial Officer for Pivot Power LLP in the UK, Finance Director and Board member for Jkx Oli & Gas plc and Canamens Ltd, and was Vice President and Finance Director, Europe, the Middle East and Africa, for Edison Mission Energy. Earlier in her career she worked in banking with Irving Trust Company, advising on and lending to energy projects.

Professor Amelia Fletcher OBE (Non-Executive Director)

Amelia Fletcher was appointed in October 2016. She is a member of the CMA Remuneration Committee and became Chair from April 2019. Amelia is also the Chair of the Wellbeing, Inclusion, Diversity and Equality (WIDE) Steering Group. She is Professor of Competition Policy at the Centre for Competition Policy and Norwich Business School at the University of East Anglia, a member of the Enforcement Decision Panels at Ofgem, and a member of the Royal Economic Society Council and the expert advisory board to the National Infrastructure Commission.

Professor William Kovacic (Non-Executive Director)

William (Bill) Kovacic was appointed in July 2013. He is also a member of the CMA Remuneration Committee. 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.

Jonathan Scott (Non-Executive Director)

Jonathan Scott was appointed in October 2016. He chairs the CMA Audit and Risk Assurance Committee and is the CMA's Senior Independent Director. He is a Non-Executive Member of the Press and Assessment Board of the University of Cambridge and chairs its Audit Committee.

Jonathan's term as a Gambling Commissioner ended on 30 April 2020.

The Board is advised by the CMA's General Counsel and Chief Economic Adviser who attend Board meetings in an advisory capacity. The Director of Finance and Security, the Senior Director Strategy, Communications, Nations and Regions, the Senior Director Policy, Advocacy and International 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 and International Directorate.

Dr Mike Walker (Chief Economic Adviser)

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 2019/20

Board member	Board meetings	Audit and Risk Assurance Committee (ARAC)	Remuneration Committee (RemCo)
Kirstin Baker	12/13	4/4	
Martin Coleman	12/13		0/3 ¹⁰
Andrea Coscelli	12/13	4 ¹¹ /4	3/3
Cynthia Dubin	12/13	4/4	
Amelia Fletcher	12/13		3/3
Andrea Gomes da Silva	11/13		
Michael Grenfell	12/13		
Bill Kovacic	12/13		2/3
Jonathan Scott	11/13	4/4	
Andrew Tyrie	13/13	4 ¹² /4	3/3
Erik Wilson	13/13	4/4	3/3

10. Martin Coleman was unable to attend the scheduled 2019/20 RemCo meetings due to clashes with critical meetings he was chairing for Phase 2 Investigations or a Panel Member recruitment campaign.
11. For the March 2020 ARAC meeting, Andrea Coscelli did not attend the full meeting.
12. For the January 2020 and March 2020 ARAC meetings, Andrew Tyrie did not attend the full meeting.

CMA Board and Executive Committees¹³

CMA Board

The CMA's main decision-making body. It provides strategic direction and ensures that statutory duties and functions are fulfilled

The Board decides whether to launch market studies and initiate market investigations

Non-Executive committees

Audit and Risk Assurance Committee (ARAC)

Advises the Board and Chief Executive on internal control, audit, and risk assurance processes

Remuneration Committee (RemCo)

Reviews SCS performance and awards pay and bonuses. Also advises the Board on non-SCS staff remuneration issues

Executive committees

Executive Committee (XCo)

Focuses on strategic issues, performance and delivery

XCo sub committees

Operations Committee (OpCo)

Oversees Corporate Services issues, including IT and information security, business support services, risk and business continuity

Pipeline Steering Group (PSG)

Considers proposals for initiating investigations under the CMA's antitrust, cartel and consumer protection law enforcement powers

Steering and Advisory groups

Consider initial ideas and oversee project development

Case and Policy Committee (CPC)

Oversees cases and projects, ensuring consistency of approach

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

13. Committee arrangements in table are correct as of 31 March 2020.

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; Kirstin Baker, who is a qualified accountant, and Cynthia Dubin. ARAC's remit covers all aspects of corporate governance, risk management and internal control within the CMA.

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

ARAC advises the Principal Accounting Officer and the CMA Board on the appropriateness of the financial statements, whether they are fair, balanced and understandable, and the adequacy of audit arrangements (internal and external). It also has a key role on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of our risk management system and procedures and our internal controls including business continuity and information technology.

ARAC, who held four meetings in 2019/20, focused on the CMA relocation project, improving the CMA's risk management framework and continuous improvements in cyber security, conducting in depth reviews on cyber security and data assurance processes, and these areas will continue to be priorities for the committee, alongside the impact of EU Exit in the coming year. ARAC received regular updates on the CMA financial performance; reports of the Antifraud and Security Working Group; IT development and security; the CMA relocation project; and procurement and commercial improvements.

ARAC also worked closely with the CMA Head of Risk to ensure the appropriate assessment and treatment of risks as this continues to be an integral part of the governance of the CMA. This focused work on risk during the year resulted in improved risk reporting to ARAC, and the discussion of corporate and strategic risk is now also a standing item at Board meetings.

The Remuneration Committee

The Remuneration Committee (RemCo) is chaired by Non-Executive Director Amelia Fletcher. 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 for that cadre in accordance with Cabinet Office and HM Treasury rules. RemCo also provides a strategic steer on pay and bonus issues relating to non-SCS staff.

RemCo met three times in 2019/20. As Principal Accounting Officer, the Chief Executive, Andrea Coscelli, attended all RemCo meetings along with the Additional Accounting Officer, Erik Wilson.

RemCo's focus during 2019/20 was overseeing the SCS performance management process including objective setting and appeals, approving the 2019/20 SCS pay settlement and ensuring ongoing compliance with our SCS pay policy. During the year, RemCo received a performance rating appeal from one SCS member of staff. The appeal was considered in August by an independent committee formed of CMA panel members. The appeal was not upheld.

As the CMA continued to grow 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.

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, the Pipeline Steering Group and the European Union Exit Committee), and the Case and Policy Committee have oversight of these functions.¹⁴

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 decisions relating to strategy, delivery and performance, portfolio and pipeline, finance and risk, staffing, organisational transformation, regime issues and reputation. It also makes decisions on matters relating to the Board, including preparing for and reviewing Board meetings. XCo is chaired by the Chief Executive, Andrea Coscelli. During the year, the terms of reference for XCo were updated to include the newly created role of Senior Director of Strategy, Communications, Nations and Regions as a member.

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 the Executive Director of Corporate Services, Erik Wilson.

14. These were the current committees as of 31 March 2020. In response to the rising COVID-19 pandemic, a new subcommittee of XCo, the COVID-19 taskforce Steering Group was established. Please see the COVID-19 section on page 46 for further details.

- The Pipeline Steering Group (PSG) considers proposals for initiating investigations or for preliminary work to such investigations under the Competition Act 1998, in connection with the cartel offence in the Enterprise Act 2002, under the CMA's consumer protection law enforcement powers, recommending to the Board the initiation of market studies and for initiating projects under the CMA's advocacy powers. During the year, the terms of reference for PSG were revised to update its status to a decision-making committee of XCo. PSG is led jointly by the Executive Director of Enforcement, Michael Grenfell, and the Executive Director of Markets and Mergers, Andrea Gomes da Silva.
- 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 the Executive Director of Corporate Services, Erik Wilson, and General Counsel, Sarah Cardell. During the year, the terms of reference for EUEC were updated to include the newly created role of Senior Director of Strategy, Communications, Nations and Regions as a member.

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 authorised to make decisions in relation to ongoing policies, cases and projects as appropriate under delegated authority from the Board. CPC is chaired by the Chief Executive, Andrea Coscelli, and its membership includes two Inquiry Chairs. During the year, the terms of reference for CPC were updated to include the newly created roles of Senior Director of Strategy, Communications, Nations and Regions and Senior Director of Policy, Advocacy and International as members.

CMA Panel

As set out in the Enterprise and Regulatory Reform Act 2013,¹⁵ decisions on phase 2 merger inquiries, 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.

Legislation requires that at least one Panel member sits on the CMA Board. The Panel Chair¹⁶

15. Part 3, Schedule 4 to ERRA.

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

and one of the Inquiry Chairs are currently members of the 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 to the CMA Panel are made by the Secretary of State for Business, Energy and Industrial Strategy for up to eight years.

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

Inquiry Chairs

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

See Martin's biography on page 34

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

See Kirstin's biography on page 33

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. Until June 2019, he was a member of the Financial Conduct Authority's Regulatory and Competition Decisions Committees and the Payment Systems Regulator's Enforcement and Competition Decisions Committee. He was also previously a member of Man Sat's Board of Advisers, 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 an adviser (previously a Non-Executive Director) of the Wireless Infrastructure Group. He is a founder and director of the Communications Chambers and was 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. He was previously a Board member of Ofcom.

Two Inquiry Chairs completed their terms in 2018 but they remained on the CMA Panel to complete outstanding casework: Anne Lambert¹⁷ and John Wotton.¹⁸

Panel members

At April 2019, Panel members were¹⁹:

Humphrey Battcock	Robin Cohen	Maria da Cunha
Richard Feasey	Anne Fletcher	Robin Foster
Roland Green	Susan Hankey	Shrinivas Honap
Dr Ulrike Hotopp	Paul Hughes	Colleen Keck
Sheila McClelland	Paul Muysert	Jeremy Newman
Keith Richards	Karthik Subramanya	Professor John Thanassoulis
Mark Thatcher	David Thomas	Claire Whyley

The terms of the following Panel members ended on 31 March 2018, but they remained on the CMA Panel until the conclusion of their assigned casework.²⁰

Lesley Ainsworth	Bob Spedding	Tim Tutton
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The following Panel member resigned on 1 October 2019.

Gareth Davies ²¹

Risk management

Strong risk management helps the CMA make better decisions. The CMA's risk management approach is positive and supports the achievement of its stretching aims and objectives in promoting competition for the benefit of consumers. Risks are discussed in an open and transparent way. This allows the CMA to identify and treat risks quickly and creates a culture of ownership of risk issues at all levels of the organisation.

17. Anne Lambert's appointment term ended on 16 April 2019.

18. John Wotton's appointment term ended on 10 June 2019.

19. A Panel Member recruitment campaign was launched in July 2019 by the Public Appointments team at the Department for Business, Energy and Industrial Strategy. The successful candidates from this campaign were appointed to the CMA from 1 April 2020.

20. The terms of appointment for Lesley Ainsworth, Bob Spedding and Tim Tutton ended on 10 June 2019.

21. This individual differs from the individuals currently holding senior roles at the Department for Transport and the National Audit Office. For more details, please see: <https://www.gov.uk/government/news/government-appoints-new-members-to-competition-and-markets-authority-panel>

In 2019/20, the CMA implemented the changes identified as necessary by ARAC in the previous year. This included the recruitment of a new Head of Risk, the launch of the new risk management framework and a risk workshop with the Board. The new framework addresses the concerns by introducing a risk management cycle and structured assessment of impact, likelihood and velocity. The new framework ensures consistency of risk identification, management and reporting.

During the year, the new Head of Risk has worked with ARAC to ensure the appropriate assessment and treatment of risk, strengthening the assurance and reporting provided by the executive. Discussion of corporate and strategic risks is a standing item at Board meetings, and the Board's ability to hold management to account has been strengthened.

The revised risk approach is being promoted to staff across the organisation, including through the CMA intranet pages. On a day to day basis, our risks are identified, monitored and managed at project and corporate levels. Risks that are considered to have significant potential impact on the delivery of CMA objectives are escalated to the cross-CMA corporate risk register. The Chairman and senior executives discuss these risks every two weeks. They are also reported to ARAC and the Board.

Compliance

Corporate Governance Code

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

The CMA manages 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 through the life of a project as necessary.

Internal whistleblowing

The CMA's internal whistleblowing policy, known as 'Speaking Out', outlines the process to follow if a member of staff is aware of a perceived wrongdoing within the CMA, including something they believe goes against the core values in the Civil Service Code (i.e., integrity, honesty, objectivity and impartiality). The policy is available to all staff on the intranet and is highlighted to new staff during their induction programme. An animated video is available to help bring the whistleblowing policy to life, highlighting the key features of the policy and reporting mechanisms. A group of trained Nominated Officers are available to staff who want to raise a concern but would rather not follow the standard process. The policy is part of the CMA's internal control framework and is reviewed each year.

The CMA received no whistleblowing complaints during 2019/20.

Corporate complaints

The CMA takes complaints raised against it very seriously. The CMA's complaints procedure allows for speedy informal resolution of complaints, for instance by a phone call, if that is satisfactory to the complainant, or an escalation to an independent senior staff member if appropriate. The CMA is committed to thorough investigation of any complaints raising serious issues about its conduct. Under these terms, in 2019/20, the CMA received three communications which raised issues about its conduct and which were treated as corporate complaints (2018/19: 5). Of these three complaints, two were not upheld and one partially upheld.

No complaints were made about the CMA to the Parliamentary and Health Ombudsman during 2019/20 (2018/19: none).

General correspondence

In 2019/20 the CMA handled 9,768²² 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 (2018/19: 4739). We have a 10-day working target to reply to this correspondence. We responded to over 99% of this correspondence within this target (2018/19: 99%).

During 2019/20 we received 87 MPs letters (not including ministerial departmental correspondence) (2018/19: 88). We responded to 74.7% of these within our target of 15 working days (2018/19: 87%).

Freedom of Information Act (FOIA) requests

In 2019/20, the CMA responded to 96% of the FOIA requests it received within the statutory 20 working day period. We also received and responded to seven appeals against non-disclosure of information; our original decision was upheld in five of these appeals with the remaining two upheld in part.

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 no such appeal.

In the same period, we also received 16 requests under the GDPR/Data Protection Act 2018. Five of these requests were made as a result of consumers exercising their individual rights and asking for their personal data to be removed after being contacted by research companies acting on behalf of the CMA; 11 were requests for copies of individuals' personal data, including eight from members of CMA staff.

22. This total does not include correspondence relating to anticompetitive behaviour in the UK during the COVID-19 pandemic. This correspondence was dealt by the COVID-19 taskforce and more information on this can be found in the Year in highlights infographic on page 9.

FoIA requests 1st April 2019 – 31st March 2020

Total number of requests for information under the FoIA	123
Of these:	
Number of requests granted in full	38
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	10
Number of requests refused because the cost of the response would exceed the cost threshold	10
Number of requests refused because request was vexatious	0
Number of requests where the CMA refused to provide some of the information	30
Number of requests where the CMA refused all the information requested	35

Personal data related incidents

Two personal data incidents were formally reported to the Information Commissioner's Office (ICO) during 2019/20, with the ICO deciding not to investigate them further.

External advice on reform proposals

The CMA continued to consider options for reforms to competition and consumer protection law and policy,²³ and utilised Peter Vicary-Smith, the former chief executive of Which? to provide expertise on consumer-related proposals.

Lord Andrew Turnbull (former Cabinet Secretary) and David Doig (former Committee Clerk) were engaged in the previous reporting year to examine the operational challenges faced by the CMA and to explore whether the organisation has the flexibility necessary to become an agile and effective regulator. Lord Turnbull and David Doig delivered their insights to the Board at its meeting in July 2019.

In keeping with good practice, in spring 2020, the Chairman and Senior Independent Director commissioned Lord Turnbull to carry out an independent board effectiveness evaluation. Given the one-off immediate need and very specific expertise required, a Single Tender Arrangement was put in place for this work.

23. <https://www.gov.uk/government/publications/letter-from-andrew-tyrie-to-the-secretary-of-state-for-business-energy-and-industrial-strategy/summary-of-proposals-from-andrew-tyrie-cma-chair-to-the-secretary-of-state-for-business-energy-and-industrial-strategy>

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

The work concluded in an overall 'moderate' opinion. While this headline opinion remains the same as last year, the annual report reflects the continued improvements the CMA has delivered to governance, risk management and control environment while increasing its level of business as usual activities during the 2019/20 reporting year. These achievements were commended against a backdrop of the CMA needing to:

- commit resources in preparation for the EU Exit and the potential responsibility for the UK's state aid regime;
- manage the relocation of the majority of its staff based in London to new office accommodation;
- respond to changing political priorities in December 2019 following the General Election; and;
- respond to the Coronavirus (COVID-19) pandemic in the latter part of the year.

The CMA continued to ensure it has the right capacity and capability to consistently manage and deliver a substantial volume of casework, including some complex and large-scale cases while adhering to its statutory duties.

With regards to potential new state aid responsibilities, during the early part of the year the CMA operated at pace to navigate uncertainties around the post-exit environment to meet the challenges in preparing to undertake the state aid function in line with government expectations. The overall approach to managing the programme, including the accelerated recruitment activities to ensure the appropriate capacity and capability remain in place and establishing the appropriate infrastructures, have put the CMA in a good position to support the operation of the state aid or Subsidy Control regime if needed. However, the annual report from Internal Audit noted that with the continued uncertainty over the role and the potential scenarios falling out of the trade negotiations, there is a risk the CMA's capacity and capability to undertake the state aid role will diminish. The CMA's management are alive to this risk and taking appropriate action.

Work on the main office move was successfully completed in September 2019 within compressed timescales. The move achieved the CMA's strategic goal to create a larger workplace to accommodate the increased workforce with a decrease in both the total cost of occupancy and the cost of utilities per square metre. Alongside this move, the CMA has taken an ambitious approach to its Information and Communications Technology, utilising a Cloud-First strategy to enable greater resilience and flexible working. There are periodic independent checks to ensure the design and application of the overall security architecture and key controls are sound and work continues to keep on top of cyber risks and threats.

Work to improve the governance, risk management and control environment has also continued throughout the year, with the CMA appointing a new Head of Risk and launching its revised risk management framework. This framework should help to provide the foundations to support the CMA successfully managing the risks and work continues to fully embed the process and ensure consistency across the CMA.

With regards to the COVID-19 pandemic, the Head of Internal Audit's observation is that, so far, the CMA is responding well, adjusting its working arrangements to ensure the health and security of its staff, developing clear guidelines for managing its casework and establishing the COVID-19 taskforce to address competition and consumer implications as a result of the pandemic.

Sustainability Report

In accordance with HM Treasury guidance for the 2019/20 Annual Report and Accounts issued to all government departments, the CMA's commitments to ensuring sustainability will appear in the Greening Government Commitments report to be issued by the Department for Environment, Farming and Rural Affairs (DEFRA) later this year.

The CMA's response to the Coronavirus (COVID-19) pandemic

This statement provides a summary of the CMA's response to the COVID-19 pandemic until the end of April 2020 (noting that the rest of the Annual Report covers the period to end March 2020).

Governance and oversight

The priority of the CMA Board and Senior Executive Team in relation to the pandemic has been the health and wellbeing (physical and mental) of staff. The CMA has complied with all advice from central government, while making independent decisions – such as the decision to close all the CMA's offices – where appropriate.

During February, when it became clear that the pandemic would have a significant impact in the UK, the CMA established a senior team led by the Executive Director of Corporate Services to monitor advice from the UK Government and health authorities, and to deal with

the planning and decision making associated with operational preparation, business continuity and incident management in the CMA's response.

Recommendations made in this forum are brought to the Senior Executive Team²⁴ for consideration and any necessary decisions. From early March, the Senior Executive Team met daily to consider pandemic-related issues, both internal and external.

Whereas normally the CMA Board meets once a month, during March the CMA Board held two extraordinary meetings, and weekly Board meetings were held during April to ensure that the Board was fully apprised of, and involved in CMA decision making, in response to the COVID-19 crisis. The Board was kept informed through full monthly written reports, regular updates on the impact of COVID-19 on staff availability and oral updates to the Board on a weekly basis, plus regular updates on staffing impact.

The CMA has also completed weekly returns for central government on the rates of infection, staff absence and the impact of the crisis on our ability to make progress on critical projects, as well as providing weekly returns to the Cabinet Office National Leadership Centre's Public Leaders' Survey.

Resilience of decision making

In order to enhance the CMA's resilience in senior decision-making, deputies were identified for senior executives and key decision makers across the CMA with a view to taking over the relevant person's functions if that person were to be absent from work because of illness or otherwise. The Board approved amendments to the existing Board authorisations to extend decision-making powers in the legal services team and on the CMA panel to increase the number of Inquiry Chairs who are able to form panel groups, as well as making provision for members of the Senior Executive Team to authorise the use of intrusive surveillance powers in the event of the Chairman being unavailable. These amendments have not changed the day-to-day level of decision making at the CMA.

Staff resourcing

Three members of CMA staff have been loaned to other government departments to support the wider response to COVID-19.

Within the CMA, resources were dedicated to responding to the competition and consumer impact of COVID-19. Decisions were taken to pause certain existing case and project work to enable staff to monitor market developments and respond swiftly and decisively to businesses that seek to exploit the current situation to take advantage of consumers. By the end of April 2020, 74.11 FTE (roughly 18.1% of the CMA's frontline resources) were working as part of the CMA COVID-19 taskforce.

24. The Senior Executive Team comprises the Chief Executive, the Executive Director of Enforcement, the Executive Director of Markets and Mergers, the Executive Director of Corporate Services, the General Counsel, and the Chief Economic Adviser. For the purposes of the pandemic discussions, the Senior Director of People, Capability and Culture, the Senior Director Strategy, Communications, Nations and Regions and the Director of Executive Office and Performance also attended.

CMA COVID-19 Taskforce

On 20 March 2020, the CMA launched a COVID-19 taskforce to tackle the competition and consumer implications of the pandemic, within the CMA's remit. The taskforce was created to:

- Scrutinise market developments to identify harmful sales and pricing practices as they emerge.
- Warn firms suspected of exploiting these exceptional circumstances – and people's vulnerability – through unjustifiable prices or misleading claims.
- Take enforcement action if there is evidence that firms may have breached competition and/or consumer protection law and they fail to respond to warnings.
- Equip the CMA to advise the government on emergency legislation if there are negative effects for people which cannot be addressed through existing powers.
- Enable the CMA to advise the government on how to ensure competition law does not stand in the way of legitimate measures that protect public health and support the supply of essential goods and services. It will also advise on further policy and legislative measures to ensure that markets function as well as possible.

On 19 March 2020, we announced that the CMA has no intention of taking competition law enforcement action against co-operation between businesses or rationing of products to the extent that this is necessary to protect consumers. With public guidance, outlining the CMA's approach to business co-operation in response to COVID-19, issued on 25 March 2020.

Moreover, we have advised government on the Exclusion Orders it issued granting temporary and limited exclusion from competition law to certain arrangements in the groceries, ferry, dairy and healthcare (in England and Wales) sectors. We also offered advice to government on options for emergency legislation to tackle price gouging during the COVID-19 pandemic.

The work of the taskforce is overseen by a Steering Group which has been established as a sub-committee of the Executive Committee. The CMA has published updates on the work of the taskforce on its web pages.

Merger control

The CMA published guidance on its approach to merger assessments during the Coronavirus COVID-19 pandemic on 22 April 2020. We recognise that the current market environment could lead to additional submissions that firms, involved in mergers, are failing financially and would have exited the market absent the merger in question. The analysis of a 'failing firm' claim is detailed in an annex to this guidance published on 22 April 2020.

The CMA made a number of changes to its own working arrangements to ensure that it could continue progressing cases, as close as possible to its usual ways, continuing to make decisions and meet deadlines. The timescales, under which the CMA's merger control investigations are required to be undertaken, have not been changed. The CMA is committed to preserving competition in markets, through rigorous merger investigations, in order to protect the interests of consumers.

The CMA has made reasonable allowances for businesses involved in an investigation that face difficulty responding to statutory information requests on time, during this period. We have publicly stated that the pre-notification process could take longer than it otherwise would, due to difficulties in obtaining information from the merging parties and third parties.

Summary of key operational activity

With a view to ensuring the health and wellbeing of CMA staff, work was done in the early days of the pandemic to identify particularly vulnerable staff, who were supported to work remotely. Steps were taken to build resilience in teams during late February and early March and prior to the closure of the office, project teams (many of which were working to binding statutory deadlines) were operating in the office on an alternate “red team / blue team” basis to maintain resilience within these teams. All CMA staff were advised to work from home if they were able to from Tuesday 17 March 2020 and a decision was taken to close all CMA offices on 20 March 2020.

The considerable progress made on the CMA’s Information and Communications Technology Strategy meant that staff have been able to work effectively from home. Core services, including email, scheduling, document management, payment and pay systems and the intranet have been delivered from cloud services. Meetings and other communications, external as well as internal, have worked effectively through video conference calling.

Where necessary, remote working has been supported by the provision of selected equipment to provide a better working environment at home. Some colleagues have reasonable adjustments in place at their main CMA office, following a formal Display Screen Equipment (DSE) assessment. A process was implemented to enable these staff members to request extra specialist equipment to facilitate comfortable home working. Provisions were also made to enable some staff members to undertake an online DSE assessment if specialist equipment was requested; such as pregnant colleagues.

Staff welfare and communications

We issued a range of direct communications from the Chairman, the Chief Executive, the Executive Director for Corporate Services and the Senior Director, People, Capability and Culture throughout the developing situation. Dedicated pages have been developed on the CMA intranet to keep staff updated and informed. Messages for staff have covered a broad spectrum of topics, from practical instruction to ideas for promoting good mental health and wellbeing.

We updated the Management of Serious Epidemic and Pandemic Policy to reflect the most recent guidance provided by Civil Service Human Resources. We reinforced the policy around flexible working and taking paid special leave and recording sickness absence. In line with this policy, special precautions were taken in relation to those at high risk. Employees who identified as vulnerable or vulnerable adjacent (those who live with or care for a vulnerable person) had the option to alter their working arrangements to support their wellbeing from early March.

We developed existing and new guidance on how to work well at home and as part of a dispersed team. This advice includes how to convene effective meetings. We will continue to reinforce key messages, including prioritising colleagues' welfare and the welfare of their loved ones, information security and the awareness of cybersecurity risks.

Throughout the pandemic, there have been regular meetings and communication with staff representatives, including trade unions.

A dedicated internal COVID-19 support mailbox went live on 17 March 2020 and has been well used by staff to raise queries and report COVID-19 matters.

Planning for reoccupation

At the time of publication, social distancing restrictions remain in place and CMA staff continue to work remotely. During 2020/21, as the restrictions ease, the CMA will consider the re-opening of its offices in a managed and controlled manner, providing an effective and safe workplace for staff. Any reoccupation will be planned against a variety of constraints and will be driven by government advice on the easing of restrictions, business need, staff safety and direct impact on the national infrastructure.

Remuneration and Staff Report

Senior management – single total figure of remuneration (audited)

Senior Management	Salary		Bonuses ²⁵		Pension benefits ²⁶		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000
Andrea Coscelli	190-195	180-185	15-20	15-20	34	33	240-245	230-235
Andrea Gomes da Silva	165-170	150-155	15-20	15-20 ²⁷	-	-	180-185	150-155
Erik Wilson	130-135	115-120	20-25	15-20 ²⁸	175	52	330-335	185-190
Michael Grenfell	165-170	160-165	15-20	15-20	42	63	225-230	240-245
Mike Walker	180-185	175-180	-	-	70	69	250-255	245-250
Sarah Cardell	195-200	185-190	10-15	15-20	33	32	240-245	235-240

Fair pay disclosure - pay multiples (audited)

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

The banded full-time equivalent remuneration of the highest-paid director in the CMA in the financial year 2019/20 was £205-210k (2018/19 (restated): £195-200k). This was 3.79 times (2018/19 (restated): 3.78 times) the median remuneration of the workforce, which was £54,714 (2018/19: £52,206).

In 2019/20, one employee received remuneration in excess of the highest-paid director (2018/19 restated: one). Remuneration, excluding the highest-paid director, ranged from £22.2k-£212.5k (2018/19 (restated): £21k-£202.5k).

25. At the time of publication, guidance for the 2019/20 bonus payments for SCS staff has not yet been approved by government. 2018/19 figures were used.
26. 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.
27. This bonus was not published in the 2018/19 accounts and was paid in September 2019.
28. This bonus was not published in the 2018/19 accounts and was paid in September 2019.

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 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase /(decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Andrea Coscelli ²⁹	-	-	-	-	-	34
Andrea Gomes da Silva ³⁰	-	-	-	-	-	-
Erik Wilson	75-80	7.5-10	1,488	1,276	151	-
Michael Grenfell	20-25	2.5-5	298	261	25	-
Mike Walker	25-30	2.5-5	358	291	39	-
Sarah Cardell ³¹	-	-	-	-	-	33

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

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

31. 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)

	2019/20		2018/19	
	Salary	Benefits in kind ³²	Salary	Benefits in kind
	£000	Nearest £100	£000	Nearest £100
Andrew Tyrie ³³	160-165	-	125-130	1,300
Amelia Fletcher	25-30	-	25-30	400
Cynthia Dubin ³⁴	25-30	-	0-5	-
Jonathan Scott ³⁵	25-30	-	25-30	1,400
Kirstin Baker ³⁶	25-30	-	15-20	-
Martin Coleman ³⁷	25-30	-	25-30	400
Willian Kovacic	25-30	-	25-30	-

All the Non-Executive Board members (NEDs) were engaged on a 30-days per year basis except for Andrew Tyrie who at 31 March 2020 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 (2018/19: nil).

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).

32. In 2019/20 no benefits in kind were recognised for Non-Executive Board members.
33. Lord Andrew Tyrie works 3 days per week on a FTE salary of £265-270k.
34. Cynthia Dubin joined the CMA as a CMA NED on 29 January 2019. Her FTE salary is £25-30k.
35. The salary above for Jonathan Scott relates to his role as a CMA NED only. In 2019/20 Jonathan was also a member of a case decision group, and earned a total remuneration of £0-5K for his work in this capacity.
36. The salary above for Kirstin Baker relates to her role as a CMA NED only. In 2019/20 Kirstin was also employed as a CMA Inquiry Chair and in 2019/20 earned a total remuneration of £110-115k for her work on the CMA Board and Panel.
37. The salary above for Martin Coleman relates to his role as a CMA NED only. In 2019/20 Martin was also employed as CMA Panel Chair, and in 2019/20 earned a total remuneration of £140-145k for his work on the CMA Board and Panel.

In reaching its recommendations, the SSRB considers:

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

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

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit and based on 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 2019/20 no such payments were made, (2018/19: nil).

Salary and bonuses

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

The bonuses disclosed for senior management also include Pivotal Role Allowances, where applicable. These payments were first used at the CMA in 2019. These are payments, approved by a subgroup of the Civil Service Board and Chief Secretary to Treasury, aimed at retaining SCS staff in highly specialised roles and those delivering high-risk, major projects at the CMA. These allowances were paid in instalments on completion of key deliverables throughout the 2019/20 financial 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 2019/20 (2018/19: 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 but note that part of that pension may be payable from different ages.) 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in Alpha build up in a similar way to Nuvos, except that the accrual rate is 2.32%. In all cases,

members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus, 65 for members of Nuvos, and the higher of 65 or State Pension Age for members of Alpha.

Cash Equivalent Transfer Values (CETV)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a 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 because 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 calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It 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 emphasis on making the CMA a great place to work.

Equality, Diversity and Inclusion

Equality, diversity and inclusion are essential to the way that we operate, both as the UK's competition authority and as an employer. As a competition authority, we have a duty to further the interests of citizens and consumers. We need staff from diverse backgrounds to help ensure we make sound decisions that are representative of the different perspectives within society. We also seek to positively influence the approach of the stakeholders we work with, where we can.

As an employer, we remain committed to promoting equality and diversity amongst our workforce. We take steps to ensure we are a great employer that values and welcomes the different ideas, skills, behaviours and experiences of our colleagues.

Key achievements in 2019/20

During 2019/20, we have:

- Implemented diverse SCS interview panels to provide different perspectives and help to break down some of the barriers to progression for those from under-represented groups
- Developed training for hiring managers specifically incorporating unconscious bias
- Reviewed our use of social media and social media outreach work to better showcase our diverse organisation, including employee testimonials
- Promoted flexible working practices through the launch of new guidance and work shops for all colleagues and managers
- Entered the Stonewall Workplace Equality Index for the first time. Our results have given us insights on how we are doing and how we can improve our LGBTQ+ inclusivity
- Established our Wellbeing, Inclusion, Diversity and Equality (WIDE) Steering Group to drive strategic direction and ensure all voices across the organisation are heard
- Provided targeted support for our diverse talent through personal development programmes and coaching
- Developed a Mutual Mentoring pilot which offers colleagues from under-represented groups insight into senior decision-making and thought processes whilst providing opportunity for senior colleagues to be exposed to the barriers that staff from under-represented groups may face.

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 2019/20, we had 27 occurrences of staff accessing special paid leave to undertake volunteering. Our staff have volunteered their time with charities and community projects including Tenovus, Hands on London, Oxford Brookes Students' Union and Active Belfast Limited, and supported smaller charities in trustee and Non-Executive Director roles.

Wellbeing

We aim to foster a culture that promotes wellbeing and mental health and provides support so that all our colleagues can thrive. We have an active Wellbeing and Mental Health Action Group who work to promote, and address issues related to health and wellbeing at the CMA, arranging regular events and talks. We have over 50 Mental Health First Aiders, trained to promote mental health awareness and support colleagues with mental health concerns.

Smarter Working

During 2019/20, the CMA's London office moved to The Cabot in Canary Wharf. Our new office space and technology provides staff with greater flexibility and choice in where, when and how they work, balancing their home life with the needs of the CMA. As well as being better equipped to work at home, staff can choose different workspaces within the office environment to suit their needs. As the CMA has grown – by 102 FTE in 2019/20 – in London and across the UK, this flexibility will enable the CMA to become more unified and less divided by working location, team and / or role.

All staff have laptops and mobile devices to enable them to work flexibly. Our flexible working policy sets out how people can request formal changes to their working arrangements, but all staff may also agree more informal changes to the way they work with their managers. To support staff, we launched a smarter working hub on our intranet, and we delivered workshops to help people understand what flexible working means in practice and the options available to them.

Health and Safety

In 2019/20, we have updated several health and safety processes including evacuation, fire marshal arrangements and induction training to reflect the changes in our working environment following the relocation of our London headquarters from Victoria House to the Cabot in Canary Wharf in July and September. We continue to have a very low accident rate, with only 3 incidents being reported during the financial year.

Sickness absence

Over the year 1 April 2019 to 31 March 2020, the average working days lost due to absence per FTE employee was 4.41 days (2018/19: 3.65 days). The most recently published Civil Service figure was an average of 7.2 days.

Due to COVID-19, where required due to personal circumstances, our staff have modified their working patterns and made use of paid special leave provisions to balance work and caring responsibilities. During March 2020, 63 working days have been lost to staff illness with symptoms corresponding to those attributed to COVID-19.

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

Fifteen employees (15 FTE) were relevant union officials during 2019/20 (2018/19: 11 FTE). Three union officials spent 0% of their working hours on facility time in 2019/20 (2018/19: 1) and 12 union officials spent up to 50% of their working hours on facility time in 2019/20 (2018/19: 10).

The time spent by union officials on paid trade union activities as a percentage of total paid facility time hours in 2019/20 was 8.97% (2018/19: 8.96%).

The percentage of the total pay bill in 2019/20 spent on paying employees who were relevant union officials for facility time was 0.07% (2018/19: 0.07%).

Off-payroll engagements

In 2019/20, there was one existing off-payroll engagement for more than £245 per day and lasting longer than six months; there were no new off-payroll engagements for this period. 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:

	2019/20			2018/19
	Permanently employed staff	Others ³⁸	Total	Total
	£000	£000	£000	£000
Wages and salaries	47,773	4,928	52,701	41,150
Social security costs	5,559	-	5,559	4,440
Pension costs	12,218	-	12,218	7,738
Sub total	65,550	4,928	70,478	53,328
Other staff costs	258	-	258	146
Reversal of income in respect of outward secondments	32	-	32	(126)
Total	65,840	4,928	70,768	53,348

Number of people employed (audited and restated)

The number of people (FTE) employed at 31 March 2020 and the average number of people (FTE) employed during the year:

	At year end		Average for year	
	2019/20	2018/19	2019/20	2018/19
	Number	Number	Number	Number
Permanent staff	790.9	688.7	732.9	616.7
Others ³⁹	108.1	108.3	111.9	87.4
Total	899.0	797.0	844.8	704.1

38. Wages and salaries of Others comprises of agency and temporary staff.

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

Staff Composition⁴⁰ (audited and restated)

The number of people (FTE) employed at 31 March 2020 by grade:

	2019/20		2018/19	
	Male	Female	Male	Female
SCS3 (Director)	2.0	1.0	2.0	1.0
SCS2 (Director)	13.3	7.3	12.3	7.3
SCS1 (Director)	46.7	35.8	44.3	32.7
Grade 6	101.2	97.2	85.9	80.1
Grade 7	127.1	111.0	116.8	99.3
SEO	25.0	38.8	25.0	30.6
HEO	82.8	88.2	69.0	90.2
EO	42.0	47.6	35.8	45.7
AO	21.0	11.0	11.0	8.0
Total	461.1	437.9	402.1	394.9

Expenditure on consultancy

In 2019/20 the CMA spent £541k on consultancy (2018/19 (restated): £240k). The increased expenditure in 2019/20 was predominantly due to supporting the audio-visual and IT infrastructure fit-out of the Cabot and deployment of equipment from the CMA's premises at Victoria House to Canary Wharf.

Exit packages (audited)

Exit packages are paid, where applicable, in accordance with the terms of the Civil Service Compensation Scheme. Exit costs are accounted for in full when a commitment has been made by the CMA and are paid in the year of departure. No exit packages were paid in 2019/20 (2018/19: 1).

40. 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 the Directors' report: financial review on pages 28 to 30. The SoPS and supporting notes are subject to audit.

	2019/20								2018/19
	Estimate			Outturn				Outturn	
	SoPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted outturn compared with estimate: saving/ (excess)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental expenditure limit									
Resource	1.1	95,969	-	95,969	95,292	-	95,292	677	78,182
Capital	1.2	19,800	-	19,800	17,574	-	17,574	2,226	21,755
Annually managed expenditure									
Resource	1.1	10,000	-	10,000	2,629	-	2,629	7,371	(1,074)
Capital	1.2	-	-	-	-	-	-	-	-
Total budget		125,769	-	125,769	115,495	-	115,495	10,274	98,863
Non-budget									
Resource		-	-	-	-	-	-	-	-
Total		125,769	-	125,769	115,495	-	115,495	10,274	98,863
Total resource		105,969	-	105,969	97,921	-	97,921	8,048	77,108
Total capital		19,800	-	19,800	17,574	-	17,574	2,226	21,755
Total		125,769	-	125,769	115,495	-	115,495	10,274	98,863

Net cash requirement 2019/20

2019/20		2019/20		2018/19
SoPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	£000	£000	£000	£000
3	113,283	112,389	894	86,631

Administration costs 2019/20

2019/20		2019/20		2018/19
SoPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	£000	£000	£000	£000
1	21,729	21,056	673	14,728

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

SOPS 1 Net outturn

SOPS 1.1 Analysis of net resource outturn by section

	2019/20									2018/19
	Outturn							Estimate		Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate, adjusted for virements ⁴¹	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Spending in Departmental Expenditure Limit (DEL)										
Voted: A										
Competition Promotion	21,966	(910)	21,056	74,824	(588)	74,236	95,292	95,969	677	78,182
Annually Managed Expenditure (AME)										
Voted: B										
Competition Promotion	-	-	-	2,629	-	2,629	2,629	10,000	7,371	(1,074)
Total	21,966	(910)	21,056	77,453	(588)	76,865	97,921	105,969	8,048	77,108

Detailed explanations of the significant variances between the outturn and estimate are included in the Directors' report: financial review on pages 28 to 30.

SOPS 1.2 Analysis of net capital outturn by section

	2019/20					2018/19
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net total	Net total compared to Estimate, adjusted for virements ⁴²	Net
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit (DEL)						
Voted: A	17,574	-	17,574	19,800	2,226	21,755
Annually Managed Expenditure (AME)						
Voted: B						
Total	17,574	-	17,574	19,800	2,226	21,755

Detailed explanations of the significant variances between the Outturn and Estimate are included in the Directors' report: financial review on pages 28 to 30.

41. There were no virements in 2019/20.

42. There were no virements in 2019/20.

SOPS 2 Reconciliation of outturn to net operating expenditure

SOPS 2.1 Reconciliation of net resource outturn to net operating expenditure

	2019/20	2018/19 (restated)
	Outturn	Outturn
	£000	£000
Total resource outturn in Statement of Parliamentary Supply	97,921	77,108
Add: research included within capital budget outturn ⁴³	59	142
Less: dilapidation provision capitalised	-	(2,290)
Net Operating Expenditure in Statement of Comprehensive Net Expenditure	97,980	74,960

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

SOPS 3 Reconciliation of net resource outturn to net cash requirement

		Estimate	Outturn	2019/20 Net total outturn compared with Estimate: saving/ (excess)	2018/19 outturn
	Note	£000	£000	£000	£000
Resource outturn	SOPS 1.1	105,969	97,921	8,048	77,108
Capital outturn	SOPS 1.2	19,800	17,574	2,226	21,755
Accruals to cash adjustments					
<i>Adjustments to remove non-cash items:</i>					
Depreciation	4	(3,486)	(3,068)	(418)	(2,496)
New provisions and adjustments to previous provisions	4	(10,000)	(2,631)	(7,369)	(2,326)
Other non-cash items	4	-	(85)	85	(80)
<i>Adjustments to reflect movements in working balances:</i>					
Increase/(decrease) in receivables	9	-	(3,796)	3,796	2,937
(Increase)/decrease in payables	10	1,000	13,066	(12,066)	(17,563)
Increase/(decrease) to be surrendered to the Consolidated Fund		-	(6,664)	6,664	3,914
Use of provisions	11		72	(72)	3,382
Net cash requirement		113,283	112,389	894	86,631

SOPS 4 Income payable to the Consolidated Fund

SOPS 4.1 Analysis of income payable to the Consolidated Fund

During 2019/20 there was no income payable to the Consolidated Fund (2018/19: 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 2019/20 Trust Statement which is 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 2019/20 of £0.2 million (2018/19: £89.9 million) relating to CA98 and merger fee debts. Two debts were no longer considered to be collectable from entities in 2019/20 and they were written-off following approval from HM Treasury.

The CMA's Trust Statement had no write-offs greater than £300,000 in 2019/20 (2018/19: 1).

Remote contingent liabilities (audited)

There were no remote contingent liabilities in 2019/20 (2018/19: nil).

Prompt payment of suppliers

Whilst our standard terms and conditions specify payment within 30 days of receipt, we aim to make payments of all valid invoices within 10 working days. In 2019/20, 68% of all valid invoices received were paid within 10 working days (2018/19: 66%) and 90% of all valid invoices received were paid with 30 days (2018/19: 92%).

2019/20	Invoices paid within 10 days	Invoices paid within 30 days
1st Quarter	64%	88%
2nd Quarter	74%	87%
3rd Quarter	56%	85%
4th Quarter	68%	92%

Comparative to 2018/19 we are showing a general improvement in performance in this area and the Finance team is working internally with the business to improve overall performance. In the 2nd quarter of this financial year, the CMA paid 80% of all valid SME supplier invoices within 10 working days and we will continue to improve our efforts and work more actively with suppliers to ensure that performance improves in 2020/21 onwards. We remain proactive in addressing these and other issues and have focused this year on paying SME suppliers promptly in line with the Prompt Payment Code.

Signed for and on behalf of the CMA
Andrea Coscelli
Chief Executive and Principal Accounting Officer
09 July 2020

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 2020 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 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 2020 and of the Department's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on 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 2020 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the CMA's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the CMA have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the CMA's ability to continue to adopt the going concern basis.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for 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 Market 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Competition and Market Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Competition and Markets Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Competition and Markets Authority to cease to continue as a going concern.

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 Remuneration and Staff Report and Parliamentary Accountability Report; and
- the information given in the Remuneration and Staff Report and Parliamentary Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Report 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

Date

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

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019/20	2018/19 (restated)
		£000	£000
Operating income	5	(1,498)	(2,859)
Total operating income		(1,498)	(2,859)
Staff costs	3	70,768	53,348
Purchase of goods and services	4	28,710	24,471
Total operating expenditure		99,478	77,819
Net operating expenditure / (income) for the year		97,980	74,960
Other comprehensive net expenditure			
Actuarial net loss/(gain) on by-analogy pension scheme	11.2	70	(18)
Total operating expenditure / (income) for the year		98,050	74,942

The notes on pages 76 to 93 form part of these Financial Statements.

Statement of Financial Position as at 31 March 2020

	Note	2019/20 £000	2018/19 (restated) £000
Non-current assets			
Property, plant and equipment	6	38,436	24,267
Intangible assets	7	1,329	1,051
Trade and other receivables	9	-	-
Total non-current assets		39,765	25,318
Current assets			
Trade and other receivables	9	3,168	6,964
Cash and cash equivalents	8	894	7,558
Total current assets		4,062	14,522
Total assets		43,827	39,840
Current liabilities			
Trade and other payables	10	(11,399)	(27,641)
Provisions	11	(67)	(156)
Total current liabilities		(11,466)	(27,797)
Total assets less current liabilities		32,361	12,043
Non-current liabilities			
Trade and other payables	10	(8,443)	(5,267)
Provisions	11	(6,032)	(3,314)
Total non-current liabilities		(14,475)	(8,581)
Total assets less liabilities		17,886	3,462
Taxpayers' equity and reserves			
General fund		17,886	3,462
Total equity		17,886	3,462

The notes on pages 76 to 93 form part of these Financial Statements.

Andrea Coscelli
Chief Executive and Principal Accounting Officer
09 July 2020

Statement of Cash Flows for the year ended 31 March 2020

		2019/20	2018/19 (restated)
	Note	£000	£000
Cash flows from operating activities			
Net operating income/(expenditure)	SoCNE	(98,003) ⁴⁴	(74,960)
Adjustment for non-cash transactions	4,5	5,784	2,612
(Increase)/decrease in trade and other receivables	9	3,796	(2,937)
Less movement in receivables relating to items not passing through the SoCNE		-	-
Increase/(decrease) in trade and other payables	10	(13,066)	17,563
Movements in payables relating to items not passing through the SoCNE		6,664	(3,914)
Use of provisions	11	(72)	(3,382)
Net cash (outflow) from operating activities		(94,897)	(65,018)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(16,319)	(21,269)
Purchase of intangible assets	7	(1,196)	(344)
Proceeds from disposal of non-financial assets	5	23	-
Net cash (outflow) from investing activities		(17,492)	(21,613)
Cash flows from financing activities			
Financing from the Consolidated Fund (supply)		105,725	90,545
Advances from the Contingencies Fund		14,700	17,049
Repayments to the Contingencies Fund		(14,700)	(17,049)
Net financing		105,725	90,545
Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund		(6,664)	3,914
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		(6,664)	3,914
Cash and cash equivalents at the beginning of the year	8	7,558	3,644
Cash and cash equivalents at the end of the year	8	894	7,558

The notes on pages 76 to 93 form part of these Financial Statements.

44. The Net Operating Expenditure in the Statement of Comprehensive Net Expenditure is different to what is shown here in the Cashflow Statement because of the presentation of proceeds from the disposal of non-financial assets.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

	Note	General Fund
		£000
Balance at 31 March 2018		(8,307)
Net Parliamentary Fund - drawn down		90,545
Net Parliamentary Fund - deemed		3,644
Unspent Supply repayable to the Consolidated Fund		(7,558)
Non-cash charges - auditors' remuneration	4	80
Net operating expenditure for the year		(74,960)
Actuarial (loss)/gain on pension liability	11	18
Restated balance at 31 March 2019		3,462
Net Parliamentary Fund - drawn down		105,725
Net Parliamentary Fund - deemed		7,558
Unspent Supply repayable to the Consolidated Fund	10	(894)
Non-cash charges - auditors' remuneration	4	85
Net operating expenditure for the year		(97,980)
Actuarial (loss)/gain on pension liability	11	(70)
Balance at 31 March 2020		17,886

The notes on pages 76 to 93 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 2019/20 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 IFRSs 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.

The CMA has carried out its assessment of the impact of IFRS 16 in readiness for implementation from 1 April 2021 when it is due to be introduced into the public sector following postponement of the application date by HM Treasury. This standard was initially due to be introduced on 1 April 2020, but implementation was postponed for a year due to COVID-19.

In advance of the amended implementation date, the CMA will ensure any material changes are accounted for when assessing the impact of IFRS 16 on the 2020/21 financial statements and the proposed implementation date of 1 April 2021. However, at this stage the CMA does not envisage that this will result in any material changes other than to the leases for the Cabot and Lochrin Square.

1.4 Income

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

Income recognised consists principally of:

- regulatory appeals;
- 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 issue 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).

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 income 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 is recognised 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.

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 is charged to the SoCNE on a straight-line basis over the lease term, within the scope of IAS 17 'Leases'.

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 (inclusive of value added tax) 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 2019/20 on the grounds of materiality.

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 are transferred to the appropriate asset class and depreciated (or amortised) according to the relevant accounting policy. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

1.10 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' includes requirements for classification, recognition and measurement, impairment and derecognition of financial instruments. The CMA does not hold any complex financial instruments; the CMA's financial instruments are comprised of trade receivables and payables. Receivables are measured at amortised cost.

IFRS 9's 'Expected Credit Loss' (ECL) model for the assessment of impairment for financial assets does not materially impact these Accounts. This is because the CMA predominantly has trade receivables held for collecting cash in the normal course of business.

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 six reportable segments within its management accounts with the following breakdown of total gross expenditure:

	Total gross expenditure 2019/20	Total gross expenditure 2018/19 (restated)
	£000	£000
Corporate Services**	35,186	33,513
Enforcement	21,231	14,378
Legal Services	11,248	7,712
Markets and Mergers	13,513	10,908
Office of Chief Economic Advisor	9,703	6,947
Policy and International	2,813	1,829
Balance at 31 March	93,694	75,287

In 2019/20, the Competition, Consumer and Markets Group (CCMG) was disbanded in order to embed staff in clearer groups around specific work areas. This restructure was started in 2018/19 by establishing a new Enforcement directorate and redistributing the CCMG cost centres within the new structures.

From 2020/21 onwards, there are some further changes which form part of the CMA's wider institutional reform agenda. Strategy, Communications, Nations and Regions (SCNR) are

moving out of Corporate Services and forming a new directorate. The Advocacy function, currently part of the Policy and International directorate, will move into SCNR from 2020/21 and business managers are moving out of the Project Management Office and embedding into the frontline areas and will be responsible for managing the directorate's interactions with corporate service functions.

**Corporate Services total gross expenditure of £35.2 million is analysed as follows:

	Total gross expenditure 2019/20	Total gross expenditure 2018/19
	£000	£000
Premises (CMA-wide costs)	13,420	12,547
Information technology (CMA-wide costs)	3,312	2,037
Staff and other non-staff costs	18,454	18,929
	35,186	33,513

The increase in Corporate Services total gross expenditure is predominantly driven by the expansion of the CMA across the UK and the increase in accommodation and IT costs to deliver 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

	2019/20	2018/19 (restated)
	£000	£000
Total gross expenditure reported for operating segments	93,694	75,287
Reconciling items:		
Income	(1,498)	(2,859)
Depreciation and non-cash items	5,784	2,532
Total net expenditure per the SOCNE	97,980	74,960

3 Staff costs

Total staff costs at 31 March 2020 were £70.77 million (2018/19: £53.35 million), comprising £52.70 million salaries and wages, £5.56 million social security and £12.22 million staff pension costs. More detailed information on staff costs is available in the Staff Report on page 60.

In 2019/20, there was a significant increase in staff costs compared with 2018/19 due to several contributing factors, including:

- a growth in staff numbers, with an increase of 102 FTE when comparing the year-end numbers for 2019/20 with 2018/19;

- higher starting salaries for new joiners and our pay settlements including average pay awards of 3.85% for non-SCS staff and 1.99% for SCS staff;
- a change in April 2019 in the employer pension contribution rates, representing cost increases of between 24% and 33%;
- a higher level of annual leave carryover at the end of financial year; and
- provision of a compensation scheme for eligible staff, as a result of the move to Canary Wharf, to support them with additional travel costs incurred.

4 Purchase of goods and services

	2019/20	2018/19 (restated)
Premises expenditure	£000	£000
Rent (operating leases)	6,253	6,301
Rates	1,782	2,040
Stamp duty	127	683
Utilities	317	293
Maintenance	-	144
Other premises costs	361	540
Service charge	2,671	2,031
Net premises	11,511	12,032
Research expenditure	87	148
Litigation costs ⁴⁵	-	-
Hire of plant and machines	18	28
Professional services	2,405	3,239
Training	1,372	973
Publicity and Campaigns	911	363
Travel and Subsistence	681	508
Recruitment	542	849
Telecommunications	535	129
IT (including maintenance)	2,871	1,953
Printing, copying and mailing	412	422
Publications	51	11
Facilities Management	1,173	740
Other expenditure	307	426
Total purchase of goods and services	11,278	9,641
Non-cash items		
Depreciation of property, plant and equipment	2,150	1,567
Depreciation of intangible assets	918	929
Impairment of trade receivables	2	-
Apprenticeship Levy - training	48	38

45. 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%, effectively meaning that these costs are fully funded which consequently results in no Litigation costs being disclosed in 'Other expenditure'.

Provisions - amounts provided for in year	2,633	36
Auditors' remuneration and expenses	85	80
Provision - amount not required, written back	(2)	-
Total non-cash items	5,834	2,650
Total costs	28,710	24,471

As the CMA increased its headcount as part of the preparations for EU Exit, our IT and Telecoms expenditure increased to support the additional staff. This includes the purchase of additional software licences and cloud storage. The CMA also transitioned from procuring hardware and hardware support, to services and associated support which has improved the overall resilience of the organisation.

5 Income

	2019/20	2018/19
	£000	£000
Recovery of accommodation costs	835	1,791
Appeal costs reimbursed	587	1,006
Regulatory appeals	-	-
Other income ⁴⁶	28	24
Total income (cash items)	1,450	2,821
Non-cash items		
Apprenticeship Levy - notional grant	48	38
Total income	1,498	2,859

The CMA received less income in 2019/20 to cover our accommodation costs after moving to Canary Wharf. We currently only have a single sub-tenant, the Groceries Code Adjudicator, whereas at Victoria House the CMA received income from three sub-tenants.

The CMA offers training programmes for apprentices in a range of roles across the department and various professions. As of 31 March 2019, the CMA had 21 apprentice new starts. This increased by a further 27 apprentice starts throughout 2019/20, with a total of 48 apprentices having started in the CMA by 31 March 2020. The CMA receives a notional grant for the cost of training apprentices which results in a net zero effect on these financial statements, see note 4 above.

46. Other Income includes £23k for the sale of IT equipment that was disposed of when the CMA moved to The Cabot.

6 Property, plant and equipment

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2019/20 Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2019 (restated)	9,235	3,990	375	20,749	34,349
Additions	10,569	2,767	2,696	287	16,319
Disposals	(9,221)	(312)	(335)	-	(9,868)
Reclassification	16,852	116	1,504	(18,472)	-
Revaluations (adjustment of provision movement)	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2020	27,435	6,561	4,240	2,564	40,800
Depreciation					
At 1 April 2019	8,580	1,180	322	-	10,082
Charged in year	911	1,031	208	-	2,150
Disposals	(9,221)	(312)	(335)	-	(9,868)
Reclassification	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2020	270	1,899	195	-	2,364
Carrying amount at 31 March 2020	27,165	4,662	4,045	2,564	38,436
Carrying amount at 31 March 2019 (restated)	655	2,810	53	20,749	24,267

The CMA's property transformation project (The Big Move) successfully relocated the CMA from Victoria House to the Cabot. The CMA are leasing office space at the Cabot on 3 floors, as well as space on the ground and mezzanine floors.

Prior to occupation of the Cabot, fit-out work to the CMA's required specifications was required on all leased floors in order to deliver a high-quality working environment for our staff and visitors.

The fit-out work started in January 2019 and practical completion and final handover were received in March 2020. The fit-out work, capitalised and classified as leasehold improvements, includes:

- enhanced audio-visual equipment installed in the CMA's Hearing rooms and meeting rooms;
- ventilation, air-conditioning, lighting and suspended ceilings; and
- specialist joinery, glazing and decorating.

Furniture and fittings additions include the purchase of adjustable desks and chairs at every workstation to help embed agile working practices at the Cabot.

Following the CMA's move from Victoria House, £9.22 million of assets under leasehold improvements were disposed of that were no longer in use or had no residual value. This included a lease and dilapidations asset relating to Victoria House for £2.65 million. The CMA also sold some IT equipment from Victoria House to an educational institution.

Information Technology additions during the year included 2 key projects:

- implementing the unified communications strategy to provide a seamless, efficient and business-led solution; and
- migrating data to Sharepoint, the CMA's document management and storage platform.

	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	20,719	23,559
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2019 (re-stated)	9,235	3,990	375	20,749	34,349
Depreciation					
At 1 April 2018	7,311	954	250	-	8,515
Charged in year	1,269	226	72	-	1,567
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
Impairments	-	-	-	-	-
At 31 March 2019	8,580	1,180	322	-	10,082
Carrying amount at 31 March 2019 (restated)	655	2,810	53	20,749	24,267
Carrying amount at 31 March 2018	1,910	218	117	30	2,275

7 Intangible assets

	Software licences	
	2019/20	2018/19
	£000	£000
Cost or valuation		
At 1 April	3,484	3,140
Additions	1,196	344
Disposals	-	-
Reclassification	-	-
At 31 March	4,680	3,484
Depreciation		
At 1 April	2,433	1,504
Charged in year	918	929
Disposals	-	-
Reclassification	-	-
At 31 March	3,351	2,433
Carrying amount	1,329	1,051

Asset financing

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

8 Cash and cash equivalents

	2019/20	2018/19
	£000	£000
Balance at 1 April	7,558	3,644
Net change in cash and cash equivalent balances	(6,664)	3,914
Balance at 31 March	894	7,558
The balance at 31 March was held at		
Government Banking Service	894	7,558
Balance at 31 March	894	7,558

9 Trade and other receivables

9.1 Amounts falling due within one year

	2019/20	2018/19
	£000	£000
Trade receivables (gross)	210	1,112
Impairment provision	(27)	(45)
Trade receivables (net)	183	1,067
Deposits and advances	148	175
Other receivables	723	251
VAT	257	493
Prepayments and accrued income	1,857	4,978
Total	3,168	6,964

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

The decrease in trade receivables was primarily due to one entity that was invoiced £0.81 million in 2018/19 for the recovery of legal costs. This income was received by the CMA in 2019/20.

The decrease in prepayments was primarily due to £2.05 million paid in 2018/19 for rent and other property-related charges at Victoria House. The CMA had a rent-free period at the Cabot in 2019/20.

The decrease in accrued income was due to the recognition of income in 2018/19 of £0.54 million for the recovery of legal costs and £0.57 million for the recovery of Victoria House dilapidation costs from the Competition Appeal Tribunal. This income was received by the CMA in 2019/20.

10 Trade and other payables

10.1 Amounts falling due within one year

	2019/20	2018/19
	£000	£000
Trade payables	1,512	2,119
Accruals and deferred income	5,551	13,077
The Cabot - lease incentive	251	-
Taxation and social security	1,633	1,381
VAT	67	1,088
Other payables	1,491	2,418
Amounts issued from the Consolidated Fund for supply but not spent at 31 March	894	7,558
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	-	-
Total	11,399	27,641

The significant downward variance between financial years was due to the completion of The Big Move project and settling most of the outstanding liability in year, as well as paying off approximately £1.4 million for the former offices at Victoria House.

In addition, due to our continued priority to pay suppliers promptly, there were fewer outstanding payments due to our trade payable suppliers, coupled with a significant reduction in the cash position at the end of the period. In 2018/19, these areas accounted for approximately £18.5 million of the balance but in 2019/20 the combined total is around £2 million.

10.2 Amounts falling due after more than one year

	2019/20	2018/19
	£000	£000
Accruals and deferred income	-	389
The Cabot rent - rent free period ⁴⁷	5,310	1,785
The Cabot - lease incentive ⁴⁸	3,133	3,093
Total	8,443	5,267

The payable relating to the Cabot's rent-free period will continue to increase until March 2021, when the CMA will make cash payments for rent to the landlord. The CMA will then unwind this payable to ensure that the accounting rent, rather than the cash rent, is maintained for the remainder of the lease.

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

48. The value of the lease incentive is amortised on a straight-line basis to the lease break date.

11 Provisions for liabilities and charges

	Early departure	Legacy pensions	Dilapidations	Other	2019/20 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2019	5	1,170	2,295	-	3,470
Provided in year	-	33	-	2,600	2,633
Provisions not required written back	-	(2)	-	-	(2)
Provisions utilised in the year	(5)	(67)	-	-	(72)
Actuarial loss/(gain)	-	70	-	-	70
Balance at 31 March 2020	-	1,204	2,295	2,600	6,099

	Early departure	Legacy pensions	Dilapidations	Other	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

11.1 Analysis of expected timing of cash flows

	Early departure	Legacy pensions	Dilapidations	Other	2019/20 Total
	£000	£000	£000	£000	£000
Not later than one year	-	67	-	-	67
Later than one year and not later than five years	-	268	-	2,600	2,868
Later than five years	-	869	2,295	-	3,164
Balance at 31 March 2020	-	1,204	2,295	2,600	6,099

	Early departure	Legacy pensions	Dilapidations	Other	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

11.2 Legacy pensions

The Legacy pensions' provision relates to the previous Chairman and Director Generals of the former Office of Fair Trading, one of the CMA's predecessor bodies.

An actuarial valuation was carried out by the Government Actuary's Department as at 31 March 2020.

The financial assumptions used in the calculation of the liability as at 31 March 2020 were as follows:

- the gross rate used to discount scheme liabilities was 1.80% per annum (2018/19: 2.90% per annum);
- the gross rate of increase for pensions in payment and deferred pensions was 2.35% per annum (2018/19: 2.60% per annum); and
- in nominal terms, these assumptions implied price inflation of 2.35% per annum (2018/19: 2.60% per annum).

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

	2019/20	2018/19
	Total	Total
	£000	£000
Interest cost	33	31
Actuarial loss/(gain)	70	(18)
	103	13
Benefits paid	(67)	(114)
(Decrease)/increase in provision	36	(101)

11.3 Dilapidations

The dilapidations provision is an estimate of the expenditure required to return the Cabot office space being utilised in the building to its 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.

11.4 Appeals against the CMA's decisions

Regulatory decisions by the CMA may be subject to appeal. Appeals against the CMA's decisions may give rise to probable liabilities for legal costs. In these instances, and within scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' the CMA recognises provisions in the financial statements for legal or constructive present obligations to the extent that these costs are probable and/or quantifiable.

On 10 March 2020, the Court of Appeal issued a judgment in relation to an appeal regarding the anti-epilepsy drug Phenytoin sodium following the decision of the CMA in December 2016 to impose a fine on pharmaceutical companies Pfizer and Flynn Pharma for breaches of competition law. The CMA has been required to pay Pfizer's and Flynn's legal costs of the appeal. Disclosure of the CMA's estimate of the amount of its liability would be likely to prejudice any future costs negotiations or assessments. This exemption is allowable as per paragraph 92 of IAS 37.

12 Capital and other commitments

12.1 Capital commitments

As at the end of the reporting period, the CMA had capital commitments amounting to £0.84 million (2018/19: £13.68 million) relating to the fit-out of the office space in Canary Wharf and £0.21 million (2018/19: £0.93 million) for IT-related services. The significant reduction in the costs from 2018/19 is the result of the projects reaching completion.

12.2 Commitments under operating leases

£7.22 million (2018/19: £8.23 million) was included as an expense for operating leases in the Statement of Comprehensive Net Expenditure.

	2019/20	2018/19
	£000	£000
Total future minimum lease payments under operating leases are given in the table below for each of the following periods:		
Not later than one year	406	3,620
Later than one year and not later than five years	18,680	14,821
Later than five years	35,855	41,992
Total	54,941	60,433

In the summer of 2019, the CMA moved its London headquarters to Canary Wharf and signed a 15-year operating lease, within scope of IAS 17 and including a rent-free period, for office space in the Cabot.

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 the Cabot to the Groceries Code Adjudicator which are sponsored by the Department for Business, Energy and Industrial Strategy.

14 Contingent liabilities

There is a possibility of a transfer of material economic benefits to third parties where the CMA is involved in active litigation. However, contingent liability information required under IAS 37 is not disclosed on the grounds that it may prejudice the outcome of those proceedings.

15 Prior Period Adjustment: Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure

IAS 8⁴⁹ requires correction of prior period accounting errors. The 2018/19 Statement of Financial Position has been restated to correct a provision which was expensed rather than capitalised as part of the cost of the fit-out assets in line with IAS 16⁵⁰ paragraph 16c⁵¹. This provision is in relation to the restoration of the CMA's lease for office space at the Cabot which commenced in October 2018. The value of the provision is unaffected.

The impact of this restatement has resulted in a net increase of £2.3 million to the balance of Assets Under Construction as at 31 March 2019 as the dilapidation costs are now reflected as an element of the cost of the fit-out assets being capitalised. There is a corresponding increase in the General Fund balance at 31 March 2019 due to the £2.3 million reduction in prior year expenditure as a result of this restatement.

Restated comparatives are shown in the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Changes in Taxpayers' Equity, Note 4 and Note 6. No prior year restatement is shown in the Statement of Parliamentary Supply reported on page 62 as the budgeting treatment is not affected due to this restatement.

49. IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

50. IAS 16 'Property, Plant and Equipment'.

51. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

16 Events after the reporting period

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

CMA Trust Statement

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
09 July 2020

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 2020 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 financial statements give a true and fair view of the state of affairs of Competition and Markets Authority Trust Statement as at 31 March 2020 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

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 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 and Accounting Officer's foreword to the Trust Statement, but does not include 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 and Accounting Officer's foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

July 2020

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 2020

	Note	2019/20	2018/19
		£000	£000
Revenue			
Fines and penalties income			
Penalties imposed under the Competition Act 1998		29,621	1,600
Interest earned on penalties imposed under the Competition Act 1998		76	104
Total fines and penalties income		29,697	1,704
Merger fees			
Fees received under the Enterprise Act 2002		5,518	5,320
Interest earned on penalties imposed under the Enterprise Act 2002		-	-
Total merger fees		5,518	5,320
Total revenue		35,215	7,024
Expenditure			
CA98 Penalty offset to Legal costs ⁵²		(724)	(853)
Debts written off or otherwise impaired ⁵³		(2,708)	(89,848)
Total expenditure		(3,432)	(90,701)
Net (expenditure)/revenue for the Consolidated Fund	5	31,783	(83,677)

The notes on pages 101 to 105 form part of this Trust Statement.

52. At Autumn Budget 2017, HM Treasury permitted the CMA to offset CA98 income against 100% of in-year litigation costs incurred within the CMA's Resource Accounts with effect from 2018/19.

53. The CMA 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 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 2020

	Note	2019/20	2018/19
		£000	£000
Non-current assets			
Receivables	2	3,452	187
Total non-current assets		3,452	187
Current assets			
Receivables	2	47,692	49,149
Cash and cash equivalents	3	30,297	10,498
Total current assets		77,989	59,647
Total assets		81,441	59,834
Current liabilities			
Payables	4	636	314
Total current liabilities		636	314
Total assets less liabilities		80,805	59,520
Total assets less current liabilities		80,805	59,520
Represented by:			
Balance on Consolidated Fund account	5	80,805	59,520

The notes on pages 101 to 105 form part of this Trust Statement.

Andrea Coscelli
Chief Executive and Principal Accounting Officer
09 July 2020

Statement of Cash Flows for the year ended 31 March 2020

	Note	2019/20	2018/19
		£000	£000
Net cash flow from operating activities	3	30,297	10,498
Amounts paid to the Consolidated Fund	5	(10,498)	(12,453)
(Decrease)/increase in cash in the year		19,799	(1,955)

Notes to the Cash Flow Statement

A: Reconciliation of net cash flow to movement in net funds		2019/20	2018/19
		£000	£000
Net revenue for the Consolidated Fund		31,783	(83,677)
Decrease/(increase) in assets		(1,808)	94,515
Less movements in receivables not passing through SoROIE		-	(396)
(Decrease)/increase in liabilities		322	56
Net cash flow from operating activities		30,297	10,498

B: Analysis of changes in net funds	Note	2019/20	2018/19
		£000	£000
(Decrease)/increase in cash in the year	3	19,799	(1,955)
Net funds at 1 April (net cash at bank)		10,498	12,453
Net funds at 31 March (closing balance)		30,297	10,498

The notes on the following pages 101 to 105 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 Fund⁵⁴. 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 with the 2019/20 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

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

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

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

Under IFRS 9, allowances are made for credit losses on an 'expected credit loss' (ECL) basis.

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

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

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

1.5 Value Added Tax (VAT)

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

2 Receivables

2.1 Current receivables

	2019/20	2018/19
	£000	£000
Amounts falling due within one year		
Competition Act 1998 penalties	50,524	49,431
Less impairment allowance	(3,724)	(1,170)
Net Competition Act 1998 penalties	46,800	48,261
Merger fees receivables	321	681
Less impairment allowance	(5)	(7)
Net Merger fees	316	674
Amount owed from CMA Main Account	136	134
Accrued income	440	80
Total	47,692	49,149

2.2 Non-current receivables

	2019/20	2018/19
	£000	£000
Amounts falling due after one year		
Competition Act 1998 penalties	3,452	187
Total	3,452	187

The CMA saw an increase in non-current receivables in 2019/20 predominantly driven by a greater number of third parties successfully applying for a 'Time to Pay' arrangement. Where a party has had a penalty imposed on them under the Competition Act 1998, they may apply to the CMA for permission to pay this penalty in instalments with interest accruing on the principal amount.

Before accounting for COVID-19, in line with IFRS 9 and the 2019/20 FReM, the CMA's assessment of credit losses on an Expected Credit Loss (ECL) basis applied against both current and non-current receivables is £0.35 million using a rate of 0.65%. 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.

In 2019/20 the CMA also considered the potential impact of COVID-19 in its assessment of ECLs, as this pandemic may have resulted in a significant increase in credit risk. The CMA assessed these debtors on a case-by-case basis and concluded that an additional provision of £2.5 million should be applied as the Exchequer's risk has increased significantly since initial recognition and is not considered low.

The impairment allowance covers amounts due relating to merger fees and from entities involved in CA98 cases that are in administration or liquidation. While 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 2019/20 the CMA received HM Treasury approval to write-off £0.2 million of CA98 debt against two entities in liquidation, or which had been dissolved, and also fully impaired £0.2 million of CA98 debt against an entity in administration.

3 Cash and cash equivalents

	2019/20	2018/19
	£000	£000
Balance held at Government Banking Service at 1 April	10,498	12,453
Net change in cash balances	19,799	(1,955)
Balance held at Government Baking Service at 31 March	30,297	10,498

The CMA will transfer this closing balance to HM Treasury in the 2020/21 financial year. See Note 5 below which reflects the opening balance held at the Government Banking Service at 1 April 2020 paid to the Consolidated Fund in 2019/20.

4 Payables

	2019/20	2018/19
	£000	£000
CA98 Penalty offset to Legal cost payable	610	314
Merger fees repayable	26	-
Total	636	314

5 Balance on the Consolidated Fund account

	2019/20	2018/19
	£000	£000
Balance on Consolidated Fund account at 1 April	59,520	156,046
Adjustments for IFRS 9 adoption	-	(396)
Revised balance on Consolidated Fund account as at 1 April	59,520	155,650
Net revenue for the Consolidated Fund	31,783	(83,677)
Less amount paid to the Consolidated Fund	(10,498)	(12,453)
Balance on Consolidated Fund Account at 31 March	80,805	59,520

6 Events after the reporting period

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

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