



Competition and Markets Authority

Annual Report and Accounts 2014-15

(For the year ended 31 March 2015)



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Chairman's Foreword

Since assuming our powers we have made significant strides, not just in implementing the initial design for the CMA but in building the foundations for a strong organisation which is ready to meet the challenges of the years to come.

In April 2014, following significant reforms to the competition and consumer regime, we assumed our powers as the UK's lead competition and consumer agency. Since that date we have made significant strides, not just in implementing the initial design for the Competition Markets Authority (CMA) but in building the foundations for a strong organisation which is ready to meet the challenges of the years to come.

We inherited a portfolio of cases and projects from our predecessors and have set about progressing and completing these without significant disruption from the transition. As we have built up our capacity over the course of the year and closed these inherited cases, we have opened new ones and expanded our workload into markets that are of great importance for consumers and business across the UK, such as energy and banking. We have also upped our engagement in emerging and developing areas like digital goods and services – a key area identified in our Strategic Assessment of the risks to consumers and markets across the UK economy.¹



Another important achievement reflected throughout this report is our relationships with our partners. We know that the competition and consumer protection regimes are most effective when all those involved work together. We're pleased that the first annual report on competition in the regulated sectors² shows an encouraging uptick in competition enforcement in these areas, and we have worked well with colleagues in the Consumer Protection Partnership to bring together our work with

¹ <https://www.gov.uk/government/publications/cma-strategic-assessment>

² <https://www.gov.uk/government/publications/competition-and-markets-authority-annual-concurrency-report-2015>

³ <https://www.gov.uk/government/publications/competition-and-markets-authority-annual-plan-2015-to-2016>

theirs. In a global economy our work with international partners has been vital. We have seen an increase in the number of international engagements by CMA staff in the first year as compared to the last year of our predecessor organisations. Through these engagements and wider collaborations on a range of projects we are strengthening our relationships with our international counterparts and helping to address matters of mutual interest.

We are honoured to take up the Presidency of the International Consumer Protection and Enforcement Network (ICPEN) on behalf of the UK for 2015-16. We intend to use our Presidency to place an even greater emphasis on collaborative enforcement within the Network. Our aim is for ICPEN and its members to carry out valuable work in the interests of consumers. We also intend to deliver benefits for others in the UK landscape, for example, by helping to share international best practice and intelligence with UK partners.

In line with our Annual Plan commitment³ to place the interests of consumers at the heart of everything we do, we focused this year on bringing a great consumer focus to our work. For example, we have embedded processes to ensure that we understand the impact on consumers of our work throughout the lifecycle of projects, and invested in digital engagement tools that will inform intelligence gathering, prioritisation, remedies testing, and communication of our work.

We're proud of the achievements of the CMA and its staff in our first year – both in securing important outcomes for consumers, business

and the economy, and in building up an organisation that is fit for the vital role we play. We have exceeded the government's target to deliver benefits to consumers of ten times our costs to the taxpayer. It is still early days for the CMA and while much important work has been started, we are ambitious and excited to do more next year, both in terms of our output and the development of our organisation. We don't underestimate the scale of that challenge, but I believe we have all the ingredients in place to be the kind of authority that the UK needs, delivering benefits for consumers, growth and productivity at this key point in the economic cycle.



David Currie
CMA Chairman

Chief Executive's Report

As a new organisation, the key theme of our first year has been establishing our foundations – foundations upon which we will build in the years to come.

When the CMA was created we set ourselves five strategic goals, through which we aim to maximise our impact across our portfolio, to develop our organisation and people, and to build and strengthen our partnerships with other organisations at home and abroad. This first Annual Report is structured according to those five goals.

This year we have faced and ultimately overcome a range of challenges which come with being a new organisation in a reformed regime. A significant institutional merger can be disruptive, and the transition from the Office of Fair Trading and the Competition Commission to the CMA certainly required a great deal of hard work and dedication from our staff. Developing a new strategy and structure, new processes and systems, and a new set of values, as well as bringing into our organisation the more than 400 professionals inherited from our predecessors and recruiting new colleagues to work alongside them, has made for an intensive year.

And as we have done this, we have endeavoured to maintain both the pace and the quality of our work. Over the course of the year we have progressed and completed cases and projects that we inherited, and as we have increased our capacity we have refreshed our portfolio by opening others.



Delivering effective enforcement

In our enforcement work we took on nine civil competition (CA98) cases, four consumer enforcement cases, and five ongoing criminal investigations from our predecessors. We concluded three CA98 cases, including an investigation into suspected abuse of a dominant position in the supply of road fuels to filling stations in the Western Isles of Scotland. We also delivered a major case outcome in the settlement of a CA98 case involving the advertisement of estate agent fees in a local newspaper. In this case we settled within 17 months of opening the investigation and fined an association of estate agents, three of its members and a newspaper publisher more than £735,000. We launched five new cases, exceeding the target we set in our 2014-15 Annual Plan. The flow of casework has meant

few Competition Act decisions this year; with the cases launched and progressed this year, we expect more in 2015-16. We also concluded five consumer enforcement cases, for example securing undertakings from secondary ticketing agents to improve information for consumers, and launched five more.

Pursuing and successfully prosecuting those who engage in criminal activity is a vital part of our role. We concluded a three-year case against the promoters of a £20m pyramid-selling scheme that resulted in nine criminal convictions. There was one guilty plea in our criminal cartel case relating to the supply of steel water tanks and we expect to make decisions on whether to prosecute or close other cases in the coming months.

To enable us to better fulfil this criminal enforcement role, we also invested significantly in our cartels and criminal enforcement capabilities. We have significantly expanded our Cartels and Criminal Group, as part of which we have made new appointments across a range of specialisms, including investigation and intelligence, civil cartel enforcement, criminal prosecution and disclosure, digital forensics and casework support. This includes a number of senior investigators, intelligence officers and prosecutors with significant investigation and enforcement backgrounds, including the police and the Serious Fraud Office. We have strengthened our partnerships with the police and other enforcement agencies with a view to becoming more intelligence-led and better able to catch cartels at an early stage.

Whilst effective enforcement action represents a vital deterrence, we know that most businesses want to comply with the law, and we are committed to helping them do so. We have therefore invested in compliance activity which helps to increase the reach of enforcement beyond each individual case, maximising the impact of our work. By increasing businesses'

understanding of anti-competitive practices as well as those that breach consumer law, we hope that they will be better able to avoid illegal behaviour and report it to us.

Making markets work well

During 2014-15 we published final reports into the markets for payday lending, private motor insurance and private healthcare. These are significant markets for consumers in which we proposed remedies to tackle competition problems that are creating consumer detriment of over £300m a year. We began two of the largest market investigations ever undertaken – into the retail banking and energy markets, with combined annual turnovers of roughly £45bn. These are markets which matter greatly to consumers, businesses and the wider UK economy. We initiated these investigations under the new markets regime, which requires us to complete work according to even more challenging statutory timescales than was previously the case. We have dedicated significant resources to manage the new statutory timetables and both investigations are progressing well. Full market investigations are just one of our tools to look at markets – during the year we also completed a market study into residential property management with a range of recommendations to industry and government, and launched two calls for information into emerging, digital markets.

Building and strengthening our organisation

Balancing the resourcing required for discretionary work with peaks and troughs of non-discretionary work is a distinctive challenge for the CMA. We focused this year on developing systems and processes to ensure that we use our resources to best effect. By managing and planning around the ebb and flow of non-

discretionary work, we are ensuring that our resources are allocated more efficiently and effectively. However we recognise that we must continue investing in our people, processes and pipeline of work to ensure that the benefits of the capacity development we have undertaken in this first year continue in the years to come.

An example of the ebb and flow of non-discretionary work is the significant increase in our mergers workload over the course of the year. Having made 33 decisions on Phase 1 cases in the first half of the year, we considered 50 in the second half. Similarly, while there was only one reference to Phase 2 in the first half of the year (which was subsequently abandoned by the parties), there were five in the second half. These numbers were driven by economic trends and the facts before us, rather than any variation in the underlying framework. Our cases ranged across the breadth of the economy, from leisure magazines to insurance software, with mergers in rail franchises and the healthcare sector both featuring strongly and keeping us busy. Similarly to the ebb and flow of our mergers activity, the second half of the year saw us directing resources to commence three regulatory appeals, two in the energy sector and one in the water sector, having had none in our portfolio for much of 2014, as well as receiving a super-complaint to which we must respond in 90 days.

This has been a year of taking on and embedding new statutory tools, aimed at improving our impact and the pace of our work while reducing the burden on those we investigate. A good example of this has been the ability for merging parties to offer us undertakings to address competition concerns having received our full reasoning at the end of a phase 1 investigation,

rather than before as under the old regime. This was used to good effect four times in 2014-15. As with all our new tools, we continue to welcome feedback on how we can refine and improve their use.

The decisions of the CMA and its predecessors were subject to legal challenge on a number of occasions this year. We successfully defended appeals against decisions in eight cases and were unsuccessful in defending a further two cases. In those cases where we were unsuccessful we have accepted the important judicial oversight of our decisions and have built the lessons learned, where appropriate, into other cases and projects.

Our mission, to make competition work well for consumers, businesses and the UK economy, reflects the contribution that competition can make to productivity, innovation and growth across the whole economy. To prevent unnecessary restrictions and to reduce administrative burdens on businesses, we launched a project to review existing remedies that are still in place to identify and to remove those that are no longer needed, starting with a review of 76 structural merger undertakings given by companies before 1 January 2005.

Building and strengthening our partnerships

Much of what we can achieve is reliant on successful joint working. We have focused on building and strengthening partnerships across the competition and consumer landscapes, domestically and overseas. Within the new consumer landscape, we are working closely with our partners in the Consumer Protection

Partnership (CPP) to achieve our shared objectives. For example, we led a project on problem debt on behalf of our CPP partners, to identify whether there were any gaps in our collective action.

It is vital for the CMA to have a UK-wide presence and impact. We opened small offices in Northern Ireland and Wales to bolster the OFT's existing Edinburgh office; these are now well-established and our representatives have been developing a wide variety of productive relationships. We have been embedding the principle that our teams ought to include 'all nations thinking' when planning work, as well as raising awareness of the CMA, the law, and competition and consumer thinking amongst businesses and stakeholders in these nations.

Internationally, we are honoured to have been chosen for the Presidency of the International Consumer Protection and Enforcement Network (ICPEN) from July 2015 to June 2016. Through the Presidency we will pursue more competitive outcomes for consumers and businesses, both within the UK and internationally, while also continuing to strengthen ICPEN and our international consumer protection partnerships. We will also continue to work closely and constructively with our partners in the International Competition Network, the European Competition Network and the Consumer Protection Cooperation Committee.

To encourage stronger competition across the economy, Parliament directed the CMA and sectoral regulators toward a more consistent and integrated use of competition law and competition approaches in sectoral markets. Our first annual report on concurrent regulation⁴ points to an increasing use of competition powers amongst regulators – there were six CA98 cases opened last

year, compared to an annual average of less than three over the previous eight years. This follows a significant investment of time and effort on all sides to improve cooperation in this area in the light of the new concurrency legislation. We set up and now chair the UK Competition Network, bringing the regulators together to discuss key issues and share best practice, for example through regular roundtables between agency heads. These are encouraging beginnings, but there remains much more to do to embed and build on improvements, to achieve the full potential of the changes introduced by the legislation.

For our part at the CMA, we are pleased with the promising start that we have made and the early challenges we have overcome. I am immensely proud of what our brilliant and incredibly committed staff have been able to achieve in our first year. Following a year of organisation building, next year rightly needs to be a year of even greater delivery. We are realistic that there is still much work ahead to fully achieve our ambition to be recognised as a world-class competition and consumer agency, making a real difference for consumers, businesses and the UK economy.



Alex Chisholm
CMA Chief Executive

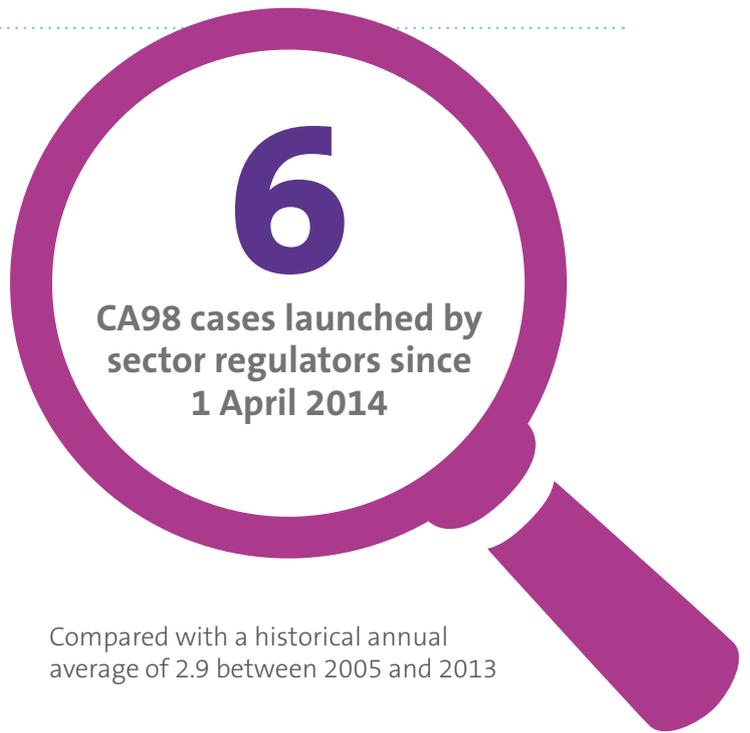
Year in highlights

£11  **£1**
in direct consumer benefits for every
of cost to the taxpayer

Cost to benefit ratio of direct consumer benefits resulting from our work, measured on a rolling three year basis



Calls for information into issues in the digital economy



6
CA98 cases launched by sector regulators since 1 April 2014

Compared with a historical annual average of 2.9 between 2005 and 2013

Change in value of markets investigated between 2010 and 2013

Less than
£2bn

Typical annual turnover of markets investigated before 2010

£10bn

Estimated 2013 turnover of retail banking market

£35bn

Estimated 2013 turnover of energy market

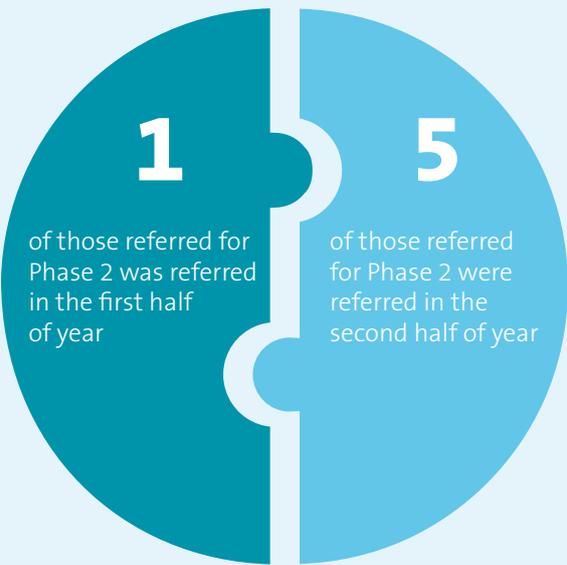
Mergers

83

Total reviewed

6

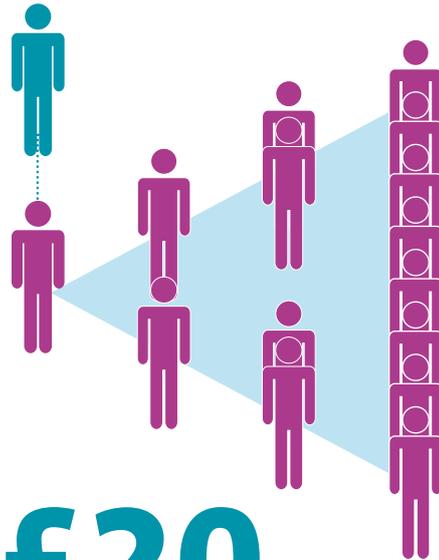
Referred for Phase 2 investigation



Pyramid selling investigation

10,000

Consumers involved in the pyramid selling scheme



£20 MILLION

Total value of harm caused to consumers who were involved with the scheme



Enforcement cases launched

Consumer **5**

Criminal **2**

CA98 **5**

Enforcement cases concluded

Consumer **5**

CA98 **3**

Enforcement cases live at end of year

Consumer **4**

Criminal **5**

CA98 **11**



Consumer enforcement



Criminal enforcement



Competition Act 1998 (CA98)

A blurred background of a supermarket aisle with a shopping cart in the foreground. The cart is a metal wire mesh with a red handle. The aisle is filled with shelves of products, and the floor is light-colored with dark lines. The overall scene is out of focus, creating a sense of motion and depth.

Strategic Report

About us

The primary duty of the CMA is to promote competition, both within and outside the United Kingdom, for the benefit of consumers.

We are an independent non-ministerial government department. We took on our powers as the UK's lead competition and consumer authority in April 2014, and brought together most of the roles and responsibilities of the Competition Commission (CC) and the Office of Fair Trading (OFT) into our new authority. We take a holistic, integrated approach across our work, selecting those tools we believe will achieve maximum positive impact for consumers and the UK economy. Whilst most of our staff are located in our London office, we have a UK-wide remit and have representatives in Scotland, Wales and Northern Ireland.

The CMA's functions include:

- To investigate mergers that have the potential to lead to a substantial lessening of competition
- To conduct studies and investigations into particular markets where there are suspected competition and consumer problems
- To investigate individual businesses to determine whether they have breached UK or EU competition law and bring criminal proceedings against individuals who commit the cartel offence
- To enforce a range of civil and criminal consumer protection legislation, tackling issues which suggest a systemic market problem or which affect consumers' ability to make choices
- To work with sector regulators which have concurrent competition law powers to enforce competition law in the regulated sectors and to promote competition for the benefit of consumers in the regulated sectors (gas, electricity, water, post, aviation, rail, communications, financial and healthcare services⁵)
- To conduct regulatory appeals and references in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation.

More detail on the CMA's strategic approach to its work is included in the next section.



Alex Chisholm
CMA Chief Executive
16 July 2015

⁵The regulator of healthcare services in England has no duty to promote competition and has observer status in the UK Competition Network

CMA vision and strategy

Our mission is to make markets work well in the interests of consumers, businesses and the economy, and our overall ambition is consistently to be among the leading competition and consumer agencies in the world. Underpinning our mission are five strategic goals:

Deliver effective enforcement

- Deter wrongdoing and prevent consumers losing out from anti-competitive mergers or practices
- Ensure that businesses and individuals understand the law and know that effective sanctions follow if they break it
- Pursue the right cases and manage them well so we make good, timely decisions that stand up to appeal

Extend competition frontiers

- Use the markets regime to improve the way competition works where evidence shows it can most benefit consumers
- Ensure the application of competition law and policy in regulated sectors, working alongside sector regulators
- Act to encourage effective competition where markets and business models are evolving

Refocus consumer protection

- Empower consumers to exercise informed choice, using both competition and consumer powers to help markets work well
- Lead policy development and identify and pursue complex, precedent-setting cases where we are best placed to intervene and can have the greatest impact on markets
- Support and work effectively alongside other UK consumer agencies

Achieve professional excellence

- Conduct legal, economic and financial analysis to the highest international standards while avoiding unnecessary burdens on business
- Manage all our cases efficiently, transparently and fairly to meet demanding deadlines and external expectations of pace, rigour and fairness
- Lead the development of legal, economic and business thinking on competition

Develop integrated performance

- Combine staff from different professional and organisational backgrounds into effective multidisciplinary teams
- Use all the competition and consumer measures at our disposal where they can have most impact and apply lessons and experience from each to improve its performance
- Complement the work of other consumer, regulatory and enforcement authorities, and act as a trusted competition adviser across government

By achieving these goals, the CMA will be:

- An agency that has a beneficial impact on consumer welfare and on productivity and growth in the economy
- A respected and influential independent authority in the UK and abroad
- A great place to work

CMA strategic steer and strategic assessment

In addition to the CMA's strategy and vision, the CMA is also guided by its strategic steer and the government's non-binding ministerial statement of strategic priorities.

We have regard to a non-binding, ministerial statement of strategic priorities for the CMA, which sets out governmental priorities, whilst recognising our constitutional and operational independence.⁶ The first strategic steer to the CMA highlighted five sets of issues the Government considered crucial to growth:

- Consumer behaviour, particularly in markets where there are information problems and asymmetries
- Longer-term dynamic competition through innovation and the development of new business models, as well as short-term competition in the market
- Potential competition concerns in business-to-business markets, including the effects of differences in bargaining power between firms in a supply chain
- Specific sectors where enhanced competition could contribute to faster growth, working with the responsible regulator where appropriate
- Addressing emerging competition problems early and increasing the number and speed of cases, to the benefit of consumers and the wider economy while ensuring fairness and avoiding undue burdens on business.

We have regard to this steer, alongside other relevant considerations, when developing operational and strategic plans and in making

decisions as to where to focus our attention, ensuring that each case is determined on its own merits.

In November 2014 we published our first Strategic Assessment (SA) of risks to consumers, the efficient functioning of markets and their contribution to economic growth.⁷ The SA informs our medium term (one to three year) priorities and helps to focus our pipeline of discretionary work. It enables us to identify markets or issues that may be of particular interest that display features which may render them susceptible to competition or consumer protection problems, or where they provide opportunities for promoting competition for the benefit of consumers. The SA is informed by research, intelligence and insight from a range of organisations including enforcers, regulators, other government departments, international counterparts, consumer groups, and businesses and specialists in consumer and competition issues.

Annual Plan commitments

In the 2014-15 Annual Plan, we set out a number of commitments. These commitments align with each of our strategic goals and are set out at the start of each chapter in this report along with an indication of whether we have achieved the commitment.

⁶ www.gov.uk/government/uploads/system/uploads/attachment_data/file/245607/bis-13-1210-competition-regime-response-to-consultation-on-statement-of-strategic-priorities-for-the-cma.pdf

⁷ www.gov.uk/government/publications/cma-strategic-assessment

Governance

The CMA is an independent non-ministerial government department, with a primary duty to promote competition for the benefit of consumers, both within and outside the UK. We are a unitary authority with both Phase 1 and Phase 2 of market and merger investigations being managed by the CMA.

CMA Board and committees

The CMA Board is ultimately accountable for the performance of the CMA. The Chairman and members of the CMA Board are appointed by the Secretary of State, as is the Chief Executive. The Board establishes the overall strategic direction of the CMA.

The Board is also responsible for decisions on whether to publish a market study notice and whether to refer a market for a Phase 2 investigation; the CMA's Annual Plan; the annual performance and concurrency reports; and making rules of procedure for merger, market, and special reference groups.

To assist the Board in carrying out its functions it has established two Board sub-committees: the Audit and Risk Assurance Committee and the Remuneration Committee. It has also established two executive committees: the Executive Committee and its sub-committee, the Operations Committee; and the Case and Policy Committee.

The Audit and Risk Assurance Committee advises the Chief Executive and the Board on the adequacy of audit arrangements and on the implications of assurances provided in respect of risk and control.

The Remuneration Committee reviews the performance of all senior staff members and awards pay and bonuses in accordance with Cabinet Office rules.

The Executive Committee advises the Board and has overall responsibility for the day-to-day leadership and management of the organisation and its work. The Operations Committee oversees and takes any necessary decisions in relation to Corporate Services, including IT and information security, business support services, risk and business continuity.

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



1

CMA Board

1 David Currie (Chairman)

David Currie is the Chairman of the Competition and Markets Authority. He is also Governor of the Institute for Government, a Member of the Board of the Dubai Financial Services Authority, and sits on the cross benches in the House of Lords as Lord Currie of Marylebone. Previous career highlights include being founding Chairman of Ofcom and the Dean of Cass Business School.



2

2 Alex Chisholm (Chief Executive)

Alex Chisholm is the Chief Executive of the Competition and Markets Authority. He is also Trustee and Deputy Chair at the international charity Breadline Africa. Prior to joining the CMA, Alex was Chairperson and Commissioner of Ireland's communications regulatory agency and Chair of Ireland's Economic Regulators Network.



3

3 Sonya Branch (Executive Director, Enforcement)

Sonya Branch was appointed on 11 September 2013 and led the CMA's enforcement activities during its first year of operation. Between 2007 and 2014 Sonya held a variety of key roles within the OFT, and was selected as Executive Director when the CMA was established in 2014. She was previously a partner at Clifford Chance LLP. Sonya resigned from the CMA on 7 May 2015.



4

4 Dr Andrea Coscelli (Executive Director, Markets and Mergers)

Andrea Coscelli was appointed on 11 September 2013. Andrea ensures strategic leadership of the markets portfolio, acts as a decision maker in important merger cases, and is also responsible for the Sector Regulation Unit. Andrea has held previous roles as Director of Economic Analysis at Ofcom, Vice-President of European Competition Practice at Charles River Associates and Associate Director of Lexecon Ltd. Andrea is also co-founder of the Association of Competition Economics.



5

5 Erik Wilson (Executive Director, Corporate Services)

Erik Wilson was appointed on 11 September 2013. Erik is responsible for the CMA's Corporate Services, for setting its strategic direction and policy framework, and for monitoring its performance against its objectives. Before joining the CMA Erik was Director of the Executive Office and Strategy Group at the OFT. Erik also previously held corporate and support service leadership roles both within the OFT and across the civil service.



**6 Carolyn Fairbairn
(Non-Executive Director)**

Carolyn Fairbairn was appointed on 15 July 2013 and has the additional responsibility of being Chair of the Remuneration Committee. Carolyn is also a Non-Executive Director for the UK Statistics Authority, Lloyds Banking Group and Vitec Group, and a trustee for Marie Curie Cancer Care. Previous career highlights include roles as Strategy Director at the BBC and ITV, and Partner at McKinsey and Company.



**7 Alan Giles
(Non-Executive Director)**

Alan Giles was appointed on 15 July 2013 and has the additional responsibility of being Chair of the Audit and Risk Committee. Alan is also a Non-Executive Director of Rentokil Initial Plc, and is an Associate Fellow at Saïd Business School, University of Oxford and an Honorary Visiting Professor at Cass Business School. Alan's previous roles include being lead Non-Executive Director at the OFT, Chairman of the Fat Face Group, CEO of HMV Group, Managing Director of Waterstones Booksellers Ltd and Executive Director of WH Smith Group Plc.



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

William (Bill) Kovacic was appointed on 15 July 2013. Bill has been an adviser on antitrust and consumer protection issues to governments around the world since 1992. His previous roles include being Chair of the US Federal Trade Commission (FTC), Vice-Chair for Outreach of the International Competition Network and General Counsel at the FTC. He is also a Professor of Law and Policy and Director of the Competition Law Centre at the George Washington University Law School.



**9 Philip Lowe
(Non-Executive Director)**

Philip Lowe was appointed on 15 July 2013. Philip worked with the European Commission (EC) from 1973 to 2014. He was Director General of Competition from 2002-2010 and Director General of Energy from 2010-2014. During his time with the EC Philip was also Chef de Cabinet to the Vice-President for Administrative Reform of the Commission, Director General for Development, Director for Rural Development and Chef de Cabinet to the Commissioner for Regional Policy.



**10 Jill May
(Panel Member,
Non-Executive Director)**

Jill May was appointed on 15 July 2013. As a Panel Member, Jill is appointed to groups conducting Phase 2 merger inquiries and market investigations. Jill is currently also a member of the councils of Durham University and the National Trust. Previous career highlights include roles as a reporting Panel member at the Competition Commission and Managing Director at UBS AG.



**11 Annetje Ottow
(Non-Executive Director)**

Annetje Ottow was appointed on 15 July 2013. Annetje's other roles include being Professor of Public Economic Law at the Europa Institute of Utrecht University and Non-Governmental Advisor to the International Competition Network. Career highlights include roles as Vice-President and Non-Executive Board Member of the Dutch Post and Telecommunications Authority, and as Visiting Professor at several universities around the world.



**12 Roger Witcomb
(Panel Chair, Non-Executive
Director)**

Roger Witcomb was appointed on 15 July 2013. Roger is a specialist utility Panel member and a member of the Remuneration Committee. Formerly Chairman of the CC, Roger has also been a Non-Executive Director for several companies, including Anglian Water and Infracore (a developer of infrastructure projects in developing countries), and was the Chair of Governors at the University of Winchester.



**13 Dr Mike Walker
(Chief Economist)**

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

**13 Dr Mike Walker
(Chief Economist)**

Mike Walker was appointed on 11 September 2013. Mike advises the Board on complex cases and ensures consistently high quality advice from the CMA's economists. Mike was previously Director of Competition Policy at London Economics, Senior regulatory economist with BT, Senior Associate at Lexecon Ltd and Vice-President, European Competition Policy at Charles River Associates International.



**14 Sarah Cardell
(General Counsel)**

**14 Sarah Cardell
(General Counsel)**

Sarah Cardell was appointed on 11 September 2013. Sarah ensures consistently high quality legal work at the CMA, advises on the most important cases, and acts as a strong advocate for competition, building relationships across the legal sector in the UK and internationally. Sarah was previously a legal partner of the Markets Division at Ofgem and a partner in Slaughter and May's Competition Group.

To view the full biographies please visit www.gov.uk/cma

The CMA Panel

Decisions on Phase 2 merger and market investigations and regulatory appeals are made by Groups drawn from the CMA Panel. Each Group has at least three members and is led by a Chair. The Chair of CMA Panel and its members are also appointed by the Secretary of State.

The Groups make their decisions independently of the CMA Board. Whilst the Board is kept informed about resourcing, efficiency, the application of CMA policy and the staff processes that support the work of the Panel, its oversight role does not extend into the substance of decisions by Groups at Phase 2.



1

1 Roger Witcomb (Panel Chair, Non-Executive Director)

Roger Witcomb is Chair of the CMA Panel and is also non-executive director of the Board. Please see page 17 for his full biography.



2

2 Professor Martin Cave

Martin Cave (appointed in 2012) is an economist specialising in competition issues and the regulation of network industries. He was a member of the Competition Commission from 1996 to 2002. Martin is also a specialist utility Panel member.



3

3 Phil Evans

Phil Evans (appointed in 2009) was previously an independent consultant on consumer, competition and trade issues, and a senior consultant to Fipra International. He is on the advisory boards of the American Antitrust Institute and the Loyola University Consumer Antitrust Institute.



4

4 Anne Lambert

Anne Lambert (appointed in 2014) spent 30 years in the UK civil service, focusing on regulation and EU affairs. She is currently a member of the Performance Review Body which advises the European Commission on regulation of air traffic management. She is also a Governor of Portsmouth University and a Trustee of The Woodland Trust.



5

5 Professor Philip Marsden

Philip Marsden (appointed in 2014) is a competition lawyer and a Professor of Law and Economics at the College of Europe. He is also a non-executive Director of the Channel Islands Competition and Regulatory Authorities. From 2008-2014 he was a Non-executive Director of the Office of Fair Trading.



6 Simon Polito

Simon Polito (appointed in 2012) was a City Solicitor with international law firm Hogan Lovells. He has over 30 years' experience as a specialist in UK and EU competition law and has practised both in London and Brussels. Simon is also a specialist utility Panel member.



7 Professor Alasdair Smith

Alasdair Smith (appointed in 2012) has been a Professor of Economics at the University of Sussex since 1981 and was Vice-Chancellor of the University from 1998 to 2007. He is a member of the Determinations Panel of the Pensions Regulator. Alasdair is also a specialist utility Panel member.



8 John Wotton

John Wotton (appointed in 2013) practised as a Solicitor with Allen & Overy LLP throughout his career, retiring in 2012. He is an external expert for Monitor, the sector regulator for health services in England.

Panel members

| | | |
|------------------------|-----------------------|--------------|
| Robin Aaronson | Michael Hutchings | Gavin Robert |
| Lesley Ainsworth | Ray King | Jayne Scott |
| Sarah Chambers | John Krumins | Graham Sharp |
| Marisa Cassoni | Professor Robin Mason | Ed Smith |
| Roger Finbow | Jill May | Bob Spedding |
| John Harley | Anthony Morris | Jon Stern |
| Rosalind Hedley-Miller | Malcolm Nicholson | Tim Tutton |
| Professor Tom Hoehn | Stephen Oram | |
| Katherine Holmes | Andrew Popham | |

In-flight case only members

These members will only be on the CMA panel until the conclusion of their assigned casework.

| | |
|----------------|---------------------|
| Jayne Almond | Robin Mason |
| Roger Davis | Jeremy Peat |
| Carolan Dobson | Johnathan Whitarcar |
| Ivar Grey | |

WARR

Deliver effective enforcement

We must be active and effective in enforcing the law, punishing those who breach it and raising awareness of the law amongst businesses more widely.

The CMA's enforcement mandate covers civil competition law enforcement, prosecution of the criminal cartel offence, consumer law enforcement⁸ and merger control.

We are committed to strong enforcement of the law against businesses that do not comply with their responsibilities, but deterrence also requires awareness of case outcomes and understanding of the requirements of the law. Our end-to-end enforcement strategy combines enforcement and sanctions with awareness-raising and compliance activity, to help ensure that the impact of our work extends beyond individual cases.

Our investigations in 2014-15 spanned a broad range of sectors, in different geographic areas, with an equally broad range of market valuations – from £12m to just under £1bn. We have built a balanced portfolio of cases, covering businesses both large and small, which reach into the lives of consumers across the UK.

We focused on improving our decision-making and strengthening our ability to perform our role in the enhanced competition regime. We have also invested significantly in building our competition and cartel investigation and enforcement capabilities.

Competition Act 1998 enforcement

As with all our potential discretionary cases, we choose carefully which Competition Act 1998 (CA98) civil cases to progress, according to evidence and our Prioritisation Principles⁹: impact, risk, resources and strategic significance. We launched five new CA98 cases in 2014-15 across a range of sectors, exceeding our commitment in our Annual Plan:

| CA98 Cases | |
|------------------|--|
| Quarter 1 | Pharmaceutical (Ch.II) ¹⁰ |
| Quarter 2 | <ul style="list-style-type: none"> Healthcare (Ch.I)¹¹ Bathroom fittings (Ch.I) Commercial catering equipment (Ch.I) |
| Quarter 3 | None launched |
| Quarter 4 | Clothing, footwear and fashion (Ch.I) |

We concluded three competition enforcement cases inherited from the OFT, and ended the year with 11 live CA98 cases.

With more resources, new ways of working, and new or enhanced investigative and enforcement powers, we have successfully begun to reduce the time taken to progress and conclude cases. Fundamentally, this has been a year of investing in our portfolio of cases and in new tools and approaches. As a result we expect a greater number of cases to come to conclusion during the next 12 months than were achievable this year.

⁸This is covered in the Refocus Consumer Protection chapter

⁹<https://www.gov.uk/government/publications/cma-prioritisation-principles>

¹⁰Competition Act, 1998 Chapter II - Anti-competitive agreements

¹¹Competition Act 1998 Chapter I - Abuse of dominance

Commitments

-  Launch at least four new civil Competition Act (CA98) investigations where we have the requisite evidence
-  Implement operational and procedural reforms for CA98 cases thereby improving the robustness and speed of decision making
-  Develop and embed procedures for the application of new powers, such as interim measures and compulsory interviewing
-  Keep the operation of our prioritisation principles under review to ensure that our choice of competition enforcement cases is balanced and focused on maximising impact
-  Ensure that we commit necessary resources to prosecute effectively the criminal cartel offence, concluding, or commencing proceedings in respect of, at least one criminal cartel case
-  Build our intelligence, investigation and enforcement capacity to enable us to increase the number and speed of cartel cases that we are able to pursue, both criminally and under CA98

-  Conduct benchmarking research to understand businesses' awareness and understanding of the law, using the result to plan and deploy a targeted compliance strategy that dovetails with enforcement activity
- Implement specific changes to the mergers procedures of our predecessors, including:
 -  Delivering all merger cases to the new statutory timescales introduced by the ERRA
 -  Delivering further improvements to the speed and clarity of the CMA's mergers procedures, such as the revised Phase 1 decision-making system, the procedure for accepting undertakings in lieu of reference and the transition from the first to second phase of merger control
 -  Utilising our new powers to prevent or reverse pre-emptive action through interim measures, in appropriate circumstances
 -  Utilising the CMA's formal information-gathering powers and associated ability to impose financial penalties for failure to comply with such powers, in appropriate circumstances
 -  A more targeted approach to investigating non-notified mergers

Key

-  **Achieved**
-  **Partially achieved**
-  **Largely achieved**
-  **Not achieved**

Scottish island road fuels

Following our predecessor’s work in this area, we remain interested in the impact of competition on consumer and businesses who live and work in remote communities.

In June 2014, we concluded an investigation into suspected abuse of a dominant position in the supply of road fuels to filling stations in the Western Isles of Scotland by accepting binding commitments from Certas Energy UK Limited. These commitments brought an end to contracts which required the majority of filling stations on the islands to buy fuels exclusively from Certas for five years.

Filling stations now have greater flexibility to choose who they buy fuel from and competitors also have access to Certas’ two marine terminals on the islands for five years, meaning that rival fuel distributors have more opportunity to enter the market.

We expect that these commitments will ultimately result in a tangible difference for people and businesses on the islands by making fuel prices more competitive.



Enhanced CA98 enforcement powers

Under reforms introduced through the Enterprise and Regulatory Reform Act 2013 (ERRA), we can now conduct compulsory interviews in CA98 cases, and impose fines for failure to comply with requests for information. These are significant additions to our investigative toolkit that assist us to collect all relevant evidence, and to ensure that our case decisions are legally robust.

We have used our compulsory interview powers twice and issued 42 CA98 compulsory information requests in 2014-15.

ERRA also revised the threshold for determining when we can impose interim measures in our ongoing CA98 cases. The revised threshold now requires evidence of ‘significant damage’ to an individual or business, rather than the previous standard of ‘serious irreparable damage’. We made one interim measures decision during 2014-15.

WorldPay/Visa

In September, WorldPay UK Ltd asked the CMA to urgently intervene in the market to require Visa UK Ltd to align its UK domestic interchange fees with the lower fees that Visa was introducing for cross-border acquired transactions. In December, we rejected the interim measures application, concluding after careful consideration of the evidence that it was unlikely that there would be significant damage to either WorldPay, businesses or consumers in the absence of intervention.

Our published summary of the decision on this case provides guidance on how we interpret the new threshold of ‘significant damage’ which should assist companies considering making an interim measures application.

Settlement

Building on the practices of our predecessors, we have established formal settlement procedures for CA98 cases. Under these procedures, if settlement is agreed before we issue a Statement of Objections, any financial penalty imposed on the parties may be reduced by a maximum of 20%. Where settlement is agreed after we issue the Statement of Objections, the applicable financial penalty may be reduced by a maximum of 10%.

There is no obligation, on the parties or us, to settle CA98 cases. We will consider settlement in appropriate cases, which may include consideration of whether there are potential procedural efficiencies and resource savings for us.

Property sales and lettings

In our Competition Act investigation into alleged agreements to prevent estate agents from advertising their fees and discounts in local papers we issued a Statement of Objections within 12 months of opening the investigation. This was a reduction from the previous 18-month average of our predecessors. We issued an infringement decision just over 16 months after the OFT opened the case, following which the CMA and Three Counties Estate Agents Ltd settled the case with a fine of £735,000. This case was important because many thousands of people purchase or sell a property each year, and our work will help to ensure that they get a fair deal from estate agents across the UK.



Criminal cartel enforcement

As well as taking enforcement action against cartels under CA98 legislation, the CMA can also take civil and criminal enforcement action directed at individuals. With additional government funding, we have invested further in building our intelligence, investigation and enforcement capacity with a view to bringing about a 'step change' in the scale, efficiency and sophistication of both our civil and criminal cartel enforcement activity.

Our criminal cartel enforcement activity has progressed well. In June 2014 we charged two further individuals in the galvanised steel tanks case, a first having pleaded guilty earlier in 2014. At the trial in June 2015, the two individuals were acquitted as the jury were not persuaded that they had acted dishonestly. Following a change in the law, for conduct after 1 April 2014, it is no longer necessary for the CMA to prove individuals acted dishonestly to commit the cartel offence.

Building capacity

We continued to improve our capacity to tackle cartels more effectively, working to further improve our investigation and digital forensics capabilities, and our engagement with enforcement partners.

Over the course of this year we have significantly expanded our cartels team, which will have doubled the size of the group from 58 permanent staff to an estimated 105 staff by the summer of 2015. We have made appointments across a range of grades and specialisms, including investigation and intelligence, civil cartel enforcement, criminal prosecution and disclosure, digital forensics and casework support.

Our investigation and prosecution teams now include a greater number of senior investigators, intelligence officers and prosecutors with significant experience from a range of

investigation and enforcement backgrounds, including the police and Serious Fraud Office. We have appointed three new Directors to lead on intelligence and digital forensics and to boost our criminal prosecution capability. We are also looking ahead, ensuring we boost the potential of our specialist staff through long-term learning and development plans.

Improving detection and investigation

As well as investing in our own intelligence capacity, we have also strengthened our partnerships with the police and other enforcement agencies with a view to becoming more intelligence-led and better able to catch cartels at an early stage. We are also building on existing relationships with enforcement partners within the UK's nations, such as the Crown Office and Procurator Fiscal's Office in Scotland, and the Crown Solicitor's Office in Northern Ireland.

This complements our leniency programme, under which businesses or individuals can admit their involvement in a cartel and cooperate with us in exchange for immunity or a reduced penalty.

Consumer enforcement

We use our consumer enforcement powers in complex and precedent-setting cases, where we can achieve an impact across entire markets. In our first year we have concluded cases started by the OFT, securing convictions in relation to an illegal pyramid selling scheme and helping to improve practices in the secondary ticketing market. More detail on the full range of our consumer work can be found in the 'Refocusing Consumer Protection' chapter.

Pyramid selling

In Autumn 2014, alongside Trading Standards partners, we concluded a criminal enforcement case against the promoters of a pyramid selling scheme in the south west of England. The scheme ensnared some 10,000 people and the total cost to the victims was over £20m. This, our first concluded criminal case, was hard fought over three years, initially by the OFT, and resulted in five custodial sentences. We are now working to recover the monies made through the scheme from those convicted using Proceeds of Crime legislation. This case served not only as a clear deterrent to other people thinking about organising a pyramid scheme, but brought clear benefits to consumers and also demonstrated our capability and determination to pursue challenging enforcement cases.



Secondary ticketing

Secondary ticketing platforms are a means by which individuals or businesses can resell tickets they have bought, often at a different price to the face value.

We took action in this market to help ensure consumers had all the information they needed before buying tickets from such websites. This has resulted in four of the largest UK secondary ticket platforms giving undertakings to give better, clearer information to buyers on restrictions, additional charges and face value of the tickets listed on their sites.

To help ensure the fullest impact of this work, we also wrote to businesses in this sector to set out our expectations and their obligations under consumer law and provided easy-to-use advice for buyers.¹²



¹² <http://www.gov.uk/government/publications/secondary-ticket-websites-advice-for-consumers>

Promoting compliance

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

Our compliance work helps to increase the reach of enforcement beyond each individual case, maximising the impact of our work. By increasing businesses' understanding of anti-competitive practices as well as those that breach consumer law, we hope that they will be better able to avoid illegal behaviour and report it to us.

As part of these broader compliance efforts, we have engaged with leading industry and professional bodies to make sure compliance with competition and consumer law is on the agenda of UK Boards. Additionally, our compliance unit has been working with our Cartels and Criminal Group, and the CMA's representatives in the devolved nations, to engage with industry associations and other compliance partners to communicate messages from our completed cartel cases. This serves to both amplify the impact of our enforcement work, as well as to promote our methods of gathering intelligence through leniency applications and our cartels hotline.

Our compliance team also supported the wider organisation to develop a range of new compliance tools and techniques to engage with specific audiences. These include short guides and targeted 60 Second Summaries that explain aspects of competition law and which are published on our website.

To inform our compliance targeting and to establish benchmarks to measure the effectiveness of our competition law compliance work, we conducted quantitative research to measure businesses' awareness and

understanding of competition law. We are supplementing this with additional qualitative research to get further insights amongst micro, small and medium sized enterprises, to allow us to develop materials which are focused on the particular needs of this audience.

Mercedes-Benz

The OFT found that Mercedes-Benz and five commercial vehicle dealers had engaged in unlawful cartel activity involving the sale of commercial vehicles. Cartels are not only illegal but can be seriously harmful to the economy, and the penalties for participants can be severe.

Following the conclusion of the case, the CMA developed materials outlining key messages for people working within the UK motor vehicle sector. We spoke at trade conferences across the UK, ran a social media campaign, and distributed an open letter through trade associations and trade publications. We estimate that our compliance messages reached over 80% of the 200,000 people working within the industry. After our campaign a number of industry representative bodies wrote to the CMA seeking to develop their understanding of compliance requirements. This has led to ongoing engagement which is helping to change attitudes and behaviours in the industry.



Merger control

The CMA obtains and reviews information relating to relevant merger situations, and conducts an in-depth Phase 2 investigation where a qualifying merger creates a realistic prospect of a Substantial Lessening of Competition (SLC).

Prior to April 2014, referrals from Phase 1 to Phase 2 took place between the CMA's predecessors, the Office of Fair Trading and Competition Commission.

Now, the CMA conducts both phases of the investigation. Our work to assure independence between phases and transparency of decision-making are outlined in the 'Achieve Professional Excellence' chapter.

Over the course of the year our merger work fluctuated in line with merger activity in the wider economy, and we saw a higher level of activity in the second half of the year. We reviewed 83 mergers from industries and businesses across the UK, 10 of which created a realistic prospect of an SLC.

We exercised our power to accept Undertakings in Lieu of a reference to a Phase 2 investigation in three of these cases, referred six to in-depth Phase 2 investigations, and on one occasion the merger was abandoned by the parties involved. We announced all Phase 1 decisions within the new statutory timetable of 40 working days.

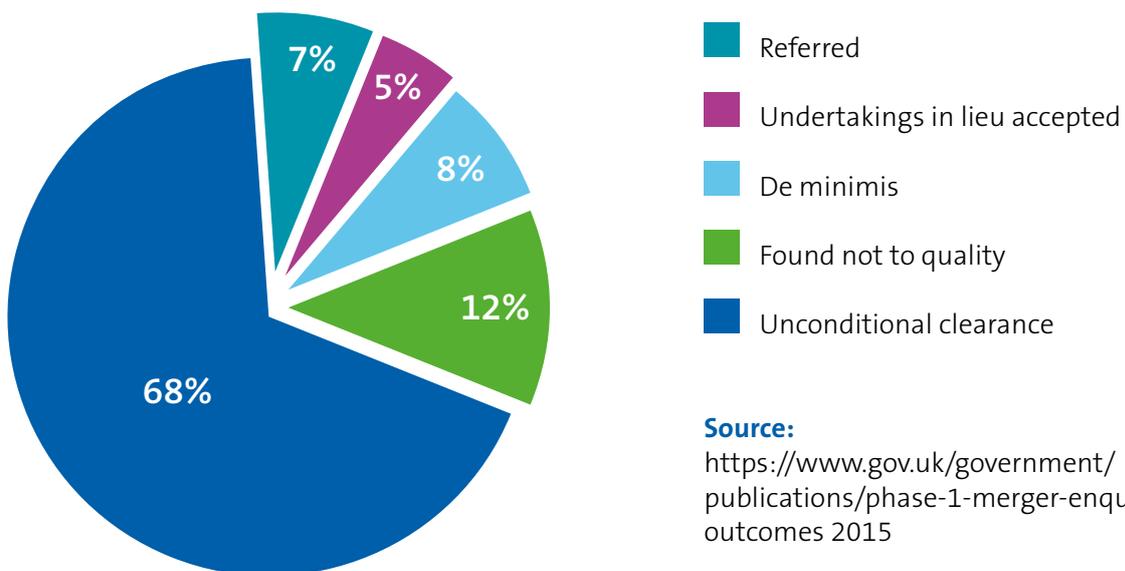
New ways of working

To improve the speed and clarity of Phase 1 decision-making on mergers, the ERRA also enhanced our power to compel the production of information, through the imposition of penalties for failure to comply with information requests. In 2014-2015 we served 32 compulsory information notices under Section 109 of the Enterprise Act 2002.

Internally, we expanded the number of senior, experienced staff working on mergers by appointing additional Directors and Assistant Directors, resulting in increased senior oversight.

We want to ensure that we only carry out Phase 2 inquiries where they are necessary. Under the

Outcomes for all 83 decisions 2014-15



new legislation, where we identify a competition problem arising from a merger, the parties are given five working days to offer undertakings to address our concerns. As noted earlier, this has proved useful on three occasions already, saving money and time for businesses and taxpayers. If they do not, or we do not think the undertakings are sufficient to address our concerns, we will refer the merger to Phase 2.

Immediate Media/Future Publishing

Immediate Media and Future Publishing both publish specialist print magazine titles across a wide range of subjects. We found that the proposed merger between these two companies could give rise to a substantial lessening of competition particularly in relation to magazines in the genealogy and needlecraft markets.

As a result, Immediate Media proposed undertakings in lieu, which we accepted, to divest a number of magazines and their associated digital editions to remedy the competition issues raised by the merger. This meant the merger was not referred for an in-depth Phase 2 investigation.

This merger was the first in which we used our new powers to accept undertakings in lieu after a reasoned Phase 1 decision, rather than before as under the old regime.



We also have the ability to prevent or reverse pre-emptive action, allowing us to deal with the difficulty the previous regime had in successfully ‘unscrambling’ mergers. In most completed cases, where there is an overlap between the parties’ activities, there is a strong case for imposing these ‘hold separate orders’, unless there is evidence that they are not necessary, or there is no likelihood of any competition issue.

We are continuing to listen to feedback, and in the coming year we will conduct an internal review of the use of the Merger Notice and interim orders.

| Merger performance | |
|--|---------|
| Average time in pre-notification | 25 days |
| % of Phase 1 investigations completed in 40 days | 100% |
| % of Phase 1 investigations with formal pauses to statutory deadlines. | 26.5% |

Notification of a merger to the CMA is voluntary, which means that parties may decide not to notify us of a merger which the CMA has the jurisdiction to review.

We have therefore established a Mergers Intelligence Committee to undertake a systematic review of industry transactions to ensure we retain visibility of non-notified merger activity. Since 1 April 2014 this committee has examined over 500 transactions, leading to 21 Phase 1 merger reviews (25% of all Phase 1 mergers that the CMA reviewed this year), two of which were eventually referred for a Phase 2 in-depth investigation.

| Qualifying mergers which created a realistic prospect of a substantial lessening of competition | | |
|---|---|------------------|
| Merger | Outcome | Date |
| Pure Gym/The Gym | Referred to Phase 2 (later abandoned) | 26 June 2014 |
| Diageo/United Spirits | Accepted Undertakings in Lieu after Phase 1 decision | 31 October 2014 |
| Xchanging/Agencyport | Referred to Phase 2 | 8 December 2014 |
| Pork Farms/Kerry Foods | Referred to Phase 2 | 17 December 2014 |
| Reckitt Benckiser/K-Y brand | Referred to Phase 2 | 19 December 2014 |
| Immediate Media/Future Publishing | Accepted Undertakings in Lieu after Phase 1 decision | 6 January 2015 |
| Sonoco/Weidenhammer | Referred to Phase 2 | 13 January 2015 |
| Ashford St Peters NHS Trust/ Royal Surrey County | Referred to Phase 2 | 12 March 2015 |
| Motor Fuel/Murco | Accepted Undertakings in Lieu after Phase 1 decision | 16 February 2015 |
| Inter-City Railways/ InterCity East Coast franchise | CMA consults on Undertakings in Lieu (accepted June 15) | 13 March 2015 |

Extend competition frontiers

We use our tools innovatively to make competition and markets work better.

Commitments

-  Ensure that the full OFT and CC portfolio will be carried over to the CMA without disruption during the transition and the cases concluded within statutory time limits
-  Implement remedial action (where appropriate) within the statutory time limits
-  Launch at least four new calls for information, market studies or market investigations in the course of this year where we have the requisite evidence, and meet all the statutory deadlines on new studies launched in 2014
-  Based on our work, make recommendations to the Government on the impact of its activities on competition in at least two sectors
-  Determine all regulatory references and appeals we receive fairly and meeting statutory deadlines

Maximising the potential of competition for the benefit of consumers, businesses and the economy requires more than just enforcement activity. Some markets can become uncompetitive or skewed against the consumer, even where there has been no formal breach of competition or consumer protection law. The CMA therefore uses a number of different tools to identify these barriers to competition including our market study and market investigation tools, and we respond to any issues we find through the agreement or imposition of market remedies, recommendations to Government, provision of guidance and information, and other avenues as appropriate.

We further extend the frontiers of competition through our responsibility for promoting a more consistent application of competition law and policy in regulated sectors; we also advise government on how best to support competition, and encourage more effective policy-making.

Separately, we have a function of determining references and appeals in the regulated sectors.

Key

-  **Achieved**
-  **Largely achieved**
-  **Partially achieved**
-  **Not achieved**

Our markets portfolio

The Enterprise Act 2002 (EA02) empowers the CMA to review suspected competition problems in any UK market, and where appropriate, to require market participants to take remedial action. Unlike our predecessors, we are responsible for both market studies and



subsequent market investigations (Phase 1 and Phase 2); we recognise that independence between these phases is essential to the effective functioning of the UK's markets regime.¹³ Within the new markets regime, our work across both phases must be completed according to challenging statutory timescales, including publishing a provisional decision on whether to refer the market study for an in-depth market investigation within six months and issuing our final report on the market investigation within 18 months. We have yet to be fully tested on these timetables but have met the first requirement this year and remain confident that we can also bring market investigations to a conclusion within the statutory time limit.

We inherited a number of markets cases from our predecessors, the CC and the OFT. Two of these market investigations, into payday lending and private motor insurance have now been concluded, and a third investigation into private healthcare was remitted back to us for further consideration. In these investigations we designed remedies to tackle competition issues which resulted in consumer detriment in excess of £300m. Since our launch, we have concluded Phase 1 market studies into banking for small and medium-sized enterprises (SMEs), and conducted an update of the OFT's 2013 review of personal current accounts. We have also concluded a Phase 1 market study into property management services.

Private motor insurance

In September 2014, the CMA published its report on competition issues in the private motor insurance market which highlighted issues with the agreements between insurers and price comparison websites (PCWs), which were leading to higher car insurance premiums overall, and with the information provided to consumers in relation to add-ons. We found that certain 'price parity' agreements between PCWs and insurers stop insurers from making their products available more cheaply on other online platforms, and that limited provision of information can make it difficult for consumers to compare the costs and benefits of add-ons to car insurance.

We therefore banned these types of price parity agreements and, working closely with the FCA, put in place remedies to give consumers better information about add-ons.



During the first year of the CMA we launched Phase 2 market investigations into two of the largest and most complex sectors of the UK economy, energy and banking, both of which are taking significant resources to manage within the new statutory timetables but are progressing well. We launched two calls for information – into online reviews and endorsements for products and services and commercial use of consumer data – there is more detail on these cases in the ‘Refocusing Consumer Protection’ chapter.

We consider carefully which remedies and recommendations may be appropriate to resolve any issues identified early in the Phase 2 market investigation; we also focus on strong stakeholder engagement from the outset of the inquiry as we recognise the challenge to ensure that any remedies we propose are as robust as possible.

Banking

The merger of the OFT and CC to create the CMA resulted in a unitary agency with all phases of both markets and mergers investigations being completed under one roof. We have capitalised on the opportunities that this presents to increase the pace of our investigations.

For example, when the CMA Board formally referred the personal current account and SME retail banking sectors for an in-depth market investigation in November 2014, we were able to release an issues statement within four days of the referral, alongside the appointment of the Market Investigation Group, significantly more quickly than in the past. We are on schedule to complete this investigation within 18 months of launch, a reduction of six months as required by the new statutory deadline.

To reduce unnecessary burdens on businesses, we launched a project to review existing remedies that are still in place to identify and remove those that are no longer needed, starting with a review of 76 structural merger undertakings given by companies before 1 January 2005.

Payday Lending

The payday lending market investigation was referred to the CC under the previous regime. In anticipation of our new tighter timescales, and to ensure that the work kept pace with reforms planned by the FCA, we published our final report on this market four months before our statutory deadline.

Our final report included measures to increase price competition between payday lenders, to help borrowers get a better deal and to better understand the cost of their loan. We also made a number of recommendations to the FCA to improve transparency of lenders and intermediaries, and to empower consumers to shop around to find the best loan.



¹³ Following a Phase 1 market study, decisions to initiate a Phase 2 investigation must be made by the CMA Board, which is independent of the Phase 2 investigation process. If a Phase 2 market investigation is commenced, an independent inquiry group, chaired by independent members of the CMA's expert panel, objectively assess and direct the investigation

Advocacy to government

We promote the benefits of competition across government, and raise awareness of policies, practices and regulations that raise competition and consumer concerns. This year we advised government on approximately 20 competition and consumer issues including higher education, further education, North Sea oil and gas, and in markets where the government is a significant purchaser. We also conducted training sessions for government procurers on how to identify and mitigate incidences of bid-rigging, and for policy makers on how to assess the impacts of regulation on competition. We conducted our advocacy work in a variety of different ways, including briefing officials on the competition implications of policy proposals, and training government officials and staff sitting on cross-government steering committees.

Residential property management

In December 2014, the CMA published a market study into the residential property management sector which concluded that, while the market worked well for many leaseholders, some experience significant problems. We made recommendations to improve the way the market works, meaning that leaseholders will be better informed about the responsibilities and performance of property managers, while greater transparency will increase pressures on property managers and landlords to take account of leaseholder interests.

We also made a number of recommendations aimed at improving the way the market works, all of which have since been accepted by the UK Government.

“ This year we advised government on approximately 20 competition and consumer issues including higher education, further education, North Sea oil and gas, and in markets where the government is a significant purchaser.”

Concurrency

Over the past year we have worked with all the UK's sector regulators, establishing the UK Competition Network to encourage the use and effectiveness of competition tools, including enforcement in regulated sectors. This is particularly important as the work carried out by the sector regulators has a direct impact on consumers and businesses across a large part of the UK economy.

In April 2014 the CMA published a 'baseline' concurrency report which described the state of the UK concurrency arrangements at that date and identified further action required to make improvements to the regime. A year later, we published our first annual concurrency report, which showed that the new regime is supporting increased competition enforcement activity.¹⁴ In the first year of the new concurrency arrangements, sector regulators launched

six Competition Act investigations, up from an annual average of 2.9 between 2005-13. These are still early days, and these improvements need to be embedded and built on to achieve the full potential of the changes introduced by the legislation.

Regulatory appeals

The CMA is responsible for references and appeals against the decisions of certain regulators, including Ofcom, Ofgem, Ofwat, Monitor, the Financial Conduct Authority, Payment Systems Regulator, Northern Ireland Utility Regulator, Office of Rail Regulation and the Civil Aviation Authority.

We received three regulatory appeals in 2014-15, including an appeal against Ofwat's 2014 price review,¹⁵ and two appeal applications over electricity distribution network price controls.¹⁶

¹⁴ <https://www.gov.uk/government/publications/competition-and-markets-authority-annual-concurrency-report-2015>

¹⁵ <https://www.gov.uk/government/news/ofwat-refers-bristol-water-appeal>

¹⁶ <https://www.gov.uk/government/news/cma-receives-two-appeal-applications-over-electricity-distribution-network-price-controls>



Refocus consumer protection

We focus our consumer enforcement powers in complex and precedent-setting cases, where we can achieve an impact across entire markets.

Commitments

-  Initiate three cases or projects that focus on markets where there is evidence of widespread or endemic practices that negatively impact on consumer decision making or choice
-  Conclude our cases swiftly, either by agreement or by proceeding to litigation; we will aim for the majority to be concluded within 18 months of being opened
-  Agree a set of protocols and ways of working with our national partners to ensure that the regime operates effectively to the benefit of consumers, and there is clarity on how and by whom cases and issues will be pursued
-  Continue to play a leading role in the development of consumer protection internationally, particularly in Europe, working with our partners in e-commerce and on unfair terms
-  Work with partners in developing a better awareness and understanding of consumer protection law among business and others
-  Establish a network of consumer experts, representatives, and other stakeholders who are in the consumer field who can help us to understand the consumer experience

We focus our consumer enforcement powers in complex and precedent-setting cases, where we can achieve an impact across entire markets. We also lead on consumer policy development, both domestically and internationally, in areas where we have specific responsibility such as unfair contract terms or where we have particular expertise.

Our consumer role complements and reinforces our mission to improve markets and to support economic growth in the UK, by addressing problems where competition enforcement alone does not, or cannot, make a market work well for consumers.

Central to our role is our commitment to put the consumer at the heart of our work and to consider consistently the impact on consumers of our wider work, whatever tools we may use. Over this year, we have also considered how best to refocus consumer protection through partnership working and our own initiatives, and have worked closely with our partners in the UK’s new consumer landscape towards achieving our shared objectives.

There is still much to do, but we have laid the foundations in this first year.

The consumer at the heart of our work

In our Annual Plan, we emphasised that we want to place the interests of consumers at the heart of everything we do. Building on this

| | |
|---|---|
| Key | |
|  Achieved |  Partially achieved |
|  Largely achieved |  Not achieved |

promise has been a priority in our first year and we have been working to bring a greater, more consistent consumer focus to our work. We have engaged proactively with a diverse group of stakeholders on our projects and, through this, have developed a wide consumer network who bring their experiences and perspectives to our work.

Consumer projects

We have launched five projects in markets where there is evidence of widespread or endemic practices that negatively impact on consumer decision making or choice.

- Problem Debt review of consumer problems
- Higher Education consumer protection review
- Low Income Consumers review of consumer problems
- Online Reviews and Endorsements Call for Information
- Commercial Use of Consumer Data Call for Information

Exploring the digital world

We have been exploring how we can use digital technology more effectively to gather intelligence about issues that may be giving rise to problems for consumers, and to engage directly with consumers on our work.

We are trialing social media monitoring software which enables us to gather and analyse intelligence from the internet. We have also increased our use of digital channels to communicate externally and to learn more from what people are saying online about consumer, competition, and market issues, for example, via a new CMA Blog.¹⁷

We are looking ahead to the challenges of an increasingly digital economy, which now permeates most aspects of consumers' lives. Following our Strategic Assessment,¹⁸ we committed to identifying online market developments and practices that might be causing consumer detriment and in Spring 2015, launched calls for information into online reviews and endorsements, and the commercial use of consumer data. We published our findings in June 2015 and work on these projects continues into 2015-16 as we consider how these issues impact consumer behaviour and the digital economy.

Problem debt

On behalf of the Consumer Protection Partnership (CPP), we carried out a review into problem debt. The report¹⁹ analysed research and projects from over 150 organisations working in this area, highlighting key areas that are central to tackling problem debt effectively. Our Low Income Consumers project builds on this work and aims to give us greater insights into the problems faced by consumers on low incomes and what our role is in addressing them.^{19a} We have reached out to a diverse network of experts in this area and have been engaging widely with stakeholders in carrying out this work, including holding roundtable discussions in Scotland, Wales, Northern Ireland and England.



¹⁷ <https://competitionandmarkets.blog.gov.uk/>

¹⁸ <https://www.gov.uk/government/publications/cma-strategic-assessment>

¹⁹ <https://www.gov.uk/government/publications/problem-debt-report>

^{19a} <https://www.gov.uk/government/publications/understanding-consumers-on-low-incomes>



Working in partnership at home

To support our consumer cases and policy development, we work in close partnership with our colleagues across the UK, in Trading Standards Services, Which?, Citizens Advice, Citizens Advice Scotland, NI Department of Enterprise, Trade and Investment, the Consumer Council of Northern Ireland, and other consumer bodies.

We have built strong relationships with these and other partners through the Consumer Protection Partnership (CPP), agreeing a set of protocols and clear ways of working which helps the regime to operate effectively, with clarity on how and by whom cases are pursued. As a result, there is close alignment between our priorities and those outlined in the CPP's priorities for 2015, in particular the focus on digital markets and addressing unfair contract terms.²⁰

Our work with our CPP partners is enhanced by a centre of expertise – a Knowledge Hub²¹ – to coordinate the sharing of strategic intelligence across the partnership. The consistent and coherent use of intelligence across the partnership allows us to identify priority areas in which we can collaborate to explore and address consumer harm.

Working in partnership internationally

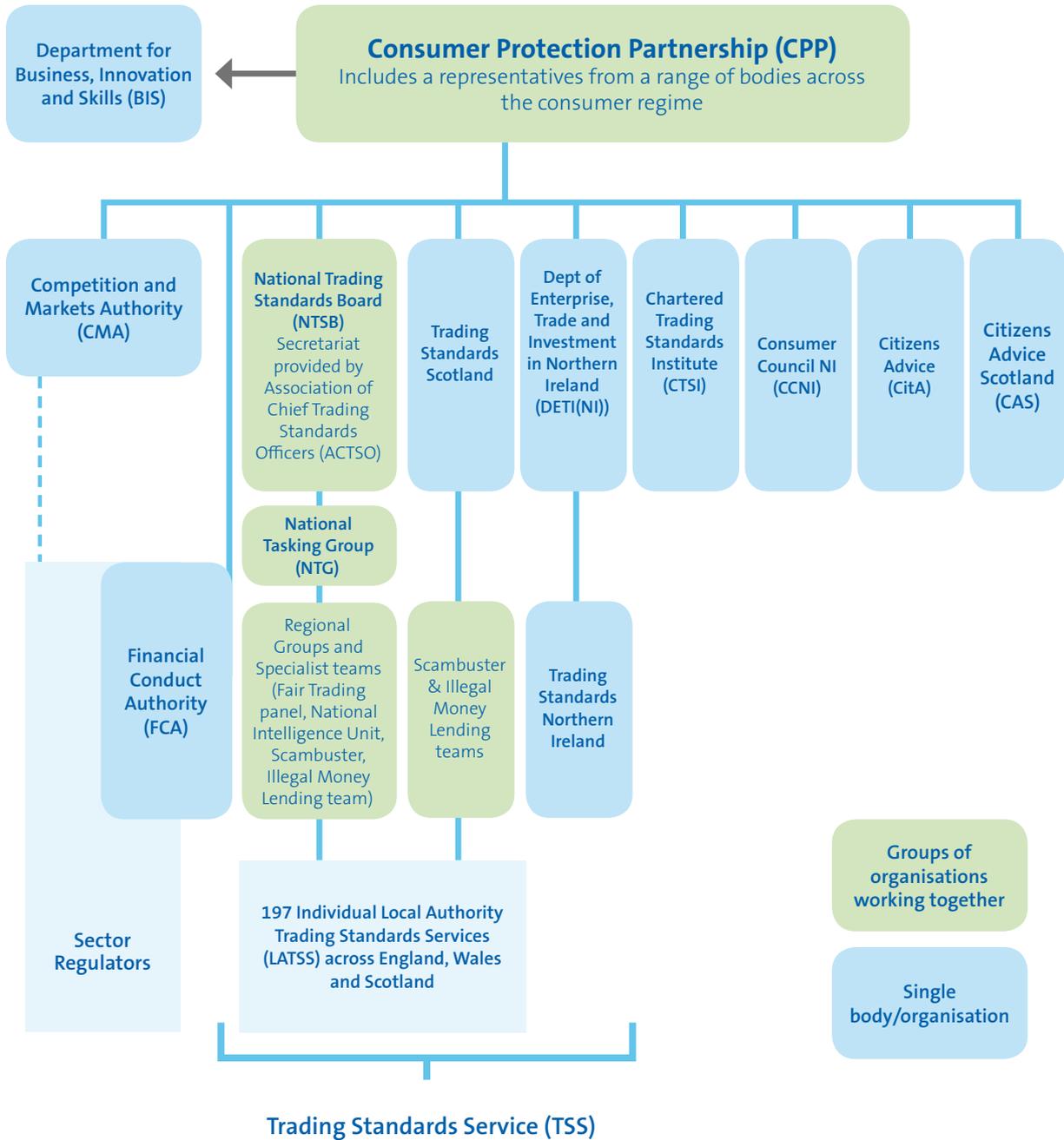
Through our international engagement the CMA seeks to influence the strategic direction and agendas of international organisations in ways beneficial to the CMA and UK consumers. Our international work this year has included a collaboration with EU partners as part of an EU Consumer Protection Cooperation Regulation project to identify and address issues that appear to be affecting consumers when hiring a car.

We are honoured to have been chosen to take up the Presidency of the International Consumer Protection and Enforcement Network (ICPEN) on behalf of the UK from July 2015 to June 2016. Through ICPEN we aim to further strengthen international consumer partnerships and to work together to tackle issues of concern to consumers across the globe. Areas of focus for ICPEN work during the CMA's Presidency will include marketing and transparency of prices, and the online reviews and endorsements sector.

²⁰ <https://www.gov.uk/government/publications/consumer-protection-partnership-priorities-2014-to-2015>

²¹ A free to join, secure UK-hosted collaboration platform where members connect, discuss, exchange knowledge and develop initiatives to improve public services

Overview of the key partners in the UK consumer protection regime



Creating a culture of compliance

Alongside enforcement, we believe strongly in creating a culture of compliance, helping firms to avoid infringements and maximising our impacts (see the 'Deliver Effective Enforcement' chapter). This includes our work on consumer law.

As well as taking on new work this year, our consumer law compliance activity has focussed on individual projects, such as higher education and secondary ticketing, both of which have resulted in real, tangible benefits for consumers. In preparing for the Consumer Rights Act we have also started to develop a compliance programme on unfair terms, issuing comprehensive draft guidance for consultation in early 2015.²²

Carrying out our work swiftly

We aim to improve the time we spend completing our consumer cases or projects. Unlike our markets and mergers work, our consumer enforcement activity has no statutory timescales, but we have strict internal timescales and seek to complete cases and projects within 18 months.

We have closed all but one of the remaining cases or projects initiated by the OFT, and of the five projects we concluded this year, four were concluded within 18 months of opening.

We have implemented a process to ensure swift referrals of cases to the National Trading Standards Board's National Tasking Group (NTG).

Higher education

For most students, choosing the right university and course is a crucial one-off decision, and a significant investment of time and money. With the UK higher education sector playing a key role in our economy and having an enviable international reputation, compliance with consumer law is an important way of maintaining student confidence and the standards and reputation of the sector. After close work with the NUS, the Students Loans Council and consumer partners, we published guidance for providers²³ and advice for students,²⁴ which aimed to ensure that students get the information they need to make an informed choice about what and where to study and are then treated fairly during their period of study.

We will review compliance with this guidance across the sector later in 2015. This work took place in parallel with an advocacy project which reviewed regulation in higher education.²⁵

We discuss emerging issues at an early stage to identify those cases that should be referred to the NTG, supported by regular sharing of intelligence. We established the criteria to determine which cases would be best dealt with by direct referral to individual local authority Trading Standards Services, and which would more appropriately be referred to the NTG. This year, we referred two cases to the NTG: Payment Surcharges Regulations (six weeks to refer) and Gyms (four weeks to refer).

²² <https://www.gov.uk/government/consultations/unfair-contract-terms-draft-guidance-on-consumer-protection-law>

²³ <https://www.gov.uk/government/publications/higher-education-consumer-law-advice-for-providers>

²⁴ <https://www.gov.uk/government/publications/higher-education-a-short-guide-to-consumer-rights-for-students>

²⁵ <https://www.gov.uk/cma-cases/competition-and-regulation-in-higher-education-in-england>

Achieve professional excellence

We have created an environment in which our talented staff can develop their skills and career, and carry out important and innovative work.

Commitments

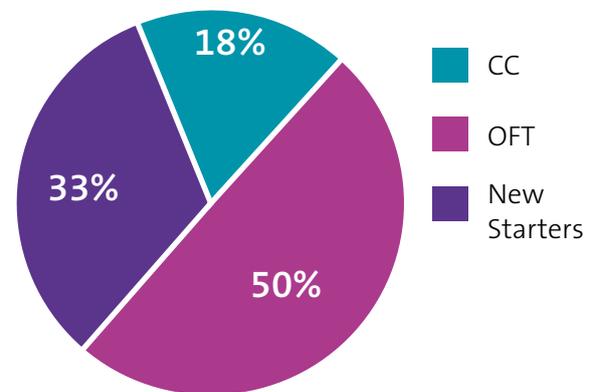
-  Review and refine as appropriate our arrangements for quality assurance of the analytical and legal work on projects, including the checks and balances we apply, to improve the rigour and robustness to challenge of our work still further
-  Draw on the expertise of the CMA Panel and of external academic panellists to enhance the quality of our casework and develop the capabilities of our staff
-  Review our approach to litigation to determine the best model for the CMA to use in particular circumstances
-  Develop and implement a common approach to delivering projects effectively, building on the proven approaches of the CC and the OFT
-  Develop programmes of professional development across the professions in the CMA to help staff to achieve the highest standards appropriate to their profession.

Our strategic goals and our mission to make markets work well in the interests of consumers, businesses and the economy are achieved through the dedication and expertise of our people.

Our people

Over the course of this year, and in the months prior to CMA formally assuming its powers, we have built our capacity and capability by recruiting first-rate professionals to join our existing high-performing workforce. The CMA inherited 400 staff from the Competition Commission and the Office of Fair Trading. To build our resilience and increase our impact, we recruited nearly 200 new professionals who bring fresh skills and perspectives to our work. Permanent staff turnover in the year has been 13.3%.

Source of CMA staff



Key

-  Achieved
-  Largely achieved
-  Partially achieved
-  Not achieved

During 2014-15, we benchmarked pay for competition and consumer specialists and aligned pay and starting salaries with the market in order to attract and retain staff.

Developing our professional skills

We seek to set international standards for legal and economic analysis, not just meet them – this is a challenging ambition.

We have therefore set up the CMA Academy to develop and nurture our intellectual capital and promote professional development, which staff can access in a variety of flexible, creative, measurable and cost-effective ways. Alongside our Human Resources and Know-How teams, the Academy focuses on expanding our skills base and professional capabilities, to improve our business performance and enable us to achieve our objectives. The learning curriculum is informed by a detailed training needs analysis.

Know-How sessions: from staff, to staff

The sharing and seeking of knowledge underpins our learning strategy. The consistently well-attended Know-How sessions allow our talented and committed professionals to share their experience with others. This year there have been 20 sessions presented by staff to staff, covering a wide range of topics. Almost all staff (93%) who attended these sessions rated them as good or excellent, describing them as “outstanding”, “very clear and focused” and “informative, interesting, and well-presented”.



Consistent, rigorous, transparent

Across the organisation, case and project management needs to be equitable, efficient and transparent. We designed and implemented a Project Management Framework (PMF) to ensure a clear, standardised approach to managing projects. The PMF is complemented by our existing tool-specific procedural guidance.

Reviewing and refining our investigation procedures is an ongoing process. The OFT and CMA have made some progress in improving CA98 casework in recent years. It is important that this continues and we have completed six end-of-project reviews, to identify lessons and ensure that the framework evolves in light of our experience.

A single organisation

As a unitary organisation, with both investigation phases under the same roof, we have sought to capitalise on the opportunities for streamlining and efficiencies. This unitary model allows us to deploy the core skills of legal and forensic analysis together throughout the lifecycles of our cases.

We have also reviewed and implemented improvements to our arrangements for quality assurance of our analytical and legal work, and sought to not unnecessarily duplicate requests for data in each Phase. As specified in the ERRA, we separate Phase 1 and Phase 2 scrutiny of markets and mergers, with fresh decision-makers at the second stage, and most of the staff team of advisers also change in the handover between Phases. This helps to mitigate any risks of confirmation bias in our decisions, and to improve the rigour and robustness of our work.

We have applied similarly tough and objective practices in CA98 investigations, through Case Decision Groups (CDGs). CDGs, introduced by

the OFT in 2012 and through further evolution during the CMA's first year now chaired by independent Panel members, review all evidence and the parties' representations, and decide whether the legal test for establishing an infringement has been met.

The reasons and evidence base for our casework decisions are transparent, and we aim to be equally open about how we decide which cases and projects we choose to undertake, publishing our Annual Plan, Strategic Assessment and Prioritisation Principles.

Where parties involved in our cases cannot resolve a perceived procedural issue with the CMA, they may refer the matter to the Procedural Officer.

Case Decision Group (CDG) in sports bras case

In the sports bras investigation, the OFT suspected that the manufacturer had entered into agreements with a number of retailers to fix the resale price of their sports bras. Following the Statement of Objections, the CDG took responsibility for decision-making. This was the first CDG to be chaired by a CMA Inquiry Chair.

After reviewing the evidence in light of the parties' written and oral representations on the OFT's provisional decision, the CDG concluded that there were no grounds for action. It then moved swiftly to close the investigation.

We treat allegations of resale price maintenance very seriously, but we will not stubbornly pursue outcomes without vigorously and critically reviewing the evidence to ensure an infringement finding is warranted.



Our approach to litigation

The CMA's decisions are open to challenge in the courts, including the Competition Appeal Tribunal, and this is likely to occur where commercial interests are at stake.

We welcome judicial oversight of our work and have been successful in a significant number of court and tribunal hearings. In those where we were unsuccessful, we learn important lessons.

We have also reviewed our approach to litigation, which was carried out differently in the CC and the OFT. We have a dedicated Litigation Unit and are currently recruiting expert standing counsel to support it. Outside this team, we are embedding litigation awareness in all our case management processes, acknowledging the difficult legal challenges we often face.

AkzoNobel merger

In December 2014 the CMA successfully defended an appeal by AkzoNobel regarding the CC's decision to prohibit the merger between AkzoNobel's subsidiary AkzoNobel Coatings International B.V. and Metlac S.p.A, a subsidiary of Metlac Holdings – companies which manufacture and supply metal coating for beer and beverage cans in the UK. This judgment followed a series of earlier appeals in which AkzoNobel challenged the CC's decision to prohibit the merger, the Competition Appeal Tribunal's (CAT) decision to uphold the CC's findings, and the Court of Appeal's decision to reject AkzoNobel's appeal against the CAT's decision. Through hard work and determination in the face of legal challenge, we upheld the important work of our predecessors and prevented a merger which would have resulted in a substantial lessening of competition and the risk of increased costs for consumers.

Our commitments to equality and diversity

The CMA leadership is committed to promoting equality and diversity amongst our workforce and we published our first Equality and Diversity Strategy in April 2015.²⁶

| | All staff | SCS* | Non-SCS staff |
|------------|-----------|--------|---------------|
| Male | 48.96% | 60.27% | 47.20% |
| Female | 51.04% | 39.73% | 52.80% |
| BME | 14.41% | 5.48% | 15.80% |
| Disability | 4.69% | 1.37% | 5.20% |

*Senior Civil Service

The purpose of this published strategy is to demonstrate that the CMA is complying with its duties in this regard. However, in our ways of working we seek to go beyond mere compliance.

The CMA is committed to equality for its staff, and expects fairness and respect for diversity to be a feature of its culture and general approach to creating a great place to work. Our commitment to equality starts with our employment practices. We are committed to promoting equality of opportunity for our current and potential employees. We operate the Guaranteed Interview Scheme for disabled applicants and ensure reasonable adjustments are made where needed.

Freedom of Information Act requests

Under the Freedom of Information Act (FoIA), any member of the public can request information from the CMA. We aim to be as open and transparent as possible, but for legal reasons we often cannot disclose whether or not complaints have been received about a particular business or whether investigations are underway. Generally we only withhold information where we believe that doing so would better serve the public interest than disclosing it.

In line with government policy and to support transparency initiatives, we also publish many of our responses on our website.²⁷

We responded to 97% of these FoIA requests within the statutory 20 working day period. We also received and responded to five appeals against non-disclosure of information; our original decision was upheld in all these cases.

Where we decide not to disclose information following an appeal, the requester also has a right of appeal to the Information Commissioner's Office (ICO). During this period there was one such appeal to the ICO. We also received six Data Protection Act requests in this time and all of these were dealt with within the statutory period of 40 calendar days.

²⁶ <https://www.gov.uk/government/publications/competition-and-markets-authority-equality-scheme-2015-to-2019>

²⁷ https://www.gov.uk/government/publications?departments%5B%5D=competition-and-markets-authority&publication_type=foi-releases

| FoIA requests | |
|---|-----|
| Total requests for information under the FoIA | 142 |
| Of these: | |
| Number of requests granted in full | 49 |
| Number of requests where advice and assistance was provided to the requester | 13 |
| Number of requests refused in full because the CMA does not hold any of the information requested | 21 |
| Number of requests refused because the cost of the response would exceed the cost threshold | 3 |
| Number of requests where the CMA refused to provide some of the information | 21 |
| Number of requests where the CMA refused all of the information requested | 29 |

Between 1 April 2014 and 31 March 2015 the CMA received eight communications which raised issues about its own conduct and thus were treated as corporate complaints. One of these complaints, not being resolved under the procedure described below, is currently under investigation by the Parliamentary and Health Ombudsman.

The CMA published its complaints procedure in November 2014.²⁸ This procedure consists of a two-stage process. At the first stage, the complaint is handled by an appropriate person with relevant experience, for instance in dealing with the matters to which the complaint relates. A complainant who does not consider the response received at the first stage to be fair and appropriate can escalate the complaint to the second stage, which consists of a review by a more senior official. The CMA's procedure allows for speedy informal resolution of complaints, for instance by a phone call, if that is satisfactory to the complainant, and the CMA is committed to thorough investigation of any complaints raising serious issues about its own conduct.



²⁸ <https://www.gov.uk/government/publications/competition-and-markets-authority-cma-complaints-policy>



Develop integrated performance

We set out to be fully integrated with our partners, and across professional disciplines and investigative tools.

Commitments

-  Work with EU and international colleagues to encourage competition and open markets in the interests of UK consumers and businesses
-  Design and implement an organisational transformation programme to create a cohesive organisation, embed shared values and encourage integrated ways of working
-  Work in multi-disciplinary teams which blend people with different professional and organisational backgrounds
-  Establish a Project Management Office and resourcing arrangements that ensure projects are staffed and managed in line with their needs and the skills, knowledge and aspirations of the CMA staff
-  Conduct and respond to an annual Civil Service Staff Survey

This strategic goal underpins our status as a unitary organisation. It embodies our aim to coordinate the ways in which we use our suite of competition and consumer tools, so that they complement each other and we can have the greatest impact on markets with tangible benefits for consumers.

We are boosting the impact of our staff by combining different professional approaches and backgrounds into effective multi-disciplinary teams, and giving staff the chance to work on a broader range of cases and projects.

Integrated performance also means working closely with others at home and abroad. We have built strong relationships with domestic and international partners, including sector regulators, those in the consumer landscape, and across all nations of the United Kingdom.

Working in partnership at home and abroad

The statutory objective Parliament set out for us is ‘to promote competition, *both within and outside of the UK*, for the benefit of consumers’. Integrated performance therefore means working closely with others at home and abroad.

We have set up CMA offices in Northern Ireland, Scotland and Wales and this expanded devolved nations team is embedding the principle that staff should include ‘all nations thinking’ when

Key

-  **Achieved**
-  **Partially achieved**
-  **Largely achieved**
-  **Not achieved**

planning work, as well as to raise awareness of the CMA, the law, and competition thinking amongst businesses and stakeholders in these nations.

We have held Board meetings in Edinburgh, Cardiff, and Belfast. We held Annual Plan consultation events in Scotland and Wales, and our Chairman and Chief Executive gave evidence at the Scottish Parliamentary Economy, Energy and Tourism Committee. Our Inquiry Groups for energy and banking have also visited the devolved nations.

Further afield, we are committed to cooperating and strengthening our ties with our EU and international counterparts to encourage competition and open markets, consistent with our statutory duty to “seek to promote competition, both within and outside the United Kingdom, for the benefit of consumers”. International relationships, both bilateral and through bodies such as the International Competition Network (ICN), the European Competition Network (ECN), the Organisation for Economic Co-operation and Development (OECD) and the International Consumer Protection and Enforcement Network (ICPEN), are functioning well.

We have delivered through several collaborative projects, including Foreign and Commonwealth Office-funded projects in Latin America (a joint workshop on investigation powers and procedures in competition enforcement cases and an OECD led market studies project) as well as in India a workshop on leniency organised by the OECD. Through these and other projects we are supporting other countries in developing and enhancing their national competition regimes, in pursuit of our ambition to be among the leading competition and consumer agencies in the world.

We have seen an increase in the number of international engagements by CMA staff (including overseas conferences, meetings, hosting inbound delegations and other

outbound visits) in the first year as compared to the last year of our predecessor organisations. This may be attributed to both increased interest from international partners following the launch of the CMA and a concerted effort to establish the CMA internationally in line with our statutory duty and strategic objectives. Through these engagements and wider collaborations on a range of projects we are strengthening our relationships with our international counterparts and helping to address matters of mutual interest. We are also strengthening our bilateral partnerships by coordinating incoming and outgoing international secondments, while at the network level, our Chairman was elected to the Bureau of the OECD Competition Committee and also sits on the International Competition Network Steering Group.

Transforming the CMA

Building a new organisation is a challenging task. The CC and the OFT had good reputations but we want the CMA to be even better, and in March 2014, we launched our ‘Even Better’ organisational development programme through which we set out to achieve this aspiration.

Using colleague feedback to target the areas that offered opportunities for improvement, we focused on three themes:

- Great place to work
- Governance and decision-making
- Project effectiveness and best practice.

These themes enabled us to address 75% of ideas generated in the Even Better programme. The programme has now clarified how the CMA carries out its work, helped colleagues to feel part of a shared culture, and ensured that we have an efficient and effective process for matching the right colleagues with the right projects and giving colleagues the opportunity, through project work and learning opportunities, to develop.

Staff survey

The CMA participated in the 2014 civil service people survey, the largest of its type across the UK. The response rate across the CMA was high, with 82% of staff responding, 22% above the civil service average response rate. This places the CMA in the upper quartile for departments of a similar size. Engagement with the CMA was rated at 58%, the same engagement index as the wider civil service, and 6% less than high-performing civil service organisations. We are committed to finding ways to continuously improve what we do, and we are already taking action on the results to make the CMA a 'great place to work'.

Our 2015-16 Corporate Action Plan will address the ideas and concerns which staff raised in the 2014 staff survey. There are five key priorities for action in our Plan:

- Improving leadership and people management
- Learning to improve performance and career development
- Improving manager feedback
- Improving empowerment and involvement
- Improving our shared working environment.

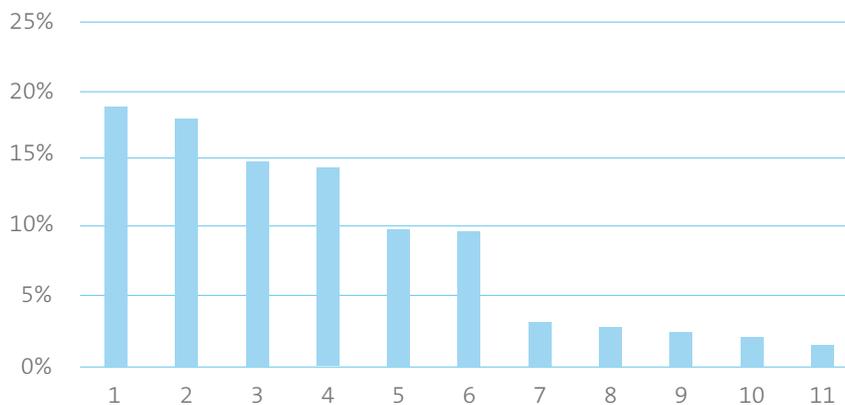
Matrix working

We have established a matrix working system, and the flexibility that this brings is core to our structure and how we carry out our work. Working in tandem with our Heads of Profession and Senior Directors, the CMA's Project Management Office (PMO) ensures that lawyers, economists, business and financial advisers and project delivery staff are employed efficiently and intelligently across our work.

Colleagues work on different types of projects at the same time to gain a broader experience, develop their professional skills and improve the quality and robustness of our work. The CMA as a whole is thus more resilient and better equipped to staff our projects effectively and nimbly.

This system is now further supported through all CMA staff recording how they use their time. Through using time recording data and the Project Management Framework, the PMO has a clearer understanding of when colleagues' involvement in specific projects will end and the demands of other current and prospective projects. Staff are usually allocated to another project before their current project ends, which allows us to plan our work effectively, benefit from efficiencies and anticipate peaks and troughs. PMO staff contribute to pipeline decisions and support the Executive Committee

Allocation of CMA Staff across CMA tools and responsibilities



1. Criminal and Cartels
2. Mergers
3. Market investigations
4. CA98
5. Consumer Enforcement
6. Other*
7. Calls for information
8. Sector Regulation
9. Litigation
10. Remedies
11. Regulatory Appeals

*Includes Pipeline, RIA, Advocacy, Corporate Projects and Programmatic work as at March 2014



directly in its management of our portfolio of projects, so that we do not commit to work which we do not have the capacity to carry out and so that future staffing requirements are identified and planned for at the earliest opportunity.

Pipeline development

We established a new Research, Intelligence and Advocacy team (RIA) which gathers and analyses intelligence from a wide range of sources, and advises on those cases which offer the best prospect to make a real difference for consumers.

The work of RIA and our improved pipeline process helps to ensure that the cases we pursue have the maximum positive impact on UK consumers and businesses, whether directly or through their deterrent effect whilst taking account of risk and cost to the CMA. Staff within RIA maintain close links with our markets, CA98 and criminal cartel teams, including, in particular, the cartels intelligence team, to identify the right cases to pursue, and also support our broader advocacy work.

Evaluation

We are committed to continuous improvement and to strengthening our understanding of the impact of our work on consumers and the economy.

As part of this commitment, we undertake independent evaluations of the impact of at least two cases (including at least one market study or investigation). Through careful evaluation of our activities we prioritise, target, conduct and follow up our work to maximise our impact and help to demonstrate whether we are delivering on our objectives and providing value for money.

Impact estimation

The CMA's performance management framework commits us to achieving direct financial benefit to consumers of at least 10 times our cost to the taxpayer. As the target is measured as a three year rolling average, for 2014-15 the calculation is based on the performance of the final two years of the OFT and CC and the first year of the CMA. The CMA undertakes this assessment itself, with subsequent review by an external academic. Its methodology is based on that developed over recent years by the OFT, validated by successive independent academic reviewers and consistent with approaches now regarded by the OECD as international good practice.

For the period 2012 to 2015 the estimated average direct financial benefit to consumers was £745m per annum and the ratio of direct benefits to cost was £11.20 for every pound of relevant cost to the taxpayer. For this period, markets work generated £577m of the direct financial benefit, with a further £65m from competition enforcement, £79m from consumer enforcement and £24m from merger control.

The methodologies underlying the estimates of direct financial benefit are recognised as being on the conservative side and do not capture wider impacts of the competition regime, such as the impact of deterrence of anti-competitive mergers and other types of anti-competitive behaviour.

In order to generate a more dynamic assessment of our impact, we recently initiated a project with the Dutch Authority for Consumers and Markets (ACM), and the European Commission to measure the wider benefits of our interventions, with particular focus on the deterrent effects of our work, as well as impacts on productivity, innovation and consumer confidence. We are holding a joint conference with the EU and ACM in September 2015 to consider methodologies we might use to measure these wider, indirect benefits and to better understand the indirect longer term impacts of our work. There is currently very little research on this topic; further research and analysis will be an important input to prioritisation decisions across our tools.

More information on CMA's impact estimation will be included in the CMA's first Annual Impact Assessment Report which is published alongside this report.

Independent evaluations of cases

For 2014-15 the CMA has undertaken in-depth evaluations of:

- The OFT's 2006 market study into the commercial use of public information (CUPI)
- The OFT's 2011 decision on 'Abuse of a dominant position by Reckitt Benckiser Healthcare (UK) Limited and Reckitt Benckiser Group Plc'

The CUPI study made recommendations about how information held by public bodies could be made more widely available for commercial re-use and on fairer terms. The evaluation of the market study was carried out by DotEcon and found that whilst the study was successful in generating wider awareness of the issues and had some direct impacts, notably improving licensing conditions, some of the more substantive recommendations were not implemented. Overall benefits resulting from the OFT's study were estimated to be in the region of £50m.

The second evaluation looking at the Reckitt Benckiser decision was carried out by the CMA and has been reviewed by an external academic. The report of this evaluation is due to be published in Autumn 2015.

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



Sustainability Report

The CMA is committed to supporting the adoption of ‘Greening Government Commitments: Operations and Procurement (GGCOP)’ targets and the Government’s ‘Sustainable Development Strategies’ which are designed to reduce the organisation’s impact on the environment. As this was the first year we operated, there is no baseline data from which comparisons can be drawn. We are provided with all energy and waste services through our landlord at Victoria House. This building has other private sector tenants and the landlord provides energy and waste information to individual tenants on a limited basis.



Greenhouse gas emissions and electricity consumption

Reducing overall greenhouse gas emissions during our inaugural year was achieved through:

- Increasing efficiency in heating and cooling systems through maintenance and repairs to fan-coil units
- Setting up building heating timers to reset at midnight to return to the pre-determined optimal temperature for the season
- Designing all new lighting installations on the refurbished 8th floor of Victoria House to operate through motion sensors and automatically switch off after periods of inactivity
- Installation of more efficient air handling units on the 8th floor, replacing significantly larger units

In addition to the reduction strategies above, there have been no new mechanical installations within the CMA premises during 2014-15.

Electricity, gas and water services were provided through the landlord at Victoria House. The CMA’s electricity consumption was estimated at 1,961,300 Kw/h for 2014-15. The overall

charge for electricity for the year was £246,984. Water charges totalled £23,892 for the 2014-15 year. Gas consumption for the 2014-15 year was estimated at 720,235 Kw/h and the overall charge for Gas for the year was £23,096.

The approximate carbon emissions from the electricity used by the CMA is 906,493 kg CO₂ and for gas consumption it is 132,847 kg CO₂.



Travel

In 2014-15 out of our overall non-staff related expenditure, our rail travel expenditure was 0.6%, taxi and car hire expenditure was 0.2% and our air travel was 0.7%. We have also introduced a Cycle-to-Work Scheme to encourage staff to use a bicycle for all or part of their journey to work. Additionally, we have provided a number of bicycle parking spaces in our building basement. We do not provide car parking space to employees or visitors.

We have also invested in audio and video conferencing facilities which are used to reduce the need for journeys.

The total carbon emissions related to business travel during 2014-15 were as follows:

| | |
|--------------|----------------------------|
| Air Travel : | 72,831 kg CO ₂ |
| Rail Travel: | 34,844 kg CO ₂ |
| Car Travel: | 128,409 kg CO ₂ |



Waste

The CMA's Waste Management Services are supplied through our landlord at Victoria House.

We recycled 65% of our overall waste through the Camden Council's waste recycling scheme. The landlord has been unable to provide us with a detailed analysis on waste as their incumbent supplier entered administration during the financial year and almost all waste data was unobtainable.

A new contract for waste services is currently being finalised by our landlords for implementation in the third quarter of the 2015-16 year. This will see the introduction of sustainability criteria into the new contract, including specific sustainability targets (e.g. a minimum of 80% environmentally preferable cleaning consumables) and generic sustainability criteria (e.g. defined and improved sustainability reporting to help set future sustainability targets). The sustainability targets will be contractually binding and measured and reviewed by the landlord using a series of KPIs within the supplier management process.

Throughout 2014-15 our purchasing activity complied with the EU public procurement directives to achieve maximum value for money and to minimise waste throughout our supply chain. Obsolete IT equipment is recycled or disposed of via an approved government supplier, meeting all information security requirements.

Sustainable procurement

At the CMA sustainable procurement takes into consideration economic, environmental and social issues when making procurement decisions. This ensures the protection or enhancement of the economic viability of the CMA by:

- Controlling costs and adding value
- Ensuring continuity of supply and building beneficial supply chain relationships
- Ensuring the needs of internal customers are achieved.

Our commercial team works to build strong mutually beneficial supplier relationships, understanding the inputs and sources of products purchased, and ensuring high standards of compliance with equalities and other key legislation impacting on sustainability.



Paper

The CMA used 5,260 reams of paper in 2014-15. We have a policy of printing through efficient multi-function devices, with no localised printing. The default setting for every print job is set at double-sided monochrome printing to reduce printing costs and our carbon footprint. We are also implementing an improved Electronic Document and Records Management System to improve digital collaboration and access to documents stored centrally, further reducing the dependency on paper printing.

About our data

All utilities and waste services are provided to the CMA through our landlords and via service charges related to our lease agreement. In the absence of detailed information from our landlord we have used financial information.

Adapting to climate change policy

The CMA is located approximately two miles from the nearest river and approximately 30 miles from the nearest coast. As such, the risk of any impacts of extreme weather events or sea level rising due to climate change are minimal. It is also worth noting that all staff and our data centre occupy floors two and above and are therefore considered to be well protected from the risks of flooding. We also have a comprehensive Business Continuity Plan in place and a technical architecture which will allow our staff to operate remotely from our main office building should the need arise and our back-up of data is housed away from central London.

Future strategy

The CMA's focus for sustainability reporting is based on three key drivers: legislation, government policy, and the associated benefits of sustainable development. We are committed to providing reporting requirements in line with HM Treasury guidance. A new contract for waste services is being implemented by our landlords, which will provide for sustainability measures to be put in place during quarter three of the 2015-16 year. During quarter two of the 2015-16 year, we also plan to introduce dedicated clamp meters to ensure that detailed data can be gathered related to electricity consumption within our demise at Victoria House. The above actions will assist with gathering the data required for sustainability developments and reporting in the 2015-16 year.



Accounts

Directors' Report

Statutory powers

The CMA is a non-Ministerial department. It derives its powers from the Enterprise and Regulatory Reform Act 2013.

The financial statements which follow are prepared in accordance with the accounts direction issued by HM Treasury under Section 6(4) of the Government Resources and Accounts Act 2000. This direction covers the resources acquired, held or disposed of during the year and the use of resources by the CMA.

The financial statements are prepared in accordance with HM Treasury's *Government Financial Reporting Manual* (FRM) and applicable accounting standards. The financial statements are prepared on an accruals basis and give a true and fair view of the state of affairs of the CMA and its Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the financial year.

Accounting Officer of the CMA and the CMA Board

The Chief Executive, Alex Chisholm, acts as the CMA's Accounting Officer. The CMA Board advises the Accounting Officer in his management and direction of the CMA so that the department achieves its business and financial objectives within agreed resources and budgets. As at 31 March 2015 the Board consisted of the Accounting Officer and the following executive and non-executive members:

Executive members*:

| | |
|-----------------|---|
| Alex Chisholm | Chief Executive/ Accounting Officer |
| Sonya Branch | Executive Director Enforcement** |
| Andrea Coscelli | Executive Director Markets and Mergers |
| Erik Wilson | Executive Director Corporate Services |

*The Board is supported by Sarah Cardell, General Counsel, and Dr Mike Walker, Chief Economist.

** Sonya Branch resigned on 7 May 2015. Ann Pope was appointed Acting Executive Director Enforcement on 7 May 2015 and holds this position until 15 July 2015, at which time Dr Michael Grenfell, who has been appointed as Executive Director Enforcement, takes up this post.

Non-Executive members:

| |
|---------------------|
| David Currie, Chair |
| Carolyn Fairbairn* |
| Alan Giles |
| William Kovacic |
| Philip Lowe |
| Annetje Ottow |
| Jill May |
| Roger Witcomb |

* Following the announcement on 29 June 2015 that Carolyn Fairbairn is to become the next CBI Director-General, she will stand down as a Non-executive Director of the CMA.

The remuneration of the Executive members is determined in accordance with the rules for the Senior Civil Service (SCS). Non-Executive members are paid a fee for their services, as determined by the CMA - see the Remuneration Report.

Our staff

The CMA is committed to providing employees with information on matters that affect them and consulting employees regularly so that their views are incorporated into our governance and decision making. During 2014-15 we implemented a number of initiatives aimed at strengthening staff participation and consultation, and enhancing communication across the organisation. We instituted weekly oral briefings to provide staff with important information on the organisation's business (both internal and external) and its achievements and challenges. These weekly briefings are supplemented by quarterly briefings from the Chief Executive, which provide staff with information on key strategic, economic and operational issues facing the organisation. These briefings also serve to engage staff with the CMA's performance against its strategic objectives and Annual Plan commitments and enable staff to raise questions and issues of concern.

In 2014 we took part in the Civil Service-wide staff survey to consult employees for their views on how to improve the CMA, and how we do our work (see our 'Develop Integrated Performance' section for more information). We have a staff forum which is made up of CMA employees whose role is to represent the interests of all employees. This group works with the CMA management team and staff management council to maintain good employment relations.

Our commitments to equality and diversity

We published our first Equality and Diversity Strategy in April 2015 which outlined our commitments and strategies to promote equality and diversity amongst our workforce. Further information on our commitments to equality and diversity is contained in the 'achieve professional excellence' section of this report.

Reporting on better regulation

Part 4 of the Regulatory Enforcement and Sanctions Act 2008 requires the CMA to report on its compliance with its duty under the Act to avoid imposing or maintaining unnecessary burdens on business in performing regulatory functions. The great majority of the work of the CMA, in particular the conduct of market studies and the enforcement of competition law, is undertaken under provisions which either do not confer regulatory functions for the purposes of the Act, or confer functions under competition or mergers law which are expressly excluded from its controls. The CMA has no power to make rules or otherwise impose burdens affecting businesses generally. Our interventions take place in relation to specific businesses or markets and we intervene only in the light of clear evidence of market failure and/or breaches of law that threaten the proper working of markets. The CMA is, however, fully committed across all its work to the policy goals underlying the government's better regulation agenda and has published a separate report on our contributions toward better regulation.

Sickness and absence data

Over the year 1 April 2014 to 31 March 2015, the average working days lost due to absence per full time equivalent employee was 4.0 days. This compares to the most recently published Civil Service average figure of 6.7 days.

Funding

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

The Estimates include a formal description ('ambit') of the services to be financed. Voted money cannot be used to finance services that do not fall within the ambit. The 2014-15 Estimate for the CMA is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/306926/main_supply_estimates_2014_2015_web.pdf

In the 2013 Spending Round HM Treasury awarded the CMA a Resource Departmental Expenditure Limit (Resource DEL) of £51.2m and a Capital Departmental Expenditure Limit (Capital DEL) of £1m for the financial year 2014-15, the CMA's first year of operation. The Resource DEL included a ring-fenced budget of £5.1m to cover depreciation and specific policy initiatives and placed a limit of £18.6m (including £1.1m of depreciation) on administration expenditure. In addition, BIS agreed to provide the CMA, through a budget transfer, additional funding of £3m in 2014-15.

In the Autumn Statement 2013 the Chancellor announced that the CMA's Resource DEL would be increased by £12m in 2014-15 to allow the CMA to expand its work relating to cartels and regulated markets.

In the 2014-15 Supplementary Estimates the CMA vired £0.7m from Resource DEL to Capital DEL, to meet anticipated additional capital expenditure. In addition, a Machinery of Government change transferred funding of £0.1m to BIS. Net Cash Requirement increased from £52.6m to £69.8m in the Supplementary

Estimate, reflecting the cash requirement impacts of the changes set out above and updated assumptions regarding movements in provisions and working capital.

The CMA's funding for its first year of operation therefore comprised a resource budget of £65.4m, with £5.1m ring-fenced, plus a capital budget of £1.8m.

Outturn

For the year ended 31 March 2015 the CMA reported comprehensive net expenditure of £62.1m. This compares to combined comparative expenditure from the CMA, OFT and CC of £63.9m (restated) for the year to 31 March 2014.

As set out in the Statement of Parliamentary Supply, the CMA's 2014-15 Resource DEL outturn was £61.8m, compared with an Estimate of £65.4m. Of this total saving of £3.6m, £2.5m related to ring-fenced depreciation. The remaining saving of £1.1m represents 1.7% of the CMA's Estimate Resource DEL limit. This net saving arose from certain delays in project activity compared with budgeted expenditure profiles, offsetting some transition costs in excess of budget.

The Capital DEL outturn of £1.3m was lower than Estimate by £0.5m, due to reassessments of the capitalisation of costs on IT development work and revised phasing of certain capital expenditure around the year end.

The CMA's Net Cash Requirement outturn of £62.8m was £7.0m lower than Estimate (£69.8m). This variance arose from a combination of effects including lower than anticipated Resource DEL and Capital DEL expenditure, and certain expenditure against provisions for liabilities and charges not occurring to the timescales expected when the CMA's Net Cash Requirement was agreed.

Creditor payments, target and performance

The CMA's 2014-15 target was to pay suppliers promptly in line with the department's standard terms and conditions, which are to pay all valid invoices within 30 days of receipt of invoice. The 30 days target was not met on all occasions predominately due to the CMA being in its first year of operation and the time taken to develop, implement and embed new systems and processes. In 2014-15, 65% of undisputed invoices were paid within the 30 day target. Since 1 April 2015, 90% of invoices received were paid within 30 days.

HM Treasury guidance is that government departments should aim to pay 80% of undisputed invoices within 5 days. The department is achieving further acceleration of its payment processes with the goal of settling substantially all valid invoices within 30 days and moving closer to the target set by HM Treasury.

Pension liabilities

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

Auditors

Paragraph 5 of the Government Resources and Accounts Act 2000 provides that the CMA's financial statements are audited by the Comptroller and Auditor General. The notional cost of the audit is disclosed in note 4 of the CMA's financial statements and relates solely

to statutory audit work. The auditors did not undertake any non-audit work during the 2014-15 year.

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

Personal data related incidents

The CMA had one personal data incident that was formally reported to the Information Commissioner's Office (ICO) during the 2014-15 year. The details are below:

| | |
|---------------------------------------|--|
| Date of incident | November 2014 |
| Nature of incident | Disclosure of staff salary details |
| Nature of data involved | Internal disclosure of salary details to Board members and CMA officials |
| Number of people potentially affected | 300 |
| Notification steps | The ICO was notified and no further action taken as it was a limited internal disclosure |

Going concern

The going concern basis is set out in note 1.21 of the CMA's financial statements. The financial statements for the CMA in respect of the year to 31 March 2015 are prepared on a going concern basis in accordance with the FReM issued by HM Treasury.

The Statement of Financial Position at 31 March 2015 shows net liabilities of £10,043k (2013-14: £10,696k).

Provision for revenue and capital expenditure for 2015-16 for the functions performed by the CMA have been included in Estimate submissions, which have been approved by Parliament.

Register of interests

The CMA Conflicts of Interests policy states that a register will be maintained of interests for Board members and their families. Board members' interests are published online at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/355989/Register_of_Interests.pdf.

Panel members' relevant interests are disclosed as part of the appointment process for the inquiries in which they are involved.

Events after year end and future developments

The Consumer Rights Act 2015 (the CRA) is expected to come into force in October 2015. The CRA introduces major reforms to consumer protection law as well as changes to private actions in competition law, including the creation of a statutory framework for voluntary redress schemes. Under the framework, businesses who are found to have infringed competition law will be able to voluntarily set up schemes to provide redress to consumers or businesses who have suffered loss as a result. The CMA will be able to approve schemes that have been set up according to a process specified in statutory regulations; an independent Board of experts will be responsible for calculating the actual compensation appropriate.

Where schemes are approved, the CMA would generally expect to reduce the level of fine it imposed for the infringement. Such voluntary schemes would provide an alternative route to redress through private actions in the courts, enabling the CMA to play a role in encouraging the provision of redress and speeding up the redress process for consumers. Our policy and procedures in relation to the performance of this approval function will be published before the CRA comes into force.

Following the General Election in May 2015, a spending review and changes in government policy relevant to our role and remit have been announced. There are also ongoing debates around the devolution of powers within the UK and the UK's place in the EU, both of which may affect the CMA. We will respond to these developments where appropriate, and stand ready to contribute our expertise and knowledge to these debates where we can help to inform decisions and ensure that policy is as effective as possible.



Signed for and on behalf of the CMA

Alex Chisholm

Chief Executive and Accounting Officer
16 July 2015

Remuneration Report

Remuneration policy

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

The Review Body advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peer allowances; and 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 Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/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 services;
- The funds available to departments as set out in the government's departmental expenditure limits; and
- The government's inflation target.

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

Further information about the work of the Review Body can be found at www.ome.uk.com.

The salary and pension entitlements in this report have been subject to audit by the external auditor, the Comptroller and Auditor General, appointed under the Government Resources and Accounts Act 2000.

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 may be made otherwise.

Unless otherwise stated below, the officials covered by this report held appointments which are open-ended and to which a notice period of three months would usually apply. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management of the CMA.

Senior management remuneration (salary and fees, bonus payments, pensions and benefits in kind)

| Senior management | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
|-------------------|-----------------|--------------------------------------|----------------|---------|-------------------|---------|---------|---------|
| | Salary and fees | | Bonus payments | | Pension benefits* | | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Alex Chisholm | 190-195 | 90-95 (full year equivalent 185-190) | 15-20 | 15-20 | 70-75 | 35-40 | 275-280 | 145-150 |
| Sonya Branch | 150-155 | 70-75 (full year equivalent 145-150) | nil | nil | 40-45 | 20-25 | 190-195 | 90-95 |
| Andrea Coscelli | 150-155 | 55-60 (full year equivalent 145-150) | 15-20 | nil | 55-60 | 20-25 | 220-225 | 75-80 |
| Erik Wilson | 105-110 | 50-55 (full year equivalent 105-110) | nil | 10-15 | 170-175 | 75-80 | 280-285 | 140-145 |
| Sarah Cardell** | 145-150 | 50-55 (full year equivalent 140-145) | nil | nil | 20-25 | nil | 165-170 | 50-55 |
| Mike Walker | 170-175 | 60-65 (full year equivalent 170-175) | nil | nil | 60-65 | 20-25 | 230-235 | 85-90 |

* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

** During 2014-15 Sarah Cardell was employed on a 4 days per week contract which on an FTE basis equates to salary and fees of £180-185k

At the time of preparation of the 2013-14 Annual Accounts, the real increase in pension and lump sum was not readily available and were estimated therefore, and the comparative figures have been restated to reflect the actual position.

Salary and fees covers both pensionable and non pensionable amounts and includes, but may not necessarily be confined to: gross salaries, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and other allowances to the extent that they are subject to UK taxation and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in

the performance of an individual's duties. The total remuneration shown in the figures above is based on accrued payments made by the CMA to senior management members.

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported to senior management members in the figures above relate to performance in that year.

The monetary value of benefits in kind covers any benefits provided by the CMA and treated by HM Revenue and Customs (HMRC) as a taxable emolument. The CMA senior management members did not receive any benefits in kind in 2014-15 (2013-14: nil).

Non-executive Board members remuneration (salary and fees, bonus payments, pensions and benefits in kind)

| | 2014-15 Salary and fees £000 | 2013-14 Salary and fees £000 |
|-------------------|------------------------------------|--|
| David Currie | 190-195 ¹ | 90-95 (full year equivalent 180-185) |
| Carolyn Fairbairn | 25-30 | 10-15 (full year equivalent 25-30) |
| Alan Giles | 25-30 | Nil ² |
| William Kovacic | 25-30 | 10-15 (full year equivalent 25-30) |
| Philip Lowe | 25-30 | 5-10 (full year equivalent 25-30) ³ |
| Jill May | 25-30 | 10-15 (full year equivalent 25-30) |
| Annetje Ottow | 25-30 | 10-15 (full year equivalent 25-30) |
| Roger Witcomb | 25-30 | Nil ⁴ |

¹ During 2014-15 David Currie was employed on a 3 days per week contract which on an FTE basis equates to salary and fees of £315-320k.

² Alan Giles remained on the Board of the OFT until March 2014. He received no remuneration from the CMA in 2013-14.

³ Philip Lowe received no remuneration from the CMA for the period October to December 2013 while he completed his term of office as Director General Competition for the EU.

⁴ Roger Witcomb remained as Chair of the CC until March 2014. He received no remuneration from the CMA in 2013-14.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce, excluding the highest paid director, as at the reporting period end date. The calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis.

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 cash equivalent transfer value of pensions.

The banded remuneration of the highest-paid director in the CMA as at March 31 2015 was £315–320k (2013-14: £315–320k). This was 5.9 times (2013-14: 6.8 times) the median remuneration of the workforce, which was £53,763 (2013-14: £46,518). The increase in median remuneration is the principal reason for the reduction in this ratio. This increase is due to the change in mix of staff required to support the delivery activities of the new organisation together with an increase in base salaries of certain groups of senior delivery staff to

align closer to market rate, in order to attract and retain talented professionals.

In 2014-15, no employees received remuneration in excess of the highest-paid director (2013-14: nil). Remuneration, excluding the highest paid director, ranged from £20k to £208k (2013-14: £18k - £203k).

All the Non-executive Board members were engaged on a 30 days per year contract with the exception of David Currie who at 31 March 2015 was engaged on a 3 days per week contract.

Non-executive Board members and Directors were not eligible for bonuses. The non-executive Board members did not receive any benefits in kind.

The non-executive Board members are not members of the Principal Civil Service Pension Scheme (PCSPS) and they have no other pension entitlements with the CMA (2013-14: nil).

In addition to salary, non-executive Board members are reimbursed the cost of travelling to and from the CMA, including costs incurred to attend the CMA Board and other meetings. These reimbursements totalled £7,888 in 2014-15.

Pension entitlements

| | Accrued pension at pension age as at 31 March 2015 and related lump sum | Real increase in pension and related lump sum at pension age | CETV* at 31 March 2015 | CETV at 31 March 2014 | Real increase/decrease in CETV |
|------------------|---|--|------------------------|-----------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Alex Chisholm | 7.5-10.0 | 2.5-5.0 | 88 | 38 | 30 |
| Sonya Branch | 17.5-20.0 | 2.5-5.0 | 211 | 173 | 19 |
| Andrea Coscelli | 2.5-5.0 | 2.5-5.0 | 51 | 14 | 23 |
| Erik Wilson | 55.0-57.5 | 7.5-10.0 | 844 | 677 | 128 |
| Sarah Cardell ** | - | - | - | - | - |
| Mike Walker | 5.0-7.5 | 2.5-5.0 | 60 | 16 | 28 |

* CETV is the abbreviation for cash equivalent transfer value, which is defined below.

** Sarah Cardell is in a stakeholder pension scheme so there is no CETV involved, nor can her accrued pension be estimated.

The actuarial factors used to calculate CETVs were changed in 2014-15. The CETVs at 31 March 2014 have been calculated using the new factors, for consistency. The CETVs at 31 March 2014 therefore differ from the corresponding figures in the Remuneration Report for 2013-14 which were calculated using the previous factors.

The Chairman and the other non-executive Board members are not members of the Principal Civil Service Pension Scheme (PCSPS) and they have no other pension entitlements with the CMA.

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. Civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). 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 and nuvos are increased annually in line with Pensions Increase legislation. Members may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Increases to employee contributions apply from 1 April 2015.

For the classic scheme, benefits 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 the premium scheme, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. The premium scheme does not attract an automatic lump sum.

The classic plus scheme is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per the classic scheme and benefits for service from 1 October 2002 worked out consistent with the premium scheme. In the nuvos scheme, 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 updated in line with Pensions Increase legislation. In all cases members may elect to give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

On 1 April 2015 a new Alpha pension scheme was introduced. The majority of the CMA staff will transfer to this scheme. It is a career average pension scheme, which offers a guaranteed pension that builds up each year based on a percentage of pensionable earnings from each year of active membership. Alpha will have a Normal Pension age that is the same as the State Pension age.

The partnership pension account is a stakeholder pension arrangement. The CMA makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable earnings (in addition to the employer's basic contribution). The CMA also contribute a further 0.8% of pensionable earnings 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at www.civilservice.gov.uk/pensions.

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 pension benefits they have 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 this disclosure applies.

In addition, the pension figures include the value of any benefit in another scheme or arrangement which has transferred to the Civil Service pension scheme and any benefit accrued as a result of buying additional pension benefits at the member's own cost.

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It excludes increases due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It is worked out using common market valuation factors for the start and end of the period.

Compensation for loss of office

No senior managers received compensatory payments in 2014-15 (2013-14 nil).



Alex Chisholm
Chief Executive and Accounting Officer
16 July 2015

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, HM Treasury has directed the CMA to prepare, for each financial year, accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the CMA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

HM Treasury has appointed the Chief Executive as Accounting Officer of the CMA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the CMA's assets, are set out in *Managing Public Money* published by HM Treasury.

In preparing the accounts, the principal Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

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

Governance Statement

This Statement comprises:

- Part A** Governance Framework: Explanation of the CMA's governance and accountability structure
- Part B** Governance in 2014-15: An account of key issues and performance

- tackle practices and market conditions that make it difficult for consumers to exercise choice;
- cooperating with sector regulators and encouraging the regulators to use their competition powers; and
 - considering regulatory references and appeals.

Part A

Governance framework

The Competition and Markets Authority (CMA) is an independent non-ministerial government department, with a primary duty to promote competition for the benefit of consumers, both within and outside the UK.

The CMA was created by the Enterprise and Regulatory Reform Act 2013 (the ERA). The CMA formally came into being on 1 October 2013 and acquired its powers and responsibilities on 1 April 2014.

The key ways in which the CMA fulfils its duties are by:

- investigating mergers which could restrict competition;
- conducting market studies and investigations where there may be competition and consumer problems;
- investigating where there may be breaches of UK or EU prohibitions against anti-competitive agreements and abuses of dominant positions;
- bringing criminal proceedings against individuals who commit the cartels offence under the Enterprise Act 2002 (EA02);
- enforcing consumer protection legislation to

Under the EA02, the CMA has a number of general functions that support the exercise of its more specific powers, duties and functions. The general functions comprise:

- obtaining, compiling and keeping under review information about matters relating to the carrying out of its functions;
- making the public aware of the ways in which competition may benefit consumers in, and the economy of, the UK, and providing information or advice to the public about matters relating to any of its functions; and
- making proposals, or giving other information or advice on matters relating to its functions, to any Minister of the Crown or other public authority.

There are 20 areas of legislation governing the CMA's main powers, duties and functions including those relating to regulatory appeals.

The CMA works with its international counterparts to promote a consistent approach to tackling anti-competitive practices and protecting consumers' interests. The CMA leads on UK engagement with some international networks and organisations including: the European Competition Network, the European Consumer Protection Cooperation Committee, the International Competition Network, the International Consumer Protection and Enforcement Network, the Organisation for

Economic Co-operation and Development (OECD) Competition Committee and the OECD Committee on Consumer Policy.

CMA Board

The Chairman and members of the CMA Board (which must consist of the Chairman and no fewer than five other members at least one of whom must also be a member of the CMA Panel – see below) are appointed by the Secretary of State under paragraph 1, Schedule 4 of the ERRA. The Chief Executive is appointed by the Secretary of State under paragraph 9, Schedule 4 of the same Act.

The Board, as at 31 March 2015, comprised the non-executive Chairman; the Chief Executive; three executive directors; and seven non-executive directors of which two are also appointed to the CMA Panel (see below). Two Board advisers (the General Counsel and the Chief Economic Adviser) also attend Board meetings. The Board operates according to the Rules of Procedure that it has adopted,¹ which are published on the CMA website and which are to be reviewed every two years. These rules, where applicable, are to be read and interpreted together with the CMA's statutory powers and functions.

The Rules list various matters (see Table 1) that are reserved for the involvement of the Board. This list of matters does not preclude other matters or decisions that have been delegated by the Board being referred to the Board. Reserved matters include decisions to launch a market study, to consult on a possible reference for a market investigation and refer a market for a phase 2 market investigation.² The Board also reviews and, if satisfied, approves the Annual Plan made under paragraph 12 of Schedule 4 to the ERRA, the Annual Report made under paragraph 14 of Schedule 4 of the ERRA, the Annual Concurrence Report made under

Table 1 Matters reserved for Board involvement

This list replicates Annex A of the Board Rules of Procedure:

The functions of deciding:

- (a) whether the duty to publish a market study notice under section 130A of the Enterprise Act 2002 applies
- (b) whether to propose to make, or to make, a reference under section 131 of that Act
- (c) for the purposes of the requirement imposed by section 131A(2)(b) of that Act, whether the CMA is proposing to make a decision as to whether to make a reference under section 131 of that Act in a way that is likely to have a substantial impact on the interests of any person
- (d) whether section 140A of that Act applies in respect of a particular case
- (e) whether to accept an undertaking under section 154 of that Act, or to vary or supersede or release an undertaking under that section
- (f) for the purposes of the requirement imposed by section 169(2) of that Act, whether the CMA is proposing to make a decision to make a reference under section 131 of that Act in a way that is likely to have a substantial impact on the interests of any person

It also:

- approves the CMA's conflicts of interest policy for staff and members of the CMA Panel appointed under paragraph 1(1)(b)(ii), Schedule 4 of the Act
- makes any decisions in relation to property that have a significant long term impact on the CMA's costs or the space available for the CMA to carry out its work

The list of matters reserved for Board involvement does not preclude other matters or decisions being reserved by the Board or, in the case of matters that have been delegated by the Board, being referred to the Board.

¹The statutory power to make these rules is at paragraph 31(1) of Schedule 4 of the ERRA

²Part 2, Schedule 4 of the ERRA

paragraph 16 of Schedule 4 of the ERRA, and the Annual Accounts.

The Board establishes the overall strategic direction of the CMA within the policy framework laid down under the ERRA and the resources allocated to the CMA by HM Treasury. It ensures that relevant guidance on the governance of public bodies and the principles of good corporate governance are duly regarded and that the CMA as a statutory body fulfils its statutory functions and its obligations in relation to the use of public funds in accordance with all statutory provisions applicable to the CMA.

The Board holds the organisation to account, receiving formal quarterly performance reports. In considering the quarterly performance reports, the Board assesses performance and considers current threats to delivery of the CMA's objectives through a review of the corporate risk register. The Board also receives regular reports and updates on cases with each tool (e.g. merger control, consumer enforcement).

The Board has established two Board sub-committees: the Audit and Risk Assurance Committee and the Remuneration Committee.

The Audit and Risk Assurance Committee is chaired by a non-executive director. The purpose of the Committee is to advise the Accounting Officer (the Chief Executive) and the Board on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of the CMA's risk management system and procedures and its internal controls including business continuity and information technology. The Audit and Risk Assurance Committee's remit encompasses all aspects of corporate governance, risk management and internal control within the CMA.

The Remuneration Committee is chaired by a non-executive director. The purpose of the Committee is to review the performance of all SCS staff members and to award pay and bonuses in accordance with Cabinet Office rules. The Committee also provides a strategic steer on pay issues relating to non-SCS staff.

The CMA Chairman, through the Statutory Authorisations, authorises, on behalf of the CMA Board, the staff of the CMA to exercise the functions of the CMA pursuant to paragraph 29 of Schedule 4 of the ERRA.³ The Statutory Authorisations ensure compliance with this requirement, arising from the fact that the CMA is a statutory body and that its employees act on its behalf only in so far as specifically authorised to do so. The level of authorisation depends on the particular role each staff member performs, and covers specific posts, including, but not restricted to, the Chief Executive; the Executive Directors; the General Counsel and Deputy General Counsel; the Director of Litigation; and Senior Directors and Directors. Oversight of the exercise of these functions by the staff is provided ultimately by the Board and two executive committees: the Executive Committee and its sub-committee, the Operations Committee; and the Case and Policy Committee.⁴

The Executive Committee, chaired by the Chief Executive, advises the Board and has overall responsibility *inter alia* for the day-to-day leadership and management of the organisation and its work. The Committee focuses on: the development of organisational strategy and objectives and the CMA's performance against them, including delivery across all tools; the initiation and resourcing of cases and projects; organisational transformation and leadership matters; staffing matters including culture and staff development; providing steers to and considering recommendations from the Operations Committee; keeping an overview

³Statutory Authorisations

⁴During 2014-15, the Executive Committee streamlined the sub-committees reducing by two the number originally established at the start of the CMA. Specifically, the Portfolio and Resource Committee and the Remedies, Undertakings and Commitments Committee were established as sub-committees of the Executive Committee and the Case and Policy Committee respectively. These were disbanded in January 2015 and their responsibilities folded into the Executive Committee and the Case and Policy Committee

of the operation of the competition and consumer regimes, including relationships with key stakeholders; the CMA's reputation, communications strategy and relationships with key stakeholders; and matters relating to the Board, including preparing for and reviewing Board meetings.

The Operations Committee is chaired by the Executive Director Corporate Services. It oversees and takes any necessary decisions in relation to Corporate Services, including IT and information security, business support services, risk and business continuity. It ensures that appropriate information relating to these matters is reported to the Executive Committee and the Audit and Risk Assurance Committee. It also provides advice to the Executive Committee in relation to staffing and finance.

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

Minutes of the Executive Committee, Case and Policy Committee and the Operations Committee are shared with the Board in the interests of openness and transparency.

CMA Panel

Members of the CMA Panel are appointed by the Secretary of State under paragraph 1, Schedule 4 of the ERRA. The Panel, as at 31 March 2015, comprised a Chair of the Panel and seven Inquiry Chairs,⁵ designated as such by the Board and authorised by the Secretary of State, and 31 Panel members. Two Panel Members, including the Chair of the Panel, have also been appointed

to the Board. The Chair of the CMA Board has specifically authorised the Chair of the Panel, and the Inquiry Chairs, to exercise on his behalf certain functions relating to the Panel.⁶

Groups of members drawn from the CMA Panel make decisions on Phase 2 mergers and markets. Each group has at least three members and is generally chaired by the Chair of the Panel or one of the Inquiry Chairs. In reaching their decisions, groups must act independently of the Board.⁷ The Board's oversight role does not therefore extend into the substance of decisions by groups on Phase 2 work. The Board is kept informed about resourcing, efficiency, the application of CMA policy and the staff processes that support the work of the Panel.⁶

The Board has also taken steps to ensure the independence of panel decision-making and avoid perceptions of a lack of independence. For example, the Panel members who are also on the Board do not take part in decisions to make market investigation references for any investigation on which it is anticipated they might form part of a Phase 2 group. In addition, the Chair of the Panel recuses himself from decisions relating to Market Studies where a market investigation reference is under consideration.

Board performance

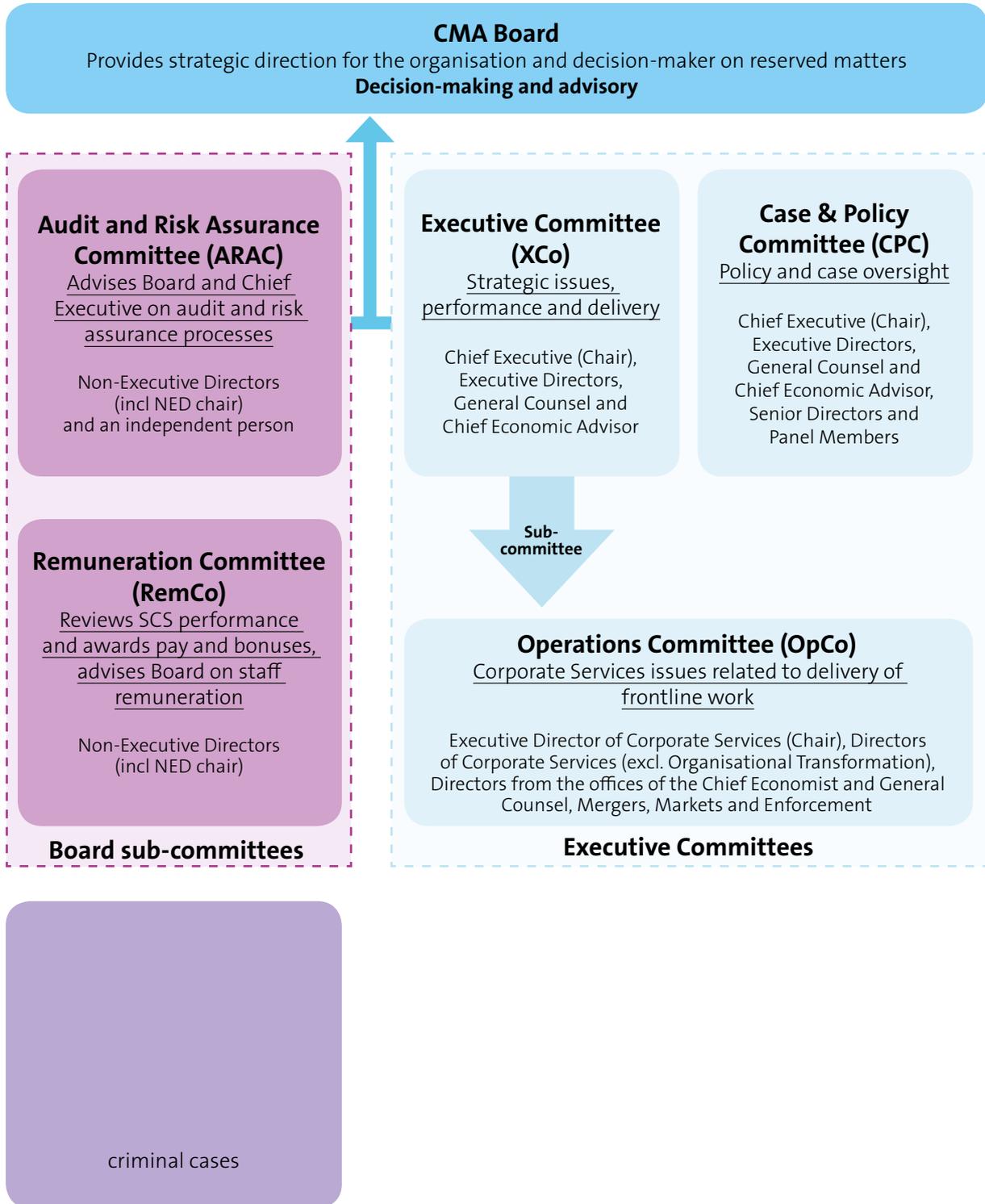
Under its Rules of Procedure, the Board annually reviews its performance and that of its committees. The Chairman evaluates the individual performance of non-executive Board members and the Chief Executive raises any issues with the individual. The Chairman discusses with the Department for Business, Innovation and Skills (BIS) any issues which should be taken into account in considering terms of appointment or re-appointment. The

⁵The Secretary of State for Business, Innovation and Skills has authorised 'Panel Deputy Chairs' in the Statutory Authorisations from the Secretary of State. These are generally referred to as Inquiry Chairs, reflecting their function and duties

⁶Specifically, the functions listed in paragraph 48(4) of Schedule 4 of the ERRA. The authorisations form part of the statutory authorisations referenced in footnote 3

⁷Paragraph 49(1), Schedule 4 to ERRA

CMA Committee structure



non-executive directors as a group assess the performance of the Chairman, and the Senior Independent Member (appointed by the non-executive directors) provides feedback to the Chairman and to BIS.

Corporate Governance Code

The CMA aims to comply with the *Corporate Governance Code*⁸ where applicable. However, as the CMA is a non-ministerial department created by statute, with members appointed by the Secretary of State, some sections of the Code (e.g. those pertaining to the involvement of Ministers and Permanent Secretaries on the Board) are not relevant to the CMA. For instance, the Chairman, being an independent non-executive, performs the role of lead non-executive Board Member set out in the Code.

The CMA is subject to the general policy requirements set by the Government for all government departments, including those on diversity and equality, freedom of information, information technology (including data security), human resources (including recruitment and remuneration), finance (including procurement), transparency and whistleblowing.

The CMA operates a cascade system of authority to incur expenditure whereby authority to incur expenditure is formally recorded in a set of delegation letters from the Accounting Officer to budget holders.

In respect of the setting of personal objectives, a cascade approach is followed whereby all staff should have regard to SCS objectives which are published on the intranet. This process ensures alignment of individual personal objectives of all staff with corporate objectives.

Risk management

The CMA risk management policy explains our approach to risk management and aims to ensure consistent application across the organisation. It provides a framework for the management of all risks – high level corporate risks and risks at every level of the organisation including project risks. The CMA manages risks by having a robust risk management control framework for identifying, assessing, addressing, reviewing and reporting risks. This framework consists of a risk appetite statement, risk register, risk grid and risk escalation process.

The CMA's risks are identified at corporate, directorate, and project level. Directorate and project risks are held on risk registers at the appropriate level, maintained and managed by the relevant directorate or project leader, who are required to identify, manage, review and escalate risks as required. The CMA also has a conflicts of interest policy and procedure that is followed at the launch of every project and updated as necessary through the life of a project. Risks that are considered to have a significant potential impact on the delivery of the CMA's objectives are escalated to a corporate risk register. The corporate risk register is subject to regular review at Committee (Operations Committee, Executive Committee, and Audit and Risk Assurance Committee) and Board level.

The CMA applies risk management disciplines to all of its project and casework. It incorporates post-project evaluation in the form of lessons learned studies where appropriate, and also undertakes more extensive evaluation of selected projects.

⁸ *Corporate governance in central government departments: Code of good practice 2011*, HM Treasury

The CMA Board engaged with the Finance team in July 2014 to establish its risk appetite that was subsequently shared with staff to inform risk assessment and management in the CMA. The table below shows the Corporate Risks for the CMA in 2014-15. The relative importance of each of these risks changed over the course of the year as controls and projects were put in place to address them but there were no additional corporate risks added in the course of the year.

The Chief Executive sought assurance from the Senior Executive Team (comprising the three executive directors, the General Counsel and the Chief Economic Adviser) that matters including risk, finance and staffing were effectively managed in the course of the reporting year. This exercise followed an informal internal process at the mid-year point to ensure that adequate controls and reporting were in place by the year-end. The letters provided assurance in all key areas and any potential improvements identified are being actioned.

Table 2 Corporate risks in the CMA 2014-15

| |
|---|
| Major case failure |
| Loss of data/security |
| Impact and confidence failings |
| Failure to increase pace and efficiency |
| Governance: unmanaged conflicts of interest |
| Governance: misuse of public funds |
| Failure to establish efficient/effective corporate support |
| IT failure |
| Staff: attracting talent, retention, engagement and performance |

Whistleblowing and Speaking Out

Consistent with Cabinet Office guidance the CMA has appointed a Board level representative with overall responsibility for whistleblowing practices – known within the CMA as Speaking Out practices – within the organisation: Erik Wilson. Speaking Out is considered as part of the Audit and Risk Assurance Committee agenda and once a year the Board receives a report on the effectiveness of its speaking out policy and information relating to its use and any trends. The CMA's procurement team has been briefed to ensure that it encourages our providers to adopt speaking out procedures of their own. Management information is kept about the detail of speaking out for use in reporting and trend analysis.

There have been no incidents of staff members speaking out in this reporting year.

Internal Audit

The Head of Internal Audit is a CMA employee and, as is customary in government departments, has access to the Accounting Officer and the Chair of the Audit and Risk Assurance Committee. The audit service itself is contracted out. The Audit and Risk Assurance Committee approves the annual Internal Audit programme of work and monitors progress throughout the year.

Part B

Governance in 2014-15

Board attendance and performance

During 2014-15, the Board had 11 meetings. Meetings generally ran for 6-7 hours. Nine meetings were held in the CMA's offices in London, one meeting was held in Edinburgh and one meeting was held in Cardiff.⁹ In addition, the Board may also be updated by email and take decisions outside Board meetings by teleconference or email. During 2014-15 the Board took three decisions by email. Attendance of Board members at Board and Committee meetings as shown on page 78 in the Board member attendance at meetings table.

Having only had full use of its powers since 1 April 2014 the Board agreed to conduct a formal review of its effectiveness in the summer of 2015. In addition, the Non-Executive Directors have met twice: once with the Chairman (with the Chief Executive also invited) and once on their own, chaired by the Senior Independent Member of the Board. These meetings informed some changes to the approach in ensuring enhanced communication of key issues between the Executive and Non-Executive and it was agreed would repeat on a regular cycle.

An internal audit of governance found that the CMA's governance arrangements were largely in line with best practice. One issue raised related to the composition of the Board, of which it was noted that the Finance Director is not a member. This issue is being pursued with Treasury with the aim of establishing modus operandi that ensure good governance, consistent with the CMA's structures.

An informal review of Board support was conducted and found that Board members felt that they were provided with sufficient material to enable them to make informed decisions. The Board also receives a quarterly performance report which has been well received by the Board and has been said by the Board to give an effective overview of performance across the CMA.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee held four meetings in 2014-15. It discussed internal audit reports on various aspects of the organisation, and monitored progress made against recommendations, as well as the CMA's financial position. As Accounting Officer, the Chief Executive has attended each of these meetings. The National Audit Office was represented at each of these meetings.

A key feature during the early part of this period was the focus on how the transition from OFT and CC was bedding down. The Committee received regular ICT updates from the Director of Business Services, or his deputies, to update the Committee on progress.

The Committee reviewed the overall risk management systems in the organisation, and also undertook a 'deep dive' review of two corporate risks: i) Major case failure; and ii) Failure to increase pace and efficiency. The Committee reported that it had been reassured by how risks were reviewed and managed.

The Committee also, through the year, received papers on and/or discussed a wide range of other topics including cyber security, whistleblowing, lessons learned from external

⁹ The Board met in Belfast in June 2015

Board member attendance at meetings

| Board Members | Board | Audit and Risk Assurance Committee* | Remuneration Committee |
|-------------------|-------|-------------------------------------|------------------------|
| David Currie | 10/11 | | 3/3 |
| Alex Chisholm | 11/11 | | |
| Sonya Branch | 11/11 | | |
| Andrea Coscelli | 10/11 | | |
| Erik Wilson | 11/11 | | |
| Carolyn Fairbairn | 10/11 | | 3/3 |
| Alan Giles | 11/11 | 4/4 | |
| Bill Kovacic | 10/11 | | |
| Philip Lowe | 10/11 | 3/4 | |
| Jill May | 11/11 | 3/4 | |
| Annetje Ottow | 10/11 | | 2/3 |
| Roger Witcomb | 10/11 | | 3/3 |

*Ed Smith FCA CPFA, who is a CMA panel member but not a member of the CMA Board, is an independent member of the Audit and Risk Assurance Committee. Ed has a wide-ranging, senior, non-executive background with extensive finance and commercial experience. He has operated in senior roles in a wide range of national public sector bodies and has a clear understanding of the particular challenges facing such organisations. Ed has attended 4 out of 4 of the CMA's Audit and Risk Assurance Committee meetings.

organisations around handling market sensitive information, and system developments such as plans for the implementation of an electronic document and records management system. With regard to cyber security, the Committee received advice from the National Archives, which is the lead government department for cyber security, on approaches to building cyber resilience.

Minutes of the Audit and Risk Assurance Committee are shared with the Board.

Remuneration Committee

The Remuneration Committee met three times in 2014-15. As Accounting Officer, the Chief Executive attended each of these meetings.

The committee's key focus during this period was overseeing the SCS performance management process to ensure consistency of

operation, and approving the 2014-15 SCS Pay Remit and the CMA's Pay Policy.

In September the CMA Remuneration Committee was asked to hear three appeals from SCS staff at the Office of the Rail Regulator (ORR) as part of our reciprocal support arrangements. As a result of reviewing these appeals, the Remuneration Committee took steps to ensure that the CMA SCS performance management process was being operated correctly and that any learning from the appeals process would be taken into consideration by the CMA.

In November 2014, the Remuneration Committee requested a review of the SCS mid-year performance management process and were provided with a report of the key findings and actions we would be taking as a result of the lessons learned. These were well received and the Remuneration Committee was content that the actions suggested to

strengthen the operation of the SCS Performance Management Policy, and to ensure our staff understood their responsibilities, were sufficient. The Remuneration Committee met again in May 2015 to oversee the SCS end of year performance rankings and agree on the 2015-16 SCS Pay Remit.

Minutes of the Remuneration Committee are shared with the Board.

Risk management

The CMA continues to operate within its risk and control framework using the Board approved statement of risk appetite. The corporate risk register is kept under regular review, with individual risks being reviewed by the Operations Committee on a periodic basis.

Each Executive Board member was required to review and maintain oversight of the arrangements for identifying and managing risk in the areas for which they were responsible and to report as appropriate to the Executive Committee and the Board, in addition to providing the Accounting Officer with a report on how arrangements were managed.

The Operations Committee oversaw a rolling programme of review of the corporate risks. Significant risks were also reviewed by the Audit and Risk Assurance Committee. The Board monitored working-level risks through a monthly report from the Executive Committee on key developments, and the complete corporate risk register was reviewed quarterly by the Board as part of the Executive Committee's performance report.

Major risks and issues

The CMA's corporate risks fall into three broad categories. The front-line risks cover pace, efficiency and effectiveness of delivery and the impact of adverse outcomes. Corporate services risks cover infrastructure related risks such as

those related to IT and other administrative operations. The final category covers the people and financial resources needed to deliver the objectives of the CMA.

The uncertainty associated with ongoing litigation relating to cases taken by the legacy organisations, as well as new CMA cases, means that there will continue to be financial risks for the CMA relating to adverse judgements.

A focus of attention in the early part of the year was on assessing progress in increasing stability of the CMA's IT infrastructure; the Audit and Risk Assurance Committee took a close interest in this as noted above.

Data security

The CMA's Executive Director for Corporate Services is the Senior Information Risk Owner, supported by a Departmental Security Officer, a Deputy Departmental Security Officer and an IT Security Officer.

The CMA reported security incidents primarily related to the loss of the CMA's information assets (including lost or stolen BlackBerry and Laptop devices). The CMA incident response plans and the use of technical controls, such as to purge and block device access to the CMA systems, prevented access to information through the unauthorised use of the CMA devices. The CMA has detected a number of malware infections which were confined to user laptop devices and which were resolved with minimal impact to the CMA information, systems, and services. Instances of the CMA staff not following procedural controls has resulted in a small number of incidents which resulted in the unauthorised disclosure of information (for example loss of papers or email sent to the incorrect recipient).

All security breaches and near misses are reported to the Audit and Risk Assurance Committee and the Executive Committee with

individual breaches considered and escalated as appropriate dependent on their seriousness.

During the reporting period one incident was identified which required the CMA to inform or escalate to the Information Commissioner's Office as shown on page 62. Where external party information was accidentally disclosed the parties were appropriately notified in a timely manner. All staff were invited to complete the Civil Service Learning Protecting Information Level 1 training. To strengthen the messaging to staff about the need to adhere closely and constantly to security policy, the CMA will consider introducing a 'points' system with regard to security incidents.

As part of the overall Business Services 2014-15 delivery programme, Business Continuity Planning was identified as a key project because of the risk to which the CMA was exposed in the absence of such contingency arrangements. A business continuity plan was developed in 2014 which outlined the emergency response and business continuity arrangements for the CMA.

Following on from this, the CMA defined the individual business plans for core services within each directorate. These plans have been reviewed and signed off by all directorates. Given that a Business Impact Assessment (BIA) was defined by the Office of Fair Trading and is aligned to the CMA's business, a decision was taken not to re-define the BIA. However, for the IT applications and services, the Operations Committee decided that the recovery time objective would be set at four hours from the time the recovery plan was invoked.

As a next step, a crisis management exercise will be carried out in order to test the validity of the plan. Any lessons learnt from this exercise will feed into the individual and master business continuity plans.

In addition to this the Board has an established procedure for convening in an emergency

situation. This was successfully tested in December 2014 and the Board was able to convene a quorate meeting with less than an hour's notice and out of hours.

Diversity

The CMA continues to maintain and encourage a diverse workforce. On 31 March 2015, 51 per cent of all permanent staff and 39 per cent of SCS staff were female: we also had four female Board members. 14 per cent of staff declared themselves as being from an ethnic minority; 5 per cent of staff declared a disability; and, of staff who have chosen to report their sexual orientation (85%), 6 per cent declared themselves as lesbian, gay or bisexual.

Internal audit review

Internal Audit carried out a programme of seven audits and four reviews over the financial year. One audit was rated yellow, four were rated amber, and two were rated red. The Head of Internal Audit noted in the annual internal audit review that establishing a new government department with a comprehensive corporate support apparatus represented a significant challenge, especially when much of the work was being carried out by the same staff responsible for closing legacy organisations.

The Head of Internal Audit concluded that the CMA has established some solid foundations, with a sound overall governance structure. In risk management, a good infrastructure of policies and procedures has been established, although compliance was found to be mixed.

The internal audit programme focussed on corporate support areas, where in some key areas arrangements at the inception of the CMA were only partially established. During 2014-15 there have been improvements in the control environment, but there remains a significant

programme of work to bring the CMA's systems of internal control to a satisfactory standard. Of particular concern is the finance area where an incomplete preparation exacerbated by high staff turnover created some vulnerabilities, which are being addressed. In IT-related areas, good progress has been made on business continuity management, disaster recovery and configuration management but remedial work in these areas has not been fully completed.

Overall the Head of Internal Audit concluded that there is limited assurance on the CMA's internal control framework in its first year of operation. However if the current trajectory of improvements is maintained throughout 2015-16, the assurance level is expected to increase correspondingly.

Conclusion

In the CMA's first year of operation we successfully established a solid governance structure and put in place a range of systems and processes to support this. The Senior Executive Team has been key in supporting all governance initiatives and we can look back with pride on the first year overall. However there remains further work to be done and I will be working with the Senior Executive Team and other colleagues to further strengthen the internal controls where necessary in 2015-16.



Alex Chisholm

Chief Executive and Accounting Officer
16 July 2015

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

I certify that I have audited the financial statements of the Competition and Markets Authority for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

17 July 2015

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

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2014-15

| | | 2014-15 | | | | | | Restated 2013-14 | |
|---------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|--|---------------|
| | | Estimate | | | Outturn | | | Outturn | |
| | SoPS Note | Voted | Non- voted | Total | Voted | Non- voted | Total | Voted outturn compared with Estimate: saving/ (excess) | Total |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Departmental Expenditure Limit | | | | | | | | | |
| Resource | 2.1 | 65,398 | - | 65,398 | 61,751 | - | 61,751 | 3,647 | 69,198 |
| Capital | 2.2 | 1,763 | - | 1,763 | 1,304 | - | 1,304 | 459 | 761 |
| Annually Managed Expenditure | | | | | | | | | |
| Resource | 2.1 | 3,200 | - | 3,200 | 279 | - | 279 | 2,921 | (2,200) |
| Capital | 2.2 | - | - | - | - | - | - | - | - |
| Total Budget | | 70,361 | - | 70,361 | 63,334 | - | 63,334 | 7,027 | 67,759 |
| Non-Budget | | | | | | | | | |
| Resource | | - | - | - | - | - | - | - | - |
| Total | | 70,361 | - | 70,361 | 63,334 | - | 63,334 | 7,027 | 67,759 |
| Total Resource | | 68,598 | - | 68,598 | 62,030 | - | 62,030 | 6,568 | 66,998 |
| Total Capital | | 1,763 | - | 1,763 | 1,304 | - | 1,304 | 459 | 761 |
| Total | | 70,361 | - | 70,361 | 63,334 | - | 63,334 | 7,027 | 67,759 |

Net Cash Requirement 2014-15

| SoPS Note | 2014-15 | 2014-15 | 2014-15 | Restated 2013-14 |
|-----------|---------------|---------------|--|---------------------|
| | Estimate | Outturn | Outturn compared with Estimate: saving/ (excess) | Outturn |
| | £000 | £000 | £000 | £000 |
| 4 | 69,789 | 62,771 | 7,018 | 70,983 |

Administration Costs 2014-15

| SoPS Note | 2014-15 | 2014-15 | Restated 2013-14 |
|-----------|---------------|---------------|---------------------|
| | Estimate | Outturn | Outturn |
| | £000 | £000 | £000 |
| 3 | 18,552 | 15,073 | 15,803 |

The figures above outlined in the bold areas are voted totals subject to Parliamentary or other control. Explanations of variances between Estimate and Outturn are given in SoPS Note 2 and in the Directors' Report.

The notes on pages 86 to 92 form part of these financial statements.

Notes to the Statement of Parliamentary Supply (SOPS)

SOPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS-based financial statements

Many transactions are treated in the same way in National Accounts and IFRS-based financial statements, but there are a number of differences as detailed below. A reconciliation of the department's outturn as recorded in the SoPS compared to the IFRS-based Statement of Comprehensive Net Expenditure (SoCNE) is provided in SoPS note 3.1.

SOPS 1.3 Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based financial statements will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/(loss) on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

SOPS 1.4 Provisions - administration and programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.

SOPS 1.5 Prior year comparatives

The CMA was established on 1 October 2013 as a shadow Department. The CMA became fully operational on 1 April 2014 and consists of the merger of the activities of the Competition Commission (CC) and the Office of Fair Trading (OFT), excluding some elements of work which were transferred to other organisations. The principal functions which were transferred to other organisations were the anti-money laundering and consumer credit licence activities, which moved to HM Revenue and Customs and the Financial Conduct Authority, respectively. The 2013-14 comparatives for the Statement of Parliamentary Supply include CMA operations between 1 October 2013 and 31 March 2014 and the operations of the CC and the OFT that transferred to the CMA. This is consistent with Government Accounting policies.

SOPS 2. Net outturn

SOPS 2.1 Analysis of net resource outturn by section

| | 2014-15 | | | | | | | | | Restated 2013-14 Outturn Total |
|---|----------------|----------------|---------------|---------------|--------------|---------------|---------------|---------------|--|---|
| | Administration | | | Programme | | | | Estimate | | |
| | Gross | Income | Net | Gross | Income | Net | Total | Net total | Net total compared to Estimate | |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Spending in Departmental Expenditure Limit (DEL) | | | | | | | | | | |
| Voted: A Competition Promotion | 16,972 | (1,899) | 15,073 | 47,356 | (678) | 46,678 | 61,751 | 65,398 | 3,647 | 69,198 |
| Annually Managed Expenditure (AME) | | | | | | | | | | |
| Voted: B Competition Promotion | - | - | - | 279 | - | 279 | 279 | 3,200 | 2,921 | (2,200) |
| Total | 16,972 | (1,899) | 15,073 | 47,635 | (678) | 46,957 | 62,030 | 68,598 | 6,568 | 66,998 |

SOPS 2.2 Analysis of net capital outturn by section

| | Outturn | | | 2014-15 Estimate | | | Restated 2013-14 |
|---|--------------|----------|--------------|------------------|--------------------------------|---|------------------|
| | Gross | Income | Net | Net | Net total compared to Estimate | Net total compared to Estimate, adjusted for virements* | Outturn |
| | | | | | | | Net |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Spending in Departmental Expenditure Limit (DEL) | | | | | | | |
| Voted: A Competition Promotion | 1,304 | - | 1,304 | 1,763 | (241) | *459 | 761 |
| Annually Managed Expenditure (AME) | | | | | | | |
| Voted: B Competition Promotion | - | - | - | - | - | - | - |
| Total | 1,304 | - | 1,304 | 1,763 | (241) | 459 | 761 |

* At the time of the supplementary estimate the CMA vired £700k from resource DEL to capital DEL in connection with anticipated additional capital expenditure.

SOPS 3 Reconciliation of outturn to net operating cost and against Administration Budget

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

| | SoPS Note | 2014-15 | Restated 2013-14 |
|--|-----------|---------------|---------------------|
| | | £000 | £000 |
| Total resource outturn in Statement of Parliamentary Supply | 2.1 | 62,030 | 66,998 |
| Less: income payable to the Consolidated Fund | | - | (3,170) |
| Net operating costs in Statement of Comprehensive Net Expenditure | | 62,030 | 63,828 |

SOPS 3.2 Outturn against final Administration Budget and Administration net operating cost

| | 2014-15 |
|---|---------------|
| | £000 |
| Estimate - Administration costs limit | 18,552 |
| Outturn – Gross administration costs | 16,972 |
| Outturn – Gross income relating to administration costs | (1,899) |
| Outturn - Net administration costs | 15,073 |

It is not possible to provide 2013-14 comparatives as the CC was not subject to an administration cost limit.

SOPS 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

| | Note | Estimate | Outturn | Net total outturn compared with Estimate: saving/ (excess) | Restated 2013-14 Outturn |
|--|----------|---------------|---------------|--|--------------------------|
| | | £000 | £000 | £000 | £000 |
| Resource outturn | SOPS 2.1 | 68,598 | 62,030 | 6,568 | 66,998 |
| Capital outturn | SOPS 2.2 | 1,763 | 1,304 | 459 | 761 |
| Accruals to cash adjustments | | | | | |
| <i>Adjustments to remove non-cash items:</i> | | | | | |
| Depreciation and write off of assets | 4,5 | (3,372) | (1,668) | (1,704) | (2,504) |
| New provisions and adjustments to previous provisions | 4,5 | (3,200) | (186) | (3,014) | 745 |
| Other non-cash items | 4,5 | - | 26 | (26) | 41 |
| <i>Adjustments to reflect movements in working balances:</i> | | | | | |
| Changes in receivables | 11 | - | (1,508) | 1,508 | 2,490 |
| Changes in payables | 12 | 6,000 | 2,336 | 3,664 | (1,033) |
| Amounts to be surrendered to the Consolidated fund | | - | - | - | 3,170 |
| Use of provisions | 13 | - | 437 | (437) | 315 |
| Net cash requirement | | 69,789 | 62,771 | 7,018 | 70,983 |

SOPS 5. Income payable to the Consolidated Fund

SOPS 5.1 Analysis of income payable to the Consolidated Fund

During the 2014-15 year there was no income payable to the Consolidated Fund (2013-14: nil).

SOPS 5.2 Consolidated Fund income

The full details of income collected as agent for the Consolidated Fund are in the CMA's Trust Statement, published separately from but alongside these financial statements.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

| | Note | 2014-15 | Restated 2013-14 |
|---|------|---------------|---------------------|
| | | £000 | £000 |
| Administration costs | | | |
| Staff costs | 3 | 10,256 | 9,956 |
| Other costs | 4 | 6,716 | 11,405 |
| Programme expenditure | | | |
| Staff costs | 3 | 33,584 | 31,722 |
| Other costs | 5 | 14,051 | 16,628 |
| Operating income | 6 | (2,577) | (5,883) |
| Net operating costs | | 62,030 | 63,828 |
| <hr/> | | | |
| Total expenditure | | 64,607 | 69,711 |
| Total income | | (2,577) | (5,883) |
| Net operating costs | | 62,030 | 63,828 |
| Other comprehensive net expenditure | | | |
| Actuarial net loss on by-analogy pension scheme | | 106 | 121 |
| Total comprehensive net expenditure | | 62,136 | 63,949 |

The notes on pages 97 to 127 form part of these Financial Statements.

Statement of Financial Position as at 31 March 2015

| | Note | 2015 | Restated 2014 | Restated 2013 |
|--|------|-----------------|------------------|------------------|
| | | £000 | £000 | £000 |
| Non-current assets | | | | |
| Property, plant and equipment | 7 | 4,092 | 4,218 | 5,580 |
| Intangible assets | 8 | 60 | 166 | 235 |
| Dilapidations asset | 9 | 1,125 | 1,257 | 1,627 |
| Trade and other receivables | 11 | 1,281 | 1,715 | 1,814 |
| Total non-current assets | | 6,558 | 7,356 | 9,256 |
| Current assets | | | | |
| Cash and cash equivalents | 10 | 2,930 | 6,477 | 4,041 |
| Trade and other receivables | 11 | 4,170 | 5,244 | 2,654 |
| Total current assets | | 7,100 | 11,721 | 6,695 |
| Total assets | | 13,658 | 19,077 | 15,951 |
| Current liabilities | | | | |
| Trade and other payables | 12 | (11,049) | (16,361) | (11,259) |
| Provisions | 13 | (221) | (300) | (978) |
| Total current liabilities | | (11,270) | (16,661) | (12,237) |
| Total assets less current liabilities | | 2,388 | 2,416 | 3,714 |
| Non-current liabilities | | | | |
| Trade and other payables | 12 | (7,991) | (8,500) | (9,011) |
| Provisions | 13 | (4,440) | (4,612) | (4,994) |
| Total non-current liabilities | | (12,431) | (13,112) | (14,005) |
| Total assets less liabilities | | (10,043) | (10,696) | (10,291) |
| Taxpayers' equity and other reserves | | | | |
| General fund | | (10,043) | (10,696) | (10,348) |
| Donated asset reserve | | - | - | 57 |
| Total equity | | (10,043) | (10,696) | (10,291) |

The notes on pages 97 to 127 form part of these Financial Statements.



Alex Chisholm
Chief Executive and Accounting Officer
16 July 2015

Statement of Cash Flows for the year ended 31 March 2015

| | Note | 2015 | Restated 2014 |
|--|------|-----------------|------------------|
| | | £000 | £000 |
| Cash flows from operating activities | | | |
| Net operating cost | | (62,030) | (63,828) |
| Adjustment for non-cash transactions | 4,5 | 1,828 | 1,719 |
| Decrease/(increase) in trade and other receivables | 11 | 1,508 | (2,491) |
| (Decrease)/increase in trade and other payables | 12 | (5,821) | 3,388 |
| Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure | | 3,485 | (2,513) |
| Use of provisions | 13 | (437) | (315) |
| Net cash outflow from operating activities | | (61,467) | (64,040) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 7 | (1,244) | (713) |
| Purchase of intangible assets | 8 | (60) | (48) |
| Net cash outflow from investing activities | | (1,304) | (761) |
| Cash flows from financing activities | | | |
| Financing from the Consolidated Fund (supply) | | 65,600 | 45,750 |
| Grant from parent department to the Competition Commission | | - | 24,500 |
| Advance from the Contingencies Fund | | 13,000 | 35,000 |
| Repayments to the Contingencies Fund | | (13,000) | (35,000) |
| Net financing | | 65,600 | 70,250 |
| Net increase/(decrease) in cash and cash equivalents in the year, before adjustment for payments to the Consolidated Fund | | 2,829 | 5,449 |
| Payments of amounts due to the Consolidated Fund | | (6,376) | (3,013) |
| Net (decrease)/increase in cash and cash equivalents in the year after adjustment for payments to the Consolidated Fund | | (3,547) | 2,436 |
| Cash and cash equivalents at the beginning of the year | 10 | 6,477 | 4,041 |
| Cash and cash equivalents at the end of the year | 10 | 2,930 | 6,477 |

The notes on pages 97 to 127 form part of these Financial Statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

| | Note | General fund | Donated asset reserve | Total reserves |
|--|------|-----------------|--------------------------|-------------------|
| | | £000 | £000 | £000 |
| Balance at 31 March 2013 (restated) | | (10,348) | 57 | (10,291) |
| Net Parliamentary Funding - drawn down | | 44,511 | - | 44,511 |
| Grant from parent department to the Competition Commission | | 24,500 | - | 24,500 |
| Net Parliamentary Funding - deemed | | 925 | - | 925 |
| Unspent supply repayable to the Consolidated Fund | | (3,245) | - | (3,245) |
| CFERs payable to the Consolidated Fund | | (3,170) | - | (3,170) |
| Net operating costs | | (63,828) | - | (63,828) |
| Non-cash charges | | | | |
| - auditors' remuneration | 4 | 80 | - | 80 |
| - actuarial loss | 13.2 | (121) | - | (121) |
| Movement in reserves | | | | |
| Recognised in Statement of Comprehensive Net Expenditure | | - | (57) | (57) |
| Balance at 31 March 2014 (restated) | | (10,696) | - | (10,696) |
| Net Parliamentary Funding - drawn down | | 65,600 | - | 65,600 |
| Grant from parent department to the Competition Commission | | - | - | - |
| Net Parliamentary Funding - deemed | | 39 | - | 39 |
| Unspent supply repayable to the Consolidated Fund | | (2,930) | - | (2,930) |
| CFERs payable to the Consolidated Fund | | - | - | - |
| Net operating costs | | (62,030) | - | (62,030) |
| Non-cash charges | | | | |
| - auditors' remuneration | 4 | 80 | - | 80 |
| - actuarial loss | 13.2 | (106) | - | (106) |
| Balance at 31 March 2015 | | (10,043) | - | (10,043) |

The notes on pages 97 to 127 form part of these Financial Statements.

Notes to the Financial Statements

1. Statement of accounting policies

These financial statements have been prepared in accordance with the Government Resource and Accounts Act 2000 and the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the CMA for the purpose of giving a true and fair view has been selected. The particular policies adopted by the department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

1.1 Basis of preparation

These financial statements have been prepared under the historical cost convention modified, to account for the revaluation of certain financial assets and liabilities, including property assets, where material.

1.2 Critical accounting estimates and judgements

The CMA makes estimates and judgements concerning the future. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

Dilapidations asset

The non-current asset, relating to the capitalised dilapidations provision in respect of the Victoria House building, is based on surveyor valuations, supplemented by consideration of annual indexation and management judgement. Further information is disclosed at Note 9.

Provisions for liabilities and charges

Provisions rely on the application of professional judgement, historical experience, and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Provisions are based on valuations, supplemented by management judgement. Further information is disclosed in Note 13.

1.3 Impending application of newly issued accounting standards not yet effective

The CMA discloses wherever it has not yet applied a new accounting standard and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the Financial Statements. There were no new standards which are not yet effective that are expected to have a material impact on the CMA's financial statements.

1.4 Re-statement of prior period

The CMA was formed on 1 October 2013 in shadow form and became fully operational on 1 April 2014. The assets and liabilities of the predecessor organisations transferred on 1 April 2014. It is formed from the merger of the former CC and the OFT, with some of the activities of these predecessor organisations transferring to other government bodies. The principal functions transferred were the anti-money laundering and consumer credit licence activities, which moved to HM Revenue and Customs and the Financial Conduct Authority, respectively. The prior year comparatives used throughout these financial statements therefore reflect the functions from the CC and the OFT which transferred to the CMA as well as the shadow form CMA operations.

1.5 Administration and programme expenditure and income

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Programme expenditure reflects the cost of delivering the CMA's core activities, or 'front line' services. Programme income arises principally from the recovery of legal costs generated through undertaking core service activities. Administration expenditure reflects the cost of running the department, including support activities, such as human resources, information technology, procurement and finance.

1.6 Financing

The CMA is primarily resourced by funds approved by parliament through the annual Appropriation Act. Resources are drawn down each month to meet expenditure requirements and are credited to the general fund.

1.7 Income

Income consists principally of recoveries of accommodation expenditure, service income and cost recoveries on legal cases. It is recognised when the service is provided or when a legal decision has been determined.

1.8 Staff costs

Under IAS19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the organisation has an obligation to pay them. This includes the cost of any untaken leave as at the year end.

1.9 Early departure costs

The CMA is required to meet the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The CMA provides for the costs when the early retirement of an individual is agreed and approved. Details of early exit packages are disclosed in Note 3.3.

1.10 Pensions

Past and present employees are largely covered by the provisions of PCSPS which is described at Note 3. The CMA recognises the expected pension cost on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the CMA recognises the contributions payable for the year.

The CMA has a separate scheme for the previous Chairman and Director General of the OFT, which is 'by analogy', or similar to, the PCSPS. Provision has been made for the future cost of benefits under this scheme. The current Chairman and the other non-executive Board members of the CMA are not members of the PCSPS and do not receive pension benefits from the CMA.

1.11 Leases

Payments in relation to operating lease rentals are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term.

1.12 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rates prevailing at the dates of the transactions.

1.13 Property, plant and equipment

Expenditure on property, plant and equipment (excluding assets under construction) is capitalised at cost where it satisfies the CMA's capitalisation criteria, which is to capitalise expenditure of £10k or more for individual purchases. These assets are subject to revaluation using relevant indices, where material and the fair value for all other assets is the depreciated historical cost. There was no revaluation in 2014-15 on the grounds of materiality. The capitalisation criteria for the 2013-14 year for the OFT was £5k for individual items and for the CC was £1k for individual purchases unless grouping applied, in which case only items greater than £200 were grouped if the total purchase was £1k or more.

Assets under construction

Assets under construction includes development expenditure in connection with a product or service if the spend meets the capitalisation criteria specified in IAS 38 Intangible Assets.

Development expenditure is capitalised if it meets the criteria specified in the FReM, which has been adapted from IAS 38 to take account of the not-for-profit context.

Assets under construction comprise the development of information technology systems for use across the CMA. When assets under construction are brought into use the relevant value is transferred to information technology assets, at which point depreciation commences.

1.14 Intangible assets

Intangible assets comprise software licences capitalised at cost where they satisfy the CMA's capitalisation criteria, where expenditure on individual purchases was £10k or more. Expenditure is capitalised if it meets the criteria specified in the FReM, which has been adapted from IAS 38 to take account of the not-for-profit context. The capitalisation criteria for the 2013-14 year for the OFT was £5k for individual items and for the CC was £1k for individual purchases unless grouping was applied, in which case only items greater than £200 were grouped if the total purchase was £1k or more.

1.15 Depreciation and amortisation

Assets are depreciated or amortised at rates calculated to write-off their value, less any estimated residual value, evenly on a straight-line basis over their estimated useful lives. For leased assets, the estimated useful life constitutes the life of the lease or the period implicit in the repayment schedule. Where a change in asset life is determined, the asset is depreciated or amortised over its remaining assessed life on a straight-line basis.

The residual values of assets are reviewed annually for impairment to ensure that they are carried at fair value. Where it is determined that a depreciable asset is not being carried at fair value, the appropriate impairment is accounted for accordingly.

Estimated useful asset lives are within the following ranges:

Property, plant and equipment (depreciation)

| | |
|------------------------|--|
| Leasehold costs | over the remainder of the 20 year 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) |
|-------------------|-----------------------------|

Dilapidations asset (depreciation)

| | |
|----------|--------------------------|
| Property | period of the lease term |
|----------|--------------------------|

1.16 Provision for liabilities and charges

The CMA provides for legal or constructive obligations, where the transfer of economic benefit is probable, but which are of uncertain timing or amount. The provision is calculated on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using rates set by HM Treasury. The indexation rates in force at 31 March 2015 are:

| | |
|---|--------|
| Short-term (up to 5 years) | -1.50% |
| Medium-term (over 5 years up to 10 years) | -1.05% |
| Long-term (in excess of 10 years) | 2.20% |

The CMA has a provision for leasehold dilapidations and the annual indexation is only applied to calculate any revaluation of this asset where it is material. Further information on the dilapidations asset which relates to the leasehold dilapidations provision is detailed in Note 9.

1.17 Financial instruments

The CMA does not hold any complex financial instruments. The only financial instruments included in the financial statements are the following assets and liabilities: cash at bank and in hand; receivables; and payables, as disclosed in Notes 10, 11 and 12. These are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in an active market and, as they are expected to be realised within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. Trade receivables are recognised initially at fair value and a provision is created for impairment when there is evidence that the CMA will be unable to collect the amount due in accordance with the agreed terms.

All financial assets and liabilities are recognised when the CMA becomes party to the contractual provisions to receive or make cash payments. The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired. Management determine the categorisation of the asset or liability at initial recognition and then annually re-evaluate this designation.

1.18 Value Added Tax

In general output tax does not apply on most of the CMA's activities 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 included in income and expenditure are stated net of VAT.

1.19 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the CMA discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.20 Related parties

The CMA is not the parent of, nor does it exert significant management control or influence over any other body, therefore it does not have any relationships that may be regarded as related parties. The CMA does however have significant financial relationships with a number of government departments. Further information is disclosed in Note 19.

1.21 Going concern

The future financing of the CMA's liabilities is to be met by future grants of supply and the application of future income, both approved annually by Parliament. Approval for the amounts required for the 2015-16 year has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

All unspent cash at 31 March 2015 is surrenderable to the Consolidated Fund.

2. Statement of Operating Costs by Operating Segment

2.1 Analysis by operating segment

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

| | Total gross expenditure |
|---|-------------------------|
| | £000 |
| Cartel Enforcement | 5,977 |
| Markets and Mergers | 4,213 |
| Office of General Counsel | 4,947 |
| Office of Chief Economic Advisor | 3,233 |
| Competition, Consumer and Markets Group * | 17,996 |
| Corporate Services ** | 24,666 |
| Ring Fenced Litigation Budget | 1,511 |
| | 62,543 |

*Competition, Consumer and Markets Group total gross expenditure of £17,996 comprises the following operational segments:

| | Total gross expenditure |
|----------------|-------------------------|
| | £000 |
| Mandatory work | 3,059 |
| Markets | 6,839 |
| Enforcement | 8,098 |
| | 17,996 |

** Corporate Services total gross expenditure of £24,666 is analysed as follows:

| | Total gross expenditure |
|---|-------------------------|
| | £000 |
| Premises (before sub-tenant recoveries) | 10,208 |
| Information technology (CMA wide costs) | 1,589 |
| Staff and other non-staff costs | 12,869 |
| | 24,666 |

The CMA became fully operational on 1 April 2014; however the service operations of the predecessor organisations, the OFT and the CC, were not structured on a comparable basis to that of the newly formed department. Accordingly, comparative information on a comparable basis is not readily available and no prior year information is disclosed.

2.2 Reconciliation between operating segments and Statement of Comprehensive Net Expenditure

| | 2014-15 |
|---|---------------|
| | £000 |
| Total gross expenditure reported for operating segments | 62,543 |
| Reconciling items: | |
| Income | (2,577) |
| Depreciation and non-cash items | 2,064 |
| Total net expenditure per the Statement of Comprehensive Net Expenditure | 62,030 |

3. Staff numbers and related costs

3.1 Staff costs

Staff costs comprise:

| | 2014-15 | | | Restated 2013-14 |
|--|----------------------------------|--------------|---------------|---------------------|
| | Permanently employed staff | Others | Total | Total |
| | £000 | £000 | £000 | £000 |
| Wages and salaries | 28,438 | 7,380 | 35,818 | 33,079 |
| Social security costs | 2,868 | - | 2,868 | 2,876 |
| Other pension costs | 5,679 | - | 5,679 | 5,603 |
| Sub total | 36,985 | 7,380 | 44,365 | 41,558 |
| Other staff costs* | (335) | - | (335) | 2,593 |
| Less: recovery of redundancy costs from BIS | - | - | - | (2,187) |
| Less: recoveries in respect of outward secondments | (190) | - | (190) | (286) |
| Total net costs | 36,460 | 7,380 | 43,840 | 41,678 |
| Of which: | | | | |
| Charged to administrative budgets | 5,418 | 4,838 | 10,256 | 9,956 |
| Charged to programme budgets | 31,042 | 2,542 | 33,584 | 31,722 |
| Total | 36,460 | 7,380 | 43,840 | 41,678 |

* Other staff costs includes amounts released which were over accrued for in 2013-14.

Wages and salaries for others comprises of contractors, agency and temporary staff. The staffing levels of both the predecessor organisations and the CMA, have been affected by transition. Prior to the launch of the CMA, the resulting staff uncertainty led to a higher than usual rate of attrition in predecessor organisations and the replacement of some of these roles with temporary staff, which continued into the CMA. Whilst we have made efforts to reduce the number of temporary staff during the 2014-15 year, temporary staff remained to cover permanent staff roles during recruitment, and to support specific project and transition activities. Since 31 March 2015, the level of temporary staff has reduced significantly following a major recruitment programme of permanent staff and the conclusion of specific projects.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the CMA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the financial statements of the Cabinet Office: Civil superannuation at www.civilservicepensionscheme.org.uk/about-us/resource-accounts.

For 2014-15, employer's contributions of £5,519,526 were payable to the PCSPS (2013-14: £6,005,006) at one of four rates in the range 16.7% to 24.3% (2013-14: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2014-15. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £148,661 (2013-14: £147,372) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £10,172, 0.8% (2013-14: £9,156, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were nil (2013-14: £4,000). Contributions prepaid at that date were nil (2013-14: nil).

3.2 Number of persons employed

The number of whole-time equivalent persons employed at 31 March 2015 and the average number of whole-time equivalent persons employed during the year was as follows:

| | At year end | | Average for year | |
|-----------------|-------------|------------------|------------------|------------------|
| | 2014-15 | Restated 2013-14 | 2014-15 | Restated 2013-14 |
| | Number | Number | Number | Number |
| Permanent staff | 520 | 454 | 469 | 559 |
| Others | 133 | 101 | 125 | 120 |
| Total | 653 | 555 | 594 | 679 |

3.3 Reporting of Civil Service exit packages

There were no Civil Service exit packages in 2014-15 (2013-14: 68).

3.4 Off-payroll engagements

The table below shows all off-payroll engagements as at 31 March 2015, for more than £220 per day and that last for longer than six months.

| | Number |
|---|-----------|
| No. of existing engagements as at 31 March 2015 | 22 |
| No. that have existed for less than one year at time of reporting | 20 |
| No. that have existed for between one and two years at time of reporting | 2 |
| No. that have existed for between two and three years at time of reporting | - |
| No. that have existed for between three and four years at time of reporting | - |
| No. that have existed for more than four years at time of reporting | - |

The table below shows all new off payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months.

| | Number |
|--|-----------|
| No. of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015 | 30 |
| No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and national insurance obligations | 30 |
| No. for whom this has been requested* | 24 |
| No. for whom assurance has been received | 22 |
| No. for whom assurance has not been received | **2 |
| No. that have been terminated as a result of assurance not being received | - |

* Assurance is requested when contracts extend beyond six months in duration.

** For the 2 engagements for whom assurance has not yet been received, the contractors left the CMA without submitting the relevant assurance.

No board members and/or senior officials with significant financial responsibility were on off-payroll engagements.

4. Other administration costs

| | 2014-15 | Restated 2013-14 |
|--|--------------|---------------------|
| | £000 | £000 |
| Rent (operating leases) | 2,252 | 5,136 |
| Rates | 683 | 2,011 |
| Utilities | 66 | 82 |
| Maintenance | 105 | 82 |
| Other premises costs | 96 | 64 |
| Service charge | 188 | - |
| Net premises costs | 3,390 | 7,375 |
| Research expenditure | - | - |
| Other expenditure | | |
| Professional services | 575 | 215 |
| Training | 151 | 513 |
| Compliance and campaigns | - | 22 |
| Travel and subsistence | 98 | 50 |
| Recruitment | 806 | 180 |
| Telecommunications | 61 | 118 |
| IT (including maintenance) | 319 | 1,188 |
| Printing, copying and mailing | 368 | 239 |
| Hire of plant and machines | 2 | 127 |
| Write off of irrecoverable VAT (Note 17.1) | 401 | - |
| Auditors' remuneration and expenses | - | 32 |
| Other administration expenditure | 164 | 996 |
| Total other expenditure | 2,945 | 3,680 |

Non-cash items

| | | |
|--|--------------|---------------|
| Depreciation of property, plant and equipment | 156 | 262 |
| Depreciation of intangible assets | 1 | 37 |
| Impairment of property, plant and equipment | 115 | 39 |
| Released from the donated asset reserve | - | (6) |
| Loss/(profit) on disposal of intangible assets | 29 | (62) |
| Auditors' remuneration and expenses | 80 | 80 |
| Total non-cash items | 381 | 350 |
| Total other administration costs | 6,716 | 11,405 |

Where the impact is material, the 2013-14 basis of splitting costs between categories has been amended to enable a better comparison with the 2014-15 year.

The 2014-15 auditor's remuneration and expenses reflects the notional fee for the National Audit Office's (NAO) statutory audit. This comprises two elements: the accounts audit fee of £68k, and the fee for the audit of the Trust Statement of £12k. The NAO did not provide any non-audit services from the auditors during the year. The 2013-14 figure represents the notional fee for the former OFT and cash fee for the former Competition Commission.

5. Other programme costs

| | 2014-15 | Restated 2013-14 |
|--------------------------------|--------------|---------------------|
| | £000 | £000 |
| Rent (operating leases) | 3,817 | 4,541 |
| Rates | 899 | 2,694 |
| Utilities | 299 | 374 |
| Maintenance | 480 | 375 |
| Other premises costs | 451 | 292 |
| Service charge | 856 | - |
| Net premises costs | 6,802 | 8,276 |
| Research expenditure | 59 | 53 |
| Other expenditure | | |
| Litigation costs | 1,244 | 1,043 |
| Professional services | 1,588 | 2,880 |
| Training | 521 | - |
| Compliance and campaigns | 22 | 7 |
| Travel and subsistence | 291 | 381 |
| Recruitment | 80 | - |
| Telecommunications | 206 | 537 |
| IT (including maintenance) | 1,308 | 950 |
| Publications | 93 | 323 |
| Printing, copying and mailing | 12 | - |
| Hire of plant and machines | 11 | - |
| Other programme expenditure | 131 | 809 |
| Total other expenditure | 5,507 | 6,930 |

| Non-cash items | | |
|--|---------------|---------------|
| Depreciation of property, plant and equipment | 710 | 2,035 |
| Depreciation of intangible assets | 3 | 80 |
| Impairment of property, plant and equipment | 521 | - |
| Released from the donated asset reserve | - | (51) |
| Loss/(profit) on disposal of intangible assets | 133 | (281) |
| Provisions - amounts provided for in year | 80 | 256 |
| Provisions - amounts not required written back | - | (670) |
| Impairment of trade receivables | 236 | - |
| Total non-cash items | 1,683 | 1,369 |
| Total programme costs | 14,051 | 16,628 |

Where the impact is material, the 2013-14 basis of splitting costs between categories has been amended to enable a better comparison with the 2014-15 year.

6. Income

| | 2014-15 | Restated 2013-14 |
|-----------------------------------|--------------|---------------------|
| | £000 | £000 |
| Recovery of accommodation costs | 1,899 | 5,558 |
| Proceeds of Crime Act 2002 income | - | 18 |
| Appeal costs reimbursed | 666 | 216 |
| Interest income | - | 3 |
| Other income | 12 | 88 |
| Total income | 2,577 | 5,883 |
| Of total income: | | |
| Administration income | 1,899 | 5,558 |
| Programme income | 678 | 325 |
| | 2,577 | 5,883 |

7. Property, plant and equipment

| | Leasehold costs | Information technology | Furniture and fittings | Assets under construction | 2014-15 Total |
|---|-----------------|------------------------|------------------------|---------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | |
| At 1 April 2014 | 6,386 | 11,936 | 506 | 686 | 19,514 |
| Additions | - | 507 | 19 | 718 | 1,244 |
| Disposals | - | (11,330) | (154) | - | (11,484) |
| Reclassification | - | 482 | - | (482) | - |
| Revaluations | - | - | - | - | - |
| Impairments | - | - | - | (636) | (636) |
| At 31 March 2015 | 6,386 | 1,595 | 371 | 286 | 8,638 |
| Depreciation | | | | | |
| At 1 April 2014 | 3,314 | 11,730 | 252 | - | 15,296 |
| Charged in year | 327 | 357 | 50 | - | 734 |
| Disposals | - | (11,330) | (154) | - | (11,484) |
| Revaluations | - | - | - | - | - |
| Impairments | - | - | - | - | - |
| At 31 March 2015 | 3,641 | 757 | 148 | - | 4,546 |
| Carrying amount at 31 March 2015 | 2,745 | 838 | 223 | 286 | 4,092 |
| Carrying amount at 31 March 2014 | 3,072 | 206 | 254 | 686 | 4,218 |

| | Leasehold costs | Information technology | Furniture and fittings | Assets under construction | Restated 2013-14 Total |
|---|-----------------|------------------------|------------------------|---------------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | |
| At 1 April 2013 | 5,673 | 15,175 | 1,368 | - | 22,216 |
| Additions | - | 8 | 19 | 686 | 713 |
| Disposals | - | (3,247) | (881) | - | (4,128) |
| Revaluations | 713 | - | - | - | 713 |
| Impairments | - | - | - | - | - |
| At 31 March 2014 | 6,386 | 11,936 | 506 | 686 | 19,514 |
| Depreciation | | | | | |
| At 1 April 2013 | 2,654 | 12,988 | 994 | - | 16,636 |
| Charged in year | 290 | 1,989 | 97 | - | 2,376 |
| Disposals | - | (3,247) | (839) | - | (4,086) |
| Revaluations | 370 | - | - | - | 370 |
| Impairments | - | - | - | - | - |
| At 31 March 2014 | 3,314 | 11,730 | 252 | - | 15,296 |
| Carrying amount at 31 March 2014 | 3,072 | 206 | 254 | 686 | 4,218 |
| Carrying amount at 31 March 2013 | 3,019 | 2,187 | 374 | - | 5,580 |

The impairment in 2014-15 relates to the write off of certain EDRM software (Note 17).

Asset financing

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

8. Intangible assets

| | Software Licences | |
|------------------------------------|-------------------|---------------------|
| | 2014-15 | Restated 2013-14 |
| | £000 | £000 |
| Cost or valuation | | |
| At 1 April | 747 | 2,114 |
| Additions | 60 | 48 |
| Disposals | (735) | (1,415) |
| Revaluations | - | - |
| Impairments | - | - |
| At 31 March | 72 | 747 |
| Depreciation | | |
| At 1 April | 581 | 1,879 |
| Charged in year | 4 | 117 |
| Disposals | (573) | (1,415) |
| Revaluations | - | - |
| Impairments | - | - |
| At 31 March | 12 | 581 |
| Carrying amount at 31 March | 60 | 166 |
| Carrying amount at 31 March | 166 | 235 |

Asset financing

All intangible assets were owned by the CMA.

9. Dilapidations asset

| | 2014-15 | Restated 2013-14 |
|------------------------------------|--------------|---------------------|
| | £000 | £000 |
| Cost or valuation | | |
| At 1 April | 2,647 | 3,099 |
| Additions | - | - |
| Disposals | - | - |
| Revaluations | - | (452) |
| Impairments | - | - |
| At 31 March | 2,647 | 2,647 |
| Depreciation | | |
| At 1 April | 1,390 | 1,472 |
| Charged in year | 132 | 155 |
| Disposals | - | - |
| Revaluations | - | (237) |
| Impairments | - | - |
| At 31 March | 1,522 | 1,390 |
| Carrying amount at 31 March | | |
| | 1,125 | 1,257 |
| Carrying amount at 31 March | 1,257 | 1,627 |

The estimated cost of restoring Victoria House to its original state at the end of the CMA's lease in 2023 has been capitalised. It is revalued on a quinquennial basis by independent surveyors, supplemented by annual indexation. The latest review was undertaken in May 2015 by Deloitte Real Estate Surveying Services whose services are regulated by the Royal Institution of Chartered Surveyors (RICS). Both the assignment lead and the dilapidations report author are RICS Registered Valuers. An estimated dilapidations settlement figure was provided, which incorporated the floor space and current market factors. For 2014-15 the CMA has valued the dilapidations provision and related gross dilapidations asset using management judgement informed by this valuation.

Asset financing

All dilapidation assets were owned by the CMA.

10. Cash and cash equivalents

| | 2014-15 | Restated 2013-14 |
|---|--------------|---------------------|
| | £000 | £000 |
| Balance at 1 April | 6,477 | 4,041 |
| Net change in cash and cash equivalent balances | (3,547) | 2,436 |
| Balance at 31 March | 2,930 | 6,477 |
| The balance at 31 March was held at | | |
| Government Banking Service | 2,930 | 6,477 |
| Balance at 31 March | 2,930 | 6,477 |

The CMA's bank accounts were held with the Government Banking Service.

11. Trade and other receivables

11.1 Amounts falling due within one year

| | 2014-15 | Restated 2013-14 |
|--------------------------------|--------------|---------------------|
| | £000 | £000 |
| Trade receivables (gross) | 1,192 | 4,281 |
| Impairment provision | (256) | - |
| Trade receivables (net) | 936 | 4,281 |
| Deposits and advances | 173 | 132 |
| Other receivables | 155 | 99 |
| VAT | 550 | 365 |
| Prepayments and accrued income | 2,356 | 367 |
| Total | 4,170 | 5,244 |

11.2 Amounts falling due after more than one year

| | 2014-15 | Restated 2013-14 |
|---------------------------------------|--------------|---------------------|
| | £000 | £000 |
| Tenants' rent free period | 146 | 165 |
| Tenants' rent - operating lease asset | 1,135 | 1,550 |
| Total | 1,281 | 1,715 |

11.3 Intra-government balances

| | Amounts falling due within one year | | Amounts falling due after more than one year | |
|---|--|---------------------|---|---------------------|
| | 2014-15 | Restated 2013-14 | 2014-15 | Restated 2013-14 |
| | £000 | £000 | £000 | £000 |
| Balances with other central government bodies | 1,157 | 4,371 | 1,281 | 1,715 |
| Balances with local authorities | 450 | - | - | - |
| Balances with NHS bodies | - | - | - | - |
| Balances with public corporations and trading funds | - | - | - | - |
| Sub-total intra-government balances | 1,607 | 4,371 | 1,281 | 1,715 |
| Balances with bodies external to government | 2,563 | 873 | - | - |
| Total receivable at 31 March | 4,170 | 5,244 | 1,281 | 1,715 |

12. Trade and other payables

12.1 Amounts falling due within one year

| | 2014-15 | Restated 2013-14 |
|---|---------------|---------------------|
| | £000 | £000 |
| Trade payables | 2,256 | 388 |
| Accruals and deferred income* | 3,460 | 7,005 |
| Taxation and social security | 1,018 | 1,277 |
| Other payables | 1,385 | 1,276 |
| Amounts issued from the Consolidated Fund for supply but not spent at 31 March | 2,930 | 3,245 |
| Consolidated Fund extra receipts due to be paid to the Consolidated Fund - received | - | 3,170 |
| Total | 11,049 | 16,361 |

* Accruals and deferred income includes £261k (2013-14: £872k) relating to funding from the Department for Business, Innovation and Skills for costs associated with transition from the OFT and the CC to the CMA. For operational reasons some of the activities funded in this way were not carried out before 31 March 2015 and the remaining unused income balance has been deferred.

12.2 Amounts falling due after more than one year

| | 2014-15 | Restated 2013-14 |
|--|--------------|---------------------|
| | £000 | £000 |
| Victoria House rent – rent free period * | 1,035 | 1,173 |
| Victoria House rent - operating lease liability ** | 6,956 | 7,327 |
| Total | 7,991 | 8,500 |

* Under the rules of *UITF Abstract 28: Operating Leases*, the value of the rent free period is amortised on a straight line basis over the 20 year term of the lease.

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

12.3 Intra-government balances

| | Amounts falling due within one year | | Amounts falling due after more than one year | |
|---|-------------------------------------|------------------|--|------------------|
| | 2014-15 | Restated 2013-14 | 2014-15 | Restated 2013-14 |
| | £000 | £000 | £000 | £000 |
| Balances with other central government bodies | 5,635 | 8,923 | - | - |
| Balances with local authorities | - | - | - | - |
| Balances with NHS bodies | - | - | - | - |
| Balances with public corporations and trading funds | 9 | - | - | - |
| Sub-total intra-government balances | 5,644 | 8,923 | - | - |
| Balances with bodies external to government | 5,405 | 7,438 | 7,991 | 8,500 |
| Total payable at 31 March | 11,049 | 16,361 | 7,991 | 8,500 |

13. Provisions for liabilities and charges

13.1 Amounts falling due within one year

| | Early departure provision | Pension provision | Dilapidations provision | Other provision | 2014-15 Total |
|--|---------------------------------|----------------------|----------------------------|--------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2014 | 203 | 97 | - | - | 300 |
| Transfer from amounts falling due after more than one year | 249 | 109 | - | - | 358 |
| Provisions not required written back | - | - | - | - | - |
| Actuarial loss/(gain) | - | - | - | - | - |
| Provisions utilised in the year | (334) | (103) | - | - | (437) |
| Balance at 31 March 2015 | 118 | 103 | - | - | 221 |

| | Early departure provision | Pension provision | Dilapidations provision | Other provision | Restated 2013-14 Total |
|--|---------------------------------|----------------------|----------------------------|--------------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2013 | 213 | 95 | - | 670 | 978 |
| Transfer from amounts falling due after more than one year | 208 | 99 | - | - | 307 |
| Provisions not required written back | - | - | - | (670) | (670) |
| Actuarial loss/(gain) | - | - | - | - | - |
| Provisions utilised in the year | (218) | (97) | - | - | (315) |
| Balance at 31 March 2014 | 203 | 97 | - | - | 300 |

13.2 Amounts falling due after more than one year

| | Early departure provision | Pension provision | Dilapidations provision | Other provision | 2014-15 Total |
|--|---------------------------------|----------------------|----------------------------|--------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2014 | 355 | 1,610 | 2,647 | - | 4,612 |
| Provided in year | 5 | 75 | - | - | 80 |
| Provisions not required written back | - | - | - | - | - |
| Actuarial loss | - | 106 | - | - | 106 |
| Transfer to amounts falling due within one year | (249) | (109) | - | - | (358) |
| Balance at 31 March 2015 | 111 | 1,682 | 2,647 | - | 4,440 |

| | Early departure provision | Pension provision | Dilapidations provision | Other provision | Restated 2013-14 Total |
|--|---------------------------------|----------------------|----------------------------|--------------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2013 | 371 | 1,524 | 3,099 | - | 4,994 |
| Provided in year | 192 | 64 | - | - | 256 |
| Provisions not required written back | - | - | (452) | - | (452) |
| Actuarial loss | - | 121 | - | - | 121 |
| Transfer to amounts falling due within one year | (208) | (99) | - | - | (307) |
| Balance at 31 March 2014 | 355 | 1,610 | 2,647 | - | 4,612 |

13.3 Analysis of expected timing of cash flows

| | Early departure provision | Pension provision | Dilapidations provision | 2014-15 Total |
|---|---------------------------|-------------------|-------------------------|---------------|
| | £000 | £000 | £000 | £000 |
| Not later than one year | 118 | 103 | - | 221 |
| Later than one year and not later than five years | 111 | 412 | - | 523 |
| Later than five years | - | 1,270 | 2,647 | 3,917 |
| Balance at 31 March 2015 | 229 | 1,785 | 2,647 | 4,661 |

| | Early departure provision | Pension provision | Dilapidations provision | Restated 2013-14 Total |
|---|---------------------------|-------------------|-------------------------|------------------------|
| | £000 | £000 | £000 | £000 |
| Not later than one year | 203 | 97 | - | 300 |
| Later than one year and not later than five years | 331 | 388 | - | 719 |
| Later than five years | 24 | 1,222 | 2,647 | 3,893 |
| Balance at 31 March 2014 | 558 | 1,707 | 2,647 | 4,912 |

13.4 Early departure provision

The CMA meets the additional costs beyond the normal PCSPS benefits in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The CMA provides for this in full when the early retirement programme becomes binding through establishing a provision for the estimated payments. There were no new early retirees during the year (2013-14: 3).

13.5 Pension provision

The pension provision relates to the previous Chairman and Director Generals of the former OFT. The pension arrangement is unfunded and all payments are guaranteed by the CMA. Benefits are paid as they fall due and there is no surplus or deficit on the provision. An actuarial valuation was carried out by the Government Actuary's Department (GAD) at 31 March 2015.

The financial assumptions used in the calculation of the liability as at 31 March 2015 were as follows:

- The gross rate of increase in salaries was 4.2% per annum (2013-14: 4.5% per annum);
- The gross rate used to discount scheme liabilities was 3.55% per annum (2013-14: 4.35% per annum);
- The gross rate of increase for pensions in payment and deferred pensions was 2.2% per annum (2013-14: 2.0% per annum); and
- In nominal terms, these assumptions implied price inflation of 2.2% per annum (2013-13: 2.0% per annum).

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

| | 2014-15 Total | Restated 2013-14 Total |
|------------------------------|------------------|------------------------------|
| | £000 | £000 |
| Interest cost | 75 | 64 |
| Actuarial loss | 106 | 121 |
| | 181 | 185 |
| Benefits paid | (103) | (97) |
| Increase in provision | 78 | 88 |

13.6 Dilapidations provision

The dilapidations provision is an estimate of the expenditure required to return the Victoria House building, used as the CMA's offices, to its original condition as at the date of commencement of the lease. An estimate of value, probability and timing of future payments, have been taken into account by management in determining this provision. The lease for this property expires in 2023 with a break option in 2019 and accordingly a dilapidations asset has been recognised in Note 9.

13.7 Other provision

The OFT had a provision brought forward but not required and consequently written-back as unwanted in 2013-14. The provision had been included in 2012-13 for potential legal costs relating to past Competition Act 1998 cases and possible VAT penalty.

14. Capital and other commitments

14.1 Capital commitments

| | 2014-15 | Restated 2013-14 |
|--|------------|---------------------|
| | £000 | £000 |
| Contracted capital commitments not otherwise included in these financial statements: | | |
| Information technology | 195 | - |
| Total | 195 | - |

14.2 Commitments under operating leases

The CMA has a 20 year lease for office space in Victoria House, Southampton Row, London WC2. The lease start date was September 2003. The total space is 8,258 square metres, of which 1,916 square metres (23%) had been sublet as at 31 March 2015 and 6,342 square metres (77%) is used by the CMA. The CMA's net operating lease commitment is £47,410k (2013-14: £50,309k).

The terms of the Victoria House lease include a compounded annual rent increase of 2.5% that is applied every five years. The operating lease commitments shown above include the compounded annual rent increase. The first increase was in September 2008, the second increase was in September 2013 and the third increase is due in September 2018. The rental increase each review date is 13.14%.

| | 2014-15 | Restated 2013-14 |
|--|---------------|---------------------|
| | £000 | £000 |
| Total future minimum lease payments under operating leases are given in the table below for each of the following periods (gross): | | |
| Not later than one year | 6,352 | 6,352 |
| Later than one year and not later than five years | 26,659 | 25,824 |
| Later than five years | 25,152 | 32,338 |
| Total | 58,163 | 64,514 |

15. Financial Instruments

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

16. Contingent liabilities

There is a possibility of a transfer of economic benefits to third parties where appeals are made against the CMA decisions. Therefore, contingent liability information required under IAS 37 is not disclosed on the grounds that it may prejudice the outcome of those negotiations.

17. Losses and special payments

Managing Public Money requires a statement showing losses and special payments by value and by type to be disclosed where they exceed £300k in total and those that individually exceed £300k.

The CMA had total losses in the 2014-15 year of £1,679k (2013-14: £23,981). This amount includes two cases in excess of £300k (2013-14: nil) as set out below.

17.1 Losses over £300k

A VAT receivable amount of £401k transferred from the OFT has been written off after assessing recoverability and in agreement with HMRC officials.

A loss of £1,147k arose in connection with the write-off of an investment in EDRM software. The project was inherited from the OFT but its architecture was found to be unsuitable for the newly formed CMA. Hewlett Packard announced that the software would no longer be supported from the middle of 2016, so a management decision was taken to cease the development using HP software. The total loss is made up of two components: £636k related to the write-off of capital expenditure and £511k in respect of revenue expenditure.

17.2 Special payments

There were no special payments in 2014-15 (2013-14: Nil).

18. Financial guarantees, indemnities and letters of comfort

The CMA does not enter into any financial guarantees and indemnities, or provide letters of comfort.

19. Related-party transactions

The CMA had a number of transactions with other government departments and central government bodies. None of the Board Members, key managerial staff or other related parties have undertaken any material transactions with the CMA during the year.

The CMA sublets part of its office premises at Victoria House to the Competition Service (sponsored by BIS). It also sublet office space to the Office of Manpower Economics/Low Pay Commission, OSPAR Commission and the Groceries Code Adjudicator.

20. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, post reporting period events are considered up to the date on which the financial statements are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. The CMA financial statements do not reflect events after this date.

There are no subsequent events to report.

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

I certify that I have audited the financial statements of the Competition and Markets Authority Trust Statement for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies

are appropriate to the circumstances of the Competition and Markets Authority Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Competition and Markets Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am 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.

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Competition and Markets Authority Trust Statement as at 31 March 2015 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

17 July 2015

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

Trust Statement

A separate Trust Statement is maintained for revenues collected in relation to 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

Under Section 5 of the Government Resources and Accounts Act 2000, 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.

HM Treasury has appointed the Chief Executive as Accounting Officer of the CMA 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 Government Financial Reporting Manual prepared by HM Treasury 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 Trust Statement on a going concern basis.

Governance Statement

The CMA's Governance Statement, covering both the Accounts and the Trust Statement, is shown on pages 70 to 81.

Statement of Revenue, Other Income and Expenditure for the year ended 31 March 2015

| | Note | 2014-15 £000 | 2013-14 £000 |
|---|------|-----------------|-----------------|
| Revenue | | | |
| Merger fees | | | |
| Fees received under the Enterprise Act 2002 | | 5,800 | 3,680 |
| Total merger fees | | 5,800 | 3,680 |
| Fines and penalties income | | | |
| Penalties imposed under the Competition Act 1998 | | - | 3,281 |
| Interest earned on penalties imposed under the Competition Act 1998 | | 33 | 51 |
| Total fines and penalties income | | 33 | 3,332 |
| Total revenue | | 5,833 | 7,012 |
| Expenditure | | | |
| Release of debt impairment provision | | 492 | 2,522 |
| Total expenditure | | 492 | 2,522 |
| Net revenue for the Consolidated Fund | 5 | 6,325 | 9,534 |

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

Impairment provisions are made when it is deemed unlikely that a debt will be recovered. However, if such a debt is recovered the related impairment provision is released, leading to the credits shown above.

The notes on pages 134 to 137 form part of these Trust Statements.

Statement of Financial Position

as at 31 March 2015

| | Note | 2015 | 2014 |
|--|----------|--------------|--------------|
| | | £000 | £000 |
| Current assets | | | |
| Receivables | 2 | 1,704 | 2,177 |
| Cash and cash equivalents | 3 | 581 | - |
| Total current assets | | 2,285 | 2,177 |
| Current liabilities | | | |
| Payables | 4 | 109 | - |
| Total current liabilities | | 109 | - |
| Total assets less current liabilities | | 2,176 | 2,177 |
| Represented by: | | | |
| Balance on Consolidated Fund account | 5 | 2,176 | 2,177 |

The notes on pages 134 to 137 form part of these Trust Statements.



Alex Chisholm
Chief Executive and Accounting Officer
16 July 2015

Statement of Cash Flows for the year ended 31 March 2015

| | Note | 2014-15 | 2013-14 |
|--|---------|------------|--------------|
| | | £000 | £000 |
| Net cash flow from operating activities | A below | 6,907 | 8,082 |
| Amounts paid to the Consolidated Fund | 5 | (6,326) | (8,542) |
| Increase/(decrease) in cash in the year | | 581 | (460) |

Note to the Cash Flow Statement

| A: Reconciliation of Net Cash flow to movement in Net Funds | Note | 2014-15 | 2013-14 |
|---|------|----------------|----------------|
| | | £000 | £000 |
| Net revenue for the Consolidated Fund | | (6,325) | (9,534) |
| (Decrease)/increase in non-cash assets | | (473) | 1,452 |
| Increase in liabilities | 4 | (109) | - |
| Net cash flow from operating activities | | (6,907) | (8,082) |

| B: Analysis of Changes in Net Funds | Note | 2014-15 | 2013-14 |
|--|------|------------|----------|
| | | £000 | £000 |
| Increase/(decrease) in cash in the year | 3 | 581 | (460) |
| Net funds at 1 April (net cash at bank) | | - | 460 |
| Net funds at 31 March (closing balance) | | 581 | - |

The notes on the following pages 134 to 137 form part of these Trust Statements.

Notes to the Trust Statement

1. Statement of accounting policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7 of the Government Resource and Accounts Act 2000 and the accounting policies detailed below. The policies are developed with reference to International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector, and other relevant guidance. They are applied consistently in dealing with items that are considered material to the accounts.

The income contained in the Trust Statement is the flow of funds which the CMA handles on behalf of the Consolidated Fund where it acts as agent rather than principal.

The financial information contained in the accounts and in the notes is rounded to the nearest £000.

1.2 Accounting convention

The Trust Statement is prepared in accordance with the historical cost convention.

1.3 Revenue recognition

Fees and penalties are measured in accordance with IAS 18 Revenue. They are measured at the fair value of amounts received or receivable, net of any repayments.

For merger fees, revenue is recognised once the CMA has investigated the intended merger and has issued its decision.

For Competition Act 1998 (CA98) penalties, revenue is recognised when a penalty is imposed and a decision letter is sent out to the entity concerned. The entity is given two calendar months in which to appeal the decision if it chooses. However, the full value of the penalty income is recognised in the accounts at the time the decision letter is issued.

1.4 Critical accounting estimates and judgements

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

1.5 Receivables

Receivables are shown net of impairments in accordance with the requirements of IAS 39 Financial Instruments.

1.6 Impairment of receivables

Receivables are reviewed periodically for all outstanding CA98 Penalties to determine recoverability and establish a provision in the event that recovery of the receivable is in doubt. The provision 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 provision, and any subsequent movement, or any write-offs which have not been previously provided for, are included in the Statement of Revenue, Other Income and Expenditure.

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

1.7 Value Added Tax (VAT)

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

2. Receivables

2.1 Current receivables

| | 2014-15 | 2013-14 |
|--|--------------|--------------|
| | £000 | £000 |
| Amounts falling due within one year | | |
| Competition Act 1998 penalties | 7,879 | 11,689 |
| Less provision for impairment | (7,455) | (10,152) |
| Net Competition Act 1998 penalties | 424 | 1,537 |
| Merger fees debtors | 440 | 400 |
| Accrued income | 840 | 240 |
| Total | 1,704 | 2,177 |

The provision for impairment covers amounts due from entities involved in CA98 cases that are in administration or liquidation. Whilst every effort is made to recover these debts, due to the uncertain nature of entity liquidations, provision is made for the full amount of the debt at the time the entity enters administration.

2.2 Non current receivables

There are no amounts falling due after more than one year (2013-14: nil).

3. Cash and cash equivalents

| | 2014-15 | 2013-14 |
|---|------------|----------|
| | £000 | £000 |
| Balance held at Government Banking Service at 1 April | - | 460 |
| Net change in cash balances | 581 | (460) |
| Balance held at Government Banking Service at 31 March | 581 | - |

4. Payables

4.1 Current payables

| | 2014-15 | 2013-14 |
|-----------------------|------------|----------|
| | £000 | £000 |
| Merger fees repayable | 109 | - |
| Total | 109 | - |

This balance arises from duplicate payments to the CMA of merger fees.

4.2 Non current payables

There are no amounts falling due after more than one year (2013-14: nil).

5. Balance on the Consolidated Fund account

| | 2014-15 | 2013-14 |
|---|--------------|--------------|
| | £000 | £000 |
| Balance on Consolidated Fund account at 1 April | 2,177 | 1,185 |
| Net revenue for the Consolidated Fund | 6,325 | 9,534 |
| Less amount paid to the Consolidated Fund | (6,326) | (8,542) |
| Balance on Consolidated Fund account at 31 March | 2,176 | 2,177 |

6. Losses statement

During the year, CA98 debts totalling £2,205k were written-off as they were considered to be no longer collectable (2013-14: £780k). The debts written off total consists of two amounts greater than £300k, including one from First Quench for £1,584k and another from William Sapcote and Sons Ltd for £343k. William Sapcote and Sons Ltd was dissolved on 8 April 2015. As this was known at the date of preparation of the accounts, the debt write-off has been included in the results to 31 March 2015.

7. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, post year end events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. The accounts do not reflect events after this date.

There are no subsequent events to report.

Accounts Direction given by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000

1. This direction applies to those government departments listed in appendix 2.
2. The Department shall prepare a Trust Statement (“the Statement”) for the financial year ended 31 March 2015 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury (“FReM”) which is in force for 2014-15.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 8). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer’s Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ross Campbell
Deputy Director,
Government Financial Reporting
Her Majesty's Treasury
18 December 2014



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