

# Competition and Markets Authority

## Annual Report and Accounts 2021/22

(for the year ended 31 March 2022)



# Competition and Markets Authority

## Annual Report and Accounts 2021/22 (for the year ended 31 March 2022)

Annual Report presented to Parliament, the Scottish Parliament, Senedd Cymru, and the Northern Ireland Assembly pursuant to paragraph 14(3)(a) of Schedule 4 to the Enterprise and Regulatory Reform Act 2013 (as amended by section 40(4) of the United Kingdom Internal Market Act 2020)

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

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

Ordered by the House of Commons to be printed on 21 July 2022.



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <http://www.gov.uk/official-documents>.

Any enquiries regarding this publication should be sent to us at Strategy, Competition and Markets Authority, 25 Cabot Square, London, E14 4QZ or by email to [general.enquiries@cma.gov.uk](mailto:general.enquiries@cma.gov.uk)

ISBN 978-1-5286-3278-2

E02715930 07/22

Printed on paper containing 75% recycled fibre content minimum

# Contents

<b>Overview</b>	<b>5</b>
Chair's foreword	6
Year in highlights	8
About us	10
Chief Executive's review	11
This year's key moments	33
Performance summary	35
<b>Corporate Governance Report</b>	<b>37</b>
Directors' report	38
Directors' report: financial review	39
Statement of Accounting Officer's Responsibilities	42
CMA Governance Statement 2021/22	43
<b>Remuneration and Staff Report</b>	<b>65</b>
Staff report	73
<b>Parliamentary Accountability and Audit Report</b>	<b>82</b>
The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Resource Accounts)	89
<b>CMA Financial Statements</b>	<b>95</b>
<b>CMA Trust Statement</b>	<b>119</b>
The Certificate and Report of the Comptroller and Auditor General to the House of Commons (CMA Trust Statement)	121



# 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. We have worked hard to protect consumers at a time of economic and geopolitical uncertainty, while at the same time taking on substantial and important new functions. Keeping markets competitive is today more important than ever, as consumers struggle with the rising cost of living and businesses seek to grow in the aftermath of the pandemic.



When competition is weak, the cost is borne by consumers in the form of higher prices and lower quality goods and services. This raises the cost of living, at a time when it was already rising due to shortages resulting from shipping bottlenecks, exacerbated by the war in Ukraine. Competitive markets are also essential to creating the conditions for investment and sustainable long-term growth in the UK. Competitive markets drive innovation, increasing our productivity, meaning we can produce more with less. It is in this context that the CMA has worked to deliver significant benefits for consumers, businesses and the wider economy across all the priorities set out in our Annual Plan 2021/22.

In the past year we have **taken our place as a global competition and consumer authority**, assuming substantial additional responsibilities following the UK's exit from the European Union (EU) and decisions by the UK Government to confer important new functions on the CMA. We have risen to the challenges arising from EU exit and grasped the opportunities to ensure that our actions protect UK consumers. We have launched the shadow Digital Markets Unit (DMU), set up and launched the Office for the Internal Market (OIM), and recommenced our work on the UK's future subsidy control regime by preparing for the creation of the Subsidy Advice Unit (SAU), each of which brings a new set of powers, functions and responsibilities. We have also tackled a growing number of complex, multinational merger and antitrust<sup>1</sup> cases, often with a digital focus. At the same time, we have continued our focus on ensuring local and regional markets work well for the people living in those areas.

We have taken action **to protect consumers, particularly the vulnerable, from breaches of competition and consumer protection laws and poorly functioning markets**. This has ranged from imposing fines on pharmaceutical companies for breaches of competition law, to issuing [guidance for IVF clinics on consumer rights](#), [recommending improvements in the provision of children's social care](#) and putting in place new legal obligations to give better [support for consumers when arranging funeral services](#).

In all our activity, we have been **fostering competition to promote innovation, productivity and growth**. We operate a strong and independent system of merger control to ensure businesses retain the incentives to compete, innovate and grow. Where businesses undermine competition by engaging in agreements which harm consumers, we have used our powers to impose fines and made use of our director disqualification powers to ensure individual accountability for wrongdoing. We have also responded quickly and effectively to significant problems identified in markets.

<sup>1</sup> Legislation prohibiting businesses from agreeing to restrict competition (for example by fixing prices or sharing markets) or abusing their market power by using it to dampen competition or exploit customers.

We have **fostered competition in digital markets**, ensuring that the benefits of digitalisation for consumers are secured, while making sure that their concerns are properly addressed, including through [securing legally binding commitments from Google](#) to address competition concerns over its Privacy Sandbox and [requiring Facebook \(now Meta\) to sell Giphy](#), after finding that the deal could harm social media users and UK advertisers. We also [launched our consumer focused 'Online Rip-Off, Tip-Off' campaign](#) fronted by Angellica Bell and aimed at helping consumers who shop online to spot and avoid sneaky sales tactics.

We have **supported the transition to a low-carbon economy**. We have developed our understanding of how climate change affects markets, exercising our functions in a way that supports the transition to a low carbon economy. For example, making recommendations and enforcing competition law to [support the growth of effective competition in electric vehicle charging](#), publishing advice on [the use of 'green' claims](#) and [providing advice to the Secretary of State for Business, Energy and Industrial Strategy](#) on how competition and consumer regimes can better support the UK's net zero and sustainability goals.

While delivering on all these priorities, we have continued to increase our engagement with consumers, businesses and charities across the nations and regions of the UK, building on our initiatives to get closer to consumers and improve our understanding of the issues they are facing, in light of on-going uncertainty over the coronavirus (COVID-19) pandemic in the past year and more recently the rising cost of living.

We welcome the government's proposed new legislation to strengthen competition and consumer policy<sup>2</sup>. We consider that these proposals would promote fair, open and competitive markets and protect the interests of consumers, as well as helping fair-dealing businesses to grow, enter new markets, and compete with large incumbents.

I would like to thank all our staff across the organisation in all four nations for their achievements delivering our priorities, despite the continued uncertainty. Covid restrictions meant that most of our staff had to continue to work from home for part of the year. With the help and support of colleagues across corporate services, in providing the technology to allow us to continue to work seamlessly, and in sharing best practice and developing new ways of working, we were able to respond to the challenges impacting consumers, as a result of the pandemic, while continuing to deliver on our plans for the year.

We are excited at the prospect of further growing our presence in the nations and regions, both through our offices in Belfast, Cardiff and Edinburgh and through [plans for new offices in the English regions](#). We have announced a new Microeconomics Unit in Darlington, as recommended in the independent report by John Penrose MP. Our Microeconomics Unit will expand the CMA's existing economic research and evaluation function, produce the annual State of Competition report and carry out research into supply-side reforms to improve productivity. We are also opening an office in Manchester, which will be the home of the new DMU.

Enormous thanks go to Andrea Coscelli, who ends his term as Chief Executive Officer (CEO) in summer 2022, for his leadership, drive and resilience through difficult and uncertain times. He has ensured that the CMA has continued to promote effective competition in markets, with his thought leadership on the regulation of digital markets globally, while delivering impactful remedies to tackle problems where they arise, and ensuring consumers are protected and can enjoy the benefits of healthy, competitive markets. With a new Chair and interim CEO due to take over in the coming year, this will be the last Annual Report from both Andrea and myself, and we are confident that as we leave the CMA, it is in robust health and in strong hands.

<sup>2</sup> [Reforming competition and consumer policy: government response - GOV.UK \(www.gov.uk\)](#)

# Year in highlights

## Protecting consumers from unfair practices

Secured formal commitments across **7** investigations into consumer protection issues, including in relation to **unfair ground rents for leasehold properties** and **autorenewals in antivirus software**.

Obtained a court order, declaring that **Teletext Holidays and Alpharooms.com broke consumer law**, to highlight the importance of travel firms respecting consumers' refund rights

**Published consumer law guidance/principles** for businesses and consumers in our anti-virus autorenewals, IVF and misleading green claims investigations.



## Protecting consumers from anti-competitive behaviour

Resolved **7 Competition Act investigations**, including into pharmaceuticals, online advertising and lighting sectors.



**4** Competition Act infringement decisions – **£404.1 million** of fines imposed.

(**the highest level of fines ever imposed** since the Competition Act came into force in 2000).



Launched **7** new Competition Act investigations.



Director disqualification secured, bringing the total since November 2016 to **25**, signalling directors' personal responsibility for non-compliance.





## Merger control in numbers

**827** transactions reviewed, up from 600 last year.

■ No further action (757) ■ Phase 1 investigations (60) ■ Phase 2 investigations (10)

### 60 phase 1 merger cases opened:

#### 55 concluded:

- **34** mergers cleared (includes 1 'de minimis' clearance)
- **10** referred to phase 2
- **6** accepted undertakings in lieu
- **1** merger abandoned
- **4** mergers were found not to qualify

In addition, **3** public interest intervention cases were considered (1 was referred to phase 2 and counted above).

### 10 phase 2 investigations opened:

#### 8 concluded:

- **2** mergers cleared
- **2** mergers cleared with remedies
- **3** mergers blocked
- **1** merger abandoned



## Market studies, investigations and regulatory appeals



### Market studies:

- Launched two studies into mobile ecosystems and music streaming
- Concluded the studies into electric vehicle charging and children's social care

### Market investigations:

- Launched an investigation into the supply of land mobile radio network services



### Regulatory appeals:

- Published our final redeterminations of Ofwat's price control for **4** water companies
- Reached our final determination in the appeals by **9** energy companies



## About us

The CMA is an independent non-ministerial government department and has been the UK's primary competition and consumer authority since 2014. We employ around 875 people, who are based mainly at our offices in London and Edinburgh, with growing teams in Cardiff and Belfast and plans to open offices in the North of England. 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 HM Treasury and reports to the UK Parliament through its Annual Plan and Annual Report. This year marks the first time that the CMA's Annual Report will also be laid in each of the devolved legislatures. Our staff are civil servants. We are governed by a Board, comprising the Chair, the Chief Executive, executive and non-executive directors, and two members of the CMA Panel. The Chief Executive, as the CMA's Principal Accounting Officer, is responsible for the economy and efficiency of its handling of public monies. Some functions of the CMA must be performed by members of the CMA Panel who have clearly defined responsibilities and act as fresh decision-makers between the two phases of market and mergers cases to avoid confirmation bias. Our governance structure helps us to maintain our reputation for fairness, independence, integrity, rigorous analysis, careful handling of sensitive information, and efficient use of public money.

### Estimated financial benefit to consumers

Each year the CMA estimates the direct financial benefit of our work on consumers. We consider our estimates to be conservative because they are based on cautious assumptions.

- Annual average consumer savings of at least £2 billion in 2021/22
- Over the three-year period between 2019/20 to 2021/22, the estimated direct financial benefit to consumers was over £6 billion; and
- For every £1 we spent on our operating costs, the average benefit to consumers over the last three years was £22.50



These estimates 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.

These estimates only include the direct financial benefits of our work and so they exclude many important, wider impacts on the competition regime. For example, they do not account for the deterrent effect of our actions and the impact of competition policy interventions on productivity. Our [literature review](#) on the deterrent effect from competition authorities' work found good evidence of the existence of a substantial deterrent effect, with surveys estimating deterrence ratios of between 4.6:1 and 28:1 for cartels, which imply that many more cartels are deterred for each one that is caught.<sup>3</sup> This is supported by case specific evaluations of the impact of a selection of the CMA's decisions in competition act investigations.<sup>4</sup> Overall, therefore, our estimates for the direct financial benefits capture only a part of the overall positive impact of the CMA's work.

<sup>3</sup> [The deterrent effect of competition authorities' work, a literature review, September 2017](#)

<sup>4</sup> [CMA Evaluation of CA98 cases, A DotEcon report, May 2018](#)

## Chief Executive's review

Despite continuing to face considerable challenges and uncertainty in the past year, the CMA has built on the last couple of years with another very strong performance, delivering on all our commitments in last year's Annual Plan, and responding quickly and flexibly to new challenges as they presented themselves. At a time when households across the UK are feeling the effects of the rising cost of living, ensuring that markets are competitive is more important than ever before. This report gives a summary of our performance, highlighting our key work.



In our competition enforcement work, we imposed fines of over £400 million on pharmaceutical companies for breaches of competition law in supplies of important medicines to the National Health Service - the highest level of fines in any year in the history of the UK regime. The impact of these cases on the NHS – and ultimately the UK taxpayer – was significant. For example, prior to April 2008, the NHS was spending approximately £500,000 a year on hydrocortisone tablets. This had risen to over £80 million by 2016. The investigation into these practices is part of the CMA's ongoing work in the pharmaceutical sector, with three cases concluded this year and two further cases brought to a close with infringement decisions the year before, bringing the total number of infringement decisions in this sector in the last two years to five, of which three are now subject to appeal at the Competition Appeal Tribunal (CAT).

In line with our new expanded responsibilities, we also opened four new competition enforcement cases in global digital markets, working with the Information Commissioner's Office to bring the [Google Privacy Sandbox case](#) to a close with legally binding commitments from Google designed to address competition concerns while protecting privacy. We have also opened investigations into [Apple app store payments](#) and [the use of data by Facebook \(now Meta\)](#).

We have continued to investigate mergers that we consider would likely harm competition and consumers' interests, with the potential for higher prices, reduced choice and ultimately less innovation and growth. We reviewed 827 merger transactions, up from approximately 600 last year. We opened 60 formal merger control reviews, concluded 55 and referred 10 for in-depth reviews. We completed 8 phase 2 mergers at year end - 2 of which were cleared, 2 were resolved with remedies, 3 were blocked while a further case was abandoned after we raised concerns. We also secured positive judgments from the CAT and the Court of Appeal for the approaches we took in our [Sabre/Farelogix](#) and [Facebook / Giphy](#) cases.

We have continued to take strong action under consumer protection laws in response to issues raised as a result of the impact of the pandemic and the travel restrictions that were in place, including [further action to secure refunds for consumers for cancelled holidays](#), [advising the Secretary of State for the Department of Health and Social Care \(DHSC\) on the PCR testing market](#) and [securing commitments from PCR test providers](#) to improve terms and pay refunds promptly.

At the same time, we have been progressing other important consumer protection investigations in a variety of areas, including leasehold, anti-virus software and fake online reviews. We [freed thousands of leaseholders from increasing ground rent terms](#) that saw them trapped in homes they struggled to sell or mortgage. We secured [undertakings from anti-virus software firms to pay refunds](#) to consumers who were automatically renewed, when it was not their choice. We opened formal [enforcement cases against Amazon and Google](#) in relation to fake online reviews.

We also published [guidance on consumer rights in IVF fertility clinics](#) and commenced a compliance review, and published [advice to help businesses comply with the law on misleading environmental claims](#) about products (often called 'greenwashing') and to advise shoppers on what to look out for, with a commitment to review and take action, where necessary.

We have published our recommendations to the Scottish, Welsh and UK governments for [improvements in the provision of children's social care](#). We have progressed our [market study looking at mobile ecosystems](#) and the [market investigation into Airwave Motorola](#), after the CAT upheld the CMA's decision to open a market investigation into the mobile radio network used by the emergency services. We have also issued decisions following regulatory appeals in the [water](#) and [energy](#) sectors.

We have had success in appeals to the CAT against our decisions imposing fines for anti-competitive agreements, including the [CAT upholding our decision to fine Roland](#) for restricting retailers' ability to discount in the supply of musical instruments and a decision upholding our findings in pay for delay deals. We have also had success on appeal in our approach to our mergers work. We had judgments from [the CAT confirming our approach to assessing the share of supply test in Sabre/Farelogix](#), and from the [Court of Appeal confirming our approach to interim enforcement orders in Facebook/Giphy](#).

Following the High Court judgment dismissing the [CMA's enforcement action against Care UK](#) in relation to upfront administration charges, we updated and reissued our [consumer law advice for care home providers](#). Given the narrow subject matter of the High Court judgment, the vast majority of the advice remains as originally stated, though changes have been made to reflect the High Court's approach in relation to administration charges.

We [launched the shadow Digital Markets Unit \(DMU\)](#) in April 2021, which has been preparing for the government's proposed new pro-competition regulatory regime and pending legislation, it has coordinated the use of our existing powers to tackle harmful practices in digital markets, for example, the [Facebook/Giphy merger](#) and the [Mobile Ecosystems market study](#).

This is alongside the [launch of the Office for the Internal Market \(OIM\)](#), which has been building relations across the nations, carrying out research on the functioning of the internal market and publishing our [first overview of the UK internal market](#).

The Subsidy Control Bill was enacted in April 2022. We are now preparing for the launch of the SAU.

We have stepped up our work to advise governments in the UK on designing and implementing policy in a way that harnesses competition, promoting post-pandemic growth and protecting the interests of consumers. We continued our significant outreach across the nations and regions of the UK. We have worked with governments across the four nations, the Department for Business, Energy and Industrial Strategy (BEIS) and others providing advice in specific areas, such as PCR testing, shipping, transport, sustainability and digital markets. This can have far reaching effects, for example the government accepted our recommendation to add 'promoting effective competition' as one of the statutory objectives of public procurement, a sector that is worth £284 billion a year.

We have recruited and developed talented people with the right skills to ensure that we have the relevant knowledge and expertise at all levels to rise to the challenges we face and deliver strong positive solutions for UK consumers. We also have a dedicated panel, whose members play a key role in the decision making on important merger and market cases and regulatory appeals. They make evidence-based and fair decisions backed up by well-argued reports,

maintaining the highest standards of integrity, impartiality and objectivity at all times. Many panel members have significant expertise in competition law or competition economics or both. Other panel members bring other experiences and skills - in intellectual property or commercial law, in M&A and corporate finance, other forms of regulation or consumer interests – which are equally valuable.

I will highlight in this report the significant outcomes we have achieved for consumers, business and the UK economy against each of our planned priorities for 2021/22: protecting consumers and driving recovery during and after the coronavirus pandemic; taking our place as a global competition and consumer protection authority as we assume our new responsibilities after the EU Exit transition period; fostering effective competition in digital markets; and supporting the transition to a low carbon economy.

## **Protecting consumers and driving recovery during and after the coronavirus pandemic**

As the UK continues to emerge from the coronavirus (COVID-19) pandemic and faces significant increases in the cost of living, protecting consumers and promoting competition will be more important than ever before.

When the cost of living increases, the poorest households will be hit hardest. With fewer suppliers to choose from, and less innovation, consumers also suffer from reduced choice.

The CMA plays an important role to promote competition and protect consumers or when it believes it can improve the way in which markets work. This is particularly important in building trust and confidence when people buy goods and services, which will be critical to the economic recovery.

We want to ensure that as consumers, we all get more of what we want at the best possible price, while improving productivity and facilitating sustainable growth, job creation and better living standards in the economy as a whole. It is also important that consumers are well-informed and able to shop around to find the best deals. This drives companies to seek to win business by competing on range, quality, price and innovation.

We also want to ensure that we take into account the needs of the most vulnerable in our society, such as those on low incomes; people without access to online services or those who struggle to use them; or people with poor mental health who may avoid or fear change.

## **Protecting consumers, with a particular focus on protecting the vulnerable, from breaches of competition and consumer protection laws and poorly functioning markets**

The impact of the coronavirus pandemic continued to inform our work over the past year. In particular, concerns raised about the price, reliability and quality of PCR testing led us to issue an open letter to PCR providers on compliance with consumer law. We advised the UK Government on ways to make the PCR testing market work better and secured changes from three leading PCR testing providers, Randox, Dante Labs and Expert Medicals. All three firms made changes to their terms and conditions to improve their practices.

We also undertook further work in the travel sector. We secured further commitments from TUI to give clearer information about refunds upfront to customers whose holidays were cancelled due to the pandemic. We also successfully obtained a court order declaring that Teletext broke consumer law by failing to refund customers within the legally required timeframe.

We have continued to work hard to enforce consumer protection law across a range of other important sectors, protecting consumers from unfair behaviour by businesses, including in markets like leasehold property and healthcare (IVF).

In 2021/22 we have made significant progress in our ongoing investigation into the leasehold sector, addressing concerns about clauses that double ground rents and about misleading sales practices.

## Case study 1: Leasehold

In September 2020 the CMA launched enforcement action against 4 housing developers in relation to possible breaches of consumer protection law in the residential leasehold sector.

We then wrote to a number of other businesses setting out our concerns and requiring them to remove harmful terms from their contracts.

In response to our action, Taylor Wimpey, Countryside, Aviva, and 15 other freeholders committed to remove terms that cause ground rents to double in price.

These terms mean people often struggle to sell or obtain a mortgage on their leasehold home.

In addition, Persimmon agreed to offer leasehold house owners the opportunity to buy the freehold of their home at a discounted price, better reflecting what they expected when they originally bought their house.

---

**“ We will continue to work hard to free leaseholders from these problematic terms and will now be putting other housing developers under the microscope. ”**

We have helped to tackle concerns about auto-renewing subscriptions. We secured refund rights for customers of leading suppliers of antivirus software, McAfee and Norton. Following CMA action, both companies extended refund rights to all customers who had been auto-renewed. In the online games sector, we also secured improvements from Microsoft for Xbox online players following concerns about Microsoft's use of auto-renewing subscriptions.

We launched a consumer protection law enforcement investigation into Groupon over concerns it is failing to provide some customers with cash refunds and to deliver all products within advertised timeframes. Groupon subsequently committed to offer refunds and improve customer service.

In June we published our IVF guidance on consumer rights to make clear to fertility clinics their legal obligations to treat people fairly and to help patients understand their rights. We teamed up with Lorraine Kelly to publicise the guidance and warned clinics that they could face enforcement action if they don't follow the rules.

In competition enforcement, we have continued to prioritise cases where we can achieve the greatest impact to ensure that customers are able to buy products at the best price, something that is even more important when the cost of living is increasing.

We have continued our important work investigating anticompetitive conduct in the pharmaceutical sector, with a view to ensuring that the NHS, and ultimately the taxpayer, does not pay more than they should for essential medicines and treatments, and that consumers who depend upon these drugs and treatments do not lose out. We have concluded three more of our Competition Act investigations in the pharmaceutical sector, resulting in a record level of fines being imposed at over **£400 million**, reflecting the gravity and impact of the conduct.



This included imposing fines totalling over £260m for competition law breaches in relation to the supply of hydrocortisone tablets; over £100m for inflating the price of thyroid tablets; and over £35m for an illegal arrangement in the supply of important NHS prescription anti-nausea tablets.

We have also fined Dar Lighting £1.5 million for breaking competition law by restricting the level of discounts retailers could offer online. With so many businesses operating online, it is vital that fair competition is maintained across all sectors, so that consumers get a fair price. We applied a 35% increase as part of the fine calculation, because the supplier failed to take sufficient action after 2 written warnings from the CMA relating to allegations of illegal price fixing, known as resale price maintenance. This decision should act as a warning to companies that resale price maintenance is illegal and that warning letters issued by the CMA are to be taken seriously and not to be ignored. The CMA has issued millions of pounds worth of fines in recent years to firms including in the lighting and musical instrument sectors for preventing retailers from offering discounts online.

We have continued to use our powers to investigate markets which can have a real impact on people's lives, particularly those who are experiencing vulnerability or hardship for a variety of reasons, including when going through difficult periods of their lives.

Following our in-depth market investigation into the funerals sector, we have put in place legal obligations to assist funeral directors and crematorium operators to better support their customers in arranging a funeral that meets their needs and budget. The new legal obligations are set out in the Funerals Market Investigation Order 2021. The legal requirements for funeral directors include displaying a Standardised Price List in their window at their premises and on their website.

We also published the final report of our market study into children's social care provision. We have made a set of recommendations to the UK, Scottish and Welsh governments to address these issues and will continue working with them to support implementation, should they decide to take them forward.



## Case study 2: Children's social care

In March 2022, the CMA published the final report in our market study into children's social care.

There are over 100,000 looked-after children across England, Scotland and Wales. The current annual cost for children's social care services is around £5.7 billion in England, £680 million in Scotland and £350 million in Wales. The market study highlighted and reflected the significant differences between the three nations.

We raised concerns that local authorities were hamstrung in their efforts to find suitable and affordable placements in children's homes or foster care.

We found that action is needed to address concerns, including a shortage of appropriate places in children's homes and with foster carers.

**“ We recommended the development of national and regional bodies to support local authorities in finding suitable placements for children. We also sought to address concerns about the financial stability of private children's home providers and high profits in the sector. ”**

It is also imperative that the CMA maintains effective merger control when we are all facing increasing price pressures. Mergers and acquisitions that reduce competition can reduce the incentive for businesses to offer lower prices. We will continue to investigate mergers to ensure that consumers across the UK do not lose out, as a result of more concentrated market structures, which can lead to higher prices and less innovation.

In June we accepted undertakings for the completed acquisition by Bellis Acquisition Company 3 of Asda Group after competition concerns were raised. We were concerned that the purchase could lead to higher petrol prices in some parts of the UK.

We issued our final decision in the merger of JD Sports and Footasylum following the remittal from the CAT. We maintained our initial view that the deal caused competition concerns and could lead to a substantial reduction in competition and a worse deal for Footasylum's customers. We instructed JD Sports to sell Footasylum and also found it necessary to impose a fine of £5 million on the parties for breaching an order that prohibited the companies from exchanging commercially sensitive information without prior consent.

Also this year, the CMA cleared the merger between Virgin Media and O2. The CMA was initially concerned that the merger could lead to increased prices or a reduction in quality of services.

However, following an in-depth phase 2 investigation the independent panel concluded that the deal was unlikely to lead to any substantial lessening of competition and it was unlikely to increase prices.

The CMA published its final redeterminations of Ofwat's price control for four water companies and delivered our final decisions into appeals from nine energy companies against modifications made to their licences by GEMA, Ofgem's governing body.

We have continued to engage with third sector organisations, hearing from a wider variety of charities and third sector organisations this year and learning more about the issues impacting the consumers they interact with, to inform our work in consumer protection and competition.

## **Supporting the UK economy by fostering competition to promote innovation, productivity and growth**

We have a duty to foster and promote competition for the benefit of consumers by continuing to operate a strong and independent system of merger control. Such a system is vital in promoting innovation, productivity and growth. It is also crucial in protecting consumers interests – something that is particularly important as we continue to see the impact of the rising cost of living and the ongoing conflict in the Ukraine.

We have continued to investigate mergers that we consider would likely harm competition and consumers' interests, with the potential for higher prices, reduced choice and ultimately less innovation and growth.

In some cases, our rigorous analysis of the impact of mergers on competition and consumers at phase 1 has led to companies abandoning their proposed mergers. For example, the merger between Imprivata and Isosec was abandoned, following our initial phase 1 investigation. Imprivata and Isosec provide secure authentication management solutions to healthcare providers in England. These technologies can give staff protected access to sensitive patient data sourced from a central NHS IT system. We found evidence that the two companies are important rivals in this area, both providing secure authentication management solutions to healthcare providers in England. We found that competition between the two was expected to grow and that if the merger went ahead as planned it would have an impact on the NHS and other healthcare providers across England, which in turn could potentially lead to taxpayers receiving poorer value for money.

We accepted legally binding commitments in a number of mergers to resolve serious concerns about competition and the potential impact on consumers. These included commitments from Cellnex to sell over 1,000 telecoms tower sites to address serious competition concerns over its purchase of CK Hutchinson's UK towers.

We undertook an in-depth phase 2 investigation into the purchase of Babcock's oil and gas offshore helicopter transportation services business by CHC. The independent group of panel members were concerned that the merger would reduce competition between an already limited number of suppliers in a market that is vital to the smooth running of the North Sea oil and gas industry, when pressure on energy prices is already severe. To address the concerns, we are requiring CHC to sell the business it bought from Babcock.

We also issued our final decision following a reassessment of the purchase of GBST by rival FNZ after our initial decision to block the merger was appealed to the CAT. In our reassessment,

the group of panel members found that the purchase could significantly decrease competition in the supply of retail investment platform solutions which, in turn, could lead to UK consumers who rely on these platforms to administer pensions and other investments facing higher costs and lower quality services.

Our in-depth phase 2 investigation into the merger into Dye & Durham / TM Group is ongoing. Both businesses provide a 'one-stop' property search service to clients in the property market under a variety of brands. We have provisionally found that the merger substantially lessens competition in the supply of property search services and could lead to higher costs for conveyancers, estate agents and mortgage brokers, which could be passed on as higher fees for people and businesses buying or selling residential and commercial properties.

We successfully defended against a challenge in the CAT from Sabre following our decision to block its proposed merger with Farelogix. Both companies supply software solutions which help airlines to sell flights via travel agents including those that operate online. We were concerned that the merger could result in less innovation. The judgment from the CAT endorsed our approach to the assessment of the merger.

In competition enforcement, we opened an investigation in March into suspected anti-competitive conduct in connection with the ongoing procurement process for the contracts to supply services at Heathrow and Derwentside Immigration Removal Centres.

In October we opened a market investigation into Motorola's Airwave network, the mobile radio network used by all emergency services in Great Britain. The CMA's decision to move straight to a market investigation without a reference from phase 1 was successfully defended in the CAT. The CMA is concerned that the market for the supply of the mobile radio network used by all emergency services in Great Britain might not be working well, resulting in a more expensive service for customers and, ultimately, the taxpayer.

We will continue to use our director disqualification powers in competition enforcement cases to ensure individual accountability for wrongdoing. Since the power was first used in 2016, there have been **25 director disqualifications** arising from Competition Act investigations, covering directors involved in a range of sectors, including construction, pharmaceutical and estate agency. Of this number, the CMA have secured the disqualification of 24 individuals through the agreement of undertakings, (including two disqualifications for the same person). There has been one case where disqualification was ordered by the court. Most recently, in December, we disqualified a director for his involvement in an information exchange infringement arising out of the CMA's Nortriptyline investigation.



We have also continued our work on Open Banking which was initiated in 2017 as part of a package of remedies following the CMA's retail banking market investigation. The CMA ordered the nine largest UK banks and building societies to create and pay for an Open Banking implementation Entity (OBIE) to develop and deliver the open banking standards. As of January 2022, there were over five million users of services powered by Open Banking technology.

In March 2022, we published a consultation response on the future governance arrangements for Open Banking. This response took into account the findings of an independent investigation into allegations relating to conduct at the OBIE, following which the CMA has worked with

key stakeholders to strengthen and improve the governance framework for OBIE.<sup>5</sup> Alongside publication of the CMA's response to the consultation, the creation of a Joint Regulatory Oversight Committee was announced by regulators and government to oversee the design and set up of a future entity and develop Open Banking beyond the scope of the CMA's Order.

In May 2022 the CMA published the findings and recommendations of a review by Kirstin Baker, an independent non-executive Director of the CMA, to identify the lessons from Open Banking for the CMA in its approach to designing, implementing and monitoring remedies in its market investigations. When publishing Ms Baker's findings, the CMA committed to implement her recommendations in full; and to report publicly next year on progress in its work programme on remedies.

## Taking our place as a global competition and consumer protection authority as the CMA assumes new responsibilities after the EU Exit Transition Period

We have taken our place as a global competition and consumer protection authority. Our extensive preparations ensured that we had the necessary people, skills and infrastructure in place to carry out our expanded role outside the EU. As a result, we have progressed complex, multinational cases that would have previously been reserved to the European Commission and further strengthened cooperation with our international counterparts. At the same time, we have started to operate the shadow DMU; we have launched the OIM; and recommenced our work on the UK's future subsidy control regime by preparing for the creation of the SAU under the Subsidy Control Act 2022.

Alongside the competition enforcement cases, set out in more detail below, we have concluded important merger investigations looking at businesses operating in markets across the world. For example, in the investigation into the merger of NVIDIA / Arm, we worked closely with competition authorities in other countries to carefully consider the impact of the deal. The merger was subsequently abandoned in February 2022 following a referral to an in-depth phase 2 investigation after our phase 1 investigation found potential competition and national security concerns.



Also, in February 2022 we accepted legally binding commitments following a phase 1 investigation into the anticipated acquisition by S&P Global Inc. of IHS Markit. We worked closely with other international agencies during our initial phase 1 investigation which found some competition concerns involving the supply of certain commodity price assessments in the UK. We were initially concerned that the reduction in competition could lead to worse outcomes for customers, however, we consider the divestments offered are sufficient to deal with those concerns.

We also blocked a merger between Cargotec and Konecranes in March after finding the merger would have resulted in a substantial lessening of competition, which could have raised prices for consumers. This investigation was conducted in parallel with other international authorities.

<sup>5</sup> The report concluded that the OBIE had not been properly managed and a lack of appropriate corporate governance was a direct contributor. Governance improvements included updated governance arrangements for the OBIE.



## Case study 3: Cargotec/Konecranes

In March 2022 we blocked the \$5 billion merger of Cargotec and Konecranes following an in-depth phase 2 investigation.

We found that the merger would harm competition in the supply of a wide range of container handling equipment products, leaving UK customers with few remaining alternative suppliers. This could have had serious consequences for UK port terminals and other customers, including higher prices and lower quality products and services.

Cargotec and Konecranes submitted remedies to seek to address these concerns but we found that these lacked important capabilities, so would not have enabled strong competition.

The investigation was conducted in parallel with other authorities, including the European Commission, the Department of Justice and the Australian Competition and Consumer Commission.

*Martin Coleman, chair of the CMA inquiry group, said:*

**“ These are global businesses that make significant sales to UK customers, which is why it is critical for us to ensure that competition in the UK is protected. ”**

To ensure we exercise our functions to best effect, we work closely with our counterparts in the UK and across the world, including continuing our strong relationship with the European Commission and national competition authorities in EU Member States.

We have worked closely with BEIS as it develops proposals for a major upgrade to the UK's consumer protection framework. This relates specifically to our powers to investigate and enforce consumer protection law, and would include the power to directly sanction breaches. This will further cement us as a global authority in the consumer protection field.

We have continued our close engagement and cooperation with other international partners on a wide variety of issues. This includes our fellow participants<sup>6</sup> in the Multilateral Mutual Assistance Cooperation Framework (MMAC), as well as the European Commission and national competition and consumer agencies within the EU and worldwide. We believe this kind of collaboration can amplify our impact. In April we joined forces with our counterparts in Australia and Germany to set out the need for robust merger enforcement to drive post-pandemic economic growth.

<sup>6</sup> Alongside the CMA, participants include the Australian Competition and Consumer Commission, the New Zealand Commerce Commission, Competition Bureau Canada, the United States Department of Justice, and the United States Federal Trade Commission

We have remained active and committed participants in important forums like the Organisation for Economic Co-operation and Development, the International Competition Network, the International Consumer Protection and Enforcement Network and the United Nations Conference on Trade and Development.

Working with other competition authorities from the 'Five Eyes' nations - the CMA alongside the United States Department of Justice, the Australian Competition and Consumer Commission, the Canadian Competition Bureau and the New Zealand Commerce Commission - we have put supply chains on notice that those attempting to use supply chain disruptions as a cover for illegal anticompetitive conduct, including collusion, will face the full force of the law. The launch of the working group follows concerns about higher prices resulting from supply chain disruption across the economy. Many businesses and individuals have worked hard to minimise the impact of these disruptions. We are concerned, however, that some unscrupulous businesses could take advantage of the disruptions to engage in anti-competitive collusion and practices that cheat other businesses and ultimately consumers.

The OIM was launched in September 2021 to provide independent advice, monitoring and reporting in support of the effective operation of the UK internal market. In April 2022 BEIS confirmed the appointment of the OIM's first Chair, Murdoch MacLennan, who will also be a Non-Executive Director on the CMA Board. BEIS is currently progressing the recruitment of the OIM's panel.

The OIM aims to help trade flow freely within the UK internal market, allowing people and businesses to trade across the UK without additional barriers based on which nation they are in. It reports on how effectively companies are able to sell their products and services across the four nations and provides independent technical and economic advice to all four governments on the effect on the UK internal market of specific regulatory provisions that they introduce. The OIM will ensure that it demonstrates transparency, independence, analytical rigour and even-handedness and works to become a centre of expertise on internal market matters which, consistent with its statutory functions, can be a resource for businesses, policy makers and other stakeholders across the whole of the UK.



In March 2022, the OIM published its first analysis of the UK internal market. This first-of-a-kind report demonstrates the scale and importance of trade between the four nations, which is likely to exceed £190 billion annually. It found that Scotland, Wales and Northern Ireland trade more with the rest of the UK than with the EU or the rest of the world and identified limitations in the data currently available. The OIM will continue working collaboratively with all four nations to help address these limitations in intra-UK trade data.

The Subsidy Control Act came into force in April 2022. We are now preparing for the launch of the SAU later in the year. We have been recruiting to the new team that will operate the SAU and taking forward work to ensure the SAU is ready to launch later in the year.

We have also made a recommendation to the UK Government on new UK 'block exemption' legislation to give automatic exemption from the prohibition on anti-competitive agreements to pro-competitive 'vertical' agreements between companies (replacing existing EU regulation currently retained in UK law). This will provide businesses with certainty about the

compatibility of their distribution arrangements with competition law and protect consumers from harmful agreements. We will be reviewing the other EU 'block exemption' regulations retained in UK law in due course, in order to make further recommendations to the UK Government, including in relation to regulations relating to R&D agreements, motor vehicle distribution, and container shipping.

## Fostering effective competition in digital markets

The CMA's work in digital markets has been influential in shaping discussions and policy-making in the UK and more widely. Following the publication of our market study into online platforms and digital advertising and the subsequent advice of the Digital Markets Taskforce in 2020, putting forward proposals for a pro-competition regime for digital markets, the shadow Digital Markets Unit was launched in April 2021. The DMU will oversee a new regulatory regime for the most powerful digital firms, promoting greater competition and innovation in these markets and protecting consumers and businesses from unfair practices. Other international organisations have now taken a similar approach.

The DMU will look closely at the practices of the most powerful digital firms, taking action against harmful practices as well as proactively opening-up markets to promote greater opportunities for new and innovative competitors. As we wait for our formal powers, we are building our expertise and continuing to progress digital cases using existing powers.

We progressed several key competition enforcement cases in digital markets that would previously have been overseen by the European Commission. We have now investigated or are investigating four international digital antitrust cases, often working in parallel with the European Commission and other international agencies. This includes our investigation into Google's proposals to replace third party cookies functionality with its Privacy Sandbox tools.

## Case study 4: Google Privacy Sandbox

The CMA accepted commitments from Google in February 2022 relating to its proposed removal of third-party cookies from the Chrome browser (known as the Privacy Sandbox proposals).

We conducted an in-depth investigation and extensive engagement with Google and market participants, including 2 formal public consultations. We were concerned that the proposals would cause online advertising spending to become even more concentrated on Google. The proposals could also have undermined the ability of online publishers, such as newspapers, to generate revenue and continue to produce valuable content in the future.

The commitments, which were revised following our initial consultation, address the CMA's competition concerns and Google has also said that they will be rolled out globally. They include:

- The CMA and the Information Commissioner will be involved in the development and testing of the Privacy Sandbox proposals.
- Google will engage in a more transparent process than initially proposed.
- Google will not remove third-party cookies until the CMA is satisfied that its competition concerns have been addressed.
- Commitments to restrict the sharing of data within its ecosystem and to not self-preference its advertising services.

We will supervise Google to ensure the Privacy Sandbox is developed in a way that benefits consumers.

**“ We are working closely with the Information Commissioner's Office (ICO) to oversee the development of the proposals, so that they protect privacy without unduly restricting competition and harming consumers. ”**

We are also investigating whether Facebook (now Meta) might be abusing a dominant position in the social media or digital advertising markets through its collection and use of advertising data. In March 2021, we launched a case investigating Apple following complaints that its terms and conditions for app developers are unfair and anti-competitive. We have also recently launched an investigation into Google and Facebook (now Meta) looking at concerns that they hampered competition in markets for online display advertising services.

We have also investigated several significant digital mergers, including Nvidia/Arm, S&P Global/IHS Markit, Imprivata/Isosec, FNZ/GBST (as mentioned above), and the completed acquisition of Giphy by Facebook (now Meta).



## Case study 5: Facebook/Giphy

The CMA found that the completed acquisition by Facebook (now Meta) of Giphy may give rise to competition concerns in both the supply of display advertising in the UK, and in the supply of social media services worldwide (including in the UK). As such, we directed Facebook to sell Giphy.

The independent CMA group of panel members reviewing the merger concluded that Facebook would be able to increase its already significant market power in relation to other social media platforms by:

- denying or limiting other platforms' access to Giphy's GIFs, driving more traffic to Facebook-owned sites, which already account for 73% of user time spent on social media in the UK, or
- changing the terms of access eg by requiring TikTok, Twitter and Snapchat to provide more user data in order to access Giphy GIFs.

In a recent judgement, the CAT endorsed the CMA's finding that the merger between Facebook and Giphy substantially reduced dynamic competition

During the course of the merger investigation, Facebook was fined £50.5 million for breaching an order imposed by the CMA. Facebook was required, as part of the process, to provide the CMA with regular updates outlining its compliance with the order. Facebook significantly limited the scope of those updates, despite repeated warnings from the CMA.

---

**“ By requiring Facebook to sell Giphy, the CMA is protecting millions of social media users and promoting competition and innovation in digital advertising. ”**

In our consumer protection work to tackle the sale of fake online reviews, we have secured further commitments from Facebook to make it harder for people to find groups and profiles that buy and sell fake reviews. We have also opened an investigation into Amazon and Google over concerns that they are not doing enough to combat fake reviews on their sites.

In December we published our interim report following our market study into Apple's and Google's mobile ecosystems. We provisionally found that Apple and Google were able to leverage their

market power to create largely self-contained ecosystems making it extremely difficult for any other firm to enter and compete meaningfully with a new system. Our report set out a range of actions that could be taken to address these issues. The final report was published in June 2022 and we are now consulting on a proposed market investigation reference.

In January, we launched a market study into music streaming to build a view as to whether competition in this sector is working well or whether further action needs to be taken. Our investigation will examine the market from creator to consumer, paying particular attention to the roles played by record labels and music streaming services.

The Data, Technology and Analytics (DaTA) unit provide the important technical skills needed for our work on digital markets. The unit has continued to build several bespoke tools to scrape data and monitor markets. Its engineers and data scientists already collect and analyse large, complex and rich datasets for cases, such as our investigations into fake online reviews, and analyse the algorithms and technical systems used by large technology firms that affect the daily lives of consumers and the functioning of important digital markets (eg digital advertising). Its Behavioural Hub applies an understanding of consumers and their interactions with the interfaces of digital firms. It contributes to the design of technical remedies, such as interoperability or techniques for anonymous data sharing. Overall, the DaTA unit's technological expertise allows us to challenge companies and hold them to account more effectively. We have also advised competition authorities looking to develop similar capabilities to our DaTA unit in a model that is being copied around the world.

Our Behavioural Hub has begun important cross-cutting work with our Consumer and Advocacy Teams on the use of Online Choice Architecture. They have been providing technology insights on emerging and developing markets encountered by consumers, working closely with the DMU. This work has also resulted in the publication of a discussion paper and a large evidence review of how poor and manipulative design can harm consumers and markets. In May the CMA hosted a conference event on Online Choice Architecture with international and UK speakers from academia, major digital firms and consumer organisations.

In a first for digital regulators in any country, we are building greater clarity and consistency in digital regulation through the Digital Regulation Cooperation Forum. We are continuing to work closely with our counterparts in the Financial Conduct Authority, Information Commissioner's Office (ICO), and Ofcom to strengthen cooperation and promote greater coherence across regulatory approaches. Working in collaboration with our partners, we will enable coherent, informed and responsive regulation of the UK digital economy which serves citizens, consumers and businesses and enhances the global impact and position of the UK.

In May, we published a joint statement, alongside the ICO, setting out our shared views on the relationship between competition and data protection in the digital economy – a world first. The recent launch of the new digital regulation research portal brings together over 80 pieces of recent research on emerging and future digital developments from eight regulatory bodies, ensuring that this body of knowledge is publicly available to inform the current debate.

In November the CMA hosted an Enforcer's Summit to lead work to strengthen cooperation between G7 competition authorities in relation to digital markets, to promote understanding of respective approaches to competition issues in digital markets and to discuss long term collaboration and cooperation. Following the summit, we issued a joint statement with the Federal Trade Commission and the Antitrust Division of the Department of Justice highlighting the close relationship among our agencies and affirming our intent to strengthen collaboration and coordination with one another.

## Supporting the transition to a low carbon economy

Climate change remains a hugely important issue across the world and at home in the UK. Its implications will affect global and domestic markets and, as a result, UK consumers.

To help tackle climate change, the UK Government is committed to a legally binding target of net zero carbon emissions by 2050 and clean economic growth is crucial to achieving this goal. At the CMA, supporting this transition continues to be a strategic priority. We provide this support through the cases we take on and the advice we provide to all four governments in the UK and others.

We have continued to prioritise work in markets where current practices could impede the successful transition to a low carbon economy in the future. For example, the electric vehicle charging market study where, in our final report, we set out measures to ensure that a national network of electric vehicle chargepoints will be in place ahead of the 2030 ban on the sale of new petrol and diesel cars. Our recommendations will promote strong competition, encourage more investment, and build people's trust, both now and in the future. We also investigated long-term exclusive arrangements in the supply of chargepoints, which resulted in commitments from Gridserve, the owner of The Electric Highway, a major chargepoint operator in Great Britain, that will open up competition and increase choice of electric chargepoints in motorway service areas.

Using our consumer protection functions, we continue to raise awareness around the use of environmental or 'green' claims by businesses. In September, we published guidance for businesses to help them understand and comply with their existing obligations under consumer law when making environmental claims about their goods and services. This was followed in October by guidance for shoppers on what to look out for. We then started our first compliance review in January, beginning with a review of environmental claims in the fashion retail sector.



## Case study 6: Green Claims Code

In this last year, the CMA has published its Green Claims Code to help businesses understand how to communicate their green credentials whilst complying with their existing obligations under consumer law and reducing the risk of misleading shoppers.

The code stipulates that green claims MUST:

1. Be truthful and accurate
2. Be clear and unambiguous
3. Not omit or hide important information
4. Only make fair and meaningful comparisons
5. Consider the full life cycle of the product
6. Be substantiated

We followed that up with our Green Claims Code for shoppers, with tips to help consumers identify products and services with genuine environmental credentials.

Our work seeks to deal with concerns that too many businesses are falsely taking credit for being green at a time when more people than ever are considering the environmental impact of a product before making a purchase.

Following on from its publication, the CMA has commenced a review of environmental claims in the fashion retail sector. The CMA plans to look at other sectors in due course.

“ According to some estimates, fashion is responsible for between 2 and 8% of global carbon emissions and many consumers are trying to choose more environmentally sustainable options when buying clothes. ”

In mergers, we have provisionally found that the merger of Veolia Environnement S.A. and Suez S.A would lead to a loss of competition in the supply of several waste and water management services in the UK. Both companies are active across the waste management supply chain from the collection of waste to the operation of facilities for composting and incineration and landfill sites. They also supply water and wastewater management services to industrial customers. We found that the loss of competition could lead to more costly and lower quality services, and in turn to higher council tax bills, as local councils and some businesses would have less choice when procuring key waste and water management services. This is all the more important at a time when local authority budgets are already stretched, and waste management services have to evolve to help achieve Net Zero targets.

In March this year, we published advice to the Secretary of State for Business, Energy and Industrial Strategy on how competition and consumer regimes can better support the UK's net zero and sustainability goals, addressing the current landscape, any possible changes, and actions the CMA can take now. We will have to be bold to help tackle this climate emergency.

Looking ahead, we are taking on new work in the climate change and sustainability space, and recently launched an investigation into suspected anti-competitive conduct affecting the sustainable use of resources in the automotive industry – including in relation to the recycling and recyclability of old or written-off vehicles, specifically cars and vans.

We are aware of the importance of tackling climate change to our staff, and we are committed to continuing to improve in this area as an organisation.

We are committed to meeting the Greening Government Commitment targets, which set out to: reduce water consumption; reduce greenhouse gas emissions; minimise waste; and ensure sustainable procurement of products. These targets aim to promote our responsibility for the environment within the business and encourage the communication and implementation of sustainability initiatives. These targets have been set to improve our environmental performance. All commitments will be included in the Greening Government Commitments Report.

## **CMA 2020s: Getting closer to consumers**

Our 'CMA in the 2020s' activities are structured around the need to: understand the changing needs of consumers and how they experience markets; explain our role, our decisions and the reasons for them in all our external communications; and advocate in the consumer interest on regulatory, policy and legislative matters. Such activity has become even more important, as we seek to understand the impact of the rising cost of living on consumers, businesses and the economy.

We continue to extend our outreach to people and businesses across the nations and regions of the UK and to use that experience to inform our casework. This builds on the expansion of our remit and offices, as we begin to grow our presence in the North of England. In November we announced that we will establish offices in Manchester and Darlington. Manchester will be the home of the new DMU, and a new CMA Microeconomics Unit (MU) is to be co-located with the government's new Economic Campus in Darlington. The MU will take on the CMA's existing economic research and evaluation function and carry out research into supply-side reforms to improve productivity.

We have published a second State of Competition report. This report is an assessment of how well competition is working in the UK and what that means for people and businesses. It shows a worrying combination of trends. We are seeing markets getting more concentrated, companies enjoying higher mark-ups and the biggest firms maintaining their leading positions for longer. It also finds that the poorest households are likely to suffer the effects of these changes the most. This is at the very time when they are already being hit by sharp rises in the cost of essential items. We will use our findings to direct our work to keep markets competitive and protect consumers at this crucial time.

The CMA is a member and key contributor to the work of the Consumer Protection Partnership (CPP) which is chaired by BEIS and brings together many of the enforcers and consumer bodies across the UK consumer landscape. This year we helped to develop the survey commissioned by BEIS on behalf of the CPP to listen to what consumers could tell us about their experiences of consumer detriment. The survey was published in April 2022 as part of the Consumer Protection Study.

We continue to have regular engagement with Citizens Advice and Which? at a strategic level through quarterly meetings. We hold operational meetings with relevant consumer bodies across the UK to share intelligence and horizon scan for emerging areas of consumer detriment. These organisations are key contributors to and supporters of a range of CMA work, in particular consumer enforcement projects. We are also working with Consumer Scotland as it establishes itself in the consumer landscape and look forward to building a close relationship between the organisations.

We have also progressed our outreach work with Citizens Advice which was substantially delayed due to the pandemic. The first pilot site visits to Citizens Advice took place in May 2022 with a range of staff members attending a Citizen Advice centre to learn more about the work of Citizens Advice, the range of issues they encounter and how we can work even better together in the future. These pilot visits will help to inform any enhancements that need to be made to the programme and also to identify relevant CMA staff who are most likely to benefit from such a visit.

We worked closely with Citizens Advice on the planning and roll-out of the CMA's Online Rip-Off Tip-Off campaign. By also partnering with Citizens Advice Scotland, Advice Direct Scotland, the Consumer Council for Northern Ireland and the Money Guiders Network on this campaign, we reached consumers across the UK nations and regions.

We have stepped up our engagement with business organisations across the UK, including a range of sector and trade associations. We have also forged productive relationships with stakeholders in the North West and North East of England in line with the CMA's new regional hubs. We have ongoing engagement with the Confederation of Business Industry NW and NE, Manchester Digital and the Leeds Digital Festival. We held round tables with Local Enterprise Networks and regional arms of the Federation of Small Businesses and the Institute of Directors.

We have also continued to engage with third sector organisations across the UK as part of our Getting Closer to the Third Sector project, hearing from a wider variety of third sector organisations and through them the consumers they interact with. Our areas of focus include race, poverty and inequality, climate change and mental health and well-being. This year we have further expanded the project to include the experiences of children and younger people, and older people. We will continue to develop these important stakeholder relationships and use the insight from the third sector organisations we are engaging with to help inform our prioritisation of our casework. We will use the network of contacts we have established through this work in the third sector to understand more about how the rising cost of living is impacting consumers and how that might be able to inform our work in consumer protection and competition more generally.

This is in addition to our engagement with colleagues internally on equality, diversity and inclusion, with the launch of our advisory committee (AdCo). AdCo is a diverse team of individuals from across the CMA who work together to improve diversity of thought at senior levels of the CMA. AdCo provides insights and advice to inform, support and constructively challenge senior decision-making.

We have also continued with our significant outreach with legislatures across the Devolved Nations, following last year's elections in Scotland and Wales, and with the UK Parliament. We have responded to inquiries and consultations on a range of topics, including post-pandemic growth, and have engaged directly with Parliamentary Committees. This has included appearances before both the House of Lords and Scottish Parliament Committees to discuss the role of the OIM, and the Public Bill Committee on the role of the SAU.

## Looking ahead – opportunities, challenges and risks

We will continue to face significant opportunities and challenges in the coming year as we establish our work on the substantial new responsibilities and functions conferred upon us, with an expanding remit and an organisation that is growing across the nations and regions (in particular in the North of England). We continue to face uncertain times ahead, even as we hope to emerge from the worst of the pandemic. The path to recovery is uncertain, hikes in the cost of living are unprecedented in recent times, and the war in Ukraine is impacting supply chains and markets. In times like this, it is more important than ever before that we remain agile and flexible in how we work and what we work on; that we lead the way in developing solutions as problems arise; and that we continue to act to protect UK consumers through challenging times.

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. We will continue to focus on high impact enforcement of competition and consumer law. We will remain alert to the risk of anti-competitive collusion, to mergers seeking to reduce competition and capitalise on the financial distress of businesses, and to attempts to exploit consumers, small and medium-sized enterprises (SMEs) and microbusinesses

Climate change also has the potential to bring more economic shocks and a potentially disruptive adjustment and adaptation process in a number of sectors, particularly those that are fossil-fuel intensive. We recognise the vital importance to each and every one of us in tackling the climate change emergency and supporting the drive to achieve net zero. Effective competition is vital to support recovery and sustainable future growth, and to ensure that people get a greater choice of better products and services at lower prices. We will continue to prioritise work that can support the development of healthy markets in sustainable goods and services.

Some of the CMA's work, such as merger control, is 'non-discretionary': and it must be carried out irrespective of the wider context in which the CMA operates; and there are statutory deadlines which apply. We have more discretion with much of our other work and we will prioritise those areas where we can add most value and have the greatest impact.

## Looking back

As Chief Executive, I would like to echo the Chair's thanks to all our staff for everything we have achieved in the past year and indeed in the 6 years, since I took over as CEO of the CMA. As I prepare to leave the organisation and hand over to Sarah Cardell, our interim CEO, I have reflected on the changes we have seen over my time. Over those years, we have faced many challenges and there has been an enormous amount of change in the organisation.

We have grown by 50% for a start, as we prepared for and took over our new responsibilities and functions. We have expanded our presence outside of London and are continuing along that path to achieve greater representation and understanding of the issues facing consumers wherever they live in the UK. We have moved offices, followed very soon after by another move to an entire organisation working from home, something which we achieved almost overnight without a break in service, thanks to the resilience of our staff, and aided by significant work to plan and updates to our technology that coincided with the timing of the pandemic restrictions.

In the work we have done, we have made a visible difference to the lives of consumers across the UK. During the pandemic, our ability to respond rapidly to the evolving crisis meant that we secured hundreds of millions of pounds in refunds for events and holidays cancelled due to

restrictions. We achieved significant positive results for patients, the NHS and ultimately the UK as a whole with our cases in pharmaceutical sectors, stopping and deterring practices which had the potential to increase prices for important lifesaving medicines. We have deterred those seeking to abuse their positions and restrict competition by disqualifying directors to ensure individual accountability for wrongdoing.

We created our DaTA Unit which over the years has built a variety of new capabilities to support the CMA in delivering its objectives. We have been at the forefront of competition agencies around the world in advancing the thinking and practical application about how to regulate digital markets effectively. Our advice outlined a modern pro-competition regulatory regime for digital markets to govern the most powerful tech firms – those with ‘strategic market status’ (SMS) – meaning those with substantial, entrenched market power and where the effects of that market power are particularly widespread or significant. We have established a new DMU, already operating in shadow form, to ensure the ‘rules of the game’ are clear up-front, and work with powerful tech firms to ensure they comply with them. We are progressing a significant portfolio of work in digital markets to secure the benefits for consumers and prevent exploitation from powerful digital businesses.

The CMA has consistently monitored market and merger activities to ensure vigorous and effective competition to help keep prices down. For example, we have taken a robust approach to those mergers that are anti-competitive and leave households or businesses likely to face higher prices, lower quality products or less choice. This included blocking the proposed merger between Asda and Sainsbury’s in April 2019, in part due to concerns that it would lead to increased prices in the important grocery market.

Thanks to the efforts of our staff at the CMA during my time at the organisation, we have secured enormous improvements in competition and consumer protection for the benefit of the public.



# This year's key moments

**April**

**CMA intervention leads to further Facebook action on fake reviews**

**CAT increases fine after musical instrument firm breaks settlement bargain**



**May**

**'Green' claims: CMA sets out the dos and don'ts for businesses**

**CAT upholds infringement decision for pay for delay pharma deals**

**CMA gives Virgin and O2 merger green light**

**June**

**Norton extends refund rights after CMA action**

**CMA issues IVF guidance on consumer rights**

**CMA accepts undertakings for the completed acquisition by Bellis of Asda to address competition concerns**

**July**

**CMA recommends further action on electric vehicle charging to meet Net Zero target**

**CMA finds drug companies overcharged NHS for hydrocortisone tablets and fines pharma firm over pricing of crucial thyroid drug**



**August**

**CMA calls for stronger laws to tackle illegal ticket resale**

**Open letter to PCR Providers on compliance with consumer law**

**September**

**CMA action makes funeral prices clear for grieving families**

**Following CMA action, leaseholders with Countryside Properties are freed from costly contract terms**

**Office for the Internal Market opens for business**



**October**

**Groupon commits to offer refunds and improve customer service**

**CMA opens investigation into Motorola's Airwave network**

**CMA fines Facebook over enforcement order breach**



**November**

**CMA requires JD Sports to sell Footasylum**

**CMA to open up electric vehicle charging competition on motorways**

**CMA directs Facebook to sell Giphy**



**December**

**CMA secures changes from major PCR testing provider**

**CMA concerned that Apple and Google duopoly limits competition and choice in mobile markets**

**CMA finds Veolia / Suez merger raises competition concerns**

**January**

**CMA disqualifies pharma director**

**CMA launches probe into music streaming market**



**February**

**CMA fines firms over £35m for illegal arrangement for NHS drug**

**NVIDIA abandons takeover of Arm during CMA investigation**

**CMA to keep 'close eye' on Google as it secures final Privacy Sandbox commitments**

**March**

**Children's social care market study outcome**

**CMA publishes environmental sustainability advice to government**

**First official analysis of UK's internal market published**



## Performance summary

### Where we spent our money in 2021/22

We spent £108.49 million against our parliamentary assigned budgets for the financial year ending 31 March 2022. Our significant areas of expenditure recorded include:

- £95.17 million on our core operational activities of protecting consumers through effective enforcement, operating an effective and efficient merger regime, making markets work better, and being a strong voice for competition;
- £2.68 million on capital expenditure as we prioritised investing in Information Technology (IT) projects to ensure the resilience of our IT infrastructure, and began fitting out the office space in our Belfast, Edinburgh and Cardiff premises as part of the wider government's Places for Growth and Levelling Up initiatives; and,
- £10.64 million to cover spending on building and integrating new functions as part of the CMA's expanded remit, of which:
  - i. £4.80 million on establishing the DMU in advance of legislation which will foster effective competition in digital markets, while scaling up as a digital markets' regulator;
  - ii. £4.69 million on operationalising the OIM, in September 2021, to provide expert, independent, trusted advice and economic analysis to support the four nations to trade effectively within the UK internal market; and
  - iii. £1.15 million on continued preparations to launch the SAU, following the progress of the Subsidy Control Bill through Parliament, which will advise public authorities and report on the effective operation of the subsidy control regime.

The significant variances between our budget and our actual spend are detailed and explained in the Directors' report: financial review on page 39.

The 2021/22 financial year posed significant challenges for us as we had to manage ongoing disruption, both to our staff and global supply chains, caused by the COVID-19 pandemic. In addition to the pandemic, we committed to, and continued to increase, our staff and infrastructure resources to deliver our commitments on expanding the CMA's role and providing support for the wider government estates' programme. Developing and incorporating new functions during a global pandemic has posed significant challenges for recruitment into highly specialised roles, especially when combined with the need to wait for relevant legislation to pass.

### Our expanded remit and reach

The CMA has expanded its remit and reach across the four nations this year, as we've created three new functions to support the government's priorities after the UK exited the EU. Each of these new functions for the CMA faced the challenges to recruit and spend in the context of the ongoing global pandemic, especially when combined with the beginning of our expansion across the nations.

The OIM has been successfully established. The OIM provides non-binding technical and economic advice to all four governments of the UK on the effect on the UK internal market of specific regulatory provisions that they introduce.

The SAU has been undertaking preparations, including recruiting staff, to establish the new function over the past financial year.

The DMU was established on a non-statutory basis in April 2021, working with government to develop DMU policy and plans for legislation for the future of the DMU. Even at this early stage we have contributed to action in digital markets using our existing powers including: CA98 investigations into Google; Facebook and Apple; and market studies into mobile ecosystems and music streaming.

When the CMA's decisions, as part of the CMA's role in protecting consumers, are appealed, we must account for the outcomes of cases which are decided by the courts. As these cannot be known with any certainty before the verdicts are delivered, we have to make a judgement on the likelihood of success and provide for a possible liability in the future.

Our progress in challenging larger businesses to protect consumers and the public has led to the CMA issuing some of the largest fines and most complex actions in the CMA's history over the last several years. As we have increased our risk appetite, we have also become involved in larger and more complicated litigation cases.

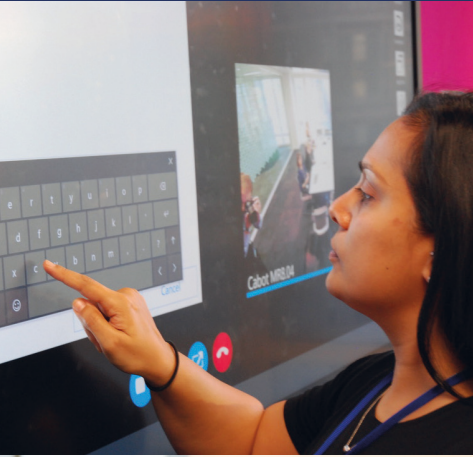
During the year, and to manage any risk to the CMA's future budget, we sought HM Treasury's approval to increase our non-cash budget cover by £35.00 million giving us the headroom to recognise £7.88 million of provisions in the accounts. This is explained further in the Directors' report: financial review on page 39.

## **Fine and penalties income**

We collected £13.58 million from fines and penalties under the Competition Act, imposed on companies across a variety of sectors, showing the tangible effect of the CMA in curtailing 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 119.

## **COVID-19 Pandemic**

Our expenditure directly related to the COVID-19 pandemic has greatly reduced from £0.80 million last year to £0.13 million in 2021/22 as much of the capital expenditure to make our premises safe for our staff was conducted last year. Our pandemic related costs relating to offsite printing and some Facilities Management costs have remained at a reduced level but our continued investment in IT, as well as the specialist skillsets we possess at the CMA, enabled us to adapt to new and evolving hybrid working models, ensuring that we discharged our statutory responsibilities effectively. Our response to the COVID-19 pandemic is discussed in more detail on page 54.



# 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. If a merger reduces competition, the CMA can block it or impose remedies to address such concerns;
- Conducting studies, investigations or other pieces of work into particular markets where there are suspected competition and consumer problems. The CMA can take action – and recommend action be taken by others – in markets where competition may not be working well;
- Investigating businesses and individuals to determine whether they have breached UK competition law and, if so, to end and deter such breaches, including by fining businesses and seeking the disqualification of directors of the companies involved, as well as pursuing 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 about how they can design and implement policy in a way that harnesses the benefits of competition, and protects and promotes the interests of consumers.

Over the course of the 2021/22 reporting year, changes to legislation resulted in the CMA acquiring the following new powers and responsibilities:

- The OIM, launched on 21 September 2021, provides technical advice, reporting and monitoring in the relation to the UK internal market. Its functions are set out in the UK Internal Market Act 2020.
- The DMU was established in non-statutory form in April 2021. The DMU will oversee a new regulatory regime for the most powerful digital firms, promoting greater competition and innovation in the markets in which these firms operate, and protect consumers and businesses from unfair practices. The CMA is working closely with the UK Government, following the consultation on proposals for the new pro-competition regime. Powers for the DMU and for the new regulatory regime will require legislation.
- In addition, the Subsidy Control Act 2022 will establish an SAU within the CMA, which will provide advice, reporting and monitoring in relation to the Subsidy Control regime.

## 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 108) of the CMA's Financial Statements and relates solely to statutory audit work. The auditors did not undertake any non-audit work during the 2021/22 year.

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

## Accounting Officer

As Principal Accounting Officer, CMA Chief Executive Andrea Coscelli remains responsible, and with advice from the CMA Board, for ensuring that the CMA operates effectively and to a high standard of probity in relation to governance, decision-making and financial management. 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>7</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 International Financial Reporting Standards (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 96) details the CMA's comprehensive net expenditure of £105.89 million compared to £100.98 million in 2020/21. This expenditure is calculated following accounting standards (IFRS) and guidance which are explained in more detail in note 1 (page 100) and on a similar basis to those rules generally applied by private sector businesses.

The SoPS (page 83) presents total expenditure £108.49 million and compares this with the budget presented to Parliament of £168.10 million. These figures are calculated in accordance with HM Treasury's Consolidated Budgeting Guidance, which differs in several respects with the accounting basis above.

<sup>7</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/742188/Managing\\_Public\\_Money\\_MPM\\_\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742188/Managing_Public_Money_MPM__2018.pdf)

## An overview of our expenditure

Our Total Managed Expenditure (TME) was £108.49 million, broken down by HM Treasury's spending categories as set out in the table below.

	2021/22 outturn £000	2021/22 budget £000	2020/21 outturn £000
<b>TME</b>	<b>108,487</b>	<b>168,100</b>	<b>103,407</b>
- Resource DEL	97,937	115,600	93,055
- Capital DEL	2,675	7,500	2,657
<b>Total DEL<sup>8</sup></b>	<b>100,612</b>	<b>123,100</b>	<b>95,712</b>
- Resource AME	7,875	45,000	7,695
<b>Total AME<sup>9</sup></b>	<b>7,875</b>	<b>45,000</b>	<b>7,695</b>

We are accountable to Parliament for our expenditure. Parliamentary approval for our spending plans is sought through the Supply Estimates<sup>10</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 2021/22 was £115.60 million, of which £6.00 million was ringfenced for non-cash depreciation.

Our Capital DEL budget for 2021/22 was £7.50 million and expenditure focused on Information Technology (IT) projects to ensure the resilience of our IT infrastructure, to develop systems to support frontline projects, and expenditure on our Property Transformation strategy (which included fitting out office space across all four nations of the UK).

## Outturn

As set out in the SoPS, our 2021/22 Resource DEL outturn was £97.94 million, comparative to a budget of £115.60 million.

We incurred a significant underspend in 2021/22 of £17.66 million despite the ongoing preparations to operationalise three new functions within the organisation. This is a larger underspend comparative to prior years, even with the continuing effects of the COVID-19 pandemic. The pandemic has continued to hinder our ability to work with our international partners on cross-border enforcement, as different partners entered new lockdowns at different times. The main contributing factor in the underspend, however, was that we were provided with funding for a full year for the new functions to provide us with certainty of resources available to support the ramp up to becoming fully operational and at full capacity in these new areas. As these functions were starting to ramp up, and permission to spend was only given later in the year, we could not spend the full amount in the budget. The actual spend on the new functions was also profiled to align with legislation and planned operational dates.

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> Government publications: <https://www.gov.uk/government/publications/main-supply-estimates-2021-to-22>



We established the DMU, in shadow form, in advance of legislation which will give powers to the new regulatory regime to implement and enforce a new pro-competition regime for digital markets. The scaling up of the function remains subject to the progression of future planned legislation through Parliament.

The OIM was successfully launched and operationalised in September 2021, assisting Governments in understanding how effectively companies are able to sell their products and services across the four nations of the UK and the impact of regulatory provisions on this, for consideration alongside wider policy issues. In March 2022, we published an Overview of the UK Internal Market report to develop an understanding of current and future issues in the UK internal market ahead of the OIM's first statutory reports in March 2023.

In September 2021, we received confirmation that the SAU would become a function of the CMA and the authority to begin spending from that point. The specialist skillsets of the CMA are a key strength, but this does mean that recruiting the right staff into the right roles can take time. The ongoing pandemic and other economic shocks further complicated this issue during the year.

Each sector has its own legislation setting out the roles of the sector regulator and we heard two Regulatory Appeals during the year in our capacity as the appellate body. Under that legislation, the CMA is entitled to recover its costs and going forward, may consider doing so. In each of the Regulatory Appeals, a company that was subject to the CMA's decision applied for Judicial Review. In one, the High Court allowed the plaintiff's claim for judicial review in relation to one ground but dismissed the other two grounds of challenge, in the other the High Court is deciding whether to grant permission for Judicial Review.

Our 2021/22 Capital DEL outturn was £2.68 million, comparative to a budget of £7.50 million. The underspend of £4.82 million was primarily caused by HGV shortages, delays in global supply chains and shipping disruption which prevented us from delivering our planned capital projects within the financial year.

Our 2021/22 Resource AME outturn was £7.88 million, comparative to a budget of £45.00 million. The outturn is driven by the recognition of provisions in the Accounts in respect of ongoing litigation, legacy pensions, dilapidations, and other costs.

# Statement of Accounting Officer's Responsibilities

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

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

Under 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

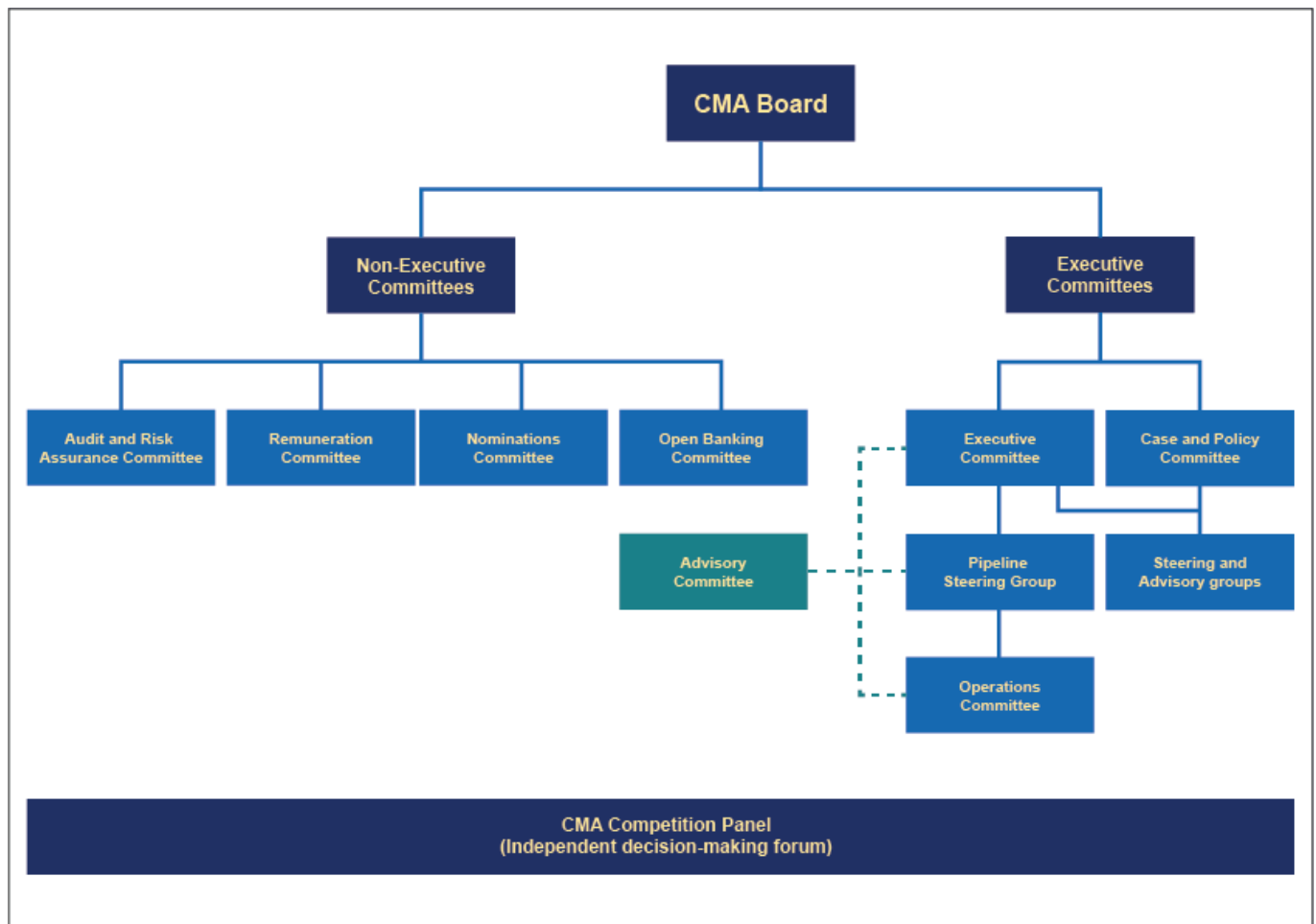


**Andrea Coscelli CBE**  
**Chief Executive and Principal Accounting Officer**  
**08 July 2022**

# CMA Governance Statement 2021/22

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

## CMA Board and Executive Committees



*Committee arrangements in graphic are correct as of 31 March 2022; the role of each committee listed is explained further below.*

### CMA Board

The Board consists of the Chair, Non-Executive Directors (two of whom are also members of the CMA Panel)<sup>11</sup> and Executive Directors (including the Chief Executive).

Led by the Chair, the Board establishes the overall strategic direction of the CMA within the policy framework laid down under the Enterprise and Regulatory Reform Act 2013 (the Act). The Board ensures that the CMA fulfils its statutory duties and functions, maintains its independence as a non-ministerial government department and that it observes the principles

<sup>11</sup> 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.

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>12</sup> on the CMA website.

The Rules of Procedure set out the Board's powers and functions and include the Board Authorisations, the Conflicts of Interest Policy and the Terms of Reference for the three non-executive Board committees. They were last updated by the Board in February 2022.

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 17 times in 2021/22. Board meetings were held in each month except in the month of August, with a number of extraordinary meetings held in addition to its regular monthly meetings to deal with arising issues in a more timely and flexible manner. The minutes from CMA Board meetings are published<sup>13</sup> on the CMA website. Attendance of Board members at Board and committee meetings is set out in the table below.

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>14</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. The Board is updated on the progress of CMA cases and recent litigation through regular management information reports and receives information about early stage pipeline cases from the Executive to enable the Board to share its views on the strategic direction of the CMA.

## 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 or until a permanent Chair could be appointed. As the process to appoint a permanent Chair is still ongoing, Jonathan was reappointed as Chair in October 2021 for a period of up to one year. He is a member of the CMA Nominations Committee and Remuneration Committee and chairs the CMA Open Banking Committee.

### 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. In January 2022, Andrea confirmed his plan to step

<sup>12</sup> <https://www.gov.uk/government/publications/cma-board-rules-of-procedure>

<sup>13</sup> <https://www.gov.uk/government/collections/cma-board-meeting-minutes>

<sup>14</sup> <https://www.gov.uk/government/publications/cma-register-of-interests>

down when his current term ends in July 2022.<sup>15</sup> Andrea is the CMA's Principal Accounting Officer and is a member of the CMA Nominations Committee. He is also a member of the Open Banking 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 is also a member of the CMA Open Banking Committee.

### **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. She also is a member of the CMA Digital Steering Group.

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

William (Bill) Kovacic was appointed in July 2013 and his term expired at the end of March 2022. He served as a member of the CMA Remuneration Committee and a member of the CMA Digital Steering Group.

### **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 and left the CMA at the end of May 2021.

### **David Stewart (Executive Director, Markets and Mergers)**

David Stewart was appointed in January 2022 as Executive Director, Markets and Mergers, a role in which he leads the CMA's activities in merger control and market regimes, including the Office for the Internal Market.

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

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

---

<sup>15</sup> The appointment process for the role of the CMA Chief Executive is a matter for the Department for Business, Environment and Industrial Strategy, and will be set out in due course.

### 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.

### 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, the Policy and International Directorate and the Digital Markets Unit.

### Dr Mike Walker (Chief Economic Adviser)

Mike Walker was appointed as Chief Economic Advisor in September 2013. Mike advises on complex cases and ensures consistently high-quality advice from the CMA's economists and the CMA's Data, Technology and Analytics Unit.

### Stuart Hudson (Senior Director for Strategy, Communications and Advocacy)

Stuart Hudson was appointed in November 2019 as Senior Director for Strategy, Communications and Advocacy. He has executive responsibility for the CMA's strategy development, its statutory advocacy function, its external communications, as well as its work in the devolved nations.

### Board meeting attendance 2021/22

Board member	Meeting attendance
Kirstin Baker	17/17
Martin Coleman	17/17
Andrea Coscelli	17/17
Cynthia Dubin	12/17
Amelia Fletcher	17/17
Andrea Gomes da Silva	3/3
Michael Grenfell	17/17
Bill Kovacic	15/17
Jonathan Scott	17/17
David Stewart	5/5
Erik Wilson	15/17

### Board committees

The Board has four non-executive committees: the Audit and Risk Assurance Committee, the Remuneration Committee, the Nominations Committee and the Open Banking 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. In June 2021, the Board also agreed to establish an Open Banking Committee

In December 2021, the Government Internal Audit Agency (GIAA) carried out an evaluation into the adequacy and effectiveness of the CMA's governance set up, Board structures and Committee effectiveness, with a view to providing an opinion on the extent to which risks in this area are managed.

GIAA gave a moderate assurance opinion reflecting that existing corporate governance structures, while adequately designed with well-defined accountabilities and responsibilities between different governance bodies, alongside clear reporting, and risk escalation routes could be improved by formal effectiveness reviews of the boards and committees within the governance structure to provide assurance that they are operating as intended. The current Board effectiveness review for 21/22 is expected to be presented at the July 22 Board meeting. Details of the implementation of other GIAA recommendations can be found throughout this report.

## 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, Non-Executive Director and Panel Inquiry Chair) 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, the Director of Finance, the Head of Risk and a member of the senior leadership team in Legal Service also attend ARAC. The National Audit Office (NAO) and Government Internal Audit Agency (GIAA) were represented at each of these meetings. ARAC held four meetings in 2021/22.

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 the CMA's risk management system and procedures and 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.

In 2021/22 ARAC worked closely with the CMA Legal Director, Governance, Compliance, and Risk 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 during the year resulted in improved risk reporting to ARAC, and corporate and strategic risks are discussed at each Board meeting. In February 2022, the Board agreed an update to the CMA's risk appetite and approved an amendment to the ARAC Terms of Reference (to ensure greater consistency with the HMT ARAC Handbook following a recommendation by the GIAA).

## ARAC meeting attendance 2021/22

Board member	Meeting attendance
Kirstin Baker	3/4
Cynthia Dubin	4/4
Frances McLeman	4/4

## The Remuneration Committee

The Remuneration Committee (RemCo) is chaired by Non-Executive Director, Amelia Fletcher and has three other non-Executive members: Martin Coleman, who is also Panel Chair, Bill Kovacic, and Jonathan Scott, CMA Chair. RemCo reviews the performance of all SCS staff members, including oversight of all elements of SET performance management and is also responsible for the CMA's pay policy for all AO-G6 staff, providing strategic steer on all delegated pay issues. This includes approval of pay awards and bonuses in accordance with Cabinet Office rules.

As Principal Accounting Officer, the Chief Executive, Andrea Coscelli, attended all RemCo meetings along with the Additional Accounting Officer, Erik Wilson. The Senior Director – People, Capability and Change and the HR Director may also attend RemCo. RemCo met five times in 2021/22.

### ARAC meeting attendance 2021/22

Board member	Meeting attendance
Martin Coleman	4/5
Amelia Fletcher	5/5
Bill Kovacic	4/5
Jonathan Scott	4/5

## The Nominations Committee

The Nominations Committee (NomCo) is chaired by Non-Executive Director, Cynthia Dubin. Jonathan Scott, CMA Chair and Andrea Coscelli, CEO are also members. The purpose of NomCo is to advise BEIS on succession planning for executive and non-executive members of the Board and provide advice to Government on future CMA Board appointments.

The Senior Director - People, Capability and Change, the Director of the Executive Office & Performance and the HR Director may also attend NomCo. NomCo met twice in 2021/22 focusing 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 are being run by BEIS.

### NomCo meeting attendance 2021/22

Board member	Meeting attendance <sup>16</sup>
Andrea Coscelli	2/2
Cynthia Dubin	2/2
Jonathan Scott	2/2

<sup>16</sup> For the CMA NomCo meeting held in December 2021, all Non-Executive Directors were invited and in attendance.



## The Open Banking Committee

The Open Banking Committee (OBC) is chaired by CMA Chair Jonathan Scott. Non-Executive Director and Chair of ARAC, Cynthia Dubin, and Andrea Coscelli, the Chief Executive, were appointed as members to the committee in July 2021.

OBC was established in June 2021 to provide guidance and take decisions regarding the investigation into allegations of misconduct at the Open Banking Implementation Entity and the transition to a future entity. It met 35 times in 2021/22.

### OBC meeting attendance 2021/22

Board member	Meeting attendance
Andrea Coscelli	28/35
Cynthia Dubin	30/35
Jonathan Scott	35/35

## Executive committees

Through the Board 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 and the Pipeline 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. From March 2022, OpCo, with some additional members, became the Programme Board for the CMA Future programme, a corporate project that will deliver the CMA's ambitions for growth, pan-UK presence and increased digital market responsibilities and associated capabilities. OpCo is chaired by the Chief Operating Officer, Erik Wilson. In January 2022, OpCo reviewed its Terms of Reference to reflect the expansion of its remit in overseeing the CMA Future Programme, expand its membership to ensure Corporate Services resilience and robust decision-making capacity at OpCo and to improve clarity on the application of the CMA's policy on conflicts of interest to its members; and
- 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 and for initiating projects under the CMA's advocacy powers. PSG is chaired jointly by the Executive Director of Enforcement, Michael Grenfell and the Executive Director of Markets and Mergers, David Stewart.

## 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 Advisory Committee

In September 2021, the CMA launched an Advisory Committee as part of its wider work on equality, diversity and inclusion and the 2020 Race Action Plan.<sup>17</sup> The Advisory Committee (AdCo) is a diverse team of individuals from across the CMA who work together to improve both diversity and diversity of thought at senior levels of the CMA. AdCo provides insights and advice to inform, support and constructively challenge senior decision-making. The Advisory Committee has an external and Independent Chair from a ministerial government department. This Chair was appointed in September 2021 to coincide with the launch of AdCo.

AdCo advises on certain key strategic matters considered by XCo and OpCo prior to consideration by the Board, such as the development of the CMA's Annual Plan. AdCo also advises on the selection and prioritisation of cases and projects considered by the PSG. These relevant committees must consider AdCo's advice and recommendations. AdCo members are drawn from different functions and professions across the CMA from groups and backgrounds that are under-represented at senior levels.

## The CMA Panel

As set out in the Act,<sup>18</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>19</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.

<sup>17</sup> <https://www.gov.uk/government/publications/cma-diversity-and-inclusion-strategy-2020-to-2024/action-plan-2020-to-2022>

<sup>18</sup> Part 3, Schedule 4 to ERRRA

<sup>19</sup> See paragraph 49(2) of Schedule 4 of the Enterprise and Regulatory Reform Act 2013

Legislation requires that at least one panel member sits on the CMA Board. The Panel Chair<sup>20</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.

More information about each of the panel members is available on our website.<sup>21</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 45.

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

See Kirstin's biography on page 45.

#### **Margot Daly (Inquiry Chair)**

Margot was appointed an Inquiry Chair of the CMA in September 2021, having been a panel member since May 2020.

#### **Richard Feasey (Inquiry Chair)**

Richard was appointed an Inquiry Chair in April 2021, having been a panel member since October 2017. He is a member of the CMA's specialist utility panel.

#### **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.

<sup>20</sup> 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 ERR.

<sup>21</sup> <https://www.gov.uk/government/organisations/competition-and-markets-authority/about/our-governance#cma-panel>

## Panel members

For the 2021/22 period, panel members were:

Jo Armstrong	Humphrey Battcock	Robin Cohen
Maria da Cunha	Anne Fletcher	Robin Foster
Roland Green	Ashleye Gunn	Susan Hankey
Shrinivas Honap <sup>22</sup>	Dr Ulrike Hotopp	Paul Hughes
Colleen Keck	Juliet Lazarus	Sheila McClelland
Frances McLeman	Cyrus Mehta	Paul Muysert
Jeremy Newman	Sir Kenneth Parker	Keith Richards
Stephen Rose	Karthik Subramanya	Prof John Thanassoulis
Prof Mark Thatcher	David Thomas	Claire Whyley
Crispin Wright		

## 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 2021 to 2022, the CMA built on the previous year's implementation 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.

The Board agreed the revised Risk Appetite, in February 2022. 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 the Head of Risk works with the Directorates to manage local risk registers, which feed into the 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. Presented in this way, XCo and the Board can also review and assess the overall risk portfolio.

<sup>22</sup> Resigned from the CMA Panel on 1 October 2021.

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 Future Project

In December 2021, the CMA Future project was established to bring together the major operational elements needed to deliver the CMA's ambitions for growth, pan-UK presence and increased digital market responsibilities and associated capabilities.

The scope of the project includes establishing new offices in Manchester and Darlington,<sup>23</sup> continuing to grow our offices in Belfast, Cardiff and Edinburgh', providing operational support for the new DMU, Microeconomics Unit and the SAU; ensuring the CMA meets its Places for Growth targets up until the end of March 2025, building digital capability across the CMA, including building links with the Digital Regulation Cooperation Forum to enable digital skills and capability growth and development across the CMA and partner organisations and reinforcing and continuing to build an effective hybrid working model.

The work programme will consist of eight specific workstreams:

- Property Transformation Programme
- Commercial
- Technology
- People
- Recruitment
- Cross-CMA digital capability
- Culture and ways of working
- Communications and engagement

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. Delivery of the programme will be through the CMA Future Programme Board, which utilises OpCo members and key Programme Board members leading on individual workstreams and other key stakeholders such as AdCo and the CMA's Staff and Union Representative Executive.

The Chief Operating Officer updates XCo on key issues following Programme Board meetings as appropriate and the Board remains apprised of the work of the project through monthly updates from the Executive and through substantive discussions where appropriate.

## Implementation of Government Functional Standards

Over the 2021/22 reporting year, the CMA has been active in its implementation of the Government Functional Standards<sup>24</sup> relevant to the CMA's work and functions. These Functional Standards set out a coherent way of working and effective management standards relating to specific types of functional work – such as project delivery, human resources and commercial – across government. This work will help the CMA create coherent, effective and mutually understood ways of carrying out its work, both within and outside the CMA.

<sup>23</sup> <https://www.gov.uk/government/news/cma-to-open-offices-in-manchester-and-darlington>

<sup>24</sup> <https://www.gov.uk/government/collections/functional-standards>

The CMA has plans in place to ensure compliance with each Functional Standard in a way that meets the organisation's business needs and priorities. The Corporate Services Transformation (CST) Programme has the remit to ensure the use of each Functional Standard is embedded into the CMA's business plans from 2022/23 onwards. The CST Programme is overseen by two Corporate Services Programme Directors reporting into the Chief Operating Officer acting as the Senior Responsible Officer (SRO). This work is ongoing and is closely aligned to the advice received from the Government Internal Audit Agency on implementation best practice.

The SRO updates XCo, OpCo and the Board as appropriate on the wider work of the programme, with key risks being reporting to ARAC as part of the CMA's established risk management process.

## 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 and 2020/21 Annual Report and Accounts.

### Governance and oversight

The priority of the CMA Board and Senior Executive Team (SET)<sup>25</sup> in relation to the pandemic has remained the health and wellbeing (physical and mental) of staff. Since the outset of the pandemic, the CMA has complied with all advice from central government, while continuing to make independent decisions where appropriate.

SET met regularly to consider pandemic-related issues, both internal and external, and take any urgent operational or resourcing decisions. From May 2021, SET reduced the frequency of its meetings from three times per week to twice per week, before returning to its pre-pandemic weekly frequency from February 2022.

In line with its approach in previous reporting years, SET continued to refer to XCo 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. A central log has been maintained of the decisions taken at SET meetings over the course of the pandemic.

The Board was kept updated on the CMA's operational response to the pandemic through written and oral updates delivered at its meetings. The Board received regular updates over the course of the reporting year on the impact of the pandemic on staff availability and wellbeing and on the CMA's work to safely reoccupy its offices as government advice encouraged a return to workplaces.

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 was conducted over the reporting year, particularly during the rise of the Omicron variant.

<sup>25</sup> The Senior Executive Team consists of the Chief Executive, the Executive Director of Enforcement, the Executive Director of Markets and Mergers, the Chief Operating Officer, the General Counsel, the Chief Economic Adviser, the Senior Director of People, Capability and Culture, and the Senior Director Strategy, Communications and Advocacy. The Director of Executive Office, Security and Performance also attends SET meetings.

## Resilience of decision making

The CMA had established measures to enhance resilience in senior decision-making outlined in the previously published governance report in the CMA's 2020/21 Annual Report and Accounts.<sup>26</sup> These measures included the temporary amendments to the Board's authorisations and the Regulation of Investigatory Powers Act 2000 (RIPA) designations to allow the effective functioning of the CMA during the pandemic.

In February 2022, the Board decided to remove the time limits for these amendments (with the effect that the amendments continue to take effect without any further extensions). These authorisations are published on the CMA website.<sup>27</sup>

These amendments have not changed the day-to-day level of decision making at the CMA and were retained to maintain the CMA's resilience in the event of any further outbreaks of COVID-19, or any other unforeseeable event that may affect senior CMA decision makers in the future.

## Staff welfare and communications

The CMA issued a range of direct communications to its staff from the Chair, the Chief Executive, and other members of the Senior Executive Team throughout the developing situation over the course of the reporting year. Staff representatives were engaged regularly to discuss any changes to the CMA's operational response to the pandemic including the work to safely reoccupy its offices.

The CMA Board and SET remained cognisant of the impact the pandemic may have had on the mental health and wellbeing of its staff members. Therefore, the CMA increased its efforts to promote the health and wellbeing of staff at appropriate times over the reporting year.

## CMA office closures and reoccupation

From 1 April 2020, all CMA offices remained closed in line with lockdown measures in place at the time. Access to the Government Hub at 10 South Colonnade was made available for a small number of individuals based at the CMA's London office who were unable to work from home due to exceptional circumstances (mental wellbeing or domestic situations). The CMA's Litigation Hub near the London Courts also remained open to a limited number of staff in a closely controlled manner to support the CMA's critical litigation work.

The CMA aligned its office reoccupation plans with government roadmaps across the four nations, monitoring government advice closely and on an ongoing basis. The CMA's offices in London and Edinburgh reopened in mid-April 2021, with staff members applying to return where doing so would help their health and wellbeing. At the time of reopening, social distancing measures and limits on staff in the offices were in place including a desk management system to safely manage staff numbers attending offices. Work also commenced to allow staff to access the new CMA offices in the HMRC Hub in Belfast (Erskine House) and Ty Morgan House in Cardiff.

<sup>26</sup> <https://www.gov.uk/government/publications/cma-annual-report-and-accounts-2020-to-2021/annual-report-and-accounts-2020-to-2021#corporate-governance-report>

<sup>27</sup> <https://www.gov.uk/government/publications/cma-board-authorisation-of-staff-at-the-cma/authorisation-of-staff-of-the-cma-and-named-cma-inquiry-chairs--2>

The CMA continued to provide flexibility and options in the way staff worked and it consulted and engaged widely with staff to develop its new hybrid working model. From mid-May 2021, the CMA enabled more staff to return to the London office based on individuals assessing the risks based on their personal situation, making informed personal choices and in line with any government advice or restrictions. All social distancing measures and limits on staff in the offices, including the desk management system, continued during this period.

Following a review of the CMA's risk assessments and in line with updated government advice and roadmaps on lockdown exit plans, some social distancing measures in the CMA offices were eased in the Autumn, notably removing one-way systems and increasing the desk occupation and meeting rooms available for use, with the desk booking system discontinued. Only very limited restrictions remained in operation, such as a reception one-way system and face coverings encouraged in the landlord areas of the building in its London office.

From 18 October 2021, the CMA made the shift to its hybrid working model, which included an initial expectation that staff based in London and Edinburgh would spend at least 40% of their time working from a CMA office. All services and facilities in the CMA's London office returned with enhanced cleaning measures in place. Landlords for our other offices had implemented similar regimes. A full programme of "welcome back" activities was rolled out to staff returning to the office.

Restrictions on external meetings, site visits related to the CMA's markets and mergers work, along with dawn raids and in-person cartel interviews were removed in a three-phase plan over the following two months. Teams were asked to exercise sensible and informed judgement when planning and carrying out these activities. Meetings with external visitors in the CMA's buildings and face-to-face meetings with parties were restricted until December 2021.

November 2021 saw the rise of the Omicron variant across the UK and the CMA closely monitored government guidance and moved at pace to ensure the safety of its staff. On 1 December, the CMA instructed all its staff to continue working from home, although its London offices stayed open if needed.

On 8 December 2021, in line with the Government's Plan B measures, the CMA instructed all staff based in Cardiff and London to work from home with immediate effect and suspended its 40% office attendance expectation. Staff with a wellbeing need were still allowed to access the CMA office should they wish, with these staff members instructed to not come into the office if they felt unwell and asked to take a lateral flow test before travelling. From 13 December, available desks were restricted to certain areas of the CMA's office in London and a requirement to wear a face covering when moving around the office was implemented. In response to the growing likelihood of possible increased restrictions in the lead up to the Christmas period, the CMA took the decision to close its offices to all staff on Friday 24 December until Tuesday 4 January 2022. This was also in line with the Welsh Government decision to make working from home a legal requirement. The CMA's Litigation Hub near the London Courts remained open for staff involved in critical litigation work during this period.

Where the CMA's offices were open, increased infection control procedures were implemented. All-staff communications were issued to remind staff who tested positive for any variant of COVID-19 to self-isolate for a minimum of 10 days, take a PCR test and notify HR as soon as possible. Government guidelines were followed when a member of staff received a positive result and had been in close contact with other staff in CMA offices, with close contacts instructed to self-isolate for 10 days.



Additional measures to contain the Omicron variant were also implemented, with staff encouraged to wear masks in the building in certain settings and to work from home if they fell ill for whatever reason. Lateral flow testing by all staff twice a week was strongly encouraged. External visitors to CMA offices were also encouraged to take a lateral flow test prior to attending a meeting and physical distancing implemented where possible.

Reflecting government announcements in late-January 2022 of restrictions easing across all nations, the CMA once again took a phased, flexible and careful approach to reopening its offices. Offices became fully available for staff to use from Monday 24 January 2022. In line with the Devolved Government's approach to work from home where possible, the CMA offices in the nations became available to staff to use who chose to return. During this period, meetings with external parties and other stakeholders, along with travel between the CMA's offices across the UK, were only permitted if there was a critical business need.

## Living with COVID-19

As the 2021/22 reporting year drew to a close, governments across the UK began to set out their plans for living with COVID-19 and its variants. The CMA moved into full implementation of its hybrid working model, combining the learning from remote working with the considerable operational, social, professional development and wellbeing benefits from being alongside other people in significant numbers in an office environment.

From 1 March 2022, colleagues based in London and Edinburgh began working at least 40% of their time from a CMA office each month, providing flexibility to individuals to determine what works best to deliver their team's and the CMA's objectives. On 7 March, the CMA's office in Cardiff opened for occupation.

In reviewing and relaxing any remaining restrictions, the CMA focused on striking the right balance between resuming its operational rhythm, preserving organisational resilience and maintaining its commitment to the wellbeing and safety of its staff. CMA staff could now freely travel between CMA offices, with international business travel still requiring approval from the Senior Executive Team. Staff were advised to follow the rules that apply in the country they are living in or visiting, including around self-isolation which remained a requirement in Scotland, Wales and Northern Ireland. CMA offices were also opened for stakeholder meetings.

From 19 April 2022, the expectation for office attendance increased, with staff in London and Edinburgh expected to work from a CMA office at least 50% of their time each month.

In May 2022, the UK Government significantly expanded the list of COVID-19 symptoms, which it acknowledged were similar to those of other illnesses such as flu and the common cold. In response, the CMA issued updated guidance to its staff advising those who exhibited these symptoms to stay at home until they were well enough to return to the office and to report sickness absences to HR through usual processes. Staff were asked to only work from home if they felt able to do so.

The CMA's approach to living with COVID-19 remains in line with public health guidance and focuses on trusting its staff to make sensible judgements to avoid spreading illness whilst making every effort to meet the office attendance expectations and achieve the benefits that office working brings.

## Compliance

### Corporate Governance Code<sup>28</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 its statutory duties.

### Identifying and managing conflicts of interest

The CMA's Conflicts of Interest<sup>29</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 potential 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 May/June 2022, an assurance exercise was conducted with all Senior Civil Servants at the CMA<sup>30</sup> to confirm a) the details of any paid employment outside the CMA; b) any wider conflicts that would impact their ability to undertake 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 their obligations under the Civil Service Management Code.<sup>31</sup>

### Business Appointments

The CMA's Conflicts of Interest policy makes it clear that, when staff leave the organisation, they must comply with the requirements of the Business Appointment Rules ("BARs") before they accept a new appointment outside the Civil Service. The CMA also has a policy that sets out in more detail the process in place for handling applications made under the BARs. In the last reporting period, however, a small number of applications were commenced but not completed, and the CMA did not comply with the transparency requirements set out in the BARs. The CMA has taken the steps necessary to address these errors promptly, and to complete the applications. The CMA has also reviewed and revised its process for handling any such applications to ensure that each step involved is clearly defined, and to strengthen the arrangements for considering applications made by staff at SCS level, so that any application made at that level must also be considered by the CMA's Compliance Officer, as well as the relevant counter-signing manager. ARAC has reviewed the revised process, and is content that the CMA should be compliant with the BARs moving forwards.

### 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 programme of communications runs through the year,

<sup>28</sup> 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.

<sup>29</sup> CMA Conflicts of Interest policy is annexed (Annex D) to the Board Rules of Procedure published online: <https://www.gov.uk/government/publications/cma-board-rules-of-procedure>

<sup>30</sup> With the exception of one member of staff who is on a leave of absence.

<sup>31</sup> <https://www.gov.uk/government/publications/civil-service-code>

including blogs and involvement in the cross-Civil Service Speak Up week. A group of trained Speaking Out Advisers are available to staff who want to raise a concern but are not sure how to do so. The policy is part of the CMA's internal control framework and is reviewed each year. The CMA received no whistleblowing complaints during 2021/22.

## 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.

In 2021/22, the CMA received 13 communications which raised issues about its conduct and which were treated as corporate complaints (2020/21: 20). Of these 13 complaints, 12 were not upheld, and one was partially upheld

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

## General correspondence

In 2021/22 the CMA handled 7341<sup>32</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 (2020/21: 11,330).<sup>33</sup> We have a 10-day working target to reply to this correspondence. We responded to 100% of this correspondence within this target (2020/21: 99%).

During 2021/22 the CMA received 152 MPs letters (not including ministerial departmental correspondence) (2020/21: 260). We responded to 84.21% of these within our target of 15 working days (2020/21: 72.9%).

## Freedom of Information Act (FoIA) requests

In 2021/22, the CMA responded to 94.66% of the FoIA requests it received within the statutory 20 working day period.

If a requester is unhappy with the CMA's response they can ask the CMA to internally review its decision. The CMA received and responded to nine requests for internal reviews; its original decision was upheld in all nine. A requester can also complain to the Information Commissioner's Office (ICO) about the CMA's handling of a request. During 2021/22, the ICO received three complaints in respect of decisions by the CMA; two of these were resolved before the ICO made a decision and one is awaiting allocation to an ICO case officer.

<sup>32</sup> This total does not include correspondence or issues reported directly to the CMA via the dedicated COVID-19 Webform, which were handled by the CMA's COVID-19 Taskforce.

<sup>33</sup> 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.

In the same period, we also received 21 requests under the GDPR/Data Protection Act 2018. Three 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; six were requests for copies of individuals' personal data, including two from members of CMA staff. Four of these six requests were answered within the statutory one month period allowed by the legislation. We also received 11 data deletion requests from individuals who had not been previously contacted by the CMA and we received one request to update any data held by the CMA.

### FoIA requests 1st April 2021 – 31st March 2022

<b>Total number of requests for information under the FoIA</b>	<b>131</b>
<b>Of these:</b>	
Number of requests granted in full	42
Number of requests refused in full because the CMA does not hold any of the information requested	12
Number of requests refused because the cost of the response would exceed the cost threshold	3
Number of requests refused because request was vexatious	0
Number of requests where the CMA refused to provide some of the information	40
Number of requests where the CMA refused all the information requested	34

### Personal data related incidents

Two personal data incidents were formally reported to the Information Commissioner's Office (ICO) during 2021/22, 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.

This annual report and opinion concluded in an overall 'moderate' opinion. While this headline opinion remains the same as the previous reporting year, the distribution of ratings for individual audit reports has improved this year, reflecting an upward trend in the CMA's ability to maintain a robust system of internal control in 2022-23 and beyond. The work for 2021-22 evidenced that the CMA has maintained an adequate system of governance, risk management and internal control, taking the opportunity to build on and enhance processes through a system of continuous improvement and in response to audit recommendations. This has been achieved despite the increased size and complexity of the organisation.

The Head of Internal Audit observed that the CMA's governance structure is evolving to support the creation of the CMA's new functions, with work underway to provide alignment and coordination with the wider governance structure, with proposals being developed in line with legislative timetables. However, it was highlighted that the CMA faces further challenges with the need to appoint and incorporate a new Chair and Chief Executive Officer into the governance framework as it moves into 2022/3.

It was noted that the CMA has continued to make progress in embedding the risk management framework with improved risk reporting as part of the risk escalation process, and the inclusion of the CMA's new functions as an integral part of the governance of the CMA. However, there remain areas where further work is required to address gaps and ensure that formal arrangements are in place and align with the CMA's Risk Management Framework. Ensuring the ongoing implementation and effective operation of the risk management framework will be a key activity for the coming year.

The Head of Internal Audit highlighted that the CMA continues to operate in an ever-changing environment and has been successful in securing a positive Spending Review outcome against the backdrop of pressures on public sector finances, with budget increases to deliver the DMU, and to continue to meet its places for growth commitments and to sustain core activities.

The Head of Internal Audit also noted the legacy of the pandemic and the recent increase in the cost of living are having an impact on recruitment and retention, particularly in organisations such as the CMA where organisations are competing with private sector salaries and in a competitive jobs market. Staff welfare and risk of increased levels of stress and burn-out was highlighted and this is particularly so as the expected respite after the pandemic was quickly replaced by the cost of energy crisis and the war in Ukraine, which may have impacted colleagues. The Head of Internal Audit noted that the CMA remains alive to these issues and has proactively and compassionately supported staff throughout.

The CMA's progress to implement Internal Audit's recommendations from the 2020/21 reporting year and to address weaknesses or to improve the control environment was highlighted, reflecting 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

The CMA is committed to meeting the Greening Government Commitment targets which set out to reduce water consumption, greenhouse gas emissions, minimise waste and ensure sustainable procurement on products.

The Greening Government Commitments set out a framework to reduce their impacts on the environment by 2025.

The Government Internal Audit Agency carried out an audit specifically focused on the progress/plans being made by the CMA on the Greening Government targets for delivery in 2025. A management action plan was then put in place to help the CMA achieve the sustainability targets.

As a government organisation we are committed to a target of achieving net zero greenhouse gas emissions by 2050. The CMA has embarked on its journey to tackle the climate change risks and make changes to its operations and the way it functions as an organisation.

We are a relatively small government organisation, with offices in London, Belfast, Cardiff and Edinburgh and with offices due to be opened in Manchester and Darlington. Our offices in Belfast and Cardiff are housed by other government departments. Most of the services in our other offices are provided by landlords who provide information to the individual tenants. We have increased our headcount which has impacted accordingly on overall emission numbers.

## Mitigating climate change

The CMA have a headline target to reduce the overall greenhouse gas emissions from the 2018 baseline. We have reviewed and updated the CMA travel policy so that lower carbon options are considered, and a governance process is now in place to report on the reduction.

ARAC commissioned a detailed review of the CMA's approach to managing climate change. It was noted that operational work had been carried out and that the CMA was involved in several activities aimed at addressing the risk of climate change and reducing the CMA's carbon footprint.

The following table shows distance travelled by staff and emissions in the year 2021/22. It is important to note that our increased headcount has affected the figures. The CMA continues to encourage rail travel as an alternative to driving and we are working to reduce the need for travel. The CMA has moved into full implementation of its hybrid working model with staff in London and Edinburgh expected to work from a CMA office at least 50% of their time each month combining the learning from remote working with the benefits from being in an office environment. This new way of working will help reduce energy consumption and gas emissions.

	Distance(miles)	Emissions (kg CO2)
Air Travel	16,389	6,594
Rail Travel	33,046	1739.36
Eurostar	398	10.64
Car Travel	12,166	2,715

## Utilities and waste management

As the CMA is an occupant of a multi-tenanted building, the landlord provides utility services including waste management. Further, our increased headcount has affected our energy, water usage and waste management. The water figure is calculated on the sqm sum of the CMA floor plate with gas and electricity per floor. The CMA is currently working with the landlord to install sub meters in the building so that the CMA can obtain the data in a more efficient way. All our waste management goes through a recycling program and helps reduce the amount of waste the business produces. This includes food waste from the café which gets measured and identified so that any food thrown in the bin will be captured automatically and the data reported.

Our consumption in 2021/22 is listed in the table below and is based on an apportionment across all tenants in our main offices. Progress against the Greening Government Commitments energy consumption targets are reported quarterly to BEIS.

	Consumption (KWh)	Tonnes (CO2e)
Electricity	14,928,406	3458.24
Gas	125,894	21.3

	Usage (m <sup>3</sup> )
Water	4822

	Tonnes
Waste Recycled Externally	47.1

The CMA has a target to cut paper usage in their offices. Staff are discouraged from printing unless necessary; the default setting of our central printers is double sided and monochrome to reduce printing costs and our carbon footprint. All our paper is certified by the Forest Stewardship Council confirming that our paper is made from recycled materials and is elemental chlorine free. Our paper also complies with ISO9706 accredited certification. Our supplier is ISO14001 accredited meaning that it has an effective environmental management system in place.

The table below shows the number of paper reams ordered from the supplier in 2021/22.

	Number of Reams
Paper Usage	605

In our office the heating, ventilation and air conditioning is controlled by a Building Management System which is aligned to the WELL building standard. This controls and monitors usage making the offices more efficient. The buildings have had installed motion sensor lights which helps reduce energy consumption and tap sensors are in place to control water by using solenoids and timers.

### Sustainable procurement

Our purchasing activity complies with the EU public directive to achieve maximum value for money and to minimise waste throughout our supply chain. We are currently looking to increase our purchases coming from sustainable sources and/or being recycled.

### Catering services

Our offices in London offer a café style service which provides fresh food and barista coffee. Sustainable choices are made when procuring and our current catering provider have priority categories of food and drink where progress needs to be made on sustainability, such as avoiding fish with an MCs 5 rating, avoiding all caged fresh eggs, using only Fair Trade or organic tea/coffee and ensuring that palm oil is not used in food products or frying and cooking oils.

The CMA is committed to reducing single use plastics by using alternative products such as plant-based compostable foodservice packaging. A recent review has been carried out to introduce sustainable alternatives and a decision was made to replace plastic bags with paper carrier bags, wooden cutlery instead of plastic cutlery and the removal of plastic straws.

The below table shows how many pieces of plastic were used in the café from October 2021 to March 2022.

	Pieces used
Single Use Plastic	50,085

### Accommodation

Our office in Canary Wharf, London is designed to Building Research Establishment Environmental Assessment Method (BREEAM) 'Excellent' standard and the WELL building standard has been met.

The CMA has a programme in place to ensure that the Greening Commitment targets are met when opening new offices in Manchester and Darlington.

### About our data

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





# Remuneration and Staff Report

# Remuneration Report

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

Senior Management	Salary		Bonuses <sup>34</sup>		Pension benefits		Total	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
Andrea Coscelli CBE	200-205	200-205	15-20	15-20	37	37	255-260	255-260
Andrea Gomes da Silva <sup>35</sup>	30-35	165-170	-	15-20	-	-	30-35	185-190
David Stewart <sup>36</sup>	40-45	-	-	-	16	-	55-60	-
Erik Wilson CBE	135-140	135-140	15-20	20-25	5	133	155-160	290-295
Michael Grenfell	165-170	165-170	15-20	15-20	25	25	205-210	210-215
Mike Walker	180-185	180-185	15-20	-	70	70	270-275	250-255
Sarah Cardell	200-205	200-205	15-20	15-20	31	35	245-250	250-255
Stuart Hudson <sup>37</sup>	135-140	-	10-15	-	54	-	200-205	-

## Fair pay disclosures (audited)

### Percentage change in pay

For the highest paid director, there has been no change to salary and allowances, or performance pay and bonuses, from 2020/21.

For all employees, excluding the highest paid director, there has been an average percentage increase to salary and allowances of 0.91% since 2020/21. There has been an average percentage decrease of 3.75% to performance pay and bonuses.

The change to salary and allowances is as a result of the increase in number of people employed (as shown on page 79). This growth has been across grades SEO to PB2, which has increased the average salary.

The decrease in performance pay and bonuses is due to changes in staff profile over the year as a result of higher turnover during this reporting period. Some staff in receipt of performance pay and bonuses have left the CMA and new joiners during the year were not eligible for these payments.

<sup>34</sup> At the time of publication, guidance for the 2021/22 bonus payments for SCS staff has not yet been approved by government. 2020/21 figures have been used.

<sup>35</sup> Andrea Gomes da Silva left the CMA on 27 May 2021. Full year annual salary was £165k-£170k.

<sup>36</sup> David Stewart joined the CMA on 4 January 2022. Full year annual salary is £165k-£170k.

<sup>37</sup> Stuart Hudson's role as adviser to the Board was formalised in January 2022, therefore remuneration data was not reportable in 2020/21.

## Pay multiples

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 2021/22 was £220k-£225k (2020/21: £220k-£225k).

In 2021/22, no employees received remuneration in excess of the highest-paid director (2020/21: nil). Remuneration, excluding the highest-paid director, ranged from £22.5k-£217.9k (2020/21: £22.5k-£218.4k).

The table below shows the ratios between the highest paid director's remuneration and the pay and benefits of the employee at the 25th percentile, the median and the 75th percentile.

	2021/22			2020/21	
	Total pay & benefits (£)	Salary (£)	Pay ratio	Total pay & benefits (£)	Pay ratio
25 <sup>th</sup> percentile	38,628	37,678	5.78:1	37,202	5.98:1
Median	57,616	56,356	3.86:1	58,175	3.82:1
75 <sup>th</sup> percentile	76,561	75,141	2.91:1	77,685	2.86:1

There has been a decrease in the 25th percentile ratio and an increase in the median and 75th percentile ratios. These differences can be attributed to a change in the way non-consolidated payments were made to non-SCS staff in 2021/22.

Total remuneration includes salary and fees, non-consolidated performance-related pay, and benefits in kind. It does not include severance payments, employer pension contributions and the CETV of pensions.

## Senior Management – pension benefits (audited)

	Accrued pension at pension age as at 31 March 2022	Real increase in pension and related lump sum at pension age	CETV at 31 March 2022	CETV at 31 March 2021	Real increase / (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Andrea Coscelli CBE	-	-	-	-	-	37
Andrea Gomes da Silva	-	-	-	-	-	-
David Stewart	0-5	0-2.5	12	-	8	-
Erik Wilson CBE	85-90	0-2.5	1,744	1,658	(13)	-
Michael Grenfell	-	-	-	-	-	25
Mike Walker	35-40	2.5-5	497	426	42	-
Sarah Cardell	-	-	-	-	-	31
Stuart Hudson	5-10	2.5-5	68	38	19	-

## Non-Executive Board members remuneration (audited)

	2021/22		2020/21	
	Salary £000	Benefits in kind Nearest £100	Salary £000	Benefits in kind Nearest £100
Andrew Tyrie <sup>38</sup>	-	-	70-75	-
Amelia Fletcher	25-30	-	25-30	-
Cynthia Dubin	25-30	-	25-30	-
Jonathan Scott	105-110	-	100-105	-
Kirstin Baker <sup>39</sup>	25-30	-	25-30	-
Martin Coleman <sup>40</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 Jonathan Scott who was engaged on a 2-days per week contract.

The Chairman and the NEDs are not members of the Principal Civil Service Pension Scheme and they have no other pension entitlements with the CMA (2020/21: nil).

<sup>38</sup> Lord Andrew Tyrie left the CMA on 15 September 2020.

<sup>39</sup> The salary above for Kirstin Baker relates to her role as a CMA NED only. In 2021/22 Kirstin was also employed as a CMA Inquiry Chair and in 2021/22 earned a total remuneration of £125k-£130k for her work on the CMA Board and Panel.

<sup>40</sup> The salary above for Martin Coleman relates to his role as a CMA NED only. In 2021/22 Martin was also employed as a CMA Panel Chair, and in 2021/22 earned a total remuneration of £135k-£140k for his work on the CMA Board and Panel.

## Remuneration policy

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

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

In reaching its recommendations, the SSRB considers:

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

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 on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the 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 2021/22 no such payments were made, (2020/21: 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 as part of the end of year performance review process. The bonuses disclosed for senior management were paid in 2021/22 and relate to performance in 2020/21. The comparative bonuses reported for 2020/21 relate to performance in 2019/20.

## 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 were switched into **alpha** 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). 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**. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website: [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

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

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



# 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.

As the pandemic continued in 2021/22, our staff have adapted and responded to the changes in the world around them, and the personal and professional challenges it has presented. We have continued to support staff through this challenging time and have maintained our focus on ensuring that the CMA continues to be an employer of choice.

## Equality, Diversity, and Inclusion

The CMA has a 4-year Equality, Diversity and Inclusion Strategy to bring about lasting and meaningful change for everyone at the CMA. This includes a 2-year Equality and Diversity Action Plan. This year, we developed a new, specific Disability Action Plan and our second Race Action Plan. Our Positive Action Steering Group (PASG) is responsible for delivering and implementing the Race and Disability action plans.

Our Disability Action Plan challenges us to ensure we have the right building blocks in place to be an inclusive employer. We want the CMA to be a place where disabled colleagues can thrive at work and feel confident that they will be supported to be their best. Through our plan we will ensure that our managers are confident in supporting a disabled colleague and respond in a timely way to making the necessary adjustments. We will also focus on our recruitment processes and seek to make them as inclusive and supportive as possible for disabled applicants.

Our first Race Action Plan challenged our approaches and thinking with a focus on building diversity of thought into our senior decision making and also a greater awareness of the barriers to career progression at the CMA. Our new plan will evaluate the effectiveness of our previous initiatives, ensure we continue to learn from others, and turn the spotlight on local level activity, decision making and practice. The plan has four major themes to help us focus on the right areas and ensure we can measure our progress. These are Recruitment, Community Social Responsibility, Embedding Practice Locally and Evaluating Effectiveness.

These plans 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.

In 2021-22 the CMA established AdCo; a diverse team of individuals from across the CMA which provides insights and advice to inform, support and constructively challenge senior decision-making at the CMA. AdCo was established as part of the CMA's wider work on equality, diversity and inclusion and the 2020 Race Action Plan.

## Volunteering

We encourage staff to support charities, local community groups, and conduct outreach activities to schools and universities. We offer up to 6 days paid special leave per year to enable staff to undertake volunteering and outreach work. In 2021-22 staff volunteering activities have included supporting the COVID-19 vaccination roll out and team volunteering in local communities. Through our partnership with a large multi-academy trust we have delivered outreach to schools, with CMA staff participating in a networking evening, delivering careers talks and providing interviewing skills support.

## Wellbeing

We have focussed on employee wellbeing throughout the COVID-19 pandemic. We have regularly reminded staff and managers of the importance of checking in on each other and supporting one another. We have encouraged colleagues to connect their physical wellbeing with their mental wellbeing and 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.

During the pandemic and in line with Civil Service HR guidance, we supported those staff with caring responsibilities through the provision of paid special leave when appropriate, for example, when caring for young children who were self-isolating. During 2020/21 the CMA gained a MIND silver rating in the MIND 2020/21 Wellbeing Index. Following this, we published a new wellbeing and mental health action plan to bring together the actions we will take in the next year to improve mental health and wellbeing for everyone across the CMA.

## Making the shift to hybrid working

Although during the pandemic we have been able to carry out our activities from home without losing capacity, quality or pace, working only remotely is neither sustainable nor beneficial long-term. We carried out a fundamental review of our culture and how we work, drawing on colleagues' views and best practice from outside the CMA to design a hybrid working model that suits us and the work we do.

We reinvented how we work alongside each other, how we ensure we are inclusive and respectful in everything we do, and how we stay connected and collaborate expertly wherever we are. We designed a new set of leadership principles and behaviours and continue to roll out new technology that allows everyone to work productively, comfortably and collaboratively.

We approached making the shift to this model flexibly, balancing momentum with a clear commitment to colleagues' health and wellbeing. The lifting of restrictions across the UK made it possible to put our hybrid working model into full effect. We will continue to review and refine our model; this is especially important as we expand our presence across all nations of the UK.

## Health and Safety

In 2021/22, due to the easing of COVID-19 restrictions, the CMA moved from partial building reoccupation to a more progressive building reoccupation. This step change was achieved having reviewed and completed workplace inspections, building risk assessments, fire risk assessments and training of first aiders and fire marshals.

The CMA's Health and Safety policies and procedures were approved by the People Policy Sub-Group and Operations Committee. Changes were also made to building inductions following the introduction of our hybrid working model and we introduced home Display Screen Equipment (DSE) assessments. The building emergency evacuation arrangements were reviewed and updated in the last quarter of 2021 which resulted in the creation of Chief Fire Warden and front door Manager roles. The Facilities Management team also reviewed the communication measures for fire marshals and strengthened our position by introducing additional communication equipment. The approach was successfully tested during the most recent full evacuation exercise.

Our Health and Safety Committee has been re-formed this year to build even better links between the CMA and its employees on Health and Safety matters. The Committee promotes CMA's commitment to Health and Safety, encourages continual improvement and effective collaboration between departments.

We reported three accidents and three near misses during the financial year (2020/21: no accidents and four near misses).

## Sickness absence

The average working days lost in 2021/22 due to absence per FTE employee was 3.54 days (2020/21: 3.39 days). The most recently published Civil Service figure was an average of 6.1 days.

During 2021/22, 798 working days were lost to staff illness with symptoms corresponding to those attributed to COVID-19 (733 days in 2020/21); this accounts for 26% of all working days lost during the year.

## Staff engagement

The CMA participates in the Civil Service annual staff survey. We value the information and insight that staff share on what it's like to work in the Civil Service and in the CMA. We develop and implement corporate and local action plans that make targeted improvements based on what staff tell us.

In the November 2021 staff survey the CMA's response rate was 73% and our engagement score was 65%. We reported positive progress for the themes of inclusions and fair treatment, working well together, interesting work and my manager. Areas of focus for the year ahead are leadership and change, safe to say – respect and health and wellbeing.

## Staff turnover

The CMA's annual staff turnover rate for permanent staff in 2021/22 was 13.0% (2020/21: 9.7%).

We attribute the increase in turnover to the relaxation in COVID-19 restrictions with staff feeling more confident to seek alternative career opportunities outside the CMA.

## Staff policies applied for disabled staff

### Applications for employment

Candidates applying through the Disability Confident Scheme (DCS) are guaranteed an interview if their application scores the minimum acceptable level, or higher, for all elements assessed, regardless of whether there are higher scoring candidates.

During the recruitment process, we encourage candidates to tell us what changes or help they might need, so that we can make reasonable adjustments to support them in their application.

### Continuing employment

At the CMA, the health and wellbeing of our staff is recognised as a key enabler to help us to deliver our objectives and contribute to the success of our organisation. We fully recognise our responsibilities and our duty of care to all of our staff. Through providing and promoting a wide range of wellbeing initiatives, we aim to enable staff to maintain their health, wellbeing and safety at work. Our intention is to:

- Prevent work-related illness and injury, but also to go further and use the workplace as an opportunity for general health improvement;
- Respond early when health problems arise and, combined with this, ensure that the necessary interventions are easily and speedily available;
- Help people to better manage their health conditions and disabilities in the workplace taking the advice of our Occupational Health service to consider appropriate reasonable adjustments so that they can be more productive in the workplace and for those who are absent from work to return to work as soon as possible; and
- Promote the Employee Assistance Programme to ensure that appropriate support is available for those who need it.

We have implemented the cross-government Workplace Adjustment Passport which aims to support the conversation between an individual and their manager about their disability, health condition or gender reassignment and any workplace adjustments that might need to be made. Employees and their managers can complete the form to act as a record of that conversation and of the adjustments agreed as a supportive measure, usually on a temporary basis. Completion of the passport is voluntary. The employee has control over the content and who it is shared with and retains ownership of the form throughout.

We have two staff networks that are aimed specifically at supporting staff with disabilities. Our VisAbility network's primary aim is to raise awareness and celebrate the abilities of staff members with either a non-visible / visible disability (physical and mental health) or long-term health condition. The VisAbility network partnerships with the Dyslexia Network for the benefit of their members.

## Training and development

In addition to offering career development via the Civil Service talent programmes (such as the Future Leaders Scheme DELTA programme), we have developed our own career development programme, Aspire, for under-represented groups including those colleagues with a disability.

## 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

18 employees (17.4 FTE) were relevant union officials during 2021/22 (2020/21: 18.4 FTE). 3 union officials spent 0% of their working hours on facility time in 2021/22 (2020/21: 5) and 15 union officials spent up to 50% of their working hours on facility time in 2021/22 (2020/21: 14).

The time spent by union officials on paid trade union activities as a percentage of total paid facility time hours in 2021/22 was 6.59% (2020/21: 9.29%).

The percentage of the total pay bill in 2021/22 spent on paying employees who were relevant union officials for facility time was 0.064% (2020/21: 0.085%).

## Off-payroll engagements

Highly paid off-payroll worker engagements as at 31 March 2022, earning £245 per day or greater.

Number of existing engagements as of 31 March 2022	15
<b>Of which, no. that existed:</b>	
Less than 1 year	9
For between 1 and 2 years	4
For between 2 and 3 years	1
For between 3 and 4 years	-
For 4 or more years	1

Number of temporary off-payroll workers engaged during the year ended 31 March 2022	25
<b>Of which:</b>	
Not subject to off-payroll legislation	21
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	4
No. of engagements reassessed for compliance or assurance purposes during the year	-
Of which: No. of engagements that saw a change to IR35 status following review	-

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater

Off-payroll workers are typically engaged either through commercial contracts to deliver expert services or as temporary agency workers to fill hard to recruit roles, provide temporary cover for key roles or to deliver urgent and time critical projects.

There were no off-payroll engagements of Board members and/or senior officials with significant financial responsibility.

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

## Staff costs (audited)

Staff costs comprise:

	2021/22			2020/21
	Permanently employed staff	Others <sup>41</sup>	Total	Total
	£000	£000	£000	£000
Wages and salaries	52,333	1,707	54,040	55,099
Social security costs	6,112	-	6,112	6,020
Pension costs	13,633	-	13,633	13,289
<b>Sub total</b>	<b>72,078</b>	<b>1,707</b>	<b>73,785</b>	<b>74,408</b>
Other staff costs	89	-	89	170
(Income) / Reversal of income in respect of outward secondments	(14)	-	(14)	(361)
<b>Total</b>	<b>72,153</b>	<b>1,707</b>	<b>73,860</b>	<b>74,217</b>

<sup>41</sup> Wages and salaries of Others comprises of agency and temporary staff.

In 2021/22 there was a decrease in staff costs compared with 2020/21 due to the following factors:

- A lower average FTE (7 FTE lower) for the year compared to 2020/21 as we experienced higher staff turnover in 2021/22;
- Recruitment to the new functions has created internal opportunities and movement, which has created vacancies elsewhere in the CMA;
- There was no pay award as we adhered to the public sector pay pause in 2021/22; and
- As a result of the relaxation of COVID-19 restrictions and higher staff turnover, there was a net decrease in the level of annual leave carryover.

## Number of people employed (audited)

The number of people (FTE) employed at 31 March 2022 and the average number of people (FTE) employed during the year:

	At year-end		Average for year	
	2021/22	2020/21	2021/22	2020/21
Permanent staff	786.0	766.2	781.0	770.0
Others <sup>42</sup>	89.1	80.6	81.0	99.0
<b>Total</b>	<b>875.1</b>	<b>846.8</b>	<b>862.0</b>	<b>869.0</b>

The 2021/22 year-end figure is 28.3 FTE higher than the year-end figure for 2020/21. This is due to the CMA completing 130 more recruitment appointments (262) than seen in 2020/21 (132). This can be attributed to the CMA receiving three new functions: the DMU, the OIM and the SAU, which has provided an opportunity for growth throughout the CMA. In quarters 2 and 4, we noted the highest number of candidates starting at the CMA; quarter 4 appointments will have directly impacted the 2021/22 year-end figure.

The 2021/22 year average is 7 FTE lower than in 2020/21. In quarters 1, 2, and 4, we noted a significantly higher number of leavers compared to previous years, which we attributed to the relaxation of restrictions following the pandemic with staff feeling better placed to seek alternative career opportunities outside the CMA. This has decreased our average for the year.

<sup>42</sup> Includes loans in, secondments in, fixed term contracts and agency workers. The CMA has no ministers or special advisers.

## Staff composition

The number of people (FTE) employed<sup>43</sup> at 31 March 2022 by grade:

	2021/22		2020/21	
	Male	Female	Male	Female
SCS3 (Director)	3.0	-	2.0	1.0
SCS2 (Director)	13.9	7.3	12.9	7.3
SCS1 (Director)	55.1	41.2	46.9	37.2
Grade 6	109.8	91.7	101.4	91.2
Grade 7	129.1	125.5	117.0	125.0
SEO	26.0	34.8	25.0	30.0
HEO	66.8	80.8	65.8	80.3
EO	32.6	38.5	37.6	39.5
AO	7.0	12.0	14.0	12.8
<b>Total</b>	<b>443.3</b>	<b>431.8</b>	<b>422.6</b>	<b>424.3</b>

## Staff on loan

Since 2020/21, we have noted a decrease in the number of outward loans and an increase in the number of inward loans to the CMA. Overall, the total number of loans has remained the same as last year (38). The driving force for loans both into and out of the CMA over the past year has been to provide support to the CMA's new growth function, the DMU. By utilising staff members from both within and outside the CMA, we have been able to build experience and expertise within the specialist DMU function and supporting areas.

	Outward staff loans 2021/22		Inward staff loans 2021/22	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
SCS3 (Director)	-	-	-	-
SCS2 (Director)	1	-	-	-
SCS1 (Director)	-	-	1	1
Grade 6	3	6	1	2
Grade 7	1	6	1	1
SEO	-	-	-	-
HEO	3	7	1	2
EO	-	1	-	-
AO	-	-	-	-
<b>Total</b>	<b>8</b>	<b>20</b>	<b>4</b>	<b>6</b>

<sup>43</sup> Includes persons employed on a contract of employment only and excludes secondees and agency workers.



## Expenditure on consultancy

In 2021/22 the CMA spent £0.7 million on consultancy (2020/21: £0.6 million). The increase in expenditure in 2021/22 was predominantly due to further bespoke enhancements to the CMA's Enterprise Resource Planning system and discovery phase costs of projects, such as CMA Public Gateway and OIM portal, as well as business analysis carried out for the digital transformation project.

## 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 2021/22 (2020/21: nil).



# Parliamentary Accountability and Audit Report

# Statement of Outturn against Parliamentary Supply (SOPS)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRoM) requires the CMA to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how the CMA has spent against its Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year. Should the CMA exceed the limits set by their Supply Estimate, called control limits, its accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn. The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 39, in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

## Statement of Outturn against Parliamentary Supply 2021/22

	2021/22								2020/21
	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	115,600	-	115,600	97,937	-	97,937	17,663	93,055
Capital	1.2	7,500	-	7,500	2,675	-	2,675	4,825	2,657
<b>Annually managed expenditure</b>									
Resource	1.1	45,000	-	45,000	7,875	-	7,875	37,125	7,695
Capital	1.2	-	-	-	-	-	-	-	-
<b>Total budget</b>		<b>168,100</b>	<b>-</b>	<b>168,100</b>	<b>108,487</b>	<b>-</b>	<b>108,487</b>	<b>59,613</b>	<b>103,407</b>
<b>Non-budget</b>									
Resource		-	-	-	-	-	-	-	-
<b>Total</b>		<b>168,100</b>	<b>-</b>	<b>168,100</b>	<b>108,487</b>	<b>-</b>	<b>108,487</b>	<b>59,613</b>	<b>103,407</b>
Total resource		160,600	-	160,600	105,812	-	105,812	54,788	100,750
Total capital		7,500	-	7,500	2,675	-	2,675	4,825	2,657
<b>Total</b>		<b>168,100</b>	<b>-</b>	<b>168,100</b>	<b>108,487</b>	<b>-</b>	<b>108,487</b>	<b>59,613</b>	<b>103,407</b>

## Net cash requirement 2021/22

SoPS Note	2021/22			2020/21
	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
	£000	£000	£000	£000
3	117,100	92,134	24,966	94,326

## Administration costs 2021/22

SoPS Note	2021/22			2020/21
	Estimate	Outturn	Savings/(Excess)	Outturn
	£000	£000	£000	£000
<b>1</b>	<b>26,640</b>	<b>19,621</b>	<b>7,019</b>	<b>20,403</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

#### Analysis of net resource outturn by section

	2021/22									2020/21
	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	19,846	(225)	19,621	79,100	(784)	78,316	97,937	115,600	17,663	93,055
<b>Annually Managed Expenditure (AME)</b>										
Voted: B										
Competition Promotion	-	-	-	7,875	-	7,875	7,875	45,000	37,125	7,695
<b>Total</b>	<b>19,846</b>	<b>(225)</b>	<b>19,621</b>	<b>86,975</b>	<b>(784)</b>	<b>86,191</b>	<b>105,812</b>	<b>160,600</b>	<b>54,788</b>	<b>100,750</b>

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

## SOPS 1.2 Analysis of net capital outturn by section

	2021/22					2020/21
	Outturn			Estimate		Outturn
	Gross	Income	Net <sup>44</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	2,675	-	2,675	7,500	4,825	2,657
<b>Annually Managed Expenditure (AME)</b>						
Voted: B	-	-	-	-	-	-
<b>Total</b>	<b>2,675</b>	<b>-</b>	<b>2,675</b>	<b>7,500</b>	<b>4,825</b>	<b>2,657</b>

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

## SOPS 2 Reconciliation of outturn to net operating expenditure

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

	2021/22	2020/21
	Outturn	Outturn
	£000	£000
Total resource outturn in Statement of Parliamentary Supply	105,812	100,750
Add: research included within capital budget outturn <sup>45</sup>	-	172
<b>Net Operating Expenditure in Statement of Comprehensive Net Expenditure</b>	<b>105,812</b>	<b>100,922</b>

<sup>44</sup> There were no virements in 2021/22.

<sup>45</sup> The European system of regional and national accounts, 2010.

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

		Estimate	Outturn	2021/22 Net total outturn compared with Estimate: saving/ (excess)	2020/21 outturn
	Note	£000	£000	£000	£000
Resource outturn	SOPS 1.1	160,600	105,812	54,788	100,750
Capital outturn	SOPS 1.2	7,500	2,675	4,825	2,657
<b>Accruals to cash adjustments</b>					
<i>Adjustments to remove non-cash items:</i>					
Depreciation	4	(6,000)	(5,168)	(832)	(4,893)
New provisions and adjustments to previous provisions	4	(45,000)	(7,956)	(37,044)	(7,703)
Other non-cash items	4	-	(90)	90	(88)
<i>Adjustments to reflect movements in working balances:</i>					
Increase/(decrease) in receivables	9	-	(4,243)	4,243	7,159
(Increase)/decrease in payables	10	-	2,181	(2,181)	(4,687)
Increase/(decrease) to be surrendered to the Consolidated Fund		-	(1,234)	1,234	1,063
Use of provisions	11	-	157	(157)	68
<b>Net cash requirement</b>		<b>117,100</b>	<b>92,134</b>	<b>24,966</b>	<b>94,326</b>

## SOPS 4 Income payable to the Consolidated Fund

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

During 2021/22 there was no income payable to the Consolidated Fund (2020/21: 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 2021/22 Trust Statement which is published separately from, but alongside, this Annual Report and Accounts.

## Parliamentary accountability disclosures

### Losses and special payments (audited)

There were no reportable losses and special payments in 2021/22 (2020/21: £0.4 million).

### Remote Contingent liabilities (audited)

There were no remote contingent liabilities in 2021/22 (2020/21: 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 2021/22, 73% of all valid invoices received were paid within 10 working days (2020/21: 69%) and 94% of all valid invoices received were paid within 30 days (2020/21: 92%).

2021/22	Invoices paid within 10 working days	Invoices paid within 30 days
1st Quarter	70%	94%
2nd Quarter	66%	95%
3rd Quarter	74%	94%
4th Quarter	84%	97%

Comparative to 2020/21, we are showing an improvement in payment performance. The adoption of best practice presented in the Requisitioners e-learning module, together with targeted and frequent communication on the importance of payment performance to all CMA colleagues involved with this process, has contributed to this improvement. The CMA anticipate that once these best practices are fully embedded within the business, payment performance will continue to improve.

We focused this financial year on paying SME suppliers promptly to support their cash flow requirements during the COVID-19 pandemic and in line with the Prompt Payment Code. In 2021/22 71% of all valid invoices received from SME suppliers were paid within 10 working days (2020/21: 73%).

We remain committed to being proactive in identifying and implementing further opportunities to improve our performance in 2022/23.

Signed for and on behalf of the CMA



**Andrea Coscelli CBE**  
**Chief Executive and Principal Accounting Officer**  
**08 July 2022**



# 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 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Competition and Market Authority's affairs as at 31 March 2022 and its net operating 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 Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 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 (UK) (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 Financial Reporting Manual, which requires 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 financial statements nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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 subject to audit have been properly prepared in accordance with HM Treasury directions

made under the Government Resources and Accounts Act 2000;

- the information given in the Performance Summary, Corporate Governance Report, Remuneration and Staff report and Parliamentary Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## 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 Remuneration and Staff report and Parliamentary Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Competition and Markets Authority or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff report and Parliamentary Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of 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.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Competition and Markets Authority's accounting policies.
- Inquiring of management 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 Competition and Markets Authority's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Competition and Markets Authority for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Competition and Markets Authority's framework of authority as well as other legal and regulatory frameworks in which the Competition and

Markets Authority operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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 Government Resources and Accounts Act 2000, Managing Public Money and Supply and Appropriation (Main Estimates) Act 2022, Employment Law, Tax legislation and the Enterprise and Regulatory Reform Act 2013.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Risk, Assurance and Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists 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.

### **Other auditor's responsibilities**

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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: 20 July 2022**

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 2022

	Note	2021/22	2020/21
		£000	£000
Operating income	5	(1,009)	(6,092)
<b>Total operating income</b>		<b>(1,009)</b>	<b>(6,092)</b>
Staff costs	3	73,860	74,217
Dilapidations provision: provided in year	4	1,756	3,763
Purchase of goods and services	4	31,205	29,034
<b>Total operating expenditure</b>		<b>106,821</b>	<b>107,014</b>
<b>Net operating expenditure / (income) for the year</b>		<b>105,812</b>	<b>100,922</b>
<b>Other comprehensive net expenditure</b>			
Actuarial net loss/(gain) on by-analogy pension scheme	11.2	76	60
<b>Comprehensive net expenditure / (income) for the year</b>		<b>105,888</b>	<b>100,982</b>

The notes on pages 100 to 118 form part of these Financial Statements.



# Statement of Financial Position as at 31 March 2022

	Note	2021/22 £000	2020/21 £000
<b>Non-current assets</b>			
Property, plant and equipment	6	33,520	35,825
Intangible assets	7	1,344	1,532
<b>Total non-current assets</b>		<b>34,864</b>	<b>37,357</b>
<b>Current assets</b>			
Trade and other receivables	9	6,084	10,327
Cash and cash equivalents	8	723	1,957
<b>Total current assets</b>		<b>6,807</b>	<b>12,284</b>
<b>Total assets</b>		<b>41,671</b>	<b>49,641</b>
<b>Current liabilities</b>			
Trade and other payables	10	(11,514)	(12,675)
Provisions	11	(10,047)	(252)
<b>Total current liabilities</b>		<b>(21,561)</b>	<b>(12,927)</b>
<b>Total assets less current liabilities</b>		<b>20,110</b>	<b>36,714</b>
<b>Non-current liabilities</b>			
Trade and other payables	10	(10,834)	(11,854)
Provisions	11	(11,622)	(13,542)
<b>Total non-current liabilities</b>		<b>(22,456)</b>	<b>(25,396)</b>
<b>Total assets less (liabilities)</b>		<b>(2,346)</b>	<b>11,318</b>
<b>Taxpayers' equity and reserves</b>			
General fund		(2,346)	11,318
<b>Total equity</b>		<b>(2,346)</b>	<b>11,318</b>

The notes on pages 100 to 118 form part of these Financial Statements.



**Andrea Coscelli CBE**  
Chief Executive and Principal Accounting Officer  
08 July 2022

# Statement of Cash Flows for the year-ended 31 March 2022

		2021/22	2020/21
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating income/(expenditure)	SoCNE	(105,812)	(100,922)
Adjustment for non-cash transactions	4,5	13,214	12,684
(Increase)/decrease in trade and other receivables	9	4,243	(7,159)
Less movement in receivables relating to items not passing through the SoCNE		-	-
Increase/(decrease) in trade and other payables	10	(2,181)	4,687
Movements in payables relating to items not passing through the SoCNE		1,234	(1,063)
Use of provisions	11	(157)	(68)
<b>Net cash (outflow) from operating activities</b>		<b>(89,459)</b>	<b>(91,841)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(2,468) <sup>46</sup>	(2,265)
Purchase of intangible assets	7	(207)	(220)
Proceeds from disposal of non-financial assets	5	-	-
<b>Net cash (outflow) from investing activities</b>		<b>(2,675)</b>	<b>(2,485)</b>
<b>Cash flows from financing activities</b>			
Financing from the Consolidated Fund (supply)		90,900	95,389
Advances from the Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-
<b>Net cash flow from financing activities</b>		<b>90,900</b>	<b>95,389</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund</b>		<b>(1,234)</b>	<b>1,063</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>(1,234)</b>	<b>1,063</b>
<b>Cash and cash equivalents at the beginning of the year</b>	8	<b>1,957</b>	<b>894</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>723</b>	<b>1,957</b>

The notes on pages 100 to 118 form part of these Financial Statements.

<sup>46</sup> The total purchase of property, plant and equipment has been reduced by an accrual (non-cash) of £0.1 million to present cash purchases only

## Statement of Changes in Taxpayers' Equity for the year-ended 31 March 2022

	Note	General Fund
		£000
<b>Balance at 31 March 2020</b>		17,886
Net Parliamentary Fund - drawn down		95,389
Net Parliamentary Fund - deemed		894
Unspent Supply repayable to the Consolidated Fund		(1,957)
Non-cash charges - auditors' remuneration	4	88
Net operating expenditure for the year		(100,922)
Actuarial (loss)/gain on pension liability	11	(60)
<b>Balance at 31 March 2021</b>		<b>11,318</b>
Net Parliamentary Fund - drawn down		90,900
Net Parliamentary Fund - deemed		1,957
Unspent Supply repayable to the Consolidated Fund	10	(723)
Non-cash charges - auditors' remuneration	4	90
Net operating expenditure for the year		(105,812)
Actuarial (loss)/gain on the pension liability	11	(76)
<b>Balance at 31 March 2022</b>		<b>(2,346)</b>

The notes on pages 100 to 118 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 2021/22 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 has adopted the going concern basis of accounting in consideration of the requirements set out in HM Treasury's FReM. The CMA received Parliamentary approval for funding in 2022/23 through the Main Supply Estimates published on 12 May 2022, along with HM Treasury's confirmation of the CMA's Spending Review 2021 settlement for 2022/23. The CMA has 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.

Where the time value of money is material, provisions are discounted to their present values using the HM Treasury discount rates in the latest Public Expenditure System (PES) paper. 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:

#### **IFRS 16 - Leases**

##### *The CMA as a lessee*

This standard, applicable from 1 April 2022 and replacing IAS 17 – Leases, introduces a single lessee accounting model that largely eliminates the current ‘off-balance sheet’ treatment of operating leases under IAS 17. This results in a more faithful representation of a lessee’s assets and liabilities.

IFRS 16 requires the recognition of leased assets, representing the right to use the leased item, and lease liabilities, representing the respective future lease payments, on the SoFP for all applicable lease agreements. The rental expense on operating leases under IAS 17 is replaced by a depreciation charge and a finance charge within the SoCNE.

The initial value of the right of use asset will consist of the present value of the minimum lease payments, adjusted for: any lease payments made prior to the commencement of the lease; and any lease incentives received less accruals and prepayments associated with the lease, discounted in accordance with HM Treasury direction.

In determining which lease agreements are in scope of IFRS 16, the CMA will use the following practical expedients permitted by the standard:

- Apply the recognition and measurement exemptions:
  - Accounting for operating leases with less than 12 months remaining, as at 1 April 2022, as short-term leases; and
  - Accounting for operating leases whose underlying asset is of low value i.e. less than the CMA’s capitalisation threshold of £5k.
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Elected to apply the revaluation model in IAS 16 to all right-of-use assets that relate to the class of property, plant and equipment on transition.

The CMA has collated operating lease information to assess the updated cumulative effect and adjustment on transition to IFRS 16. The CMA will apply the standard from the transitional date using the modified retrospective approach, adjusting the opening balance of retained earnings and not restating comparatives to prior periods, as per HM Treasury guidance.

As at 31 March 2022, the CMA holds five operating leases which, under IAS 17, are currently expensed on a straight-line basis over the lease term. These leases, for CMA-occupied premises at: the Cabot; the Litigation Unit; and in the Devolved Nations, are the only lease agreements in scope of IFRS 16. The CMA does not have any peppercorn leases.

The CMA has assessed the updated cumulative effect and adjustment on transition to IFRS 16 and will apply the standard from the transitional date using the modified retrospective approach, adjusting the opening balance of retained earnings and not restating comparatives to prior periods.

The application of IFRS 16 from the transition date will have the following impact on the financial statements;

- Property, plant and equipment, for the right-of-use assets, will increase by £54.3 million and trade and other payables, for the lease liabilities, will increase by £56.6 million on 1 April 2022;
- Retained earnings will increase by £8.3 million on 1 April 2022, due to the reversal of the rent-free creditor for the Cabot, which was accounted for under IAS 17; and
- The CMA estimate that from financial year 2022/23, the depreciation charge within SoCNE will increase by £4.9 million, for the right-of-use assets, and the finance charge within SoCNE will increase by £0.4 million for the lease liabilities.

### *Budgeting*

The adoption of IFRS 16 will have three impacts on the CMA's resource and capital expenditure:

- capital expenditure at lease commencement, for the asset recognised on SoFP;
- ringfenced resource expenditure for depreciation on the leased asset, over the life of the lease; and
- non-ringfenced resource expenditure for the interest incurred over the life of the lease (annual cash payments on the lease now score as working capital movements).

In 2022/23, there will be an increase in the CMA's resource expenditure under IFRS 16 compared with the treatment for leases under IAS 17. This annual increase is owing to the depreciation and interest charges under IFRS 16 being calculated against cashflows, over the life of the lease, that are adjusted for inflationary uplifts for rent increases and discounted in line with the HM Treasury's discount rates.

### *The CMA as a lessor*

The CMA is the lessor in one agreement that sub-lets part of the Cabot's office space to the Groceries Code Adjudicator (GCA). IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. However, IFRS 16 has made the following change to the guidance on subleases:

- If the head lease is a short-term lease, the sublease is classified as an operating lease;
- Otherwise, the sublease is classified with reference to the right-of-use asset arising from the head lease, rather than with reference to the underlying asset.

The CMA will therefore classify this agreement with the GCA as a finance sublease on the application of IFRS 16 from the transition date. This will have the following impact on the financial statements;

- Receivables, for the floorspace occupied by the GCA, will increase by £0.4 million, and property, plant and equipment, for the derecognised right-of-use asset, will decrease by £0.4 million on 1 April 2022.

## *IFRS 17 – Insurance Contracts*

IFRS 17 - Insurance Contracts, which is expected to have a mandatory effective date in the public sector of 1 April 2024, will replace IFRS 4 - Insurance Contracts.

This standard requires identification of insurance contracts, and recognition of an insurance contract liability for those contracts. The insurance contract liability is calculated as the present value of future insurance cashflows (the fulfilment cash flows) plus a subsequent risk adjustment.

The CMA does not anticipate that there will be a material impact on its accounts from the adoption of this standard.

### **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 issue is referred to the CMA. This fits the definition of a contract under the FReM adaption of IFRS 15. The FReM states that legislation or regulations that allow an entity to receive cash from another entity fit the definition of a contract.
- 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, to decide on the underlying case, and for the recovery of costs to become enforceable.
- Step 3: Determine the transaction price, which is the costs incurred by the CMA acting as an expert tribunal, as quantified in the final costs order.
- Step 4: Allocate the transaction price to the performance obligations in the contract after steps 2 and 3 have been actioned i.e. the performance obligation is for the CMA to act as an expert tribunal and the costs order is allocated to the CMA's performance of this role.
- Step 5: The revenue is recognised when the timeframe to appeal the CMA's decision has elapsed or the appeal process has been concluded.

### *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 Office of Fair Trading, which is analogous 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 it satisfies the CMA's capitalisation criteria. The CMA capitalises expenditure of £5,000 (inclusive of VAT) 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 2021/22.

## **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 (IT) 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 (inclusive of VAT) 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 eight reportable segments within its management accounts with the following breakdown of total gross expenditure:

	Total gross expenditure 2021/22	Total gross expenditure 2020/21
	£000	£000
Corporate Services**	22,640	30,245
Digital Markets Unit	4,803	-
Enforcement (including SAU)	18,256	19,669
Legal Service	13,372	12,366
Markets and Mergers (including OIM)	16,919	13,383
Office of Chief Economic Advisor	12,295	12,578
Policy and International	1,593	2,716
Strategy, Communications and Advocacy	3,729	3,388
<b>Balance at 31 March</b>	<b>93,607</b>	<b>94,345</b>

In April and September 2021 respectively, the CMA established the DMU, OIM and preparatory work began to establish the SAU. As these are all new functions, none of the segments from 2020/21 need to be restated. The DMU was established in shadow form in advance of legislation, as its own operating segment, while OIM and SAU were organised within Markets and Mergers and Enforcement, respectively. Though the preparatory work for the SAU was organised within Enforcement this year, the expenditure in this segment decreased due to a £1.45 million reduction in staff costs which is detailed further in the Staff report (page 73). The reduction in expenditure of Policy and International (P&I) reflects the changes to shape that the CMA has conducted and reflects a reduced assigned budget.

From 2022/23, the CMA will be reorganising its operating segments as the SAU will be relocated from Enforcement to Market and Mergers. This decision recognises the important synergies between the two functions and the advisory nature of both. P&I is being relocated as part of Legal Service.

\*\*Corporate Services total gross expenditure of £22.6 million is analysed as follows:

	Total gross expenditure 2021/22	Total gross expenditure 2020/21
	£000	£000
Premises	6,796	10,781
Information technology	3,167	3,711
Staff and other non-staff costs	12,677	15,753
	<b>22,640</b>	<b>30,245</b>

The decrease in Corporate Services total gross expenditure is due to a change in how the associated costs have been presented. These costs do not sit solely within Corporate Services any longer as a portion of the CMA's premises and IT costs have been recharged to the new functions and sit within their respective operating segments.

After adjusting for the recharges, the CMA-wide expenditure on Premises has fallen by £1.1 million compared to last year as Facilities Management works and projects expenditure has fallen which is detailed further in Note 4. IT costs have increased by £0.2 million and this is also detailed further in Note 4. The Staff and other non-staff costs are addressed in detail in Note 3.

## 2.2 Reconciliation between operating segments and SoCNE

	2021/22	2020/21
	£000	£000
Total gross expenditure reported for operating segments	93,607	94,345
Reconciling items:		
Income	(1,009)	(6,092)
Depreciation and non-cash items	13,214	12,669
<b>Total net expenditure per the SOCNE</b>	<b>105,812</b>	<b>100,922</b>

## 3 Staff costs

Total staff costs at 31 March 2022 were £73.9 million (2020/21: £74.2 million), comprising £54.0 million salaries and wages, £6.1 million social security, £13.6 million staff pension costs. More detailed information on staff costs is available in the Staff Report on page 73.

## 4 Purchase of goods and services

	2021/22	2020/21
	£000	£000
Rent (operating leases)	3,875	4,097
Rates	1,815	1,644
Utilities	387	481
Maintenance	19	14
Other premises costs	332	428
Service charge	1,816	2,448
<b>Net premises costs</b>	<b>8,244</b>	<b>9,112</b>
<b>Research expenditure</b>	<b>10</b>	<b>180</b>
Litigation costs <sup>47</sup>	-	-
Hire of plant and machines	3	5
Professional services	1,863	1,844
Training	1,907	1,811
Publicity and Campaigns	646	301
Travel and Subsistence	164	56
Recruitment	553	293
Telecommunications	545	500
IT (including maintenance)	3,723	3,223
Printing, copying and mailing	312	449
Publications	28	62
Facilities Management	1,246	1,788
Other expenditure	388	375
<b>Total purchase of goods and services</b>	<b>11,378</b>	<b>10,707</b>
<b>Non-cash items</b>		
Depreciation of property, plant and equipment	4,574	4,157
Depreciation of intangible assets	587	720
Impairment of trade receivables	-	12
Loss / (profit) on disposal of tangible assets	7	2
Apprenticeship Levy - training	115	116
Provisions - amounts provided for in year	8,053	7,703
Auditors' remuneration and expenses	90	88
Provision - amount not required, written back	(97)	-
<b>Total non-cash items</b>	<b>13,329</b>	<b>12,798</b>
<b>Total costs</b>	<b>32,961</b>	<b>32,797</b>

<sup>47</sup> The CMA has approval to fully offset litigation costs against CA98 penalty income effectively meaning that these costs are fully funded which consequently results in nil litigation costs being recognised in the SoCNE and disclosed in note 4.

In 2021/22, the CMA launched a new, consumer focused “Rip-Off, Tip-Off” campaign, aimed at helping consumers spot and avoid sneaky online sales tactics resulting in higher expenditure compared to the previous year within ‘Publicity and Campaigns’.

Our expenditure on ‘Travel & Subsistence’ has tripled year on year as lockdowns caused by the COVID-19 pandemic have eased and allowed us to return to work requiring travel.

As part of establishing our new functions the CMA has spent more on ‘Recruitment’ and this will continue into the next financial year as we scale up our capability and expand across the four nations of the UK.

We have continued to invest in our ‘IT’ infrastructure, adding more IT services and licenses to support frontline solutions and the CMA’s future operating model for hybrid working and increased scrutiny of digital service standards.

In 2020/21 we incurred higher than usual ‘Facilities Management’ costs in order to make our premises safe for staff to return to the office during the COVID-19 pandemic. These costs have not needed to be replicated in 2021/22 but we have continued to ensure regular cleaning is carried out at our offices.

The change to our level of Provisions is discussed in detail in note 11 (page 114).

## 5 Income

	2021/22	2020/21
	£000	£000
Recovery of accommodation costs	81	160
Appeal costs reimbursed	1,003	1,124
Regulatory appeals	(219)	4,033
Other income	29	659
<b>Total income (cash items)</b>	<b>894</b>	<b>5,976</b>
Non-cash items		
Apprenticeship Levy - notional grant	115	116
<b>Total income</b>	<b>1,009</b>	<b>6,092</b>

The CMA recovered less accommodation costs in 2021/22 as the previous year also included the recovery of fit-out costs, in addition to rent, from our single sub-tenant at the Cabot, the Groceries Code Adjudicator.

In 2021/22 the CMA received reimbursement for internal legal costs in six legal cases that were appealed, compared to reimbursement in eight cases in 2020/21.

We have provided a further clarification on the point at which we recognise revenue for the recovery of regulatory appeals costs under IFRS 15 – revenue from contracts with customers. The CMA will only recognise cost recoveries once the final cost orders are enforceable. Further information is disclosed in note 1.4.

We have subsequently reversed £0.3 million of an accrued cost recovery from 2020/21 in 2021/22 in line with our accounting policy. We will re-accrue this cost recovery once the final costs order is enforceable. In 2020/21, the CMA received the proceeds from four water redeterminations, the CMA's largest recovery of regulatory appeal costs.

The decrease recorded in Other Income is due to returning to our historic average as last year included a single settlement taking place outside our usual pattern.

The CMA offers training programmes for apprentices in a range of roles across the department and various professions. As of 31 March 2021, the CMA had 62 apprentice new starts. This increased by a further 13 apprentice starts throughout 2021/22, with a total of 75 apprentices having started in the CMA by 31 March 2022. 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	2021/22 Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2021	27,358	8,545	4,279	1,348	41,530
Additions	1,015	984	-	469	2,468
Disposals	(14)	-	-	-	(14)
Reclassification	-	-	-	(192)	(192)
Revaluations (adjustment of provision movement)	-	-	-	-	-
Impairments	-	-	-	-	-
<b>At 31 March 2022</b>	<b>28,359</b>	<b>9,529</b>	<b>4,279</b>	<b>1,625</b>	<b>43,792</b>
<b>Depreciation</b>					
At 1 April 2021	2,276	2,823	606	-	5,705
Charged in year	2,033	2,114	427	-	4,574
Disposals	(7)	-	-	-	(7)
Reclassification	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairments	-	-	-	-	-
<b>At 31 March 2022</b>	<b>4,302</b>	<b>4,937</b>	<b>1,033</b>	<b>-</b>	<b>10,272</b>
<b>Carrying amount at 31 March 2022</b>	<b>24,057</b>	<b>4,592</b>	<b>3,246</b>	<b>1,625</b>	<b>33,520</b>
Carrying amount at 31 March 2021	25,082	5,722	3,673	1,348	35,825

During 2021/22, the CMA spent £1.0 million on IT assets to ensure that CMA staff had suitable technology to work remotely effectively and efficiently during the COVID-19 pandemic.

	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)
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	-	-	-	-	-
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

## 7 Intangible assets

	Software and Software licences	
	2021/22	2020/21
	£000	£000
<b>Cost or valuation</b>		
At 1 April	3,591	4,680
Additions	207	220
Disposals	(54)	(2,012)
Reclassification	192	703
<b>At 31 March</b>	<b>3,936</b>	<b>3,591</b>
<b>Depreciation</b>		
At 1 April	2,059	3,351
Charged in year	587	720
Disposals	(54)	(2,012)
Reclassification	-	-
<b>At 31 March</b>	<b>2,592</b>	<b>2,059</b>
<b>Carrying amount</b>	<b>1,344</b>	<b>1,532</b>

### Asset financing

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

## 8 Cash and cash equivalents

	2021/22	2020/21
	£000	£000
Balance at 1 April	1,957	894
Net change in cash and cash equivalent balances	(1,234)	1,063
<b>Balance at 31 March</b>	<b>723</b>	<b>1,957</b>
The balance at 31 March was held at		
Government Banking Service	723	1,957
<b>Balance at 31 March</b>	<b>723</b>	<b>1,957</b>

The CMA had less cash in the bank at the end of 2021/22 compared to 2020/21. This demonstrates an improvement in the CMA's cash management forecasting as less funds were held in the CMA's bank account at 31 March 2022.

## 9 Trade and other receivables

### 9.1 Amounts falling due within one year

	2021/22	2020/21
	£000	£000
Trade receivables (gross)	72	3,198
Impairment provision	(7)	(27)
<b>Trade receivables (net)</b>	<b>65</b>	<b>3,171</b>
Deposits and advances	21	16
Other receivables	457	305
VAT	342	141
Prepayments and accrued income	5,199	6,694
<b>Total</b>	<b>6,084</b>	<b>10,327</b>

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

The decrease in Trade receivables (gross) was primarily due to a single entity that was invoiced £3.1 million in 2020/21 for the recovery of legal costs pertaining to a Regulatory Appeal. We received payment for this invoice in-year, so it was no longer owing at 31 March 2022.

The decrease in Prepayments and accrued income of £1.5 million was due to a decrease in accrued income of £1.7m million for the recovery of Regulatory Appeal costs and for an agreed settlement following mediation instigated with a third party by the CMA, which was paid to the CMA in 2021/22. The overall decrease was partly offset by an increase in prepayments of £0.5 million due to an increase in business rates for the Cabot which the CMA pays annually in advance, rather than monthly, to reduce the administrative burden.



## 10 Trade and other payables

### 10.1 Amounts falling due within one year

	2021/22	2020/21
	£000	£000
Trade payables	432	993
Accruals and deferred income	6,849	6,346
The Cabot - lease incentive	251	251
Taxation and social security	1,707	1,700
VAT	7	-
Other payables	1,545	1,428
Amounts issued from the Consolidated Fund for supply but not spent at 31 March	723	1,957
Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received	-	-
<b>Total</b>	<b>11,514</b>	<b>12,675</b>

We have greatly increased our rate of prompt payments in 2021/22 causing a decrease in Trade payables. Our success in increasing our prompt payments is detailed further on page 88.

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 decreased by £1.2 million in 2021/22, representing more effective cash management. In practice, the closing cash position is not payable to the Consolidated Fund. Instead, it will be deducted from the CMA's 2022/23 net cash requirement that can be drawdown from the Consolidated Fund in the next financial year.

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

	2021/22	2020/21
	£000	£000
The Cabot rent - rent free period	8,254	8,972
The Cabot - lease incentive	2,580	2,882
<b>Total</b>	<b>10,834</b>	<b>11,854</b>

The CMA's lease agreements for the Cabot floors that we occupy include rent-free periods. In accordance with IAS 17, the CMA are not permitted to record nil rent in note 4 during rent-free periods. We record an accounting rent, on a straight-line basis, over the term of the Cabot's lease and have subsequently built-up a rent-free period payable. This is not a payable owing to the Cabot landlord.

Once the rent-free periods on each Cabot floor have elapsed, the CMA unwind, or reduce, the rent-free period payable to ensure that the accounting rent, rather than the higher 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. In accordance with IAS 17, we have accounted for this transaction as a lease incentive and the contribution received has been spread over the life of the lease, on a straight-line basis, rather than recognised as a one-off income transaction. As a result, the lease incentive payable decreased by £0.3 million in 2021/22. This accounting also reduces the net premises costs disclosed in note 4.

On 1 April 2022, the CMA will adopt IFRS 16. At this date, the rent-free period and the lease incentive for the Cabot, currently accounted for under IAS 17, will be reversed. The rent-free period will be posted to Retained Earnings in the General Fund, and the lease incentive will be posted to the Right of Use asset on the SoFP. Further information on the adoption and impact of IFRS 16 is disclosed in note 1.3.

## 11 Provisions for liabilities and charges

	Legacy pensions	Dilapidations	Legal	Total 2021/22
	£000	£000	£000	£000
Balance at 1 April 2021	1,217	6,058	6,519	13,794
Provided in year	15	663	5,800	6,478
Provisions not required written back	-	-	(97)	(97)
Provisions utilised in the year	(69)	(5)	(83)	(157)
Changes in discount rate	-	1,093	482	1,575
Actuarial loss/(gain)	76	-	-	76
<b>Balance at 31 March 2022</b>	<b>1,239</b>	<b>7,809</b>	<b>12,621</b>	<b>21,669</b>

	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)
Changes in discount rate	-	-	-	-
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>

In 2021/22, the CMA discounted the dilapidations and legal provisions to their present values using the latest HM Treasury rates as the time value of money resulted in a material difference. The HM Treasury rates are presented below:

HM Treasury Rates		2021/22	2020/21
CPI (Consumer Price Index) Inflation	Year 1	4.0%	1.2%
	Year 2	2.6%	1.6%
	Into perpetuity	2.0%	2.0%
Nominal Discount Rate	Short term (Years 1-5)	0.47%	(0.02%)
	Medium term (Years 6-10)	0.70%	0.18%
	Long term (Years 11-40)	0.95%	1.99%
	Very long term (Years 41-100)	0.66%	1.99%

The change in discount rates has resulted in an increase to the dilapidations and legal provisions of £1.4 million in 2021/22 (2020/21: nil).

The legacy pensions provision was discounted by the Government Actuary's Department using rates reported in note 11.2.

### 11.1 Analysis of expected timing of cash flows

	Legacy pensions	Dilapidations	Legal	Total 2021/22
	£000	£000	£000	£000
Not later than one year	69	-	9,978	10,047
Later than one year and not later than five years	276	8	2,643	2,927
Later than five years	894	7,801	-	8,695
<b>Balance at 31 March 2022</b>	<b>1,239</b>	<b>7,809</b>	<b>12,621</b>	<b>21,669</b>

	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>

## 11.2 Legacy pensions

This provision relates to the previous Chairmen 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 2022.

The financial assumptions used in the calculation of the liability as at 31 March 2022 were as follows:

- the gross rate used to discount scheme liabilities was 1.55% per annum (2020/21: 1.25% per annum);
- the gross rate of increase for pensions in payment and deferred pensions was 2.90% per annum (2020/21: 2.22% per annum); and
- in nominal terms, these assumptions implied price inflation of 2.90% per annum (2020/21: 2.22% per annum).

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

	2021/22	2020/21
	Total	Total
	£000	£000
Interest cost	15	21
Actuarial loss/(gain)	76	60
	91	81
Benefits paid	(69)	(68)
<b>(Decrease)/increase in provision</b>	<b>22</b>	<b>13</b>

## 11.3 Dilapidations

This provision is an estimate of the future expenditure required to return the CMA's office space, being utilised in each building we occupy, to its original condition at the end of the lease term.

The key assumptions utilised in calculating this provision are that:

- the CMA will occupy the office space until the end of each lease agreement, and with no current intention to exercise any break options; and
- the office space will be well maintained and only minor repairs will be required.

In 2021/22, the CMA reassessed the appropriateness of the dilapidations provision for the Cabot and have subsequently increased this provision by £0.6 million to £6.6 million, using a valuation assessment commissioned to an external surveyor.

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

## 11.4 Legal – 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 13 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 2021/22, the CMA had capital commitments amounting to £0.1 million (2020/21: £0.1 million) for Information Technology-related services.

### 12.2 Commitments under operating leases

In 2019/20, 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 2021/22, the CMA entered into the following four operating lease agreements for additional office space, within scope of IAS 17:

- Erskine House, Belfast, with a lease expiry date of February 2044;
- Queen Elizabeth House, Edinburgh, with a lease expiry date of February 2044;
- Finlaison House, London, with a lease expiry date of June 2023; and
- Ty William Morgan, Cardiff, with a lease expiry date of January 2045.

The commitments for these properties have been captured in the commitments table in this note.

In 2021/22 £3.6 million (2020/21: £3.4 million) was included as an expense for operating leases in the SoCNE. The increase in expenditure is due to the additional four operating lease agreements in 2021/22 that are within scope of IAS 17.

	2021/22	2020/21
	£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	5,203	4,409
Later than one year and not later than five years	19,658	18,868
Later than five years	29,102	31,750
<b>Total</b>	<b>53,963</b>	<b>55,027</b>

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). The CMA also leases premises within Government Hubs from other government departments, such as HMRC, as part of our increased presence across the four nations.

### 13 Contingent liabilities

There is a possibility of a transfer of material economic benefits to third parties where the CMA is involved in active litigation. The legal cases included as contingent liabilities all relate to legal proceedings through the courts, and the outcomes are dependent on court rulings and findings.

The result of the Phenytoin case at the Supreme Court on 25 May 2022 is that in the Competition Appeals Tribunal (CAT), the starting point is that costs follow the event, but that the CAT has discretion, under its rules, to make an order they think is appropriate, taking into account all circumstances of the case. This is a return to the position in 2019 where the CMA was liable for costs in cases that it lost at the CAT.

Further details cannot be disclosed, as in accordance with IAS 37 (paragraph 92), the CMA considers that the disclosure of values for any contingent liability connected to legal proceedings could seriously prejudice ongoing litigation.

### 14 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



# 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**  
**08 July 2022**



# 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 Trust Statement for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Competition and Markets Authority's Trust Statement

- Statement of Financial Position as at 31 March 2022;
- Statement of Revenue, Other Income and Expenditure and Statement of Cash Flows; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Competition and Markets Authority's Trust Statement affairs as at 31 March 2022 and its net revenue 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 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 (UK) (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 Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

- The information given in the Performance Summary, Corporate Governance Report, Remuneration and Staff report and Parliamentary Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements

## 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 Remuneration and Staff report and Parliamentary Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Competition and Markets Authority or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff report and Parliamentary Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; 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.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Competition and Markets Authority's Trust Statement accounting policies, key performance indicators and performance incentives.
- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Competition and Markets Authority's Trust Statement 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 Competition and Markets Authority's compliance with Government Resources and Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team and involving relevant specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Competition and Markets Authority for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Competition and Markets Authority's framework of authority as well as other legal and regulatory frameworks in which the Competition and Markets Authority operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Competition and Markets Authority Trust Statement. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2021, the Enterprise Act and Competition Act 1998.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit, Risk and Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists 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.

### **Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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: 20 July 2022**

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 2022

	Note	2021/22	2020/21
		£000	£000
<b>Revenue</b>			
Fines and penalties income			
Penalties imposed under the Competition Act 1998		13,579	56,552
Interest earned on penalties imposed under the Competition Act 1998		150	234
<b>Total fines and penalties income</b>		<b>13,729</b>	<b>56,786</b>
<b>Merger fees</b>			
Fees received under the Enterprise Act 2002 <sup>48</sup>		4,880	3,000
Initial Enforcement Orders under the Enterprise Act 2002		57,045	55
Interest earned on penalties imposed under the Enterprise Act 2002		-	-
<b>Total merger fees</b>		<b>61,925</b>	<b>3,055</b>
<b>Total revenue</b>		<b>75,654</b>	<b>59,841</b>
<b>Expenditure</b>			
CA98 Penalty offset for litigation costs <sup>49</sup>		(2,621)	(2,064)
Debts written off or otherwise impaired	2	(17,702)	2,665
<b>Total expenditure</b>		<b>20,323</b>	<b>601</b>
<b>Net (expenditure)/revenue for the Consolidated Fund</b>	<b>5</b>	<b>55,331</b>	<b>60,442</b>

The notes on pages 130 to 133 form part of this Trust Statement.

<sup>48</sup> The significant increase in merger fees received is a result of the £50.5m fine issued to Facebook (now Meta) in 2021/22 for breaching an initial enforcement order imposed by the CMA.

<sup>49</sup> The CMA has approval to fully offset litigation costs against CA98 penalty income.

# Statement of Financial Position as at 31 March 2022

	Note	2021/22 £000	2020/21 £000
<b>Non-current assets</b>			
Receivables	2	1,722	3,749
<b>Total non-current assets</b>		<b>1,722</b>	<b>3,749</b>
<b>Current assets</b>			
Receivables	2	4,698	48,338
Cash and cash equivalents	3	100,921	59,288
<b>Total current assets</b>		<b>105,619</b>	<b>107,626</b>
<b>Total assets</b>		<b>107,341</b>	<b>111,375</b>
<b>Current liabilities</b>			
Payables	4	348	425
<b>Total current liabilities</b>		<b>348</b>	<b>425</b>
<b>Total assets less liabilities</b>		<b>106,993</b>	<b>110,950</b>
<b>Total assets less current liabilities</b>		<b>106,993</b>	<b>110,950</b>
Represented by:			
<b>Balance on Consolidated Fund account</b>	<b>5</b>	<b>106,993</b>	<b>110,950</b>

The notes on pages 130 to 133 form part of this Trust Statement.



**Andrea Coscelli CBE**  
**Chief Executive and Principal Accounting Officer**  
**08 July 2022**



## Statement of Cash Flows for the year-ended 31 March 2022

	Note	2021/22	2020/21
		£000	£000
Net cash flow from operating activities	3	100,921	59,288
Amounts paid to the Consolidated Fund	5	(59,288)	(30,297)
<b>(Decrease)/increase in cash in the year</b>		<b>41,633</b>	<b>28,991</b>

## Notes to the Cash Flow Statement

A: Reconciliation of net cash flow to movement in net funds	Note	2021/22	2020/21
		£000	£000
Net revenue for the Consolidated Fund		55,331	60,442
Decrease/(increase) in assets		45,667	(943)
(Decrease)/increase in liabilities		(77)	(211)
<b>Net cash flow from operating activities</b>		<b>100,921</b>	<b>59,288</b>

B: Analysis of changes in net funds	Note	2021/22	2020/21
		£000	£000
(Decrease)/increase in cash in the year	3	41,633	28,991
Net funds at 1 April (net cash at bank)		59,288	30,297
<b>Net funds at 31 March (closing balance)</b>		<b>100,921</b>	<b>59,288</b>

The notes on pages 130 to 133 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. 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 2021/22 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 circumstance 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.

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

	2021/22	2020/21
	£000	£000
<b>Amounts falling due within one year</b>		
Competition Act 1998 penalties	3,846	48,561
Less impairment allowance	(472)	(642)
<b>Net Competition Act 1998 penalties</b>	<b>3,374</b>	<b>47,919</b>
Merger fees receivables	320	100
Less impairment allowance	(2)	(1)
<b>Net Merger fees</b>	<b>318</b>	<b>99</b>
Amount owed from CMA Main Account	86	280
Accrued income	920	40
<b>Total</b>	<b>4,698</b>	<b>48,338</b>

### 2.2 Non-current receivables

	2021/22	2020/21
	£000	£000
<b>Amounts falling due after one year</b>		
Competition Act 1998 penalties	1,722	3,749
<b>Total</b>	<b>1,722</b>	<b>3,749</b>

In May 2021, the CAT upheld the CMA's infringement decision for 'pay for delay' pharmaceutical agreements but imposed reduced fines, which were paid to the CMA in 2021/22. The reduction of the fines required partial derecognition of the original CA98 debt owing from three entities. Consequently, the current receivables relating to CA98 penalties have decreased significantly.

The decrease in non-current receivables in 2021/22 has been caused by four entities on Time To Pay agreements for CA98 penalties nearing completion or completing their repayment plans.

In line with IFRS 9 and the 2021/22 FReM, the CMA's assessment of credit losses on an ECL basis applied against both current and non-current receivables is £0.02 million using a rate of 0.43%. 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.

From 2021/22, the CMA has changed its approach to calculating the total net receivable, which will no longer include debtors who are appealing their case. This approach is in line with the CMA's current revenue recognition policy (see note 1.3).

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.

### 3 Cash and cash equivalents

	2021/22	2020/21
	£000	£000
Balance held at Government Banking Service at 1 April	59,288	30,297
Net change in cash balances	41,633	28,991
<b>Balance held at Government Baking Service at 31 March</b>	<b>100,921</b>	<b>59,288</b>

The increase in cash balance in comparison to 2020/21 is as a result of the collection of high value penalties levied in 2021/22. These penalties were imposed under Section 94A of the Enterprise Act 2002 for failures to comply, without reasonable excuse, with the requirements imposed on entities by initial enforcement orders issued by the CMA.

The CMA will transfer this closing balance to HM Treasury in the 2022/23 financial year. See note 5 which reflects the opening balance held at the Government Banking Service at 1 April 2021 paid to the Consolidated Fund in 2021/22.

### 4 Payables

	2021/22	2020/21
	£000	£000
CA98 Penalty offset for litigation cost payable	348	424
<b>Total</b>	<b>348</b>	<b>424</b>

### 5 Balance on the Consolidated Fund account

	2021/22	2020/21
	£000	£000
Balance on Consolidated Fund account at 1 April	110,950	80,805
Net revenue for the Consolidated Fund	55,331	60,442
Less amount paid to the Consolidated Fund	(59,288)	(30,297)
<b>Balance on Consolidated Fund Account at 31 March</b>	<b>106,993</b>	<b>110,950</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.

