Supplementary Estimates 2019-20: Estimates memorandum for the Competition and Markets Authority (CMA)

1 Overview

1.1 Objectives

The Competition and Markets Authority (CMA) is a non-ministerial government department and an independent non-economic regulator with overall responsibility for the UK's competition regime. Our statutory duty and principal objective is to promote competition, both within and outside the UK, for the benefit of consumers – and our mission – to make markets work well in the interests of consumers, businesses and the economy. We work to ensure that consumers get a good deal when buying goods and services, and businesses operate within the law.

The CMA do this in a variety of ways by:

- we investigate mergers between organisations, to make sure they don't reduce competition
- we investigate entire markets if we think there are competition or consumer problems
- we take action against businesses and individuals that take part in cartels or anti-competitive behaviour
- we protect consumers from unfair trading practices
- we encourage government and other regulators to use competition effectively on behalf of consumers

The CMA employs around 850 people, who work mainly at our office in London. However, we work across the whole of the UK, and continue to expand our presence in Northern Ireland, Wales and Scotland.

1.2 Spending controls

The CMA's net spending is broken down into a several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**") - a net limit comprising day-to-day running costs, less income from Regulatory Appeals
- Capital Departmental Expenditure Limit ("**Capital DEL**") – a net limit comprising investment in capital equipment
- Resource Annually Managed Expenditure Limit ("**Resource AME**") – a net limit comprising provisions for pensions, early retirement etc.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which requires the CMA to pay out cash in year.

1.3 Comparison of net spending totals sought

The table below shows how the net spending totals sought for the CMA compares with last year:

Net Spending total **Amounts sought this year** **(Supplementary Estimate 2019-20)**		**Difference (+/-) compared to original budget this year** **(Main Estimate 2019-20)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2018-19)**	
		£ m	**%**	**£m**	**%**
Resource DEL	£96.0m	£2.5m	2.7%	£17.9m	22.9%
Capital DEL	£19.8m	£2.5m	14.5%	£-1.9m	-8.8%
Resource AME	£10.0m	£0.0m	0.0%	£11.1m	1009.1%

A breakdown of spending and income within the net total is shown in section 2.1.

1.4 Key drivers of spending changes since original budget this year

The 2019-20 net Resource DEL is 2.7% more than the original budget for 2019-20 because the CMA have been allocated an additional £2.5 million to fund additional resource spend as a result of its move to the Cabot in Canary Wharf.

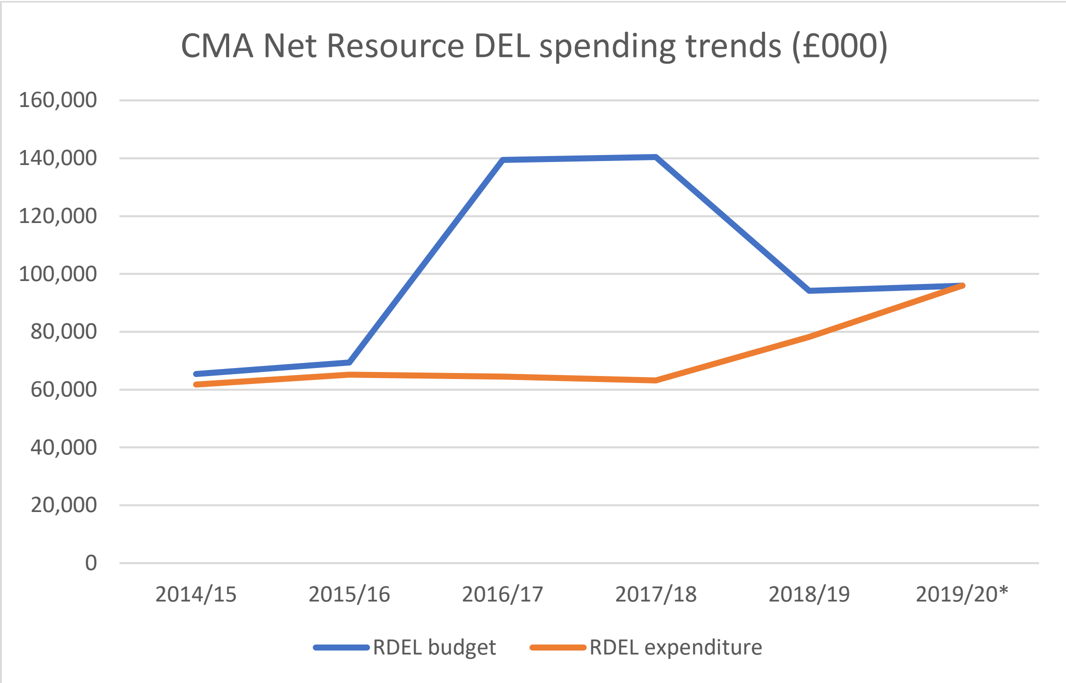
The net Capital DEL is 14.5% more than the original budget for 2019-20 due to £2.5m additional funding allocated to the CMA to complete the fit out of the new property in Canary Wharf.

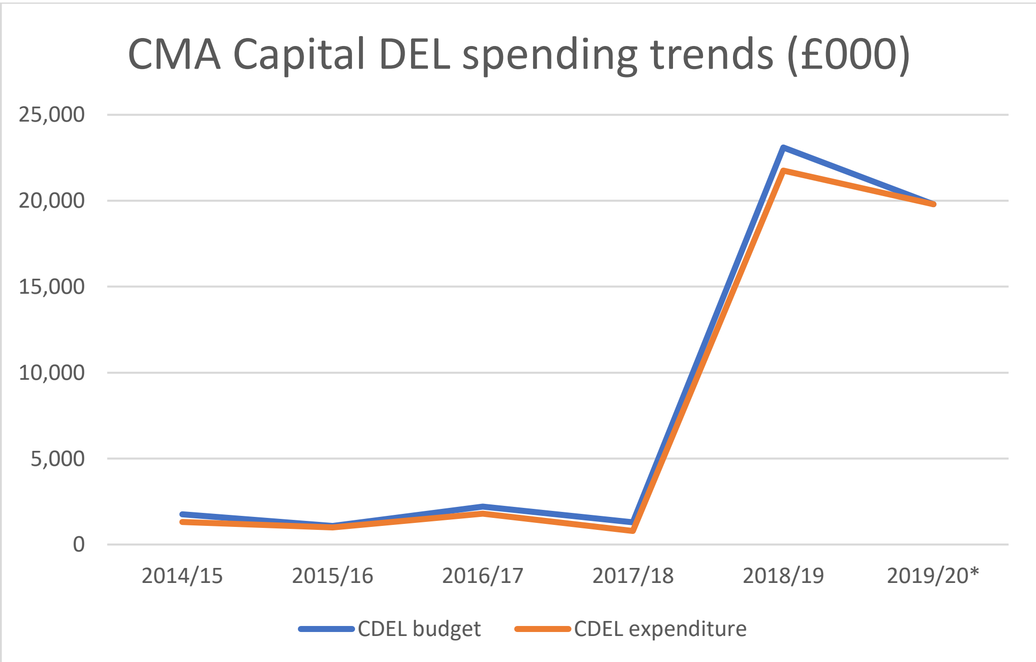
1.5 New policies and programmes; ambit changes

There are no further changes to the CMA's ambit and remains as it did at Main Estimates

1.6 Spending and income trends

The charts below show overall resource DEL spending and income trends for the last five years and plans presented in Supplementary Estimates for 2019-20.





* Includes forecast data

1.7 Administration costs and efficiency plans

There are no changes to the department's administration costs compared to the original budget this year.

Spending total **Amounts sought this year** **(Supplementary Estimate 2019-20)**		**Difference (+/-) compared to original budget this year** **(Main Estimate 2019-20)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2018-19)**	
		£ m	**%**	**£m**	**%**
Administration costs	£21.7m	0m	0%	-7.0m	-32.3%

The CMAs' plans to realise efficiency savings remains the same as at Main Estimates. We have moved accommodation in London, to a building that will incur lower rental charges and we are continuing to increase our presence in the Devolved Nations. We also continue to be a part of HMT's Pay bill Control Pilot which will help increase CMA's staff retention and drive efficiency savings in future years.

1.8 Funding: Spending Review and Budgets

In the 2015 Spending Review (SR15) HM Treasury allocated the CMA a flat cash Resource DEL budget before depreciation of **£65.94 million** per year, representing an estimated reduction over the four years of 7% in real terms, and a Capital DEL budget of **£2.1 million.**

In the Autumn Budget 2017 (AB17) HM Treasury increased the CMA's Resource DEL budget by an additional **£2.8 million** each year from 2018/19, to fund increased competition law enforcement activity so that the CMA can take on more cases against companies that are acting unfairly.

In February'19 HM Treasury allocated CMA an additional **£20 million** for 2019/20 to prepare for UK's Exit from the EU and administer State Aid.

HM Treasury agreed to the CMA accessing up to **£14.7 million** from the

Reserve to cover spend on the London property move in 2019-20.

Following delays to the CMA's London property move project in 2018-19, which were outside of our control, costs moved into 2019-20. This resulted in us returning c£7m to HMT in 2018-19 and with subsequent HMT approval to access **£5 million** from the Reserve in 2019-20 to fund the project to completion.

Following changes to the employer pension contributions in 2019-20, additional funding of **£1.743 million** has been allocated to CMA.

2 Spending and income detail

2.1 Explanations of changes in spending and income

Resource DEL

The table below shows how spending plans for Resource DEL compare with last year.

		Resource DEL				
		This year (2019-20 Supplementary Estimates budget sought)	*This year (2019-20 Main Estimates budget approved)*	change from last year		is change significant?
subhead		£ million			%	see explanation, note number
A	Competition Promotion	96.0	93.5	2.5	2.7%	1
	Total Voted and Non-Voted	**96.0**	**93.5**	**2.5**	**2.7%**	

Capital DEL

The table below shows how spending plans for Capital DEL compare with last year.

		Capital DEL				
		This year (2019-20 Supplementary Estimates budget sought)	*This year (2019-20 Main Estimates budget approved)*	change from last year		is change significant?
subhead		£ million			%	see explanation, note number
A	Competition Promotion	19.8	17.3	2.5	14.5%	1
	Gross expenditure	**19.8**	**17.3**	**2.5**	**14.5%**	

Note 1. The CMA vacated Victoria House in September 2019 and the CST / HMT agreed to the CMA accessing up to £20.7m in 2018-19 and £14.7m in 2019-20 from the Reserve for costs incurred on the property move. Changes to the project plan due to delays outside of the CMA's control, expected work and costs in 2018-19 were delayed into 2019-20. This resulted in us returning c£7.0m of both RDEL and CDEL in 2018-19 to HMT and now requesting £5m to complete the project in 2019-20.

<u>The CMA is still operating within the overall relocation project budget agreed with HMT</u>.

£2.5m RDEL budget is required for the ongoing costs of The Cabot (such as service charge, utilities, rates and the rent-free period budget impact) as well as the required presence of the project delivery partners.

£2.5m CDEL budget is required to complete the fit out works at The Cabot.

Resource AME

The table below shows how spending plans for Resource AME compare with last year.

		Resource	AME			
		This year (2019-20 Supplementary Estimates budget sought)	*This year (2019-20 Main Estimates budget approved)*	change from last year		is change significant?
subhead		£ million			%	see explanation, note number
B	Competition Promotion	10.0	10.0	0	0.0%	
	Gross expenditure	**10.0**	**10.0**	**0**	**0.0%**	

2.2 Restructuring

Not applicable

2.3 Ring fenced budgets

Within the totals, the following elements are ring fenced ie savings in these budgets may not be used to fund pressures on other budgets

Resource DEL

Ring fenced budgets **Amounts sought this year**		**Difference (+/-) compared to original budget this year** **(Main Estimate 2019-20)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2018-19)**	
		£ m	**%**	**£m**	**%**
Depreciation	£3.486m	0.0m	0%	0.99m	39.7%

2.4 Changes to contingent liabilities

Not applicable

3 Priorities and performance

3.1 How spending relates to objectives

Expenditure under subheads A and B supports all the objectives set out in the annual plan.

3.2 Measures of performance against each priority

The CMA's Annual Plan (see here) sets out our high-level objectives, what work we have done in the past to achieve these and how the department plans to drive forward programmes of work in the current financial year to continue to meet the objectives. The high-level objectives are as follows:

- Protecting vulnerable consumers
- Improving trust in markets
- Promoting better competition in online markets
- Supporting economic growth and productivity

The CMA's 2018-19 high-level objectives can be found here and our performance against these objectives was published in the Annual Report and Accounts in July'19.

3.3 Commentary on steps being taken to address performance issues

Not applicable

3.4 Major projects

The CMA fully relocated its London HQ to Canary Wharf by September 2019. The project is expected to close by the end of 2019-20.

Part funding for the property move has been negotiated with HM Treasury outside of the business as usual funding. The remaining funding was utilised from with our business as usual allocations.

4. Other information

4.1 Additional specific information required by the select committee

No additional information has been requested by BEIS' select committee

5 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Additional Accounting Officer.

Erik Wilson, CBE

Additional Accounting Officer

CMA

6 February 2020