

# Competition and Markets Authority

## Annual Report and Accounts 2020/21 (for the year ended 31 March 2021)



# **Competition and Markets Authority**

## **Annual Report and Accounts 2020/21**

**(for the year ended 31 March 2021)**

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# Overview

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.

## Chair's foreword

This has been a year of significant change for the CMA. It began with us reorienting our activity in response to the coronavirus (COVID-19) pandemic, setting up a COVID-19 Taskforce to address new problems that arose for consumers and businesses, while moving almost seamlessly overnight to complete remote working. During the course of the year, we also assumed significant extra responsibilities on mergers and antitrust, as a result of the UK's departure from the European Union (EU).



Our work is relentlessly focused on securing better outcomes for consumers. The amount that the CMA has achieved in 2020/21, as outlined in this report, demonstrates how the organisation has responded to the pandemic – achieving all the goals originally set out in our Annual Plan, while at the same time dealing effectively with the additional areas of work prompted by COVID-19.

Throughout the year the CMA has responded quickly and effectively to protect consumers and assist businesses by tackling issues arising from the pandemic and the measures taken to contain it. Following our investigation of consumer protection issues in sectors such as holiday accommodation and package holidays, we secured hundreds of millions of pounds of refunds for customers whose holidays were cancelled.<sup>[1]</sup> We published guidance to help consumers understand their rights. We also published guidance on business cooperation to ensure that, while the economy was significantly disrupted, it would not prevent the supply of essential goods and services.

The CMA will continue to support the economic recovery from the pandemic by promoting competition and creating the conditions for investment for sustainable long-term growth.

At the same time as we were tackling consumer issues arising from the pandemic, we continued our extensive preparations to assume our new responsibilities arising from the UK's departure from the EU. We committed the necessary resources to ensure that we had the people, skills and infrastructure in place to deal with these complex and resource intensive merger, antitrust and cartel investigations.

Since the end of the Transition Period, we have opened new merger and antitrust investigations in cases that would have previously fallen within the European Commission's jurisdiction; and have published new guidance to assist businesses, such as our mergers assessment guidelines. We have also begun work to establish the new Office for the Internal Market (OIM) following the passage of the UK Internal Market Act. Meanwhile, the CMA has continued to contribute actively to international forums, working in partnership with other enforcement agencies around the world.

We are also in the process of developing the functions of the Digital Markets Unit (DMU), which launched in shadow form in April 2021. We published the advice of the Digital Markets Taskforce in December 2020, putting forward recommendations for the creation of a DMU to promote greater competition and innovation in digital markets. We continue to work to support greater

[1] For example, £203 million secured in refunds for Virgin Holidays customers and £18 million for Love Holidays customers.

coherence across regulation of digital markets, both domestically and internationally. In July 2020 we launched the Digital Regulation Cooperation Forum, alongside Ofcom and the Information Commissioner's Office, to support closer cooperation across our work on digital markets. The CMA's work in this area has already been influential in shaping discussions in the UK and more widely.

In a world where all markets are changing rapidly, we are focused on getting a better understanding of how they are changing and how this will affect competition and consumers. As set out when we launched our 'CMA 2020s' agenda in February 2020, we have been engaging with a wider and more diverse range of stakeholders than ever before, including more engagement with consumers, small businesses, and charities across the nations and regions of the UK.

Although we are doing all that we can within our existing powers and will continue to do so, we believe that legislative reform is necessary to bring about stronger, swifter and more flexible competition and consumer protection regimes, in order to safeguard the interests of consumers and to help improve public confidence in markets.

We welcomed the independent report from John Penrose MP and share his ambition for the competition and consumer regime. We look forward to working with government and others on his recommendations for reform of the regime.

It has been a privilege and honour for me to chair the organisation through this period of unprecedented change. It is a great team and there are exciting times ahead, as we take on the new responsibilities of the DMU; establish the OIM; and investigate more global cartel, antitrust and merger cases, working with partner agencies across the world. I have every confidence in the team's ability to succeed.

The CMA's staff have achieved a huge amount this year in the most difficult circumstances and this has been recognised externally with the Global Competition Review's 'Government Agency of the Year' award. I would like to thank all of our colleagues for their efforts to ensure our resilience, both staff delivering our projects and those working to support the organisation and keeping it running smoothly in these most exceptional of times.

**Jonathan Scott**  
**CMA Chair**

# Year in highlights

## Protecting consumers

Secured formal commitments across 5 investigations into consumer protection issues, including commitments from:

- **Instagram to do more to tackle the risk of fake online reviews and prevent hidden advertising on its platform; and**
- **Care UK to refund residents of care homes who paid unfair fees.**



## Response to COVID-19



Received over **140,000** contacts from consumers;

Focused on 5 sectors in response to concerns about refunds for lockdown related cancellations; **holiday accommodation; weddings and events; nurseries and childcare; package holidays; and airlines;**

Secured formal commitments from 5 major package **travel companies to refund consumers over £200m; and**

Secured commitments from companies in holiday rentals and weddings sectors, including the provision of refunds.

## Competition law enforcement

Resolved **9** Competition Act investigations

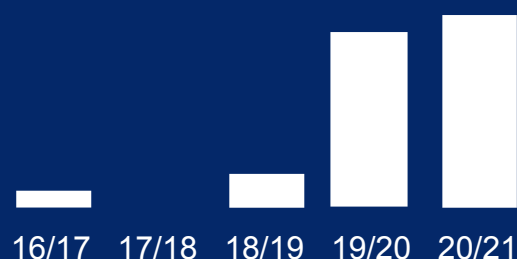
- Issued **8** Competition Act infringement decisions, resulting in **£52m** of fines imposed; and
- Accepted commitments to resolve **1** investigation.

## Personal responsibility for competition law breaches

**24 director disqualifications since 2016**

**10** company director disqualification undertakings secured; and

**1** company director disqualification order sought and obtained from the court.





## Merger control in numbers

### Approx. 600 transactions reviewed

#### 38 phase 1 merger reviews

- 21 mergers cleared
- 9 referred to phase 2
- 6 accepted undertakings in lieu
- 1 found not to qualify
- 1 merger abandoned
- 0 intervention cases

#### 9 phase 2 investigations

#### 2 remittal cases launched

#### 12 cases concluded

- 5 mergers abandoned
- 4 mergers blocked
- 1 merger cleared
- 2 mergers cleared with remedies

## Market studies, investigations and reviews



**Market studies:** published report in online platforms and digital advertising; launched electric vehicle charging and children's social care provision.

**Market investigations:** published report on funerals.

**Market review:** published report on legal services sector.

## Regulatory appeals



Completed 3 regulatory appeals in the **aviation, energy and water sectors.**

## UK exit from EU

**2 antitrust cases launched** that would have previously been reserved to the European Commission.

Produced guidance for businesses and their advisers on the impact of EU exit on the CMA's functions.

Extensive engagement with competition authorities across the world.



## 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 850 people, who are based mainly at our offices in London and Edinburgh, with smaller teams in Cardiff and Belfast. Since March 2020, staff have mainly been working remotely due to the COVID-19 pandemic. 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, and reports 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 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.

### Estimated financial benefit to consumers

- Annual average consumer savings of at least £2 billion in 2020/21;
- Over the three-year period between 2018/19 to 2020/21, the estimated direct financial benefit to consumers was over £7 billion; and
- For every £1 we spent on our operating costs, the average benefit to consumers over the last three years was £25.



We consider our estimates to be conservative because they are based on cautious assumptions. They exclude the impact of a number of cases where the CMA's intervention is likely to generate considerable consumer benefits, but these benefits were difficult to quantify sufficiently robustly. For example, we do not account for the CMA's compliance and advocacy work, international activities or regulatory appeals.

The focus on direct financial benefits also means that we exclude many important, wider impacts on the competition regime. For example, we do not account for the deterrent effect of our actions and the impact of competition policy interventions on productivity. Overall, our estimates for the direct financial benefits capture only a part of the overall positive impact of the CMA's work.

## Chief Executive's review

Despite the considerable challenges and uncertainties in the past year, the CMA has had a strong performance, delivering a wide range of outcomes against the many commitments in our Annual Plan. This is in addition to the significant outcomes the CMA has achieved for consumers in response to the issues that arose as a direct result of the COVID-19 pandemic.



We have seen a record number of competition enforcement decisions and ensured personal accountability for competition law breaches through a significant jump in the number of director disqualifications.

We have secured hundreds of millions of pounds in refunds for consumers from events and holidays cancelled due to the pandemic, while continuing to progress our extensive portfolio of other consumer protection cases. We have led the thinking on *ex ante* regulation of digital markets and launched large-scale, complex antitrust and merger investigations into the activities of global businesses.

We have a duty to promote competition, both within and outside the UK, for the benefit of consumers, and our mission is to make markets work well in the interests of consumers, business and the economy. We believe this role is even more important as the economy begins to recover from the impact of the pandemic.

The interests of consumers are best served when businesses compete to win customers by offering them a better deal. When businesses compete effectively with each other, they cannot raise prices, or cut quality and service, without losing business. In order to retain existing customers, gain new ones and hence make more money, they need to develop new and better products or services and become more efficient.

Businesses that are able to do this can increase their share of customers. Their competitors, meanwhile, must catch up with them in offering better value and innovative products and services if they are to avoid losing business. This process benefits consumers, businesses and the wider economy.

The cost of weak competition is borne by consumers in the form of higher prices and lower quality. This raises the cost of living, and it can hit the poorest households hardest. With fewer suppliers to choose from, and less innovation, consumers also suffer from reduced choice.

Just as consumers pay more when competition is weak, so businesses pay more than they should to their suppliers. And when markets are dominated by a small number of powerful firms, they can use their position to prevent other businesses from entering and growing.

We want to understand the changing needs of consumers and businesses and how they experience markets. In particular, we want to know where consumers are being harmed, either because their consumer rights are not being respected or because competition is not working well enough to ensure consumers are getting the goods and services they want at the right price. To achieve this, we are doing more to engage with a wider range of consumers, small businesses

and charities. While we regularly engage with representative groups like Which?, Citizens Advice and the Federation of Small Businesses, this year we have launched new initiatives, such as our third sector outreach pilot, which is seeking to understand the views and concerns of a number of charities and third sector organisations, and our regional pilot programme seeking to improve our outreach in the regions.

We are committed to improving outcomes for consumers across the regions and nations of the UK. We have increased the numbers in our Edinburgh office and are continuing to expand our offices in other nations. In the past year we have sought to reflect diverse views from across the UK, by seeking input from people in different nations to our work on misleading green claims, the electric vehicles infrastructure and children's social care. We delivered a series of online events in the nations, including events on our legal services work and the annual plan consultation; and we have continued our advocacy work with the devolved administrations and engagement with consumer bodies in the regions.

In this report, we set out how we have responded to the immediate issues raised by the COVID-19 pandemic, while at the same time achieving a huge amount in relation to the priorities set out in our Annual Plan. We have achieved all this despite almost universally working remotely in 2020/21. For the vast majority of the last year, the CMA's offices were closed. At the same time, many staff members found it necessary to take time away from work due to caring responsibilities. The CMA was able to reallocate resources to ensure that the most urgent and critical work could be completed on time.

Our achievements this year are a testament not just to our staff who work on the delivery of our casework, but also to our staff who support this delivery through their work on our people policies, facilities management and our agile information technology systems. Their hard work behind the scenes meant that our transfer from working in the office one day to almost entirely remote working the next was virtually seamless.

We highlight in this report the significant outcomes we have achieved for consumers, business and the UK economy both in response to the COVID-19 pandemic and against each of our planned priorities for 2020/21: protecting consumers, in particular those in vulnerable circumstances; improving trust in markets; tackling concerns in digital markets; enhancing productivity and growth; climate change – supporting the transition to a low carbon economy; and taking on new responsibilities as a result of the UK leaving the EU.

## Responding to the COVID-19 pandemic

As a direct result of our investigations, customers have been able to obtain hundreds of millions of pounds in refunds for events and holidays that were cancelled due to the pandemic.



The beginning of the 2020/21 reporting year saw the CMA's emerging response to the pandemic, both in terms of our response to the specific issues that impacted consumers and businesses as a result of the pandemic, as well as the significant changes we made to our working arrangements.

We published guidance early on to reassure businesses that we would not take action against cooperation between businesses if this was necessary to protect consumers, for example, by ensuring security of supply of essential goods and services. At the same time, we made clear that the CMA would not tolerate unscrupulous businesses exploiting the crisis as a 'cover' for non-essential collusion. We also published guidance to help consumers know their rights and we updated our guidance on the CMA's approach to merger assessments during the pandemic.

At the start of the pandemic, in March 2020, we set up the CMA's COVID-19 Taskforce to monitor developments and gather evidence to enable us to intervene where we can, as quickly as we can.

We prioritised five sectors for consumer protection investigations: holiday accommodation; weddings and events; nurseries and childcare; package holidays; and airlines.

## Case study 1: COVID-19 and package travel

Since March 2020, the CMA has received over 140,000 contacts from consumers.

**The biggest problem being reported is businesses behaving unfairly in relation to lockdown-related cancellations with consumers often struggling to obtain fair refunds.**

In response the CMA launched enforcement action to help ensure package travel operators comply with consumer law and that customers are not treated unfairly.

As a result of the investigations we secured formal commitments from a number of major package holiday providers (**LoveHolidays,**

**Lastminute.com, Virgin Holidays, TUI UK) to provide refunds without undue delay to customers.**

These firms have to date refunded or committed to **refund customers more than £200 million.**

The CMA also wrote directly to 100 of the most complained about package holiday businesses and issued an open letter to package holiday businesses, reminding them of their obligations under consumer law.

*Andrea Coscelli, CMA Chief Executive said:*

“ The last year has been tough for everyone – including businesses – but that doesn’t mean that consumers, who are also struggling, should be the ones left out of pocket for holidays or other bookings that have been cancelled as a result of the pandemic.

In holiday accommodation, we secured formal commitments from a number of businesses that operate popular accommodation sites. Both Vacation Rentals (which operates Hoseasons and Cottages.com) and Skyes Cottages agreed to provide refunds to customers for holidays cancelled due to restrictions associated with the pandemic.

We published the CMA’s views on how the law applies in relation to contracts for wedding services affected by the pandemic to help customers understand their rights and to help businesses treat customers fairly. Following CMA action, Bijou Weddings Group agreed to change its policy to offer affected customers fairer partial refunds that more accurately reflect the services received up until the date of cancellation. We also issued an open letter to the early years sector, highlighting practices we considered were unfair or contrary to consumer law.

We provided advice to government on exclusion orders, which exempt certain types of agreement in specific sectors from competition law to help ensure risks to competition and consumers are minimised, including two in the groceries sector and others in the ferry transport and healthcare sectors.

## Protecting consumers, including in particular those in vulnerable circumstances

In 2020/2021 the CMA has continued to take tough action to protect consumers and ensure they are not treated unfairly by businesses. This has been particularly important in the last year, as many more people in the UK are likely to have experienced vulnerability due to the pandemic.

Our pharmaceutical investigations ensure that essential drugs are available for patients when they need them, and that the NHS and ultimately taxpayers do not pay over the odds for these drugs.

### Securing supply of essential drugs at affordable prices

We have issued a number of competition law enforcement decisions in the healthcare sector. We found that the pharmaceutical companies Amilco, Tiofarma, and Aspen took part in an illegal agreement in relation to the supply of life-saving medicine, fludrocortisone, that is relied upon by thousands of patients. This illegal agreement had resulted in the price of fludrocortisone supplied to the NHS increasing by up to 1800%. We imposed fines totalling almost £2.3 million and secured a payment of £8 million directly to the NHS.

In December 2020, the CMA accepted legally binding commitments from Essential Pharma to continue to supply the bipolar drug, Priadel, at an affordable price for at least five years. This followed a swift investigation into concerns that the company may have abused a dominant market position by proposing to withdraw the drug from UK patients. The withdrawal would have meant that thousands of patients would need to switch to an alternative, more expensive, treatment such as Camcolit, which is also owned by Essential Pharma, and caused disruption for patients and doctors, while placing an even greater financial strain on the NHS at a time of unprecedented pressure.



We also issued competition enforcement decisions against businesses in the £440 million musical instrument sector for preventing retailers from offering discounts, a practice known as resale price maintenance. Customers should be able to buy products at the best price without fear of paying over market value. These decisions mark the culmination of five separate investigations, covering major players across the sector. In two separate cases against Roland and Korg, the CMA imposed fines totalling £5.5 million, for breaking competition law by restricting online discounting of musical instruments. Despite having settled the case, Roland appealed against its fine to the Competition Appeal Tribunal (CAT), which in April 2021 rejected the appeal and upheld the CMA's approach, increasing the fine from £4 million to £5 million; the CAT's judgment signalled the importance of parties abiding by the settlements they agree with the CMA. In July 2020, the CMA issued a decision finding that the retailer, GAK, and Yamaha Music Europe had breached competition law.

This action follows fines imposed on two other leading suppliers (Casio and Fender) in August 2019 and January 2020.

Consumer protection law is designed to ensure consumers are given the right information to help them make informed decisions; to protect them from unfair trading; and to help them get redress when problems occur.

We continued our consumer protection investigation into care homes. In October 2020, the CMA secured more than £1 million in refunds for those NHS funded residents at Care UK's premium care homes who paid an unfair additional fee towards essential care. Care UK has also formally committed to stop charging this additional fee to current and future residents at its homes.

In November 2020, we published draft guidance to help fertility clinics understand and comply with their obligations under consumer law. The final guidance was published in June 2021.

In December 2020, the CMA published the final report of its market investigation into funeral services, confirming its remedies for the sector. The final report set out further detail on the remedies intended to support customers when choosing a funeral director or crematorium and to place the sector under greater public scrutiny. These include an obligation for all funeral directors and crematorium operators to disclose prices in a manner that will help customers make informed decisions and a recommendation to government to establish an independent inspection and registration regime to monitor the quality of funeral director services. The report also concluded that the CMA should consider consulting on a future market investigation when the impact and consequences of COVID-19 on the funerals sector are sufficiently understood and the sector is more stable.

Our mergers work also covers markets that impact consumers, who may be vulnerable. Cases in the past year include the final implementation of the sale of Smartbox by Tobii, providers of assistive communication products which are bought for those who need them by the NHS, charities and schools. The CMA found that the merger could lead to a reduction in the range of products available and higher prices.

We also investigated and cleared the purchase of gene therapy provider Spark by Roche, the pharmaceuticals company. Spark provides treatments for patients with haemophilia. The investigation found that the NHS and patients would still have access to alternative treatments after the merger. In the educational resources sector, we found that Yorkshire Purchasing Organisation's (YPO) anticipated acquisition of Findel potentially raised competition concerns in the supply of resources to educational institutions in the UK. The CMA found that a merger could leave educational institutions with fewer alternative suppliers and worse terms when purchasing educational supplies. YPO subsequently abandoned the deal.

In March 2021 the CMA launched a market study of children's social care provision to establish why a lack of availability and increasing costs could be leading to the needs of children in care not being met.



## Improving trust in markets

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 on businesses for engaging in agreements and other practices that reduce competition, raising prices and limiting innovation in markets. We have increasingly used our director disqualification powers to ensure personal responsibility for such breaches. We have launched enforcement action to protect consumers from mis-selling and unfair contract terms in markets. We have also examined mergers to ensure these do not reduce competition in markets, and in doing so harm consumers interests.

The CMA considers that individual directors should be held accountable when their companies break competition law. The CMA has powers to secure disqualification of such individuals from being directors of any UK company for up to 15 years. This is important to protect the public from directors who allow competition law breaches, and to focus directors' minds on the importance of complying with the law.

### Director disqualifications

Having ramped up the use of our powers, the CMA secured its first disqualification in December 2016, and in the five years since then has secured 24 disqualifications arising from Competition Act infringements, 11 of these in the past year alone. The disqualifications covered directors involved in a range of sectors, including construction, pharmaceutical and estate agency firms. This includes one case where disqualification was ordered by the court. In that case a director of a company involved in an arrangement between local estate agents to fix commission fees contested our view and, in July 2020, the court ordered the director be disqualified from holding any UK company directorship for a period of seven years.

In a cartel we investigated in the healthcare sector, it emerged that a private hospital in the Spire group had instigated and facilitated an illegal arrangement with seven consultant ophthalmologists to fix fees for initial private consultations for self-pay patients at £200. Initial consultations are an essential first step for people suffering from eye disorders. We imposed a fine on Spire of over £1.2 million.

We welcomed the judgment from the Competition Appeal Tribunal (CAT), which upheld the decision to impose a £25 million fine on FP McCann Ltd for participating in an illegal cartel in the supply of pre-cast concrete drainage products, reflecting the seriousness of the infringement. The CAT's judgment reinforces the need for companies to engage in active competition and not cheat by colluding with their rivals to fix prices or share out the market between them.

As part of an investigation into the leasehold market, the CMA uncovered troubling evidence of potentially unfair terms concerning ground rents in leasehold contracts and potential mis-selling. We identified concerns that leasehold homeowners may have been unfairly treated and that buyers may have been misled by developers. In September 2020, we launched enforcement action involving four leading housing developers we believe may have broken consumer protection law in relation to leasehold homes.

In July and December 2020, we published updates on tackling the Loyalty Penalty welcoming the progress made in the five markets (mobile, broadband, cash savings, home insurance and

mortgages) identified, with Ofcom and the Financial Conduct Authority introducing interventions, most recently in broadband, and general insurance.

We have continued to operate an efficient and effective mergers regime. Where mergers substantially reduce competition, this weakens the competitive pressures that incentivise businesses to keep prices down, improve quality and choice, and spur innovation. A strong and independent system of merger control prevents harm to consumers' interests and can build further trust in markets.

We have taken tough action against the harmful effects of anti-competitive mergers, blocking or substantially remedying mergers that we considered would likely harm consumers interests. Other potential mergers have been abandoned, in response to the concerns raised about the likely impact on competition.

We blocked the merger of TVS Europe Distribution and 3G finding it would result in customers having limited alternatives to choose from when seeking replacement parts for commercial vehicles and trailers.

## Case study 2: viagogo / StubHub merger

viagogo acquired StubHub in February 2020. In the UK, viagogo and StubHub **have a combined market share of more than 90%**.

The CMA concluded that the merger would lead to a substantial reduction in the supply of uncapped secondary ticketing platform services for the resale of tickets to UK events.

This is likely to have led to customers facing higher fees or poorer service in future.

**The CMA accepted undertakings from viagogo to sell StubHub's business outside North America** (StubHub's headquarters).

The CMA was mindful of the significant impact of COVID-19 on the live events industry through-out its investigation.

However, the evidence is that viagogo and StubHub would remain important competitors as and when the live events industry recovers.

*Stuart McIntosh, who chaired the CMA Panel group investigating the merger, said:*



Creating a fully independent StubHub international business will maintain competition in the UK and help ensure that the users of these ticketing platforms don't face higher prices or poorer quality of service.



We accepted legally binding commitments to resolve the CMA's concerns in a number of mergers in the healthcare sector, including medical device suppliers Stryker/Wright and private hospitals Circle/BMI.

Our tough approach towards investigating mergers meant that a number were abandoned after we highlighted serious competition concerns, including a merger between two companies that supply semi-submersible offshore accommodation, Profsafe and Floatel. Crowdcube and Seedrs, two of the largest equity crowdfunding platforms in the UK, also abandoned a merger after the CMA found it would likely reduce competition and innovation.

In October 2020 we requested that the European Commission transfer the review of the merger between Virgin and O2 to the CMA given the potential impact on consumers in the UK. The European Commission agreed and in December 2020 the case was referred for an in-depth phase 2 investigation. The merger was provisionally cleared in April 2021.

Our advocacy and compliance work is another powerful tool we can use to improve the way that markets work for the benefit of consumers and businesses, particularly as the economy begins to recover from the impact of the pandemic. This year we responded to several consultations and made submissions to a number of Parliamentary inquiries, including inquiries in the Devolved Nations, in the digital, audit and food sectors amongst others. We also issued a short guide on Competition law risk in September 2020.

In Scotland, we submitted responses to consultations on the legal sector and the regulation of electricians. In Wales, we responded to consultations in the transport sector – including electric vehicles. In Northern Ireland, we responded to the Economy Committee's Micro Inquiry into the Department for the Economy Energy Strategy and the Northern Ireland Executive Programme for Government Framework Consultation.

## Tackling concerns in digital markets

Online markets have formed a significant part of our work over the past year. We have sought to ensure that the many benefits of digitalisation for consumers are secured, while making sure that concerns are properly addressed.

## Case study 3: Online platforms and digital advertising market study

In July 2020 the CMA published the final report of our market study into online platforms and digital advertising.

The dynamic nature of digital advertising markets and the types of concerns identified by the CMA are such that existing laws are not suitable for effective regulation.

We proposed that a new regulatory regime, in the form of a Digital Markets Unit, is needed so that users can continue to benefit from innovative new services; rival businesses can compete on a level playing field and publishers do not find their revenues unduly squeezed.

The CMA will continue to take a leading role globally in relation to these issues as part of the CMA's wider digital strategy.

The CMA's concerns on expenditure and share of supply:

- In 2019, the UK expenditure on **digital advertising was £14 billion**, on **search advertising was £7.3 billion** and on **display advertising was £5.5 billion**
- Google and Facebook's share of digital advertising is about 80%
- Google's share of search advertising is over 90% and their revenue per search has more than doubled since 2011

**The government agreed with our recommendation and committed to introducing legislation to create a new pro-competition regulatory regime** to tackle the market power of technology giants like Google and Facebook.

The government announced that a Digital Markets Unit would be established within the CMA and a DMU was launched in shadow form within the CMA in April 2021.



*Andrea Coscelli, CMA Chief Executive said:*

“ What we have found is concerning – if the market power of these firms goes unchecked, people and businesses will lose out. People will carry on handing over more of their personal data than necessary, a lack of competition could mean higher prices for goods and services bought online and we could all miss out on the benefits of the next innovative digital platform.

The report on our online platforms and digital advertising markets study has contributed to the global debate on the challenges to competition posed by the most powerful digital firms, and for example, was drawn on by the United States House Judiciary Antitrust Subcommittee in its recent report on competition in digital markets.

We welcomed the UK government's response to our online platforms and digital advertising market study, published in November 2020. The government committed to introducing legislation to create a new pro-competition regulatory regime to tackle the market power of technology giants like Google and Facebook. It also announced that it would establish a DMU within the CMA from April 2021 to begin work to prepare for this new regime.

Following the market study, in December 2020, the Digital Taskforce delivered its advice to government on the design and implementation of the UK's new pro-competition regime for digital markets. The taskforce was commissioned by the government in March 2020 and was led by the CMA, working together with Ofcom, the Information Commissioner's Office and the Financial Conduct Authority. The government is currently considering the Taskforce's advice. It has committed to consulting on proposals for a new pro-competition regulatory regime for digital markets in the first half of 2021 and to establishing this within legislation as soon as Parliamentary time allows.

The DMU was launched in shadow form within the CMA in April 2021 and will focus its work on preparing for the new regime to maximise operational readiness in time for the implementation of legislation, alongside continuing to support and advise government on establishing the statutory regime.

We will continue to use our existing tools effectively and efficiently to address problems in digital markets. This includes through antitrust and consumer protection law enforcement action, markets work, and merger assessment. The CMA's operation of these tools will continue to play an important role in our digital markets work even once the DMU is established. Whilst enabling us to deliver outcomes for consumers and businesses, this work will also enable us to deepen our knowledge of digital markets and support us in considering where to prioritise focusing our new regulatory powers once they come into effect.

We continue to work to support greater coherence across regulation of digital markets, both domestically and internationally. In July 2020 we launched the Digital Regulation Cooperation Forum, alongside Ofcom and the Information Commissioner's Office, to support closer cooperation across our work on digital markets. This was followed in March 2021 with an ambitious workplan setting out how we intend to work together to deliver effective, efficient, coherent regulation across digital markets for the benefit of consumers and industry. Internationally, we have continued to work closely with our counterparts in other jurisdictions across our work on digital markets, and this will be a priority for the year ahead, in particular through our work supporting the G7.

In May 2020, we launched an investigation into several major websites to see whether they are doing enough to protect shoppers from fake and misleading reviews. The CMA secured commitments from Instagram, operated by Facebook Ireland Ltd, to tackle the risk that people can buy and sell fake online reviews through its platform. We also obtained undertakings from Facebook Ireland Ltd, in October 2020 to implement a package of changes to tackle hidden advertising on Instagram. This signalled an important behaviour shift by a major platform and will make it much harder for people to mislead consumers by posting an advert on the photo and video sharing platform without labelling it as such.



In August 2020, following CMA action, StubHub addressed our concerns about its compliance with existing undertakings to the CMA. It also provided an expanded set of undertakings to address newer concerns about its use of misleading messages about ticket availability and the use of adverts for event listings on overseas events that may not have been compliant with UK consumer law.

This year the CMA, along with the Netherlands Authority for Consumers and Markets and the Norwegian Consumer Authority, took a leading role in the international effort to improve information available on the use of personal data by apps available in Apple's App Store. This follows ongoing work from ICPEN (the International Consumer Protection and Enforcement Network), involving 27 of its consumer authority members across the world including the CMA.

There were important cases in our mergers work relating to digital markets. We cleared the proposed acquisition by Amazon of certain rights and a minority shareholding in Deliveroo following an in-depth investigation. We found that the level of investment would not substantially lessen competition in the sector. However, should Amazon acquire a greater level of control over Deliveroo, the CMA could initiate a further investigation. We also found it necessary to impose financial penalties on Amazon for its failure to provide complete responses to two statutory information requests. We will continue to use our powers to impose administrative penalties when businesses fail to comply with legal requirements to provide the requested information.

We completed our phase 1 investigation into the merger of Facebook and Giphy. We found a realistic prospect of competition concerns in relation to digital advertising and the supply of GIFs. The merger is now the subject of a phase 2 inquiry.

### Digital advertising merger abandoned

Also in the digital space, a merger between Taboola and Outbrain, two leading providers of digital advertising to advertisers and publishers including major news sites, was abandoned following an investigation by the CMA. The CMA raised concerns that, if the deal went ahead, publishers in the UK would have a reduced choice of supplier for this type of digital advertising. Our updated mergers assessment guidance also included additional sections relevant to digital markets on dynamic competition and two-sided markets.



## Price comparison website under the spotlight

The CMA imposed a fine of £17.9 million on ComparetheMarket after it found that clauses used in the company's contracts with home insurers breached competition law. These clauses prohibited the home insurers from offering lower prices on other price comparison websites and protected ComparetheMarket from being undercut elsewhere. They also made it harder for ComparetheMarket's rivals to expand and challenge the company's already strong market position as other price comparison websites were restricted from beating it on price. As a result, competition between price comparison websites, and between home insurers selling through these platforms, was restricted. The CMA found that this is likely to have resulted in higher insurance premiums in the £5.9 billion home insurance market.<sup>[2]</sup>



This year the CMA has also opened an investigation into Google's proposals to remove third party cookies and other functionalities from its Chrome browser. The CMA secured commitments from Google to address concerns about Google's proposals and launched a consultation in June 2021 on whether to accept those commitments. We have also opened an investigation looking at Apple's conduct in relation to the distribution of apps on iOS and iPadOS devices in the UK.

## Enhancing productivity and economic growth

Competition is good for consumers and good for business, and it also brings wider economic benefits. It helps ensure that people get a greater choice of better products and services at lower prices. It rewards those businesses which invest in the development of new and improved products to meet people's needs. It spurs businesses to seek more cost-effective ways of making and selling those products, so boosting 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 more competition and innovation. The CMA's competition and consumer protection interventions contribute to making this process work effectively.

We have fined a number of businesses for cartels in the construction industry. While they might not be consumer-facing and the suppliers will not always be household names, these are essential components to key sectors of the economy. By stopping practices that push prices artificially high and weaken incentives to innovate, the CMA are protecting consumers and taxpayers as end-customers and improving Britain's productivity and economic performance. This is critical to protecting and creating jobs.

[2] Mintel Home Insurance Report, December 2020.

## Case study 4: pre-cast concrete drainage cartel

In recent years, we have imposed fines on a number of businesses for cartels in the construction industry, as well as using our powers to disqualify directors who engage in this activity from acting as directors in any business.

**In October 2019 we imposed total fines of more than £36 million on three firms for taking part in an illegal cartel.** The firms were based in various locations across the UK including Somerset and Northern Ireland.

Businesses can appeal our decisions to the Competition Appeal Tribunal (CAT), which one of the parties did in this case.

That appeal ended with a **judgment from the CAT in December 2020 fully upholding our decision to fine that company £25.4 million.**

The CMA also secured the disqualification of four company directors who took part in the cartel. In **March 2021, two of the individuals were disqualified for 11 years and 12 years, the longest period for any director disqualification secured by the CMA to date.**

*Michael Grenfell, Executive Director of Enforcement, CMA, said:*

“ The message to directors is clear – you are personally responsible for ensuring that your company complies with competition law, and if it doesn't you risk disqualification.

In November 2020 we found that two UK roofing lead firms had broken the law by entering into anticompetitive arrangements in the UK roofing materials sector. Both firms admitted their roles in the illegal cartel and now face fines of £1.5 million and £8 million respectively.

We also imposed fines on two companies who supply groundworks products of more than £15 million for illegally colluding to reduce competition and keep prices up. The products are used in a range of major housing and road developments, railway line works and water pipe upgrades. We found the suppliers shared confidential information on future pricing and commercial strategy. They also coordinated their commercial activities to reduce uncertainty, including monitoring each other's prices and challenging quotes they deemed too low.

Where mergers have the potential to substantially lessen competition, as indicated above, this can dampen incentives to innovate and reduce costs, thus could lead to lower productivity and price increases. A merger between building supply companies, Kingspan and Building Solutions, was



abandoned after we highlighted serious competition concerns. We found that the proposed deal could potentially result in customers facing higher prices or lower quality products.

In our regulatory appeals work, in July 2020, the CMA published its final decision following an appeal from NERL, a subsidiary of NATs (the National Air Traffic Control) against the Civil Aviation Authority's price control decision for 2020-2024. In March 2021 we published our findings following a redetermination of Ofwat's price control for 2020-25 for four water companies. The decision by the CMA applies to over 8 million households served by Anglian, Bristol, Yorkshire and Northumbrian Water and allows for sufficient investment to ensure customers receive a sustainable quality of service. The CMA also dismissed an appeal by SSE against decisions made by Ofgem and granted permission to nine energy companies to appeal against modifications made by Ofgem to their distribution licences.

In early 2020, the CMA was asked by the UK government to assess the state of competition in the UK. Our report was published in November 2020 and provided insights into the level and nature of competition across the economy and within a number of sectors. Although much of the study uses comprehensive analysis covering the last 20 years, with the most recent data from 2018, the CMA has also started assessing early metrics of how the COVID-19 pandemic has affected competition.

## Climate change – supporting the transition to a low carbon economy

Concerns about climate change are changing market dynamics and consumer behaviours across the UK economy. The UK committed to a legally binding target of net zero emissions by 2050 and clean growth is crucial to achieving this goal. This includes plans to cut emissions in heavy industry and promote green recovery. We are continuing to develop capability to ensure that when delivering our statutory functions, we act in a way which supports the transition to a low carbon economy.

In November 2020, we launched an investigation into misleading environmental claims. The CMA is investigating how claims about the environmental impact of products and services are made including descriptions and labels used to promote products and services claiming to be 'eco-friendly', and whether they could mislead consumers.

### 40% of green claims made online could be misleading consumers

Although UK marketing practices have been the focus of the CMA's examination, the CMA has also taken a leading role in looking at green claims in a global context. Work has been carried out alongside the Netherlands Authority for Consumers and Markets, as part of a project with ICPEN (the International Consumer Protection and Enforcement Network). A CMA co-ordinated global review by ICPEN members of randomly selected websites has so far found that 40% of green claims made online could be misleading consumers.



We have also launched a market study into electric vehicle charging, to help ensure that this new and fast-growing sector works well for UK drivers. Traditional cars are a major source of greenhouse gas emissions and the UK government has brought forward the ban of new petrol and

diesel vehicles to 2030. By getting involved early as electric vehicles and chargepoints are still developing, the CMA can work to ensure that consumers are treated fairly now and in the future.

In January 2021 the CMA published information to help businesses achieve environmental sustainability goals whilst staying on the right side of competition law. One of the ways businesses are striving to meet climate change targets or other environmental objectives is through 'sustainability agreements'. It is important that competition law does not become an unnecessary obstacle to sustainable development, and that businesses are not deterred from taking part in lawful environmental initiatives for fear they may breach competition law. It is also important to make sure that markets remain competitive and open to innovation. The CMA's information document aims to help firms navigate competition law as it currently stands.

## Taking on new responsibilities, as a result of the UK leaving the EU

In the past year, the CMA continued its extensive preparations to ensure its readiness for its enhanced role which began in January 2021, along with the opportunities and challenges this will bring. Our experienced team worked closely with other government departments, especially the Department for Business, Energy and Industrial Strategy to refine the policies and legislation necessary for a smooth end to the Transition Period with the EU.

We have been closely monitoring the European Commission's portfolio of cases and the pipeline of mergers with an EU dimension. In relation to mergers, the 'pre-notification' discussions that precede formal investigations have been ongoing with a number of merging parties for several months. Our updated mergers procedural guidance sets out how the regime will work going forward and how we will work with our international counterparts.

We have already opened new cases in antitrust and mergers as a result of the UK leaving the EU, including our investigation into the anticipated acquisition, worth an estimated \$40 billion, of Arm by NVIDIA, Google's proposed 'Privacy Sandbox' browser changes, and Apple's conduct in relation to the distribution of apps on iOS and iPadOS devices in the UK. We have also published guidance on changes to our functions to support and inform businesses.

Ahead of the expiry of commitments made by British Airways and American Airlines to the European Commission, the CMA launched an investigation into the Atlantic Joint Business Agreement. To prevent an enforcement gap and given the exceptional market uncertainty due to COVID-19, in September 2020 the CMA imposed interim measures to extend the terms of the European Commission's commitments for an additional three years until March 2024, by which time it is expected that the airline sector should be in a more stable position.

We remain determined to strengthen cooperation across the globe, bilaterally and multilaterally. Markets are increasingly global and the growth of digital ways of doing business means that different jurisdictions face many of the same challenges. Moreover, many issues cannot be fully addressed in isolation, but benefit from concerted action. We will continue our close engagement and cooperation with the European Commission, other competition and consumer agencies of the member states in the EU and globally. The Trade and Cooperation Agreement with the EU includes a provision that provides for negotiation of a separate agreement on cooperation with the

European Commission and the competition authorities of the member states of the EU.

We will also remain members of international forums which are not part of the EU's institutional structures, such as the OECD's Competition Law and Policy Committee, the International Competition Network (as part of which we co-chair the ICN mergers working group), and ICPEN (the International Consumer Protection and Enforcement Network). We continue to work closely with our international counterparts for example, together with the Netherlands Authority for Consumer and Markets, the CMA co-led a project under the auspices of ICPEN, looking at green claims made online. The CMA also significantly contributed to the Best Practice Principles for Marketing Practices directed towards Children Online published by ICPEN.

In September 2020, we signed a Multilateral Mutual Assistance and Cooperation Framework for Competition Authorities (MMAC) along with counterpart organisations in Australia, Canada, New Zealand and the United States, marking a new chapter in inter-agency cooperation to address cross-border anti-competitive activity in an increasingly global economy. The new framework includes a memorandum of understanding focused on reinforcing and improving existing cooperation and coordination on investigations.

More recently, in March 2021 we joined forces with counterpart organisations in the United States, Canada and Europe to consider our approach to investigating pharmaceutical mergers, to ensure that our investigations include fresh approaches that fully analyse and address the varied competitive concerns that these mergers and acquisitions raise. The G7 has invited the CMA to convene a meeting of G7 competition authorities in 2021 to discuss long term coordination and cooperation competition in digital markets.

## Looking ahead – risks, challenges and opportunities

In the midst of the pandemic, which has had a huge impact on our caseload and brought significant changes to how our staff work on a day to day basis, this year has been more challenging than we could possibly have anticipated. As we look ahead, we continue to face uncertainty, due to the changing nature of COVID-19.

The CMA has an important role to play in building trust and confidence when people buy goods and services, which will be critical to the economic recovery from the pandemic. At the same time, we will remain alert to the risk of collusion, to mergers seeking to capitalise on the financial distress of businesses, and to attempts to exploit consumers.

We will continue our work of advising government across the UK in designing and implementing policy for economic recovery in a way that harnesses competition (which spurs innovation and growth) and protects consumers interests.

The UK's exit from the EU presents challenges, but also opportunities for the CMA and for the UK's competition and consumer protection regimes. We remain committed to making the most of these opportunities, while playing a bigger role internationally to promote competition and protect consumers.

We expect to continue to see a significant increase in our caseload for merger control and competition law enforcement and we have committed the necessary resources to ensure that we have the people, skills and infrastructure in place to deal with these complex investigations.

We have begun the process of establishing the Office for the Internal Market (OIM) within the CMA to deliver independent, technical advice, reporting and monitoring functions on intra-UK trade. This new role will commence in Autumn 2021.

We have now established the Digital Markets Unit (DMU) in shadow form within the CMA which, subject to final decisions by the government, will oversee and enforce a new pro-competition regulatory regime for the most powerful digital firms. We will work to prepare for the new pro-competition regime as well as continuing to use our existing tools effectively and efficiently to address problems in digital markets.

All of these developments will have major implications for the work of the CMA and how we allocate our resources.

We will also continue our efforts to ensure we are an open and transparent organisation. Despite the sensitive nature of much of our work, we will endeavour to ensure that consumers and business understand more about our role, what we can and cannot do and how we make the decisions we make. We will continue to apply our updated approach to transparency in competition and consumer enforcement cases meaning that parties under investigation are now normally identified when opening cases. We will also continue to publish minutes of our Board meetings.

This year has been one of considerable change for the CMA as we continued our preparations to take on our new responsibilities amidst the global pandemic. Despite the challenges we have faced, our staff have made incredible efforts to deliver a huge amount for the benefit of consumers, businesses and the economy. We have no doubt that 2021/22 will bring further challenges, but we are confident that the CMA is prepared for those challenges and look forward to the opportunities presented by the changing landscape and our expanded role within it.

**Andrea Coscelli CBE**  
**Chief Executive and Principal Accounting Officer**  
**13 July 2021**

# This year's key moments 2020/21

**April**

**Merger blocked: airline booking companies - Sabre and Farelogix**

**Mergers cleared: telecoms infrastructure companies Cellnex/Arqiva and food delivery companies Just Eat/Takeaway.com**



**May**

**Mergers abandoned: building supply companies Kingspan/Building Solutions education publishers McGraw-Hill Education/Cengage Learning**

**June**

**Director disqualifications: 1 pharmaceutical director and 2 estate agent directors**

**Issued fines imposed for RPM in the musical instrument sector**



**July**

**Completed market study into online platforms and digital advertising market in the UK**

**High Court judgment: Estate agent director disqualified following CMA decision**

**Issued decision on NATs/CAA price control**



**August**

**StubHub makes changes to its UK site to address CMA concerns**

**Director disqualification: pharmaceutical director**

**Merger cleared: online restaurant food companies Amazon/Deliveroo**



**September**

**Merger abandoned: digital advertising companies Taboola/Outbrain**

**October**

**£203m in refunds for Virgin Holidays customers**

**Instagram to tackle hidden advertising after CMA action**



## November

**Merger abandoned: educational suppliers YPO/Findel**

**Imposed £17.9m fine on ComparetheMarket for competition law breach**

**Published report on the state of competition in the UK**

**Impose fines of over £9m for roofing lead cartel**



## December

**CAT appeal: CMA decision upheld - concrete pipes cartel**

**Final report in funerals markets investigation**

**LoveHolidays refund over £18 million for cancelled holidays**

**Digital Markets Taskforce advice to government**

**Merger commitments: Hunter Douglas/247 window blinds**



## January

**Sustainability agreements: CMA issues information for businesses**

**Merger abandoned: Tronox/TiZir metallurgy**

**Merger commitments: CMA requires TVS Europe Distribution to sell 3G, commercial vehicle and trailer parts**

## February

**Director disqualification: construction director**

**Lastminute.com paid a further £1m in refunds (to total £7m)**

**CAT appeal: CMA decision upheld - pharmaceutical information exchange**

**Merger commitments: CMA requires viagogo to sell StubHub's international business**



## March

**Launch of the market study into children's social care**

**Director disqualifications: 5 construction company directors**

**Issued final decision on water price controls**

**Merger abandoned: Crowdcube/Seedrs crowd-funding platforms**



# Performance summary

## Where we spent our money in 2020/21

We incurred spending against parliamentary budgets for the year ending 31 March 2021 of £95.7 million.<sup>[3]</sup> The significant areas of expenditure recorded include:

- £69.6 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;
- £2.7 million on capital expenditure as we prioritised investing in Information Technology (IT) projects to ensure the resilience of our IT infrastructure, ensuring that we equipped staff and enabled them to adapt to working remotely and safely during the COVID-19 pandemic and fitting out the office space in our Belfast office as part of the wider government estates' programme; and
- £18.6 million to cover essential spending on the CMA's expanded role now that the UK has 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 37 to 39.

2020/21 was a challenging year as we had to manage pressures arising as a result of the uncertainties caused by the COVID-19 pandemic, while also continuing to increase our staff resources in preparation for the UK leaving the EU and delivering our commitments with regards to merger control and enforcement.

We have successfully delivered within our parliamentary budgets in 2020/21, with effective financial management decisions delivering underspends across all our budgets, despite the challenges we faced this year.

## COVID-19

We acted swiftly and effectively to manage our response to COVID-19. We enacted business continuity plans and quickly put in place actions to mitigate risks and ensure that our operations continued with minimum disruption. Staff affected by COVID-19 have been supported and communicated with on an ongoing basis. In line with government guidance, we closed all our offices across all the nations for most of this financial year resulting in all our staff working from home.

Due to the specialist skillsets we possess at the CMA, and our investment in Information Technology, we were able to react quickly to the initial impact of the pandemic by effectively and

[3] This expenditure corresponds to total DEL expenditure for the CMA.

efficiently redeploying resources to set up the COVID-19 Taskforce while still ensuring that we discharged our statutory responsibilities effectively.

The COVID-19 Taskforce responded to unscrupulous and harmful practices observed during the pandemic, including price gouging of essential items, and failures to respect the refund rights of Consumers. Following the Taskforce's investigation into sectors such as holiday accommodation and package holidays, we secured hundreds of millions of pounds of refunds for customers whose holidays were cancelled.

Our spending this year included additional costs for supporting staff with equipment they needed to work from home effectively as we implemented our remote working arrangements and moved from being office-based to a home-working organisation.

Costs were also incurred for deep office cleaning, signage and security for reoccupying the Cabot, as well as other facilities management and associated specialist cleaning costs. We also had to purchase additional subscriptions for staff working from home (who were unable to access the news terminal in The Cabot) as this is required for our legal professionals to deliver their work effectively.

### **Fines income**

We also collected £56.8 million from fines (penalties) under the Competition Act, imposed on companies across a variety of sectors, showing the tangible effect of the CMA in curtailing anti-competitive practices, all of which goes directly to central government resulting in a direct benefit to the public finances. This is reported separately in the CMA's Trust Statement on page 116.





# 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 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; and,
- Giving information or advice in respect of matters relating to any of the CMA's functions to the public, policy makers and to Ministers.

Over the course of this reporting year, changes to legislation resulted in the CMA acquiring the following new powers and responsibilities:

- On 31 December 2020, following the UK's exit from the European Union, the CMA assumed responsibility for merger and competition enforcement cases that previously had been undertaken by the European Commission.
- The UK Internal Markets Act 2020 establishes the Office for the Internal Market within the CMA, which will monitor the functioning of trade within the UK and devolved governments and provide independent, technical advice to UK and devolved governments. It will become operational on 1 September 2021.

In December 2020, the UK government announced<sup>[4]</sup> it would establish and resource a new Digital Markets Unit within the CMA from April 2021 to oversee a pro-competition regime for digital platforms. The government is expected to consult on the form and function of the Digital Markets Unit in 2021 and legislate as soon as parliamentary time allows.

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[4] [New competition regime for tech giants to give consumers more choice and control over their data and ensure businesses are fairly treated](#)

## 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 63) and Note 3 of the Financial Statements (page 96).

## Our staff

Despite the circumstances and challenges arising from the COVID-19 pandemic, the CMA has achieved a number of successes over the 2020/21 reporting year to improve the engagement of its staff and strengthen its commitment to equality, diversity and inclusion. We remain committed to looking after the wellbeing and mental health of our staff and 'Health and Wellbeing with Resilience' has been a central theme of our Corporate Action Plan as we adjusted to life under lockdown and changed how we work. In May 2020, we signed up to the Mental Health at Work Commitment, which aims to promote and share best practice among employers by identifying common standards based on up to date research. This Commitment has helped us reinforce and consolidate what we have learnt over this reporting year. We also delivered a substantial programme of activity to support and promote staff wellbeing during Wellbeing fortnight in October 2020 and a further Winter Wellbeing programme in November 2020 that included the launch of virtual fitness sessions. In 2021, we were awarded Mind's Silver Award in the Mind Employers Wellbeing Index, an external assessment of our wellbeing practices and support. The Silver Award is given to employers who have made demonstrable achievements in promoting staff mental health, demonstrating progress and impact over time.

We are passionate about developing our staff. Our Corporate Action Plan focused on encouraging all staff, including those from protected groups, to think about and take active steps to progress their careers. This has been a central theme for us this year, together with delivering a range of work to support managers to understand the career development opportunities available to their staff. To support this aim, we have launched a new Career Development Biography tool to staff at selected grades initially and as part of a pilot to support better quality career conversations with their managers with plans to roll this tool out to all staff in the next reporting year. We have also completed a successful pilot of our mutual mentoring programme, which paired staff from under represented groups with a senior partner from our Senior Executive Team and Senior Director cohort with plans to roll this out to the wider CMA next year.

We remain committed to creating a workplace that is free of bullying, harassment and discrimination, as well as building a broader culture of respect, to ensure the CMA is a great place to work for everyone. Building on our work in the previous reporting year, respect is now fully incorporated into Senior Civil Servant (SCS) mandatory corporate objectives and a new cohort of Respect Ambassadors have been recruited, which are a volunteer staff group who are a first point of contact for those concerned about behaviour, including bullying, harassment and discrimination.

This year, our staff engagement survey score has increased to 67%, an all-time high for the CMA and above the Civil Service average.

## Our commitments to equality, diversity and inclusion

In August 2020, we published the CMA's Equality, Diversity and Inclusion Strategy 2020 - 2024,<sup>[5]</sup> which sets out how we will meet the requirements of the Public Sector Equality duty over the next four years. Our equality objectives for 2020 to 2024 are:

- Building a diverse and inclusive workforce that reflects and understands the public we serve.
- Ensuring all colleagues are valued and can contribute to our success.
- Empowering and enabling all colleagues to thrive and prosper.

The strategy will also be supported by the Diversity and Inclusion Action Plan, which sets out our road map for delivering our ambition.

To support these objectives, we have expanded our outreach activity related to our recruitment work, with a dedicated working group established to focus on this outreach work. A structured programme of activities is being implemented to attract talent from a more diverse pool, which includes engaging with a wide range of universities, working with relevant professional networks from under-represented groups and engaging with state secondary schools. In March 2021, the CMA launched two internal positive action development schemes. 'Accelerate' is a sponsorship programme aimed at Grade 6 and Grade 7 Black, Asian and ethnic minority staff looking for career progression and with aspirations to reach SCS level. 'Aspire' is a separate development programme aimed at supporting individuals from under-represented and minority groups, either from a minority ethnic background, or those with a disability or who identify as LGBTQ+, to navigate the next stages of their career.

The Board reviewed and we published our Ethnicity Pay Gap report<sup>[6]</sup> for the first time in March 2021, which demonstrates an ethnicity pay gap exists. We are fully committed to undertaking considerable work to address this. The Board also reviewed the CMA's most recent Gender Pay Gap report for 2019-2020,<sup>[7]</sup> which showed a small gender pay gap for ordinary pay (mean and median) remains but found a further decrease for the second year in a row. Female representation with the SCS cadre at the CMA further increased for the second year in a row.

Further information is available on the CMA's published Equality Scheme and on page 67.

## 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 (page 97) of the CMA's Financial Statements and relates solely to statutory audit work. The auditors did not undertake any non-audit work during the 2020/21 year.

[5] [CMA Diversity and Inclusion strategy 2020 to 2024](#)

[6] [CMA Ethnicity Pay Gap Report: April 2019 to March 2020](#)

[7] [CMA Gender Pay Gap Report 2019 to 2020](#)

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. The CMA's Principal Accounting Officer performs the roles and responsibilities of the 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, as set out in chapter 3 of *Managing Public Money*<sup>[8]</sup> published by the HM Treasury.

In April 2018, the Chief Operating Officer, Erik Wilson, was appointed as Additional Accounting Officer with a specific responsibility for corporate and support services.

## Directors' report: financial review

### Expenditure

#### Presentation of expenditure

The CMA's expenditure is reported on two different bases in this Annual Report and Accounts. In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the department to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

The Statement of Comprehensive Net Expenditure (SoCNE) (page 87) presents comprehensive net expenditure of £101.0 million. This compares to £98.1 million in 2019/20. This expenditure is calculated following accounting standards (IFRS) and guidance which are explained in more detail in note 1 (page 91) and on a similar basis to those rules generally applied by private sector businesses.

The Statement of Parliamentary Supply (SoPS) (page 74) presents total expenditure £103.4 million and compares this with the budget presented to Parliament of £115.0 million. These figures are calculated in accordance with HM Treasury's Consolidated Budgeting Guidance, which differs in several respects with the accounting basis above.

[8] [Government publications: HMT's Managing Public Money 2018](#)

## An overview of our expenditure

Our Total Managed Expenditure (TME) was £103.4 million, broken down by HM Treasury's spending categories as set out in the table below.

	2020/21 outturn £000	2020/21 budget £000	2019/20 budget £000
<b>TME</b>	<b>103,407</b>	<b>114,973</b>	<b>115,495</b>
- Resource DEL	93,055	101,673	95,292
- Capital DEL	2,657	3,300	17,574
<b>Total DEL<sup>9</sup></b>	<b>95,712</b>	<b>104,973</b>	<b>112,866</b>
- Resource AME	7,695	10,000	2,629
<b>Total AME<sup>10</sup></b>	<b>7,695</b>	<b>10,000</b>	<b>2,629</b>

We are accountable to Parliament for our expenditure. Parliamentary approval for our spending plans is sought through the Supply Estimates<sup>[11]</sup> presented to the House of Commons, specifying the CMA's delegated budget control totals, and asking for the necessary funds to be voted. We draw down these voted funds in-year from the Consolidated Fund as required.

The Supply Estimates include a formal description of the services ('ambit') to be financed. Voted funds cannot be used to finance services that do not fall within the ambit. Our Resource DEL budget for 2020/21 was £101.7 million, including ringfenced budget cover of £19.9 million to cover essential preparatory spending for the CMA's expanded role after the UK exited the EU (including the potential administration of the future Subsidy Control regime) and £2.8 million of budget cover to support operational pressures arising from COVID-19.

Our Capital DEL budget for 2020/21 was £3.3 million and expenditure focused on Information Technology (IT) projects to ensure the resilience of our IT infrastructure and to equip staff to work from home with minimum disruption during the national lockdown.

## Outturn

As set out in the SoPS, our 2020/21 Resource DEL outturn was £93.1 million, comparative to a budget of £101.7 million.

In 2020/21 we managed pressures as a result of the COVID-19 pandemic, while making effective use of the budget to continue to deliver our strategic objectives. We controlled budget allocations for non-staff expenditure at the start of the financial year and created a centrally managed budget to manage COVID-19 pressures and to ensure we could operate remotely and effectively as an organisation.

[9] 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.

[10] 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.

[11] [Government publications: HMT Main Estimates 2020/21](#)

We heard three Regulatory Appeals<sup>[12]</sup> during the year. Each sector has its own legislation setting out the roles of the sector regulator and the CMA. Under that legislation, the CMA recovered all relevant costs incurred in these appeals. The complexity of the appeals and the time taken to deliver them due to COVID-19 meant that significant resource was required, and consequently we recovered £2.3 million more costs than initially forecasted.

This cost recovery contributed to a significant underspend in 2020/21 of £8.6 million. Other material contributing factors were a combination of contingency budget cover not utilised (£2.3 million), additional income received not relating to the Regulatory Appeals (£1.9 million), and an underspend in our staff budget relating to Subsidy Control (£1.1 million). This is a larger underspend comparative to prior years, which reflects our ability to effectively recover higher than expected income but also the uncertainty created by the COVID-19 pandemic.

Our 2020/21 Capital DEL outturn was £2.7 million, comparative to a budget of £3.3 million. The underspend of £0.6 million emerged as we reviewed and revised the classification of IT expenditure between its resource and capital budgets.

Our 2020/21 Resource AME outturn was £7.7 million, comparative to a budget of £10 million. The outturn is driven by the recognition of provisions in the Accounts in respect of ongoing litigation, legacy pensions, dilapidations, and other costs.

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[12] The three Regulatory Appeals heard were Ofwat, CAA/NATS and SSE Code Modification.

## 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 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, Statement of Financial Position, 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 CBE**  
**Chief Executive and Principal Accounting Officer**  
**13 July 2021**



# CMA Governance Statement 2020/21

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 Chair, Non-Executive Directors (two of whom are also members of the CMA Panel)<sup>[13]</sup> and Executive Directors (including the Chief Executive).

Led by the Chair, it establishes the overall strategic direction of the CMA within the policy framework laid down under the Enterprise and Regulatory Reform Act 2013 (the Act). 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 Additional Accounting Officer and ensures that the CMA makes appropriate use of public funds.

The Board is responsible for a number of different matters. These include being the decision-maker on reserved matters, as set out in the Act and the CMA Rules of Procedure published<sup>[14]</sup> on the CMA website, and deciding whether to publish a market study notice and whether to refer a market for a phase 2 investigation.

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 merger inquiries, and regulatory appeals in relation to price controls, terms of licences or other regulatory arrangements.

The CMA Board met 16 times in 2020/21. Board meetings were held in each month except in the month of August. In response to the developing Coronavirus (COVID-19) pandemic, extraordinary Board meetings were convened during the months of April, May and June, so the Board met four times during April and twice during the months of May and June. Attendance of Board members at Board and committee meetings is set out in the table below.

The minutes from CMA Board meetings are published<sup>[15]</sup> on the CMA website. In line with the CMA Conflicts of Interest policy, a register of the interests of Board members and their close family members is maintained and published<sup>[16]</sup> on the CMA website. Any identified conflicts, and potential conflicts, of interest of Board members are managed in line with the Conflicts of Interest policy and any recusals that may subsequently be required are noted in the published minutes.

The Board receives data from a number of sources within the CMA, including an assessment of how the CMA is meeting its strategic priorities, and how it is using its financial and staff resources. It also receives regular management information reports, which include updates on case progress and recent litigation. The Board also recently agreed with the Executive a new process for sharing

[13] Paragraph 1(4) of Schedule 4 to the Enterprise and Regulatory Reform Act 2013 requires that at least one of the CMA Board members is also a CMA Panel member.

[14] [CMA board rules of procedure](#)

[15] [CMA board meeting minutes](#)

[16] [CMA board: register of interests](#)

information about early stage pipeline cases to enable the Board to share its views on the strategic direction of the CMA, starting in 2021/22.

In the spring of 2020, the Board commissioned Lord Andrew Turnbull to conduct an external review of its performance. The final report was presented to the Board at its meeting held in June 2020 and set out recommendations which related to areas such as Board dynamics, the operation of the Board, the composition of the Board, Board materials and the focus of the Board. The review has led to work on a number of developments including: the establishment of a Nominations Committee; an enhanced approach to developing the CMA's strategy; increased engagement between the NEDs and CMA staff; and revisions to the template for committee papers. Other plans, such as holding Board meetings in regional centres, are currently on hold due to the ongoing pandemic.

## Board membership

### Jonathan Scott (Chair)

Jonathan Scott was appointed as Non-Executive Director in October 2016. In October 2020, he was appointed as Chair for a term of up to one year while the recruitment process to appoint a permanent Chair is underway. He is a member of the CMA Nominations Committee and he previously acted as Chair of the CMA Audit and Risk Assurance Committee until September 2020.

### The Rt Hon Lord Tyrie (Chairman), term ended September 2020

Andrew Tyrie was appointed as CMA Chairman in June 2018 and stepped down in September 2020.

### 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. Andrea is the CMA's Principal Accounting Officer and is a member of the CMA Nominations Committee.

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

Kirstin Baker was appointed a panel member and Non-Executive Director of the Board in September 2018. She is a member of the CMA Audit and Risk Assurance Committee. She also serves as an Inquiry Chair.

### Martin Coleman (Panel Chair, Non-Executive Director)

Martin Coleman was appointed in October 2017, and appointed Panel Chair in September 2018. He is a member of the CMA Remuneration Committee. He also serves as an Inquiry Chair.

**Cynthia Dubin (Non-Executive Director)**

Cynthia Dubin was appointed in January 2019. She became Chair of the CMA Audit and Risk Assurance Committee in July 2020 and became Chair of the CMA Nominations Committee in March 2021. She previously served as a CMA Audit and Risk Assurance Committee member.

**Professor Amelia Fletcher CBE (Non-Executive Director)**

Amelia Fletcher was appointed in October 2016 and was appointed Senior Independent Director in December 2020. She is Chair of the CMA Remuneration Committee and the Chair of the Wellbeing, Inclusion, Diversity and Equality (WIDE) Steering Group.

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

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

**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.

**Dr Michael Grenfell (Executive Director, Enforcement)**

Michael Grenfell was appointed in 2015 as Executive Director, Enforcement, a role in which he leads the CMA's activities enforcing competition law and consumer protection law.

**Erik Wilson CBE (Chief Operating Officer)**

Erik Wilson was appointed as Chief Operating Officer in June 2020, which is an expansion of his former role, Executive Director, Corporate Services, which he held since joining the CMA in September 2013. As Chief Operating Officer, Erik leads cross cutting organisational projects and ensures the CMA has first-class support functions. Erik is the CMA's Additional Accounting Officer.

*The Board is advised by the CMA's General Counsel and Chief Economic Adviser who attend Board meetings in an advisory capacity. The Senior Director of Strategy, Regions and Advocacy, the Director of Governance, Compliance and Risk and the Director of Executive Office, Security 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 2020-21

Board member	Notes on appointment	Board meetings	Audit and Risk Assurance Committee (ARAC)	Remuneration Committee (RemCo)	Nominations Committee (NomCo)
Kirstin Baker	Term ends 03.09.21	15/16	5/5		
Martin Coleman	Term ends 30.09.22	16/16		2/3	
Andrea Coscelli	Term ends 26.07.22	16/16	5/5	3/3	1/1
Cynthia Dubin	Term ends 28.01.24	16/16	5/5		1/1
Amelia Fletcher	Term ends 30.09.21	16/16		3/3	
Andrea Gomes da Silva	Term ended May 21 <sup>[17]</sup>	14/16			
Michael Grenfell	Term ends 14.07.25 <sup>[18]</sup>	15/16			
Bill Kovacic	Term ends 31.03.22	16/16		2/3	
Jonathan Scott	Appointed as Chair in October 20 <sup>[19]</sup>	16/16	5/5		1/1
Andrew Tyrie	Stepped down as Chair in September 20	8/8 <sup>[20]</sup>	0/1 <sup>[21]</sup>	0/2 <sup>[22]</sup>	
Erik Wilson	Term ends 30.06.24	16/16	5/5	3/3	

[17] Andrea Gomes da Silva resigned from the CMA and left at the end of May 2021.

[18] There was a break in Michael Grenfell's term on the Board during 2020/21 from 14 July 2020 due to an administrative error with the Department for Business, Energy and Industrial Strategy's reappointment process. The error has been resolved and Michael Grenfell continues to serve on the Board, with a new term commencing from 19 March 2021. Although not serving as a member of the Board during the break in the appointment term, Michael Grenfell continued to attend all Board meetings.

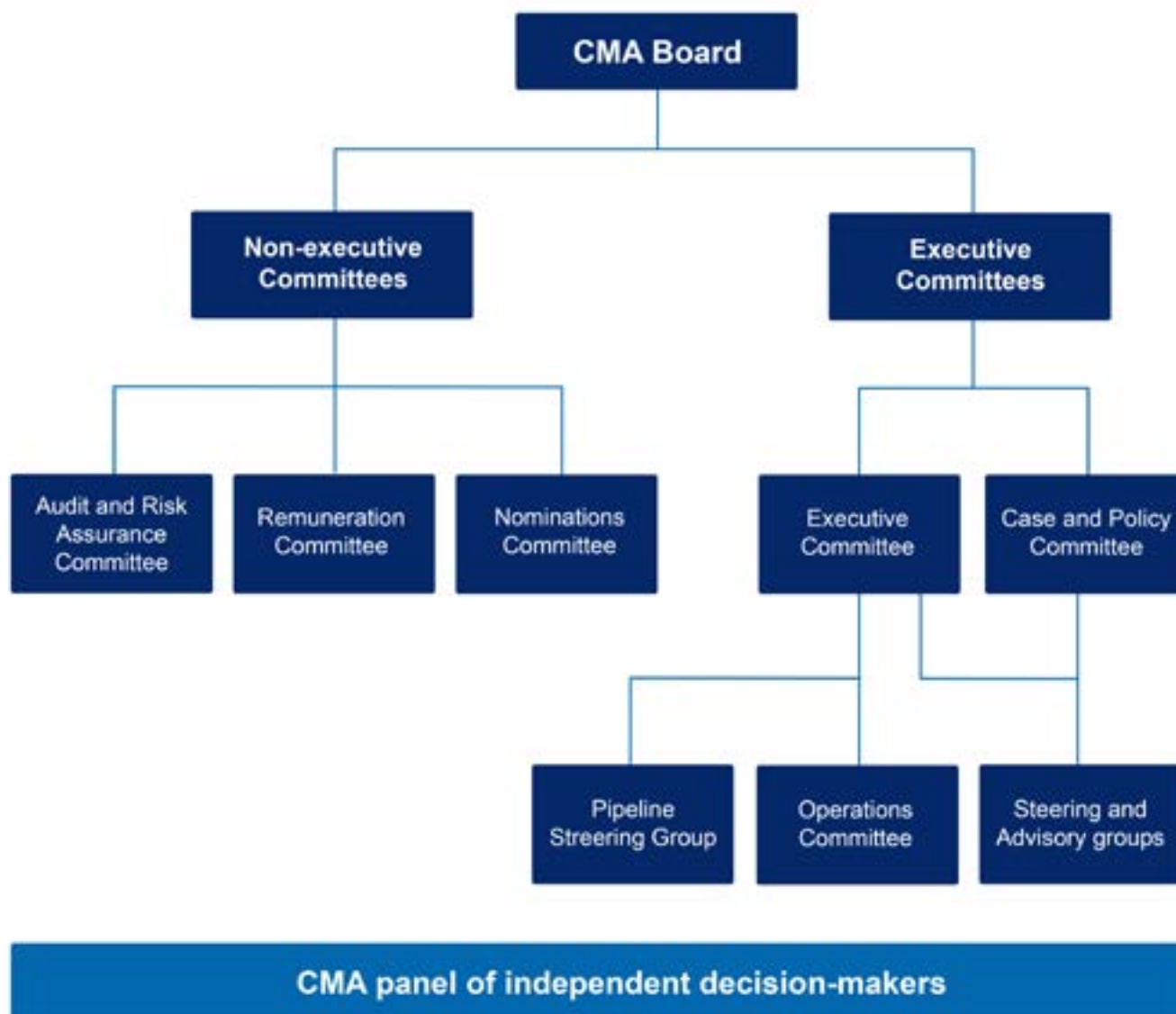
[19] Jonathan Scott's term as interim Chair is expected to cease following the successful appointment of a permanent Chair; the related public appointment process is being managed by the Department for Business, Energy and Industrial Strategy.

[20] Lord Tyrie attended each meeting until end June 20.

[21] There was only one ARAC meeting during Lord Tyrie's tenure in 20/21.

[22] There were only two RemCo meetings during Lord Tyrie's tenure in 20/21.

## CMA Board and Executive Committees



*Committee arrangements in graphic are correct as of 31 March 2021; the role of each committee listed is explained further below.*

### Board committees

The Board has three committees: the Audit and Risk Assurance Committee, the Remuneration Committee and the Nominations Committee. The Chairs of these committees present updates on key issues at Board meetings, and the minutes of these 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, Cynthia Dubin, and has two other non-executive members; Kirstin Baker, who is a qualified accountant,

and Frances McLeman, a CMA panel member. ARAC's remit covers all aspects of corporate governance, risk management and internal control within the CMA.

The Principal Accounting Officer and/or the Additional Accounting Officer (respectively the Chief Executive and/or the Chief Operating Officer) attended all ARAC meetings. The CMA Chair and Director of Finance and Security also attend ARAC. A member of the senior leadership team in Legal Services also attends each ARAC meeting. The National Audit Office (NAO) and Government Internal Audit Agency were represented at each of these meetings. ARAC held five meetings in 2020/21.

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 focusses on risk throughout each meeting, often considering in more detail issues that may raise specific risks for the CMA.

ARAC also worked closely with the CMA Legal Director, Governance, Compliance, and Risk Assurance and the 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 focussed 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 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 2020/21. As Principal Accounting Officer, the Chief Executive, Andrea Coscelli, attended all RemCo meetings along with the Additional Accounting Officer, Erik Wilson.

### **The Nominations Committee**

The Nominations Committee (NomCo) is chaired by Non-Executive Director, Cynthia Dubin. The purpose of NomCo is to advise the CMA Board on succession planning for executive and non-executive members of the Board and provide advice to Government on future CMA Board appointments. NomCo was established as a committee of the Board in October 2020 following the recommendation from a Board effectiveness review that concluded in June 2020.

NomCo met once in 2020/21 and this discussion focussed on succession planning for the CMA's Senior Executive Team and any advice that would be provided to Government in relation to ongoing and planned recruitment campaigns for CMA roles that will be run by the Department for Business, Environment and Industrial Strategy.

## Executive committees

Through the Statutory Authorisations, the CMA Chair, acting on behalf of the Board, authorises staff to exercise the CMA's functions. Oversight of these functions is provided by the Board and two executive committees, the Executive Committee (as well as its sub-committees, the Operations Committee, the Pipeline Steering Group, the UK Internal Market Steering Group, the European Union Exit Committee and the COVID-19 Taskforce Steering Group), and the Case and Policy Committee.

### 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.

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

- The Operations Committee (OpCo) ensures the CMA has in place, and operates effectively, appropriate and robust procedures and business processes including in relation to business continuity, information security, finance and staff issues. OpCo also oversees the Future Operating Model Programme, a corporate project that will explore how the CMA will work in a post-pandemic world. OpCo is chaired by the Chief Operating Officer, Erik Wilson.
- 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. 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 UK Internal Market Steering Group (IMSG) provided overall direction, strategy and oversight for the work carried out by the UK Internal Market Project and oversaw the preparations to establish the Office for the Internal Market. IMSG was formalised as a sub-committee of XCo in September 2020. IMSG is led by the Senior Director, Strategy, Communications and Advocacy. In January 2021, IMSG was disbanded with decision-making going forward being managed in the first instance through informal senior reference groups, with only key issues of substance being considered by the Senior Executive Team, XCo or the Board, as most appropriate.
- The European Union Exit Committee (EUEC) considered the CMA's policy objectives and the potential outcomes and impacts of EU Exit and oversaw preparations for the CMA's expanded role post-EU Exit. EUEC was disbanded in February 2021 following the end of the Transition Period with ongoing CMA work relating to EU Exit being dealt with through the CMA's existing committee structure. EUEC was led jointly by the Chief Operating Officer, Erik Wilson, and General Counsel, Sarah Cardell.
- The COVID-19 Taskforce Steering Group (CTSG) provided overall direction, strategy and oversight for the work carried out by the COVID-19 Taskforce and considered COVID-19

related proposals for initiating investigations under the CMA's statutory powers or any related one-off pieces of work. CTSG was formalised as a sub-committee of XCo in April 2020. Following a review by XCo in February 2021, CTSG was suspended as COVID-19 related complaints received from the public had stabilised and the CMA's ongoing and future work related to COVID-19 was requested to be dealt with accordingly through the CMA's existing committees. CTSG was led jointly by the Senior Director, Policy and International, the Senior Director of Strategy, Communications and Advocacy and the Senior Director of Markets.

## 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.

## The CMA Panel

As set out in the Enterprise and Regulatory Reform Act 2013,<sup>[23]</sup> 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 requirement for the Group to act independently does not prevent the CMA Board from giving appropriate information in its possession to a Group and vice versa.<sup>[24]</sup> 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 Chair<sup>[25]</sup> 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 the Board's consideration of whether 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 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. An Inquiry Chair is dependent on being a member of the CMA Panel.

[23] Part 3, Schedule 4 to ERRRA

[24] See paragraph 49(2) of Schedule 4 of the Enterprise and Regulatory Reform Act 2013

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



More information about each of the panel members is available on our website.<sup>[26]</sup> 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 42

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

See Kirstin's biography on page 42

#### 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.

#### Kip Meek (Inquiry Chair)

Kip was appointed an Inquiry Chair in November 2018.

## Panel members

At May 2020, panel members were<sup>[27]</sup>:

Jo Armstrong	Humphrey Battcock	Robin Cohen
Maria da Cunha	Margot Daly	Richard Feasey
Anne Fletcher	Robin Foster	Roland Green
Ashleye Gunn	Susan Hankey	Jennie Holloway <sup>[28]</sup>
Shrinivas Honap	Dr Ulrike Hotopp	Paul Hughes
Colleen Keck	Sheila McClelland	Frances McLeman
Cyrus Mehta	Paul Muysert	Jeremy Newman
Sir Kenneth Parker	Keith Richards	Stephen Rose
Karthik Subramanya	Professor John Thanassoulis	Professor Mark Thatcher
David Thomas	Claire Whyley	Crispin Wright

[26] [CMA panel](#)

[27] 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 between 1 April–1 May 2020.

[28] Resigned from the CMA Panel on 8 January 2021.

## 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, where risks are quickly identified and escalated.

In 2020/21, the CMA built on the previous year's launch of the new risk management framework, to ensure the appropriate assessment and treatment of risks as this continues to be an integral part of the governance of the CMA. This flexible risk framework also ensures consistency of risk identification, management and reporting, and responds to uncertainties that threaten the CMA delivering its strategic goals.

In September 2020, the Board agreed the Risk Appetite, linking risk with decision-making and achieving the gold standard in risk management. The Risk Appetite is the amount of risk that the CMA is prepared to accept. It sets the recommended/target acceptable level of residual risk across six key themes including strategic, litigation, financial/value for money, operational, legal compliance and reputational. Risk owners treat the Risk Appetite as a framework, to assist them when they make decisions but also to support the process of mitigating and managing risks on an ongoing basis. For example, it makes it clear which mitigation option is appropriate among the '4Ts': treat, tolerate, transfer or terminate. If residual risk is within the Risk Appetite, risk owners may choose to tolerate so that we focus our mitigation efforts to treat other risks that are potentially outside the Risk Appetite.

Furthermore, the CMA's corporate risk register gives a structured assessment of impact, likelihood and velocity, and during the past year, the Head of Risk has worked with the Directorates to build and manage local risk registers, and the development of a central corporate risk register. The risk register is split into two tiers of corporate and strategic risks, with tiers 1 and 2 being considered monthly by XCo and quarterly by ARAC. The Board also reviews tier 1 risks monthly, discussing escalated risks and challenging where appropriate, the mitigating actions.

The risk approach is promoted to staff across the organisation, including through the CMA intranet pages. This focused work on risk has resulted in improved risk reporting and management throughout the CMA.

## CMA Growth Project

Following the Spending Review announcement<sup>[29]</sup> in November 2020, the Government outlined two new areas of responsibility for the CMA – the Office for the Internal Market (OIM) and the Digital Markets Unit (DMU). Recognising the impact that these new areas of responsibility will have on the organisation, the CMA has been managing the work to operationalise these responsibilities as a project. This Growth Project will enable the CMA to build the skills, tools and capacity these new responsibilities demand, and ensure these new duties are delivered efficiently.

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[29] [Spending review 2020 documents](#)

The Chief Operating Officer has been appointed as the Senior Responsible Officer, with the Senior Director of People, Capability and Change acting as the deputy Senior Responsible Officer. A Corporate Services Director has been given the responsibility for the successful establishment of each new function and each Director will work closely with the relevant internal policy leads for both the OIM and DMU. The Growth Project reports to XCo with the CMA Board remaining closely involved.

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

The following statement expands on the summary of the CMA's response to the COVID-19 pandemic (the pandemic) that was provided in the 2019/20 Annual Report and Accounts.

### Governance and oversight

In 2020/21, the priority of the CMA Board and Senior Executive Team (SET)<sup>[30]</sup> in relation to the pandemic has remained the health and wellbeing (physical and mental) of staff. The CMA has complied with all advice from central government, while continuing to make independent decisions where appropriate.

Between early March and the end of April 2020, SET met three times per week to consider pandemic-related issues, both internal and external, and take any urgent operational or resourcing decisions. Any significant decisions, including those with a major impact on the CMA budget, the health, safety or wellbeing of staff, or the reputation of the CMA, were referred to XCo. A central log has been maintained of the decisions taken at SET meetings over the course of the pandemic. SET meetings were reduced to twice per week from May and have continued for the remainder of the 2020/21 reporting year.

Extraordinary Board meetings were convened during the months of April, May and June to ensure that the Board was fully informed and involved in the CMA's decision making in response to the pandemic. From July, the Board meetings reverted to the usual monthly frequency for the remainder of 2020/21. The Board was updated on the CMA's operational response to the pandemic through full monthly written reports and oral updates delivered at its meetings. The Board also received regular updates on the impact of the pandemic on staff availability and on the CMA's work to safely reoccupy its offices during the periods when stay at home restrictions were lifted and government advice encouraged a return to workplaces.

The CMA has completed regular 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. The CMA also provided weekly returns to the Cabinet Office National Leadership Centre's Public Leaders' Survey and participated in the cross-Civil Service Pulse Survey launched in May 2020.

### 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

[30] The Senior Executive Team consist of the Chief Executive, the Executive Director of Enforcement, the Executive Director of Markets and Mergers, the Chief Operating Officer, 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 and Advocacy and the Director of Executive Office, Security and Performance also attended.

person's functions if that person were to be absent from work because of illness or otherwise.

The Board agreed to temporarily amend the Board's authorisations and the Regulation of Investigatory Powers Act 2000 (RIPA) designations in March 2020 to allow the effective functioning of the CMA during the pandemic. The temporary amendments to the Board authorisations and RIPA designations are:

- That the exercise of the CMA's powers to bring and conduct legal proceedings is extended from the CMA Board, the Chief Executive, the Executive Directors, the General Counsel and the Directors of Litigation, to include the Senior Legal Directors;
- That two further CMA panel members, Kirstin Baker and Kip Meek, in addition to Martin Coleman, are authorised to exercise on behalf of the CMA Chair those functions listed in paragraph 48(4) of Schedule 4 to the Enterprise and Regulatory Reform Act 2013; and
- That, in an urgent case, the exercise of the CMA's powers under RIPA designations and Section 94 of the Police Act 1997 is extended to the Chief Executive and the Executive Directors.

The Board first agreed these amendments for six months. The authorisations were then extended for a further six months in July 2020, and most recently for a further twelve months at the February 2021 Board meeting. These are published on the CMA website.<sup>[30]</sup> These amendments have not changed the day-to-day level of decision making at the CMA.

### Staff resourcing

Building on the initial decision to prioritise critical functions and cases in the event of staff absences, SET has continued to keep the existing portfolio and resourcing under review. The priorities remain to secure suitable and sufficient resources for the COVID-19 Taskforce, during its existence, and activities subject to statutory deadlines. Decisions were taken during the initial period of the pandemic to pause certain existing discretionary case and project work and these paused cases have all since resumed.

Since the onset of the pandemic, the CMA has implemented comprehensive procedures to manage COVID-19 illness within its staff. Regular internal and external reporting on staff impact from the pandemic is ongoing. SET was conscious of the broader impact of the pandemic on staff that was not necessarily reflected in the staff availability figures. Steps to reduce these impacts are covered in more detail in the 'Staff welfare and communications' section below.

Following the successful roll out of an improved and more sustainable videoconferencing platform to all staff in April, further training and virtual surgeries were offered to staff to help them learn quickly how to maximise their ability to work collaboratively. A remote recruitment process was established to ensure the CMA's recruitment activity would be sustained and its access to the current talent pool could continue.

The CMA Technology & Business Services teams have remained focused on maintaining critical technology and communication services to support the CMA's remote working arrangements due to the pandemic. Additional monitoring regimes were established to track remote use of core systems and these are reported daily.

[31] [Authorisation of staff of the CMA and named CMA Inquiry Chairs](#)

Responding to requests from central government, members of CMA staff have been loaned to other government departments to support the wider response to the pandemic (see page 71). Following requests from Cabinet Office in June and August, the CMA allowed government access to CMA reserve candidates from past recruitment activity to potentially resource COVID-19 related projects.

### **Staff welfare and communications**

Staff wellbeing has been the priority for the Board and SET through the pandemic. The CMA has issued a range of direct communications from the Chair, the Chief Executive, and the remaining members of the Senior Executive Team throughout the developing situation. Staff representatives were engaged regularly to discuss the CMA's COVID-19 operational response, which provided effective opportunities to engage, understand and inform on the range of complex issues that arose over the course of the pandemic. The CMA was also in regular contact with all staff located abroad and review dates for arrangements for working overseas were monitored and adjusted appropriately.

Staff impacted by caring commitments resulting from school closures or from the pandemic have been encouraged to work flexibly or to take paid special leave. The CMA Board and SET have remained cognisant that extended lockdown arrangements may have a detrimental impact on the mental health and wellbeing of its staff members. Therefore, the CMA has continued to support a number of initiatives and increased its efforts to promote the health and wellbeing of staff at appropriate times, noting in particular the tightening of lockdown restrictions from November and the effects of the seasonal change during the winter months. Comprehensive intranet hubs of information have now been published for COVID-19.

Over the course of the various local and national lockdowns when the CMA's offices were closed, a limited number of desks in Government hubs located in London and Edinburgh were secured for staff to access who had an exceptional need to return to an office based on mental wellbeing circumstances and domestic situations. The CMA was also in touch with its staff located in Belfast and Cardiff to establish individual remote working preferences at appropriate times.

The CMA responded to requests to ensure its staff can work from home safely and effectively. As the majority of staff had now been working remotely for the duration of the pandemic, a review of policies relating to home working was conducted after six months to ensure they remained appropriate. A working at home toolkit has been published on its staff intranet pages, which draws together guides, tips and tools that were built through its smarter working programme and has been refined through its staff members experiences of working during lockdown. The guidance for on-site investigations and raids during the pandemic was also reviewed and updated to require sign off from relevant SET members to approve any business-related travel.

The CMA chose to take part in the Cabinet Office COVID-19 pulse survey, which ran throughout the month of May 2020. The pulse survey provided the CMA with important information on staff perceptions at the current time, and informed the CMA to understand a number of factors in how its staff felt about the current pandemic situation, the positive changes they would like to continue long-term and the support they would need as the lockdown eventually relaxed.

516 responses from CMA staff to the pulse survey were received. The CMA has scored highly in staff satisfaction measures and when compared across the Civil Service as a whole. Particular highlights include high levels of staff confidence in the way in which senior leaders are handling the impact of the pandemic, how supported staff feel by their team and manager, and the effectiveness of communications. The data has also highlighted some key themes the CMA considered when planning for reoccupation including providing timely information about plans and timings, staff concerns around travelling, and staff preferences to continue to work more flexibly in the future.

### **CMA office closures and planning for reoccupation**

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.

In early May 2020, XCo approved the approach to reoccupy our offices based on a phased reoccupation of the facilities commencing once lockdown measures and other constraints allowed. Timing of these phases were to be driven by the easing of restrictions, business need and staff safety. The dynamic situation resulted in a programme of activities evolving to respond to the changing environment, restrictions and guidance but throughout the CMA followed key principles of being flexible, providing staff members options and delivering this in a safe and controlled way.

The programme was managed as a corporate project led by the Senior Director, People, Capability and Culture reporting to the Chief Operating Officer. Project governance was delivered through regular updates to SET, XCo, the Board and ARAC through a variety of formal and informal channels.

The key deliverables of the programme included:

- a phased reoccupation providing a safe working environment;
- enabling the organisation to continue delivering its frontline work;
- Supporting staff to make choices on their work environment;
- Providing a range of support to enable staff to work effectively from home; and,
- Regular and meaningful engagement with staff representatives.

Work to reoccupy the CMA's offices is aligned to guidance issued by the Department for Business, Energy and Industrial Strategy (COVID-Secure – Offices and Contact centres) and the Government Property Agency (GPA). The CMA has undertaken appropriate risk assessments and developed infection control responses while undertaking this work. No staff member has been compelled to return to office-based working at this time.

The CMA's main office in London was re-opened in a COVID-secure manner for a limited number of staff in August 2020. The litigation suite near the Courts in London was also prepared for re-opening and has been utilised as required by the CMA Litigation team. The CMA office in Edinburgh was also initially scheduled to reopen at this time, but a decision was taken to postpone the reopening based on changing advice from the Scottish Government. The office in Belfast remained closed to CMA staff.

In line with the request issued to all Permanent Secretaries in September 2020, the CMA started the process to open its office in London to a larger number of staff. However, this process was halted following the Prime Minister's announcement on 22 September 2020 advising those who were able to should work from home. The CMA's office in Edinburgh remained closed in line with the position of the Scottish Government.

All CMA offices closed following the Prime Minister's announcement of a second England-wide lockdown on 31 October 2020 and the latest national lockdowns announced for England and Scotland on 4 January 2021. However, the CMA litigation hub located near the Courts in London have remained accessible by the CMA litigation team to support essential CMA engagement with the Courts.

By the end of March 2021, work had begun to re-open the CMA's offices in a managed and controlled manner. The CMA's ongoing work to reoccupy its offices will replicate the successes identified over the 2020/21 reporting year and consider the lessons learned, such as reducing the complexity and variety of reporting required by various stakeholders, ensuring better consideration is given to the medium and long term environment and developing more resilience around single points of expertise. The CMA will also implement the benefits gained from its COVID-19 response, such as its improved engagement with technology to collaborate and enhanced organisational flexibility, into its Future Operating Model programme of work that will establish the CMA's post-pandemic business as usual operation.

## Compliance

### Corporate Governance Code<sup>[32]</sup>

The CMA has complied with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice, to the extent appropriate and in line with their statutory duties.

### Identifying and managing conflicts of interest

The CMA's Conflicts of Interest<sup>[33]</sup> policy sets out the process for declaring and managing any potential conflicts that may arise for Board, Panel and staff members. In line with this policy, staff raise conflicts with their managers and the Compliance Officer for the purposes of assessing whether a conflict arises and, if so, how it should be managed.

In April 2021, an assurance exercise was conducted with all Senior Civil Servants at the CMA to confirm a) the details of any paid employment outside the CMA; b) any wider conflicts that would impact their official duties responsibly; and c) to provide details of any potential conflict, where it has not been declared, but the CMA policy requires it to be declared. This exercise found that no CMA Senior Civil Servants held remunerated positions or wider interests that might conflict with

[32] Corporate governance in central government departments: code of good practice, April 2017 (the Code of Good Practice), produced jointly by HM Treasury and the Cabinet Office.

[33] [CMA Conflicts of Interest policy is annexed \(Annex D\) to the Board Rules of Procedure published online](#)

their obligations under the Civil Service Code.<sup>[34]</sup>

## Business Appointments

The CMA's Business Appointment Rules Policy explains a) what the Business Appointment Rules (or "BARS"), as laid down by the Advisory Committee on Business Appointments, are; b) that they apply to all CMA staff as civil service employees, and; c) what the CMA's procedure is for dealing with applications made under the BARS. A copy of the BARS is also appended to the Policy. The CMA's Conflicts of Interest policy also makes it clear that staff are required to comply with the BARS regarding outside and future employment or appointments. A review of the CMA's BARS process is underway to ensure it remains robust, transparent and scrutinised appropriately by relevant Board committees.

In compliance with the BARS, the CMA is transparent in the advice given to individual applications for senior staff. In regard to advice sought on specific business appointments, the CMA has not encountered any instances that would require publication on its website.

## 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. 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.

Following the policy review in 2020/21, improvements were made to make better use of the CMA's network of Nominated Officers including establishing a regular forum for Nominated Officers to share experience and best practice in handling approaches from members of staff. Steps to raise the profile of the policy and Nominated Officers were also taken, such as publishing relevant blogs from Nominated Officers on the CMA's intranet pages and Nominated Officers promoting the Speaking Out policy in a programme of internal meetings.

The CMA received no whistleblowing complaints during 2020/21. One approach from a staff member under the internal whistleblowing policy was reported. However, this approach was determined to be out of scope against the CMA's internal whistleblowing policy and dealt with appropriately under an existing HR policy.

## 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. During the reporting year, the CMA completed an internal review of its complaint handling process to ensure relevant policies remained fit for purpose and to identify

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[34] [Government publications: Civil service code](#)



whether staff awareness of these policies was sufficient. Following this review, the CMA's internal complaint handling process was strengthened to make the distinction between the stages of its complaints process clearer and a programme of internal communication activity was implemented to raise staff awareness of the procedure. Under these terms, in 2020/21, the CMA received 20 communications which raised issues about its conduct and which were treated as corporate complaints (2019/20: 3). Of these 20 complaints, 20 were not upheld.

No complaints were made about the CMA to the Parliamentary and Health Service Ombudsman during 2020/21 (2019/20: none).

### General correspondence

In 2020/21 the CMA handled 11,330<sup>[35]</sup> 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 (2019/20: 9,768).<sup>[36]</sup> We have a 10-day working target to reply to this correspondence. We responded to over 99% of this correspondence within this target (2019/20: 99%).

During 2019/20 we received 260 MPs letters (not including ministerial departmental correspondence) (2019/20: 87). We responded to 72.9% of these within our target of 15 working days (2019/20: 74.7%).

### Freedom of Information Act (FoIA) requests

In 2020/21, the CMA responded to 95% of the FoIA requests it received within the statutory 20 working day period. We also received and responded to 10 appeals against non-disclosure of information; our original decision was upheld in all of these appeals.

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 25 requests under the GDPR/Data Protection Act 2018. Eight 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 the CMA; 17 were requests for copies of individuals' personal data, including seven from members of CMA staff. All of these requests were answered within the statutory one month period allowed by the legislation.

### FoIA requests 1st April 2020 – 31st March 2021

[35] This total does not include correspondence relating to anticompetitive behaviour in the UK during the Coronavirus (COVID-19) pandemic. This correspondence was dealt by the COVID-19 Taskforce and more information on this can be found on pages 5 and 11.

[36] This total does not include the online complaints relating to anticompetitive behaviour in the UK during the Coronavirus (COVID-19) pandemic dealt with by the COVID-19 Taskforce.

<b>Total number of requests for information under the FoIA</b>	<b>145</b>
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<b>Of these:</b>	
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Number of requests granted in full	53
Number of requests refused in full because the CMA does not hold any of the information requested	6
Number of requests refused because the cost of the response would exceed the cost threshold	5
Number of requests refused because request was vexatious	0
Number of requests where the CMA refused to provide some of the information	22
Number of requests where the CMA refused all the information requested	59

### Personal data related incidents

Two personal data incidents were formally reported to the Information Commissioner's Office (ICO) during 2020/21, with the ICO deciding not to investigate any further.

### 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 the previous reporting year, this annual report reflects the continued improvements the CMA has delivered to governance, risk management and control environment despite the adjustments required to support remote working. Where areas of control weakness have been identified, these related more to compliance with controls rather than in the design of the controls themselves. The CMA was recognised for proactively balancing the operation of business activities remotely and the need to maintain the control environment with positive results, particularly in relation to HR, procurement and financial activities. However, the need for the users of these processes to further adopt a culture of compliance was identified.

With regard to the governance arrangements put in place by the CMA during the COVID-19 pandemic, the Head of Internal Audit's observation was that the CMA was quick to adapt and the arrangements supported proactive decision-making while maintaining appropriate oversight with the Senior Executive Team through daily meetings and the non-executive through continued engagement at Board and ARAC meetings.

Staff welfare and the growing risk of increased levels of stress and burn out from working through the pandemic and taking on additional functions, such as the Office for Internal Markets and the Digital Markets Unit, have been adequately addressed and Internal Audit have found the CMA to be very much alive to these issues and have proactively and compassionately supported staff

throughout the reporting year.

It was noted that the CMA has built on the previous year's launch of the new risk management framework to ensure the appropriate assessment and treatment of risks as this continues to be an integral part of the governance arrangements. The framework, which provides a more structured risk management process across the CMA aligns with HM Treasury's guidance on risk management principles and concepts. The visible support through positive engagement and commitment from the CMA's Senior Executive Team and Board was recognised, along with the progress in improving the quality of information provided in corporate risk registers and those used by teams in general. There are, however, some opportunities to develop and refine risk management further as the CMA continues along this risk journey.

The CMA has taken steps to improve oversight around its data handling and governance during this reporting year. The creation of the Data Governance Working Group and the recruitment of additional resources to support the CMA's Data Protection Officer will result in greater consistency and the sharing of good practice across the CMA, although the annual report from Internal Audit notes that more time is needed for the effect of this work to become fully embedded.

The CMA's progress to implement Internal Audit's recommendations from the 2019/20 reporting year and address weaknesses or to improve the control environment was highlighted, which reflects the CMA's commitment to ensuring an effective control environment.

## 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 businesses 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.

## Sustainability Report

In accordance with HM Treasury guidance for the 2020/21 Annual Report and Accounts issued to all government departments, the CMA's commitments to ensuring sustainability will appear in the forthcoming Greening Government Commitments report to be issued by the Department for Environment, Farming and Rural Affairs (DEFRA). For the purpose of sustainability reporting, the CMA reports to the Department for Business, Energy and Industrial Strategy (BEIS) on a quarterly basis and the CMA's commitments will be included in the Greening Government Commitments Report under BEIS' return.



# Remuneration and Staff Report

# Remuneration Report

## Senior management – single total figure of remuneration (audited)

Senior Management	Salary		Bonuses <sup>37</sup>		Pension benefits <sup>38</sup>		Total	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000	£000	£000
Andrea Coscelli	200-205	190-195	15-20	15-20	37	34	255-260	240-245
Andrea Gomes da Silva	165-170	165-170	15-20	15-20	-	-	185-190	180-185
Erik Wilson	135-140	130-135	20-25	20-25	133	175	290-295	330-335
Michael Grenfell	165-170	165-170	15-20	15-20	25	42	210-215	225-230
Mike Walker	180-185	180-185	-	-	70	70	250-255	250-255
Sarah Cardell <sup>39</sup>	200-205	195-200	15-20	15-20	35	33	250-255	245-250

## 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 2020/21 was £220-225k (2019/20: £205-210k). This was 3.82 times (2019/20: 3.79 times) the median remuneration of the workforce, which was £58.2k (2019/20: £54.7k).

In 2020/21, no employees received remuneration in excess of the highest-paid director (2019/20: 1). Remuneration, excluding the highest-paid director, ranged from £22.5k-£218.4k (2019/20: £22.2k-£212.5k).

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.

[37] At the time of publication, guidance for the 2020/21 bonus payments for SCS staff has not yet been approved by government. 2019/20 figures were used.

[38] 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.

[39] The 2019/20 bonus figure has been restated from 10-15 and the 2019/20 total figure has been restated from 240-245 as was published in last year's report. This is as a result of the bonus figure from 2018/19 being used as it was not known at point of publication what bonus would be paid in 2019/20.

## Senior Management – pension benefits (audited)

	Accrued pension at pension age as at 31 March 2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase / (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Andrea Coscelli <sup>40</sup>	-	-	-	-	-	37
Andrea Gomes da Silva <sup>41</sup>	-	-	-	-	-	-
Erik Wilson	85-90	5-7.5	1,658	1,491	113	-
Michael Grenfell <sup>42</sup>	-	-	-	298	-	25
Mike Walker	30-35	2.5-5	426	358	41	-
Sarah Cardell <sup>43</sup>	-	-	-	-	-	35

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

[41] Andrea Gomes da Silva is not in a pension scheme.

[42] Michael Grenfell was in the partnership pension for the 2020/21 reporting year. The contribution made to his pension during the year is listed in the senior management remuneration table.

[43] 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)

	2020/21		2019/20	
	Salary	Benefits in kind <sup>44</sup>	Salary	Benefits in kind
	£000	Nearest £100	£000	Nearest £100
Andrew Tyrie <sup>45</sup>	70-75	-	160-165	-
Amelia Fletcher	25-30	-	25-30	-
Cynthia Dubin	25-30	-	25-30	-
Jonathan Scott <sup>46</sup>	100-105	-	25-30	-
Kirstin Baker <sup>47</sup>	25-30	-	25-30	-
Martin Coleman <sup>48</sup>	25-30	-	25-30	-
Bill 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 was engaged on a 3-days per week contract for the period 1 April 2020 to 15 September 2020, and Jonathan Scott who was engaged on a 2-days per week contract from 9 October 2020.

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 (2019/20: 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).

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

[44] Benefits in kind covers any benefits provided by the CMA and treated by HMRC as taxable. In 2020/21, no Benefits in kind were recognised for NEDs.

[45] Lord Andrew Tyrie worked 3 days per week on an annual FTE salary of £265-270k; he left the CMA on 15 September 2020.

[46] The salary above for Jonathan Scott relates to his role as a CMA NED for the period 1 April 2020 to 8 October 2020 and for his role as Interim Chair from 9 October 2020 onwards. For the period 16 June to 17 September 2020, Jonathan's NED salary included payment for ensuring an effective handover following Lord Tyrie's resignation. In 2020/21 Jonathan was also a member of a case decision group, and earned a total remuneration of £0-5K for his work in this capacity.

[47] The salary above for Kirstin Baker relates to her role as a CMA NED only. In 2020/21 Kirstin was also employed as a CMA Inquiry Chair and in 2020/21 earned a total remuneration of £110-115k for her work on the CMA Board and Panel.

[48] The salary above for Martin Coleman relates to his role as a CMA NED only. In 2020/21 Martin was also employed as CMA Panel Chair, and in 2020/21 earned a total remuneration of £135-£140k for his work on the CMA Board and Panel.

- 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 2020/21 no such payments were made, (2019/20: 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. 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 the 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.

## 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. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report - see below). 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 occupational defined contribution pension arrangement which is part of the Legal & General Master trust. 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 recognise and value our people as our most important asset in delivering our strategic objectives. Our leaders champion our culture, live our values, and facilitate high performance, and we have a highly talented and skilled workforce that are engaged through collaborative and inclusive ways of working.

With the ongoing pandemic, all of our staff have experienced an exceptional year, and some have experienced significant personal and professional challenges. We have supported staff through this difficult time and maintained our focus on ensuring that the CMA continues to be an employer of choice.

## Equality, Diversity, and Inclusion

This year we launched our new Equality, Diversity and Inclusion Strategy 2020-2024 and our Equality, Diversity, and Inclusion Plan 2020-2022. These were developed in consultation with our staff networks, our Executive and senior diversity champions, the Wellbeing, Inclusion, Diversity and Equality (WIDE) steering group and our staff representatives. The Strategy and Action Plan are ambitious and build positively upon the work that has already been achieved in equality, diversity, and inclusion at the CMA. More detail on our commitments to equality, diversity and inclusion are set out on page 36 in the Corporate Governance Report above.

## Volunteering

We encourage staff to support charities and local community groups and offer up to 6 days paid special leave per year for staff to undertake volunteering. The pandemic has had a significant impact on volunteering, and as a result we have had minimal level of paid volunteering leave in 2020/21. We have been working to create more opportunities for volunteering and have set up a partnership with a large multi-academy trust to deliver outreach to schools. This will provide volunteering opportunities to CMA staff from summer 2021.

## Wellbeing

Throughout the COVID-19 pandemic, we have had a real focus on employee wellbeing. We have regularly reminded staff and managers of the importance of checking in on each other and supporting our colleagues. We have also highlighted the wide range of support available to our staff including a dedicated COVID-19 hub on our intranet, a dedicated email address for queries, our Mental Health First Aiders, our Employee Assistance Programme, and the Charity for Civil Servants. We have ensured that our staff who have caring responsibilities are well supported by the provision of paid special leave when appropriate, for example, in order to home school children during periods of school closure.

## Smarter Working

Thanks to the resilience, adaptability and professionalism of our staff, our HR policies, our investments in technology and the establishment of smarter working practices, the CMA was able to move to 100% remote working without losing capacity or pace with our work.

Surveys commissioned by the Cabinet Office and Government Property Agency showed that CMA staff felt able to work productively, comfortably, and safely from home, with access to all the equipment and tools they need. Responses overall were more positive than the wider Civil Service.

Having set up the COVID-19 Taskforce to respond to the pandemic swiftly and decisively, we sought to rebuild our operational rhythm and get back to a way of working that is as close to normal as possible. We refined our working practices and the support and training we provide, and we continue to see that colleagues' motivation, resilience and productivity remain high.

Based on principles of safety, flexibility, and control, we partially reopened some of our offices in Summer 2020. Our focus was on providing colleagues with choice and to support them to return to the office if doing so would positively affect their health and wellbeing. Having closed them again at the end of 2020, in April 2021 we made offices available to colleagues who wished to return and who had a wellbeing need to do so. From May 2021, our offices were made more widely available for all colleagues wanting to return.

We are carrying out a structured and comprehensive programme to explore our future operating model and will make changes in a phased and gradual way, learning and refining as we go to ensure we develop a model that suits the CMA and the work we do.

## Health and Safety

In 2020/21, we reviewed the CMA's health and safety policies and procedures including carrying out COVID-19 risk assessments and implementing measures to provide a COVID-19 Secure workplace. Additional efforts were made to deliver health and safety audits, COSHH assessments, fire risk assessments and workplace inspections. Improvements were made to our processes for incident and accident reporting and to DSE assessments. We updated our emergency evacuation arrangements including staff Personal Emergency Evacuation Plans (PEEPs) and refreshed our cohort of fire marshals, first aiders and senior responsible persons. We reported four near misses and no accidents during the financial year.

Building compliance is up to date and WELL Building Standard performance testing has been carried out as part of the accreditation process for our largest office in London. WELL is a performance-based system for measuring, certifying, and monitoring features of the built environment that impact human health and well-being, through air, water, nourishment, light, fitness, comfort, and mind.

## Sickness absence

The average working days lost in 2020/21 due to absence per FTE employee was 3.39 days (2019/20: 4.41 days). The most recently published Civil Service figure was an average of 7.4 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 2020/21, 733 working days were lost to staff illness with symptoms corresponding to those attributed to COVID-19; this accounts for 25% of all working days lost during the year.

## 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

19 employees (18.4 FTE) were relevant union officials during 2020/21 (2019/20: 15 FTE). 5 union officials spent 0% of their working hours on facility time in 2020/21 (2019/20: 3) and 14 union officials spent up to 50% of their working hours on facility time in 2020/21 (2019/20: 12).

The time spent by union officials on paid trade union activities as a percentage of total paid facility time hours in 2020/21 was 9.29% (2019/20: 8.97%).

The percentage of the total pay bill in 2020/21 spent on paying employees who were relevant union officials for facility time was 0.085% (2019/20: 0.07%).

## Off-payroll engagements

In 2020/21, there was 1 new off-payroll engagement for more than £245 per day and lasting longer than 6 months; there was also 1 existing off-payroll engagement that ended during the period. There were no off-payroll engagements of Board members and/or senior officials with significant financial responsibility.

There were 3 individuals on payroll that have been deemed Board members and/or senior officials with significant financial responsibility.

## Staff costs (audited)

### Staff costs comprise:

	2020/21		2019/20	
	Permanently employed staff	Others <sup>49</sup>	Total	Total
	£000	£000	£000	£000
Wages and salaries	52,612	2,487	55,099	52,701
Social security costs	6,020	-	6,020	5,559
Pension costs	13,289	-	13,289	12,218
<b>Sub total</b>	<b>71,921</b>	<b>2,487</b>	<b>74,408</b>	<b>70,478</b>
Other staff costs	170	-	170	258
(Income) / Reversal of income in respect of outward secondments	(361)	-	(361)	32
<b>Total</b>	<b>71,730</b>	<b>2,487</b>	<b>74,217</b>	<b>70,768</b>

In 2020/21, there was an increase in staff costs compared with 2019/20 due to the following factors:

- a higher average FTE for the year (24.2 FTE higher) compared to 2019/20, which we attribute to lower staff turnover due to increased appetite for job security during the COVID-19 pandemic;
- increases to minimum starting salaries for new joiners and internal promotions of 1.5% for non-SCS roles and between 1.1% and 4.3% for SCS roles;
- average pay awards through our pay settlements of 2.5% for non-SCS staff and 1.9% for SCS staff; and
- a slightly higher level of annual leave carryover at the end of financial year.

In 2019/20, the CMA recorded a reversal of income in respect of outward secondments. This was primarily due to an overstatement of expected income of £0.1 million in a previous financial year that was subsequently adjusted in 2019/20.

## Number of people employed (audited)

The number of people (FTE) employed at 31 March 2021 and the average number of people (FTE) employed during the year:

	At year-end		Average for year	
	2020/21	2019/20	2020/21	2019/20
	Number	Number	Number	Number
Permanent staff	766.2	790.9	770.0	732.9
Others <sup>50</sup>	80.6	108.1	99.0	111.9
<b>Total</b>	<b>846.8</b>	<b>899.0</b>	<b>869.0</b>	<b>844.8</b>

[49] Wages and salaries of Others comprises of agency and temporary staff.

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

The 2020/21 year-end figure is 52.2 FTE lower than the year-end figure for 2019/20. This is due to the CMA's Workforce Planning Committee reassessing the roles and professions needed to effectively deliver our regulatory responsibilities in 2020/21, while also considering the impacts on future budgets and the outcomes of Spending Review 2020. We also noted an increase in leavers in the latter half of the year, which has also contributed to the lower year-end FTE position.

The 2020/21-year average is 24.2 FTE higher than in 2019/20. In the first and second quarters, we noted a significantly lower number of leavers compared to previous years, which we attribute to increased appetite for job security during the pandemic. This has therefore increased our average for the year.

## Staff Composition<sup>[51]</sup> (audited)

The number of people (FTE) employed at 31 March 2021 by grade:

	2020/21		2019/20	
	Male	Female	Male	Female
SCS3 (Director)	2.0	1.0	2.0	1.0
SCS2 (Director)	12.9	7.3	13.3	7.3
SCS1 (Director)	46.9	37.2	46.7	35.8
Grade 6	101.4	91.2	101.2	97.2
Grade 7	117.0	125.0	127.1	111.0
SEO	25.0	30.0	25.0	38.8
HEO	65.8	80.3	82.8	88.2
EO	37.6	39.5	42.0	47.6
AO	14.0	12.8	21.0	11.0
<b>Total</b>	<b>422.6</b>	<b>424.3</b>	<b>461.1</b>	<b>437.9</b>

## Staff on Loan

To deal with the impacts of COVID-19 and the UK's exit from the EU, there has been increased redeployment of staff both within and across departments, including the CMA. The CMA made use of inward staff loans from other government departments to supplement our existing workforce – particularly, within our Economics and Legal professions – to deliver key programmes of work, including the COVID-19 Taskforce.

[51] Includes persons employed on a contract of employment only and excludes secondees and agency workers.

Costs relating to frontline staff on short-term loans were charged to the Programme budget and Corporate Support staff on short-term loans were charged to the Administration budget.

	Outward staff loans		Inward staff loans	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
SCS3 (Director)	-	-	-	-
SCS2 (Director)	-	2	-	-
SCS1 (Director)	-	-	-	1
Grade 6	4	3	1	3
Grade 7	4	4	-	1
SEO	-	-	-	-
HEO	5	4	1	-
EO	-	4	1	-
AO	-	-	-	-
<b>Total</b>	<b>13</b>	<b>17</b>	<b>3</b>	<b>5</b>

## Expenditure on consultancy

In 2020/21 the CMA spent £0.6 million on consultancy (2019/20: £0.5 million). The increased expenditure in 2020/21 was predominantly due to a planned upgrade and bespoke enhancements to the CMA's Enterprise Resource Planning system, enabling CMA staff to utilise more functionality to create efficiencies within business-as-usual tasks and to provide enhanced reporting to key stakeholders.

## 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 2020/21 (2019/20: nil).





# Parliamentary Accountability and Audit Report



# Parliamentary Accountability and Audit Report

## Statement of Parliamentary Supply and related notes (audited)

In addition to the primary statements prepared under IFRS, the government Financial Reporting Manual (FRM) requires the CMA to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes analysing the net resource and capital outturn against the budgetary control totals voted by Parliament through the Supply Estimates.

Voted totals and the net cash requirement figures shown below are subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the Estimate of Administration costs will also result in an excess vote. Detailed explanations of the significant variances between the Outturn and Estimate are included in the Directors' report: financial review on pages 37 to 39. The SoPS and supporting notes are subject to audit.

	2020/21								2019/20
	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
<b>Departmental expenditure limit</b>									
Resource	1.1	101,673	-	101,673	93,055	-	93,055	8,618	95,292
Capital	1.2	3,300	-	3,300	2,657	-	2,657	643	17,574
<b>Annually managed expenditure</b>									
Resource	1.1	10,000	-	10,000	7,695	-	7,695	2,305	2,629
Capital	1.2	-	-	-	-	-	-	-	-
<b>Total budget</b>		<b>114,973</b>	<b>-</b>	<b>114,973</b>	<b>103,407</b>	<b>-</b>	<b>103,407</b>	<b>11,566</b>	<b>115,495</b>
<b>Non-budget</b>									
Resource		-	-	-	-	-	-	-	-
<b>Total</b>		<b>114,973</b>	<b>-</b>	<b>114,973</b>	<b>103,407</b>	<b>-</b>	<b>103,407</b>	<b>11,566</b>	<b>115,495</b>
Total resource		111,673	-	111,673	100,750	-	100,750	10,923	97,921
Total capital		3,300	-	3,300	2,657	-	2,657	643	17,574
<b>Total</b>		<b>114,973</b>	<b>-</b>	<b>114,973</b>	<b>103,407</b>	<b>-</b>	<b>103,407</b>	<b>11,566</b>	<b>115,495</b>

## Net cash requirement 2020/21

SoPS Note	2020/21			2019/20
	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	£000	£000	£000	£000
<b>3</b>	<b>98,973</b>	<b>94,326</b>	<b>4,647</b>	<b>112,389</b>

## Administration costs 2020/21

SoPS Note	2020/21			2019/20
	Estimate	Outturn	Savings/(excess)	Outturn
	£000	£000	£000	£000
<b>1</b>	<b>24,329</b>	<b>20,403</b>	<b>3,926</b>	<b>21,056</b>

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

	2020/21									2019/20
	Outturn						Estimate			Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Outturn total	Net total	Net total compared to Estimate	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Spending in Departmental Expenditure Limit (DEL)</b>										
Voted: A										
Competition Promotion	21,337	(934)	20,403	77,810	(5,158)	72,652	93,055	101,673	8,618	95,292
<b>Annually Managed Expenditure (AME)</b>										
Voted: B										
Competition Promotion	-	-	-	7,695	-	7,695	7,695	10,000	2,305	2,629
<b>Total</b>	<b>21,337</b>	<b>(934)</b>	<b>20,403</b>	<b>85,505</b>	<b>(5,158)</b>	<b>80,347</b>	<b>100,750</b>	<b>111,673</b>	<b>10,923</b>	<b>97,921</b>

Detailed explanations of the significant variances between the Outturn and Estimate are included in the Directors' report: financial review on pages 37 to 39.

### SOPS 1.2 Analysis of net capital outturn by section

	2020/21					2019/20
	Outturn			Estimate		Outturn
	Gross	Income	Net <sup>52</sup>	Net total	Net total compared to Estimate	Net
	£000	£000	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limit (DEL)</b>						
Voted: A	2,657	-	2,657	3,300	643	17,574
<b>Annually Managed Expenditure (AME)</b>						
Voted: B	-	-	-	-	-	-
<b>Total</b>	<b>2,657</b>	<b>-</b>	<b>2,657</b>	<b>3,300</b>	<b>643</b>	<b>17,574</b>

[52] There were no virements in 2020/21.

Detailed explanations of the significant variances between the Outturn and Estimate are included in in the Directors' report: financial review on pages 37 to 39.

## SOPS 2 Reconciliation of outturn to net operating expenditure

### SOPS 2.1 Reconciliation of net resource outturn to net operating expenditure

	2020/21	2019/20
	Outturn	Outturn
	£000	£000
Total resource outturn in Statement of Parliamentary Supply	100,750	97,921
Add: research included within capital budget outturn <sup>53</sup>	172	59
<b>Net Operating Expenditure in Statement of Comprehensive Net Expenditure</b>	<b>100,922</b>	<b>97,980</b>

## SOPS 3 Reconciliation of net resource outturn to net cash requirement

		Estimate	Outturn	2020/21 Net total outturn compared with Estimate: saving/ (excess)	2019/20 outturn
	Note	£000	£000	£000	£000
Resource outturn	SOPS 1.1	111,673	100,750	10,923	97,921
Capital outturn	SOPS 1.2	3,300	2,657	643	17,574
<b>Accruals to cash adjustments</b>					
<i>Adjustments to remove non-cash items:</i>					
Depreciation	4	(6,000)	(4,893)	(1,107)	(3,068)
New provisions and adjustments to previous provisions	4	(10,000)	(7,703)	(2,297)	(2,631)
Other non-cash items	4	-	(88)	88	(85)
<i>Adjustments to reflect movements in working balances:</i>					
Increase/(decrease) in receivables	9	-	7,159	(7,159)	(3,796)
(Increase)/decrease in payables	10	-	(4,687)	4,687	13,066
Increase/(decrease) to be surrendered to the Consolidated Fund		-	1,063	(1,063)	(6,664)
Use of provisions	11	-	68	(68)	72
<b>Net cash requirement</b>		<b>98,973</b>	<b>94,326</b>	<b>4,647</b>	<b>112,389</b>

## SOPS 4 Income payable to the Consolidated Fund

### SOPS 4.1 Analysis of income payable to the Consolidated Fund

During 2020/21 there was no income payable to the Consolidated Fund (2019/20: 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 2020/21 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 2020/21 of £0.4 million (2019/20: £0.2 million) relating to CA98 and merger fee debts. Two debts were no longer considered to be collectable from entities in 2020/21 and they were written-off following approval from HM Treasury.

The CMA's Trust Statement had one write-off greater than £0.3 million in 2020/21 (2019/20: nil), relating to a CA98 debt owing from Richardson Projects Limited. This entity was dissolved in November 2020.

### Remote Contingent liabilities (audited)

There were no remote contingent liabilities in 2020/21 (2019/20: nil).

### Prompt payment of suppliers

While 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 2020/21, 69% of all valid invoices received were paid within 10 working days (2019/20: 68%) and 92% of all valid invoices received were paid with 30 days (2019/20: 90%).

2020/21	Invoices paid within 10 working days	Invoices paid within 30 days
1st Quarter	59%	89%
2nd Quarter	71%	91%
3rd Quarter	78%	96%
4th Quarter	75%	97%

Comparative to 2019/20, we are showing an improvement in performance in this area. During 2020/21, the Finance team created a new e-learning module for CMA Requisitioners involved in the purchase-to-pay process, including a step-by-step guide with best practice to assist them with raising Purchase Orders and goods receipting against them in a timely manner.

The Finance team has also worked collaboratively with an external supplier to implement enhanced payment performance reporting within our system. This enhancement will differentiate between disputed and undisputed invoices, enabling the CMA to publish its performance against this transparency reporting metric ie reporting on undisputed invoices.

We focused this financial year on paying SME suppliers promptly to support their cashflow requirements during the COVID-19 pandemic and in line with the Prompt Payment Code. In 2020/21, 73% of all valid invoices received from SME suppliers were paid within 10 working days (2019/20: 69%).

We remain committed to being proactive in identifying and implementing further opportunities to improve our performance in 2021/22.

**Signed for and on behalf of the CMA**

**Andrea Coscelli CBE**  
**Chief Executive and Principal Accounting Officer**  
**13 July 2021**



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

## 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 2021 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 report 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 2021 and of the Department's comprehensive net expenditure for the year then ended; and
- 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 2021 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Competition and Markets Authority in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Competition and Markets Authority's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, 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 when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Competition and Markets Authority is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## 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 report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the parts of the Remuneration and Staff report and Parliamentary Accountability report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Remuneration and Staff Report and Parliamentary Accountability and Audit 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

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 material misstatements in the performance and Parliamentary Accountability and Audit Report. 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 and Audit Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; 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.

## 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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Competition and Markets Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Competition and Markets Authority will not continue to be provided in the future.

## 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Competition and Markets Authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Competition and Markets Authority policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Competition and Markets Authority's controls relating to Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2020;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and
- obtaining an understanding of the Competition and Markets Authority's framework of authority as well as other legal and regulatory frameworks that the Competition and Markets Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Competition and Markets Authority. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2020, Employment Law, Tax legislation and The Enterprise and Regulatory Reform Act 2013.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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.

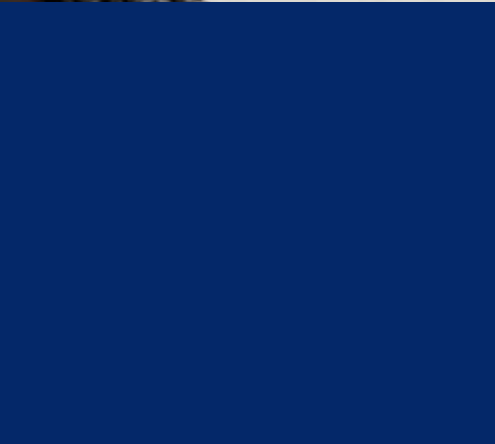
## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

**Date: 14 July 2021**

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



# CMA Financial Statements

## Statement of Comprehensive Net Expenditure (SoCNE) for the year-ended 31 March 2021

	Note	2020/21	2019/20
		£000	£000
Operating income	5	(6,092)	(1,498)
<b>Total operating income</b>		<b>(6,092)</b>	<b>(1,498)</b>
Staff costs	3	74,217	70,768
Dilapidations provision: provided in year	4	3,763	-
Purchase of goods and services	4	29,034	28,710
<b>Total operating expenditure</b>		<b>107,014</b>	<b>99,478</b>
<b>Net operating expenditure / (income) for the year</b>		<b>100,922</b>	<b>97,980</b>
<b>Other comprehensive net expenditure</b>			
Actuarial net loss/(gain) on by-analogy pension scheme	11.2	60	70
<b>Comprehensive net expenditure / (income) for the year</b>		<b>100,982</b>	<b>98,050</b>

The notes on pages 91 to 108 form part of these financial statements.

# Statement of Financial Position as at 31 March 2021

	Note	2020/21 £000	2019/20 £000
<b>Non-current assets</b>			
Property, plant and equipment	6	35,825	38,436
Intangible assets	7	1,532	1,329
Trade and other receivables	9	-	-
<b>Total non-current assets</b>		<b>37,357</b>	<b>39,765</b>
<b>Current assets</b>			
Trade and other receivables	9	10,327	3,168
Cash and cash equivalents	8	1,957	894
<b>Total current assets</b>		<b>12,284</b>	<b>4,062</b>
<b>Total assets</b>		<b>49,641</b>	<b>43,827</b>
<b>Current liabilities</b>			
Trade and other payables	10	(12,675)	(11,399)
Provisions	11	(252)	(67)
<b>Total current liabilities</b>		<b>(12,927)</b>	<b>(11,466)</b>
<b>Total assets less current liabilities</b>		<b>36,714</b>	<b>32,361</b>
<b>Non-current liabilities</b>			
Trade and other payables	10	(11,854)	(8,443)
Provisions	11	(13,542)	(6,032)
<b>Total non-current liabilities</b>		<b>(25,396)</b>	<b>(14,475)</b>
<b>Total assets less liabilities</b>		<b>11,318</b>	<b>17,886</b>
<b>Taxpayers' equity and reserves</b>			
General fund		11,318	17,886
<b>Total equity</b>		<b>11,318</b>	<b>17,886</b>

The notes on pages 91 to 108 form part of these Financial Statements.

**Andrea Coscelli CBE**  
**Chief Executive and Principal Accounting Officer**  
**13 July 2021**



# Statement of Cash Flows for the year-ended 31 March 2021

		2020/21	2019/20
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating income/(expenditure)	SoCNE	(100,922)	(98,003) <sup>54</sup>
Adjustment for non-cash transactions	4,5	12,684	5,784
(Increase)/decrease in trade and other receivables	9	(7,159)	3,796
Less movement in receivables relating to items not passing through the SoCNE		-	-
Increase/(decrease) in trade and other payables	10	4,687	(13,066)
Movements in payables relating to items not passing through the SoCNE		(1,063)	6,664
Use of provisions	11	(68)	(72)
<b>Net cash (outflow) from operating activities</b>		<b>(91,841)</b>	<b>(94,897)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(2,265)	(16,319)
Purchase of intangible assets	7	(220)	(1,196)
Proceeds from disposal of non-financial assets	5	-	23
<b>Net cash (outflow) from investing activities</b>		<b>(2,485)</b>	<b>(17,492)</b>
<b>Cash flows from financing activities</b>			
Financing from the Consolidated Fund (supply)		95,389	105,725
Advances from the Contingencies Fund		-	14,700
Repayments to the Contingencies Fund		-	(14,700)
<b>Net financing</b>		<b>95,389</b>	<b>105,725</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund</b>		<b>1,063</b>	<b>(6,664)</b>
Payments of amounts due to the Consolidated Fund		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>1,063</b>	<b>(6,664)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	8	<b>894</b>	<b>7,558</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>1,957</b>	<b>894</b>

The notes on pages 91 to 108 form part of these Financial Statements.

# Statement of Changes in Taxpayers' Equity for the year-ended 31 March 2021

	Note	General Fund
		<b>£000</b>
<b>Balance at 31 March 2019</b>		3,462
Net Parliamentary Fund - drawn down		105,725
Net Parliamentary Fund - deemed		7,558
Unspent Supply repayable to the Consolidated Fund		(894)
Non-cash charges - auditors' remuneration	4	85
Net operating expenditure for the year		(97,980)
Actuarial (loss)/gain on pension liability	11	(70)
<b>Balance at 31 March 2020</b>		<b>17,886</b>
Net Parliamentary Fund - drawn down		95,389
Net Parliamentary Fund - deemed		894
Unspent Supply repayable to the Consolidated Fund	10	(1,957)
Non-cash charges - auditors' remuneration	4	88
Net operating expenditure for the year		(100,922)
Actuarial (loss)/gain on the pension liability	11	(60)
<b>Balance at 31 March 2021</b>		<b>11,318</b>

The notes on pages 91 to 108 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 2020/21 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.

The CMA have adopted the going concern basis of accounting in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual. The CMA have received Parliamentary approval for funding in 2021/22 through the Main Supply Estimates published on 13 May 2021, along with HM Treasury's confirmation of the CMA's Spending Review 2020 settlement for 2021/22. The CMA have therefore anticipated that the services provided will continue into the future.

#### 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 reliably, 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 2022 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 has been postponed due to COVID-19.

In advance of the amended implementation date, the CMA will ensure any material changes are accounted for after assessing the full impact of IFRS 16 on the 2022/23 financial statements and the proposed implementation date of 1 April 2022. However, at this stage the CMA does not envisage that this will result in any material changes other than to the treatment of the lease for the Cabot.

## 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; and
- appeal costs reimbursed (relating to recovered legal costs) and other income.

### Regulatory appeals

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

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

- Step 1: Identify the contract with a customer - This condition is satisfied when a third party challenges a regulatory decision by a sector regulator and the issued is referred to the CMA.
- Step 2: Identify the performance obligations in the contract - The performance obligations in the contract are for the CMA to act as an expert tribunal and to decide on the underlying case.

- Step 3: Determine the transaction price - This condition is satisfied when the CMA announces its costs order and costs final determination in an appeal.
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation - The revenue is recognised when the CMA has considered an appeal and a decision is made (i.e. decision letter issued).

### **Appeal costs reimbursed**

Income in the form of appeal costs reimbursed is recovered from parties who have unsuccessfully appealed a legal decision made by the CMA. The CMA accounts for income that relates solely to the recovery of the internal element of these costs, as any external costs (disbursements) are offset from fine income on the CMA's Trust Statement.

The income recognition point for internal legal cost reimbursements is when a Court or Tribunal Judgment is handed down stating that the appeal has been dismissed, the CMA's decision is being upheld and it is agreed or ordered by the Court or Tribunal that the appellant should pay the CMA all or a proportion of the CMA's costs in the appeal case.

### **1.5 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.

### **1.6 Leases**

Expenditure in relation to operating lease rentals are charged to the SoCNE on a straight-line basis over the lease term, within the scope of IAS 17 'Leases'.

### **1.7 Property, plant, and equipment**

Expenditure on property, plant and equipment (excluding assets under construction) is capitalised initially at cost provided if 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 2020/21 on the grounds of materiality.

### **1.8 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.

## 1.9 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.

### 1.10 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.

## 1.11 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 and its 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. The CMA predominantly has trade receivables held for

collecting cash in the normal course of business, therefore the CMA takes the 'simplified' approach permitted under the standard which eliminates the need to calculate a 12-month ECL. If the credit risk of a trade receivable increases significantly and is not considered low, a full lifetime ECL is recognised.

## 1.12 Value Added Tax

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

## 2 Statement of operating costs by operating segment

### 2.1 Analysis by operating segment

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

	Total gross expenditure 2020/21	Total gross expenditure 2019/20 (restated)
	£000	£000
Corporate Services**	30,245	32,613
Enforcement	19,669	20,254
Legal Services	12,366	11,247
Markets and Mergers	13,383	13,513
Office of Chief Economic Advisor	12,578	9,703
Policy and International	2,716	2,301
Strategy, Communications and Advocacy	3,388	4,063
<b>Balance at 31 March</b>	<b>94,345</b>	<b>93,694</b>

In October 2020, the Strategy, Communications and Advocacy directorate was formed from functions previously reported within Corporate Services and Policy and International, as part of the CMA's wider institutional reform agenda. We have presented gross expenditure for the full year in 2020/21 for Strategy, Communications and Advocacy and restated 2019/20 to provide a prior year comparator for this directorate.

From 2021/22, the CMA will report on two new functions (the Office for the Internal Market and the Digital Markets Unit) and potentially the Office for Subsidy Control (subject to government policy and legislative proposals).

\*\*Corporate Services total gross expenditure of £30.2 million is analysed as follows:

	Total gross expenditure 2020/21	Total gross expenditure 2019/20 (restated)
	£000	£000
Premises (CMA-wide costs)	10,781	13,419
Information technology (CMA-wide costs)	3,711	3,324
Staff and other non-staff costs	15,753	15,870
	<b>30,245</b>	<b>32,613</b>

The decrease in Corporate Services total gross expenditure is predominantly driven by a reduction in costs of Premises (CMA-wide costs) offset by a small increase in Information Technology costs. 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

	2020/21	2019/20
	£000	£000
Total gross expenditure reported for operating segments	94,345	93,694
Reconciling items:		
Income	(6,092)	(1,498)
Depreciation and non-cash items	12,669	5,784
<b>Total net expenditure per the SOCNE</b>	<b>100,922</b>	<b>97,980</b>

## 3 Staff costs

Total staff costs at 31 March 2021 were £74.2 million (2019/20: £70.8 million), comprising £55.1 million salaries and wages, £6.0 million social security, £13.3 million staff pension costs; and offset by £0.4 million of income in respect of outward secondments. More detailed information on staff costs is available in the Staff Report on page 70.



## 4 Purchase of goods and services

	2020/21	2019/20
	£000	£000
Rent (operating leases)	4,097	6,253
Rates	1,644	1,782
Stamp duty	-	127
Utilities	481	317
Maintenance	14	-
Other premises costs	428	361
Service charge	2,448	2,671
<b>Net premises</b>	<b>9,112</b>	<b>11,511</b>
<b>Research expenditure</b>	<b>180</b>	<b>87</b>
Litigation costs <sup>55</sup>	-	-
Hire of plant and machines	5	18
Professional services	1,844	2,405
Training	1,811	1,372
Publicity and Campaigns	301	911
Travel and Subsistence	56	681
Recruitment	293	542
Telecommunications	500	535
IT (including maintenance)	3,223	2,871
Printing, copying and mailing	449	412
Publications	62	51
Facilities Management	1,788	1,173
Other expenditure	375	307
<b>Total purchase of goods and services</b>	<b>10,707</b>	<b>11,278</b>
<b>Non-cash items</b>		
Depreciation of property, plant and equipment	4,157	2,150
Depreciation of intangible assets	720	918
Impairment of trade receivables	12	2
Loss / (profit) on disposal of tangible assets	2	-
Apprenticeship Levy - training	116	48
Provisions - amounts provided for in year	7,703	2,633
Auditors' remuneration and expenses	88	85
Provision - amount not required, written back	-	(2)
<b>Total non-cash items</b>	<b>12,798</b>	<b>5,834</b>
<b>Total costs</b>	<b>32,797</b>	<b>28,710</b>

The decrease in Rent and Service Charge expenditure is due to the CMA recognising only costs for the Cabot in 2020/21, compared to two London offices (the Cabot and Victoria House) in 2019/20. This delivers on the strategic objective of the CMA's property relocation project to provide

the CMA and the public purse with a more cost-effective accommodation approach.

The expenditure on Rates has also marginally decreased as a result of the move from the London Borough of Camden to Tower Hamlets.

The decrease in Professional Services expenditure in 2020/21 is primarily due to a £0.6 million reduction in Estate costs as a result of the fit-out costs in the Cabot falling into 2019/20.

The increase in Facilities Management costs in 2020/21 is due to the Cabot being a significantly larger, more complex building than Victoria House which is able to accommodate more staff. As a result of COVID-19, costs were also incurred for deep office cleaning, signage, and security for reoccupying the Cabot.

Training expenditure has also increased predominantly due to additional spending during the COVID-19 pandemic predominantly external training costs (£0.3 million) for strategically important training programmes, such as Digital Skills, to assist colleagues with remote working; and

The decrease in Travel and subsistence expenditure is a direct consequence of the restrictions on travel during the COVID-19 pandemic.

The decrease in Publicity and campaigns is due to the focus on investing in capital campaigns research in order to ensure that our future campaigns are insight led and evidence driven.

Information Technology (including maintenance) expenditure has increased for essential spending, ensuring the resilience of the CMA's infrastructure during the COVID-19 pandemic.

## 5 Income

	2020/21	2019/20
	£000	£000
Recovery of accommodation costs	160	835
Appeal costs reimbursed	1,124	587
Regulatory appeals	4,033	-
Other income	659	28
<b>Total income (cash items)</b>	<b>5,976</b>	<b>1,450</b>
Non-cash items		
Apprenticeship Levy - notional grant	116	48
<b>Total income</b>	<b>6,092</b>	<b>1,498</b>

In 2020/21, the CMA received reimbursement for internal legal costs in eight legal cases that were appealed, compared to reimbursement in five cases in 2019/20, and we also recovered £4.0 million of costs in 2020/21 for three Regulatory Appeals.<sup>[56]</sup>

[56] The 3 Regulatory Appeals heard were Ofwat, CAA/NATS and SSE Code Modification.

The increase in other income in 2020/21 is predominantly due to a £0.7 million agreed settlement following mediation instigated by the CMA.

The CMA received less income in 2020/21 to cover accommodation costs after moving to Canary Wharf in 2019/20. We currently have a single sub-tenant, the Groceries Code Adjudicator, whereas at Victoria House we received income from 3 sub-tenants.

The CMA offers training programmes for apprentices in a range of roles across the department and various professions. As of 31 March 2020, the CMA had 48 apprentice new starts. This increased by a further 14 apprentice starts throughout 2020/21, with a total of 62 apprentices having started in the CMA by 31 March 2021. 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.

## 6 Property, plant, and equipment

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2020/21 Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2020	27,435	6,561	4,240	2,564	40,800
Additions	30	1,991	-	244	2,265
Disposals	-	(798)	(19)	-	(817)
Reclassification	(107)	791	58	(1,460)	(718)
Revaluations (adjustment of provision movement)	-	-	-	-	-
Impairments	-	-	-	-	-
<b>At 31 March 2021</b>	<b>27,358</b>	<b>8,545</b>	<b>4,279</b>	<b>1,348</b>	<b>41,530</b>
<b>Depreciation</b>					
At 1 April 2020	270	1,899	195	-	2,364
Charged in year	2,006	1,721	430	-	4,157
Disposals	-	(797)	(19)	-	(816)
Reclassification	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairments	-	-	-	-	-
<b>At 31 March 2021</b>	<b>2,276</b>	<b>2,823</b>	<b>606</b>	<b>-</b>	<b>5,705</b>
<b>Carrying amount at 31 March 2021</b>	<b>25,082</b>	<b>5,722</b>	<b>3,673</b>	<b>1,348</b>	<b>35,825</b>
Carrying amount at 31 March 2020	27,165	4,662	4,045	2,564	38,436

The CMA conducted a thorough review of the opening balance for Assets under construction (AUC) of £2.6 million. The review identified £1.3 million of assets that came into use in 2019/20 but were not reclassified from AUC in that financial year. We reclassified these assets from AUC in 2020/21 to their respective asset categories in note 6 and note 7. Additional depreciation of £0.2 million relating to 2019/20 has also been recognised in 2020/21 as a consequence.

During 2020/21, the CMA spent £2.0 million on Information technology assets to ensure that CMA staff had suitable technology to work remotely effectively and efficiently during the COVID-19 pandemic. We migrated from office-based technology to laptops, smartphones, monitors and headsets to enable staff to connect and collaborate with each other, no matter where they were located, and to be more flexible and agile in how they worked.

The CMA also disposed of £0.8 million of Information technology assets in 2020/21 after reviewing all assets on the Fixed Asset Register that had reached the end of their useful lives and had been fully depreciated. It was determined that these assets would not generate future economic benefits and they were subsequently disposed of.

	Leasehold improvements	Information technology	Furniture and fittings	Assets under construction	2019/20 Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2019	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)	-
Impairments	-	-	-	-	-
<b>At 31 March 2020</b>	<b>27,435</b>	<b>6,561</b>	<b>4,240</b>	<b>2,564</b>	<b>40,800</b>
<b>Depreciation</b>					
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	-	-	-	-	-
Impairments	-	-	-	-	-
<b>At 31 March 2020</b>	<b>270</b>	<b>1,899</b>	<b>195</b>	<b>-</b>	<b>2,364</b>
<b>Carrying amount at 31 March 2020</b>	<b>27,165</b>	<b>4,662</b>	<b>4,045</b>	<b>2,564</b>	<b>38,436</b>
Carrying amount at 31 March 2019	655	2,810	53	20,749	24,267

## 7 Intangible assets

	Software and Software licences	
	2020/21	2019/20
	£000	£000
Cost or valuation		
At 1 April	4,680	3,484
Additions	220	1,196
Disposals	(2,012)	-
Reclassification	703	-
<b>At 31 March</b>	<b>3,591</b>	<b>4,680</b>
Depreciation		
At 1 April	3,351	2,433
Charged in year	720	918
Disposals	(2,012)	-
Reclassification	-	-
<b>At 31 March</b>	<b>2,059</b>	<b>3,351</b>
<b>Carrying amount</b>	<b>1,532</b>	<b>1,329</b>

The CMA disposed of £2.0 million of Software and Software Licences in 2020/21 after reviewing all assets on the Fixed Asset Register that had reached the end of their useful lives and had been fully depreciated. It was determined that these assets would not generate future economic benefits and they were subsequently disposed of.

£0.7 million was reclassified from AUC to this asset category in 2020/21, see note 6 for additional information.

## Asset financing

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

## 8 Cash and cash equivalents

	2020/21	2019/20
	£000	£000
Balance at 1 April	894	7,558
Net change in cash and cash equivalent balances	1,063	(6,664)
<b>Balance at 31 March</b>	<b>1,957</b>	<b>894</b>
The balance at 31 March was held at		
Government Banking Service	1,957	894
<b>Balance at 31 March</b>	<b>1,957</b>	<b>894</b>

Comparative to 2019/20, the CMA had more cash in the bank at the end of 2020/21 due to the timing of £0.7 million of supplier invoices being paid, up to five working days after the end of the financial year, and the recognition in March 2021 of a litigation cost recovery totalling £1.3 million.

## 9 Trade and other receivables

### 9.1 Amounts falling due within one year

	2020/21	2019/20
	£000	£000
Trade receivables (gross)	3,198	210
Impairment provision	(27)	(27)
<b>Trade receivables (net)</b>	<b>3,171</b>	<b>183</b>
Deposits and advances	16	148
Other receivables	305	723
VAT	141	257
Prepayments and accrued income	6,694	1,857
<b>Total</b>	<b>10,327</b>	<b>3,168</b>

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

The increase in trade receivables in 2020/21 was primarily due to an entity that was invoiced £3.1 million in March 2021 for the recovery of legal costs pertaining to a Regulatory Appeal. We have received payment for this invoice.

The increase in Prepayments and accrued income of £4.8 million in 2020/21 was due to a prepayment of £3.1 million, accrued income of £0.8 million for the recovery of Regulatory Appeal costs and accrued income of £0.7 million for an agreed settlement following mediation instigated with a third party by the CMA. The CMA made a cash payment of £3.1 million to the Cabot landlord in March 2021 and most of it was for payments in advance for rent, the CMA's first cash payment for rent at the Cabot, and other property-related charges.

## 10 Trade and other payables

### 10.1 Amounts falling due within one year

	2020/21	2019/20
	£000	£000
Trade payables	993	1,512
Accruals and deferred income	6,346	5,551
The Cabot - lease incentive	251	251
Taxation and social security	1,700	1,633
VAT	-	67
Other payables	1,428	1,491
Amounts issued from the Consolidated Fund for supply but not spent at 31 March	1,957	894
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	-	-
<b>Total</b>	<b>12,675</b>	<b>11,399</b>

In 2020/21, the decrease in Trade payables was almost offset by an increase in Accruals and deferred income. This difference in the classification of liabilities is predominantly due to the timing of invoices received from suppliers i.e. in 2020/21, the CMA had to accrue more expenditure for valid invoices that were received after 31st March 2021 compared to the previous financial year.

The closing cash position, which is recorded in this disclosure as 'Amounts issued from the Consolidated Fund for supply but not spent at 31 March', has increased by £1.1 million in 2020/21. This increase was due to the timing of some transactions disclosed in note 8. In practise, the closing cash position is not payable to the Consolidated Fund, instead, it will be deducted from the CMA's 2021/22 net cash requirement that can be drawdown from the Consolidated Fund to fund expenditure in the next financial year.

### 10.2 Amounts falling due after more than one year

	2020/21	2019/20
	£000	£000
The Cabot rent - rent free period <sup>57</sup>	8,972	5,310
The Cabot - lease incentive <sup>58</sup>	2,882	3,133
<b>Total</b>	<b>11,854</b>	<b>8,443</b>

The CMA's lease agreements for the Cabot floors that we occupy include rent-free periods. According to IAS 17, the CMA are required to record an accounting rent, on a straight-line basis, over the term of the Cabot's lease. We have subsequently accounted for rent, in note 4, during rent-free periods and built-up a rent-free period payable.

Once the rent-free periods have elapsed<sup>[59]</sup> and the CMA makes cash payments to the Cabot landlord, we will reduce the rent-free period payable on a straight-line basis for the remainder of the lease. This will ensure that the accounting rent, rather than the cash payments for rent, is maintained in note 4.

In 2018/19, the CMA received a contribution of £3.4 million from the Cabot landlord towards the leasehold improvements disclosed in note 6. We have accounted for this transaction as a lease incentive and the contribution received has been spread over the life of the lease, rather than recognised as a one-off income transaction, in accordance with IAS 17. As a result, the lease incentive payable will continue to decrease by £0.3 million each year. This accounting also reduces the net premises costs disclosed in note 4.

## 11 Provisions for liabilities and charges

	Legacy pensions	Dilapidations	Legal	Total 2020/21
	£000	£000	£000	£000
Balance at 1 April 2020	1,204	2,295	2,600	6,099
Provided in year	21	3,763	3,919	7,703
Provisions not required written back	-	-	-	-
Provisions utilised in the year	(68)	-	-	(68)
Actuarial loss/(gain)	60	-	-	60
<b>Balance at 31 March 2021</b>	<b>1,217</b>	<b>6,058</b>	<b>6,519</b>	<b>13,794</b>

	Legacy pensions	Dilapidations	Legal	Total 2019/20
	£000	£000	£000	£000
Balance at 1 April 2019	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	(67)	-	-	(72)
Actuarial loss/(gain)	70	-	-	70
<b>Balance at 31 March 2020</b>	<b>1,204</b>	<b>2,295</b>	<b>2,600</b>	<b>6,099</b>

[59] The rent-free period elapsed in March 2021 for the 8th floor and will elapse in April 2021 for the 7th and 9th floors; and March 2022 for the Ground floor and Mezzanine.



## 11.1 Analysis of expected timing of cash flows

	Legacy pensions	Dilapidations	Legal	Total 2020/21
	£000	£000	£000	£000
Not later than one year	68	5	179	252
Later than one year and not later than five years	273	-	6,340	6,613
Later than five years	876	6,053	-	6,929
<b>Balance at 31 March 2021</b>	<b>1,217</b>	<b>6,058</b>	<b>6,519</b>	<b>13,794</b>

	£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

## 11.2 Legacy pensions

This 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 2021.

The financial assumptions used in the calculation of the liability as at 31 March 2021 were as follows:

- the gross rate used to discount scheme liabilities was 1.25% per annum (2019/20: 1.80% per annum);
- the gross rate of increase for pensions in payment and deferred pensions was 2.22% per annum (2019/20: 2.35% per annum); and
- in nominal terms, these assumptions implied price inflation of 2.22% per annum (2019/20: 2.35% per annum).

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

	2020/21	2019/20
	Total	Total
	£000	£000
Interest cost	21	33
Actuarial loss/(gain)	60	70
	81	103
Benefits paid	(68)	(67)
<b>(Decrease)/increase in provision</b>	<b>13</b>	<b>36</b>

### 11.3 Dilapidations

This provision is an estimate of the future expenditure required to return the Cabot office space being utilised in the building to its original condition at the end of the lease term.

In 2020/21, the CMA reassessed the appropriateness of the dilapidations provision for the Cabot and have subsequently increased this provision by £3.8 million to £6.1 million, using a valuation assessment commissioned from an external surveyor.

The key assumptions utilised in calculating this provision are that:

- the CMA will occupy the office space at the Cabot until the end of the lease, which expires in 2033, and with no current intention to exercise the break option in 2028;
- the estimated liability is based on an assumed +/- 5% margin of error, as the valuation assessment was conducted remotely by an external surveyor due to COVID-19 restrictions; and
- the office space will be well maintained and only minor repairs will be required.

Due to the uncertainty and materiality of this provision, the valuation for this provision will be reviewed periodically.

### 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, the CMA refers to the recognition criteria for a legal costs provision within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and notes the three conditions in paragraph 14 which must be met for a provision to be recognised.

While there is still inherent uncertainty in ongoing appeals, the CMA has determined, based on the legal advice received, that an outflow of resources embodying economic benefits is more likely than not to occur.

The estimate on the amount of the obligation is based on an assessment on how likely it is that the CMA will face costs liabilities in the various litigation cases in which we are involved and our

assessment of the amount of any such costs liability.

This is informed by:

- information available to the CMA as to the third parties' actual costs; or
- where such information is not available, an estimate of the likely level of the other parties' costs based on the CMA's past experiences.

This is a reliable basis for estimating a provision in these cases.

Due to uncertainties in other ongoing appeals, in terms of the likelihood of CMA success, the timing of proceedings and the amount of the potential cost liability, the CMA has recognised other appeals as contingent liabilities in note 14 as they do not satisfy all three conditions for a provision to be recognised.

## 12 Capital and other commitments

### 12.1 Capital commitments

At the end of 2020/21, the CMA had capital commitments amounting to £0.1 million (2019/20: £0.8 million) for Information Technology-related services. The significant reduction in the costs from 2019/20 was due to the completion of the CMA moving its London headquarters to Canary Wharf.

### 12.2 Commitments under operating leases

As disclosed in note 12.1 above the CMA moved its London headquarters and signed a 15-year operating lease, within scope of IAS 17 and including a rent-free period, for office space in the Cabot.

In 2020/21 £3.4 million (2019/20: £7.2 million) was included as an expense for operating leases in the SoCNE. The significant reduction in expenditure is due to the CMA making savings as a result of the lease at the Cabot and reduced service charges.

	2020/21	2019/20
	£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	4,409	406
Later than one year and not later than five years	18,868	18,680
Later than five years	31,750	35,855
<b>Total</b>	<b>55,027</b>	<b>54,941</b>

### **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 (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 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 CBE**  
**Chief Executive and Principal Accounting Officer**  
**13 July 2021**

# 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 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statements of Revenue, Other Income and Expenditure, Financial Position, 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Competition and Markets Authority's Trust Statement as at 31 March 2021 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Competition and Markets Authority in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Competition and Markets Authority's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, 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 when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Competition and Markets Authority Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Statement of Accounting Officer's responsibilities but does not include the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the information given in the Statement of Accounting Officer's responsibilities for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Matters on which I report by exception

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 material misstatements in the Statement of Accounting Officer's responsibilities. 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.

## 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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view.
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Competition and Markets Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Competition and Markets Authority will not continue to be provided in the future.

## 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Competition and Markets Authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Competition and Markets Authority's policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Competition and Markets Authority's controls relating to the Government Resource and Accounts Act 2000, Managing Public Money and the Enterprise Act 2002 and Competition Act 1998.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
- obtaining an understanding of the Competition and Markets Authority's framework of authority as well as other legal and regulatory frameworks that the Competition and Markets Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Competition and Markets Authority. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, the Enterprise Act 2002 and Competition Act 1998.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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

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.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

**Date: 14 July 2021**

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 2021

	Note	2020/21 £000	2019/20 £000
<b>Revenue</b>			
Fines and penalties income			
Penalties imposed under the Competition Act 1998		56,552	29,621
Interest earned on penalties imposed under the Competition Act 1998		234	76
<b>Total fines and penalties income</b>		<b>56,786</b>	<b>29,697</b>
<b>Merger fees</b>			
Fees received under the Enterprise Act 2002		3,055	5,518
Interest earned on penalties imposed under the Enterprise Act 2002		-	-
<b>Total merger fees</b>		<b>3,055</b>	<b>5,518</b>
<b>Total revenue</b>		<b>59,841</b>	<b>35,215</b>
<b>Expenditure</b>			
CA98 Penalty offset to Legal costs <sup>60</sup>		(2,064)	(724)
Debts written off or otherwise impaired	2	2,665	(2,708)
<b>Total expenditure</b>		<b>601</b>	<b>(3,432)</b>
<b>Net (expenditure)/revenue for the Consolidated Fund</b>	<b>5</b>	<b>60,442</b>	<b>31,783</b>

The notes on pages 119 to 123 form part of this Trust Statement.

# Statement of Financial Position as at 31 March 2021

	Note	2020/21 £000	2019/20 £000
<b>Non-current assets</b>			
Receivables	2	3,749	3,452
<b>Total non-current assets</b>		<b>3,749</b>	<b>3,452</b>
<b>Current assets</b>			
Receivables	2	48,338	47,692
Cash and cash equivalents	3	59,288	30,297
<b>Total current assets</b>		<b>107,626</b>	<b>77,989</b>
<b>Total assets</b>		<b>111,375</b>	<b>81,441</b>
<b>Current liabilities</b>			
Payables	4	425	636
<b>Total current liabilities</b>		<b>425</b>	<b>636</b>
<b>Total assets less liabilities</b>		<b>110,950</b>	<b>80,805</b>
<b>Total assets less current liabilities</b>		<b>110,950</b>	<b>80,805</b>
Represented by:			
<b>Balance on Consolidated Fund account</b>	<b>5</b>	<b>110,950</b>	<b>80,805</b>

The notes on pages 119 to 123 form part of this Trust Statement.

**Andrea Coscelli CBE**  
**Chief Executive and Principal Accounting Officer**  
**13 July 2021**

# Statement of Cash Flows for the year-ended 31 March 2021

	Note	2020/21	2019/20
		£000	£000
Net cash flow from operating activities	3	59,288	30,297
Amounts paid to the Consolidated Fund	5	(30,297)	(10,498)
<b>(Decrease)/increase in cash in the year</b>		<b>28,991</b>	<b>19,799</b>

## Notes to the Cash Flow Statement

A: Reconciliation of net cash flow to movement in net funds	2020/21	2019/20
	£000	£000
Net revenue for the Consolidated Fund	60,442	31,783
Decrease/(increase) in assets	(943)	(1,808)
(Decrease)/increase in liabilities	(211)	322
<b>Net cash flow from operating activities</b>	<b>59,288</b>	<b>30,297</b>

B: Analysis of changes in net funds	Note	2020/21	2019/20
		£000	£000
(Decrease)/increase in cash in the year	3	28,991	19,799
Net funds at 1 April (net cash at bank)		30,297	10,498
<b>Net funds at 31 March (closing balance)</b>		<b>59,288</b>	<b>30,297</b>

The notes on the following pages 119 to 123 form part of this Trust Statement.

# Notes to the Trust Statement

## 1 Statement of accounting policies

The CMA acts as an agent responsible for collecting merger fees and Competition Act 1998 (CA98) penalties on behalf of the Consolidated Fund.<sup>[61]</sup> 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 2020/21 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. Other 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.

[61] 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 11.3.9.

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

	2020/21	2019/20
	£000	£000
<b>Amounts falling due within one year</b>		
Competition Act 1998 penalties	48,561	50,524
Less impairment allowance	(642)	(3,724)
<b>Net Competition Act 1998 penalties</b>	<b>47,919</b>	<b>46,800</b>
Merger fees receivables	100	321
Less impairment allowance	(1)	(5)
<b>Net Merger fees</b>	<b>99</b>	<b>316</b>
Amount owed from CMA Main Account	280	136
Accrued income	40	440
<b>Total</b>	<b>48,338</b>	<b>47,692</b>

### 2.2 Non-current receivables

	2020/21	2019/20
	£000	£000
<b>Amounts falling due after one year</b>		
Competition Act 1998 penalties	3,749	3,452
<b>Total</b>	<b>3,749</b>	<b>3,452</b>

Before accounting for COVID-19, in line with IFRS 9 and the 2020/21 FReM, the CMA's assessment of credit losses on an Expected Credit Loss (ECL) basis applied against both current and non-current receivables is £0.2 million using a rate of 0.37%. This loss rate is estimated using historic data on the receivables written-off or fully impaired, for example, due to administration or dissolution of an entity, as a proportion of the total net receivable as at reporting date.

The CMA recognised an additional ECL provision in 2019/20, in order to reflect the Exchequer's significantly increased credit risk as a result of the potential impact of COVID-19 on particular CMA debtors. In 2020/21 the CMA assessed these debtors again on a case-by-case basis and concluded that the additional provision of £2.5 million applied in 2019/20 was no longer required, as the Exchequer's risk was no longer significantly increased since initial recognition.

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.

See 'Losses and special payments' in the Parliamentary Accountability and Audit Report on page 79 for additional information on losses and write-offs in 2020/21.

### 3 Cash and cash equivalents

	2020/21	2019/20
	£000	£000
Balance held at Government Banking Service at 1 April	30,297	10,498
Net change in cash balances	28,991	19,799
<b>Balance held at Government Baking Service at 31 March</b>	<b>59,288</b>	<b>30,297</b>

The CMA will transfer this closing balance to HM Treasury in the 2021/22 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 2020/21.

### 4 Payables

	2020/21	2019/20
	£000	£000
CA98 Penalty offset to Legal cost payable	424	610
Merger fees repayable	-	26
<b>Total</b>	<b>424</b>	<b>636</b>

### 5 Balance on the Consolidated Fund account

	2020/21	2019/20
	£000	£000
Balance on Consolidated Fund account at 1 April	80,805	59,520
Net revenue for the Consolidated Fund	60,442	31,783
Less amount paid to the Consolidated Fund	(30,297)	(10,498)
<b>Balance on Consolidated Fund Account at 31 March</b>	<b>110,950</b>	<b>80,805</b>

### 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 the Trust Statement are authorised for issue, which is interpreted as the same date they are certified by the Comptroller and Auditor General. There are no subsequent events to report.

Following the fine levied in June 2020 upon the musical instrument firm Roland of just over £4 million for infringing competition law, Roland appealed to the Competition Appeal Tribunal (CAT) against the level of the fine which it had itself agreed to pay as part of its settlement with the CMA. In April 2021, the CAT upheld the CMA judgment and determined that there was no unfairness

in holding Roland to the terms of its bargain, which was that a lower penalty was payable if the CMA's decision was not appealed. By appealing the CMA's decision, Roland went against the terms of that settlement. The CAT decided that Roland should therefore lose the benefit of its 20% settlement discount and the fine was increased to just over £5 million. This is a contingent asset as at 31 March 2021 and will be recognised as income in the 2021/22 financial year. The CAT judgment on the Roland case is a non-adjusting event after the reporting period.

In May 2021, the CAT upheld the CMA's infringement decision on the Pay for Delay pharmaceutical case. In 2016, the CMA imposed fines totalling £45.0 million on the companies directly involved in the infringements and (where relevant) on their parent companies or successors to these companies. The CAT has, however, imposed reduced fines of £27.1 million on the companies involved. In accordance with the HM Treasury Financial Reporting Manual, a receivable relating to penalties is written down at the date of successful appeal. As such, the related receivable continues to be recognised in the 2020/21 Trust Statement and will be written down in the 2021/22 financial year. This is a non-adjusting event after the reporting period.

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