

# Main Estimates 2020-21: 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 does this in a variety of ways by:

- investigating mergers between organisations, to make sure they don't reduce competition
- investigating entire markets if we think there are competition or consumer problems
- acting against businesses and individuals that take part in cartels or anti-competitive behaviour
- protecting consumers from unfair trading practices
- encouraging 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 we 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, and adverse legal costs 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 (Main Estimate 2020-21)		Difference (+/-) compared to final budget last year (Supplementary Estimate 2019-20)		Difference (+/-) compared to original budget last year (Main Estimates 2019-20)	
		£ m	%	£m	%
Resource DEL	£95.3m	-£0.7m	-0.7%	£1.8m	1.9%*
Capital DEL	£1.0m	-£18.8m	-94.9%	-£16.3m	-94.2%
Resource AME	£10.0m	£0.0m	0.0%	£0.0m	0.0%

\*including ringfenced depreciation budget.

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

### 1.4 Key drivers of spending changes since last year

The CMA's 2020-21 Resource DEL budget is higher than our 2019-20 Main Estimate's budget due to a 1.9%<sup>1</sup> inflationary uplift reflecting the CMA's increased role following the UK's exit from the EU including taking over responsibility for the largest and most complex competition cases from the European Commission.

The net Capital DEL is 94.2% less than the original budget for 2019-20 as the budget last year was increased to accommodate the CMA's property move in September 2019 and the increased construction works at the new premises. HM Treasury previously provided £14.7 million to fund the move and costs incurred during the fit out of the new premises, and this funding was allocated to the Capital DEL budget. The move and fit out has now been completed which accounts for the significant difference in the capital budget between years.

### 1.5 New policies and programmes; ambit changes

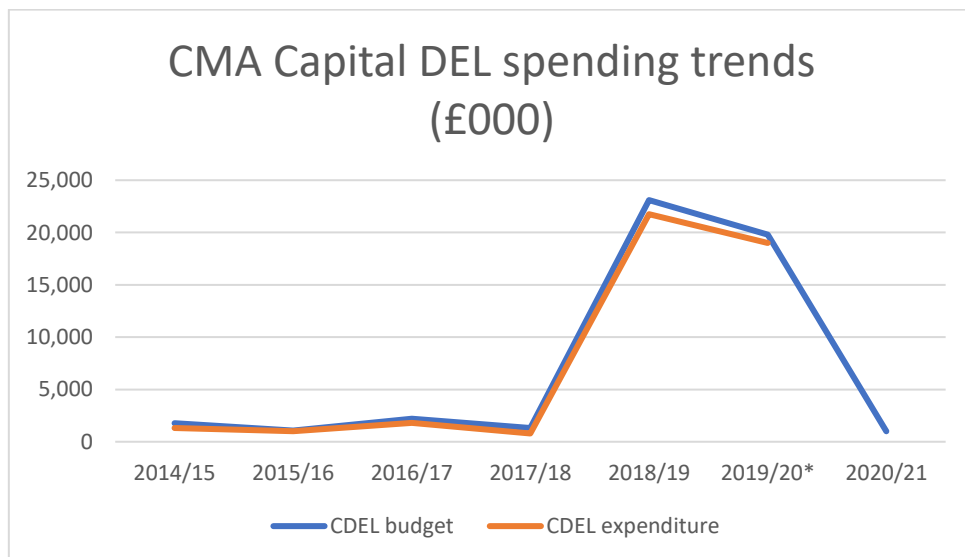
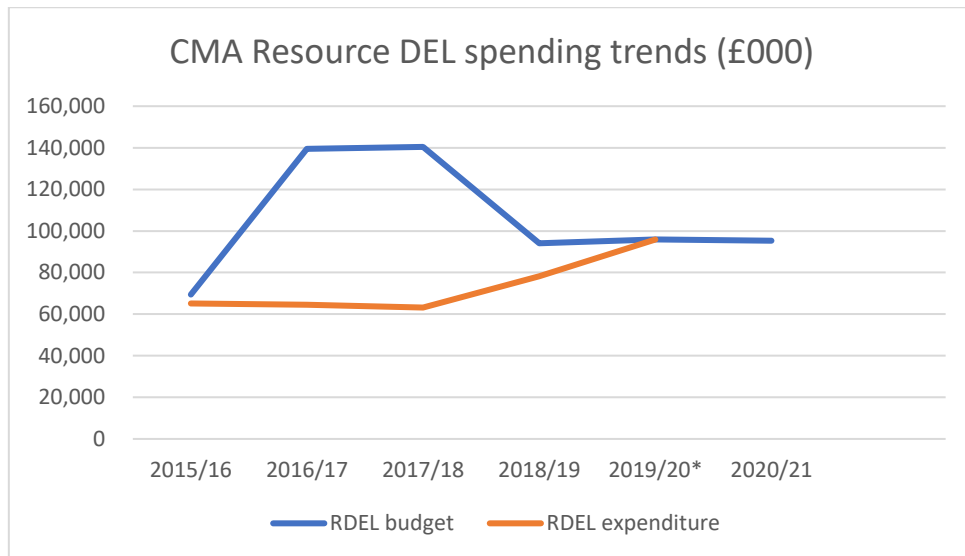
The CMA's ambit has changed to reflect the CMA's involvement in Post European Union Exit delivery work and the potential administration of the Subsidy Control regime. Furthermore, the CMA is

<sup>1</sup> Including ringfenced depreciation budget.

working to support the government response to the Covid-19 pandemic, including the creation of a Covid-19 taskforce focusing on protecting consumers from opportunistic and uncompetitive behaviour resulting from the pandemic.

## 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 the Main Estimates for 2020-21.



\* includes unaudited outturn data

## 1.7 Administration costs and efficiency plans

Administration costs are set to rise by 7.2% to the compared to last year's budget.

Spending total Amounts sought this year (Main Estimate 2020-21)		Difference (+/-) compared to final budget last year (Supplementary Estimate 2019-20)		Difference (+/-) compared to original budget last year (Main Estimates 2019-20)	
		£ m	%	£m	%
Administration costs	£23.3m	£1.6m	7.2%	£1.6m	7.2%

The CMA's plans to realise efficiency savings remains the same as in 2019-20. 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.

Our administration costs have increased initially as we have restructured our Corporate Services function at the start of this financial year. In a January 2020 a new frontline operational area was formed reporting directly to the Chief Executive and a further restructure has been undertaken within both Corporate Services and Legal Services which will ultimately reduce administrative expenditure. The CMA intends to provide further clarification in the 2020-21 Supplementary Estimates when the impact of the changes may be better understood, and this will result in a reduction in administration costs in 2020-21.

## 1.8 Funding: Spending Review and Budgets

In the 2019 Spending Review (SR19) HM Treasury allocated the CMA increased funding in line with inflation for the CMA's work supporting competition and consumers, including taking over responsibility for the largest and most complex competition cases from the European Commission as a result of the UK leaving the EU.

SR19 allocated the CMA's budget for 2020-21 only as a Resource Departmental Expenditure Limit budget excluding depreciation of £91.78 million and a Capital budget of £1.0 million.

This settlement is based on a rollover of the CMA's 2019-20 budget with an additional 2%<sup>2</sup> inflationary uplift. The CMA's 2019-20 budget comprised the Spending Review 2015 baseline, the additional enforcement funding from Autumn Budget 2017, funding for employer pension

<sup>2</sup> Excluding ringfenced depreciation budget.

contributions from the SCAPE Budget 2018 changes and funding for EU Exit any potential subsidy control regime preparations.

## 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				is change significant? see explanation, note number
		<i>This year (2020-21 Main Estimates budget sought)</i>	<i>Last year (2019-20 Main Estimates budget approved)</i>	change from last year		
subhead		£ million			%	
A	Competition Promotion	95.3	93.5	1.8	1.9%*	
	Total Voted and Non-Voted	<b>95.3</b>	<b>93.5</b>	<b>1.8</b>	<b>1.9%</b>	

\*including ringfenced depreciation budget.

#### Capital DEL

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

		Capital DEL				is change significant? see explanation, note number
		<i>This year (2020-21 Main Estimates)</i>	<i>Last year (2019-20 Main Estimates)</i>	change from last year		
subhead		£ million			%	
A	Competition Promotion	1.0	17.3	-16.3	-94.22%	1
	Gross expenditure	<b>1.0</b>	<b>17.3</b>	<b>-16.3</b>	<b>-94.22%</b>	

**Note 1.** The Capital DEL budget in 2019-20 was higher to accommodate increased expenditure stemming from the CMA's move to new accommodation in London in September 2019, including the installation of new IT equipment. HM Treasury provided additional funding for these purposes and

this funding was allocated to the Capital DEL budget. The move has now been completed and consequentially, the same level of budget is no longer needed resulting in the significant change.

#### Resource AME

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

		Resource		AME		change from last year	is change significant? see explanation, note number
		<i>This year (2020-21 Main Estimates)</i>	<i>Last year (2019-20 Main Estimates)</i>				
subhead		£ million				%	
B	Competition Promotion	10.0	10.0	0	0.0%		
	Gross expenditure	<b>10.0</b>	<b>10.0</b>	<b>0</b>	<b>0.0%</b>		

## 2.2 Restructuring

Not applicable.

## 2.3 Ring fenced budgets

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

#### Resource DEL

Ring fenced budgets		Difference (+/-) compared to final budget last year (Supplementary Estimate 2019-20)		Difference (+/-) compared to original budget last year (Main Estimate 2019-20)	
Amounts sought this year		£ m	%	£m	%
Depreciation	£3.486m	£0.0m	0%	£0.0m	0%
EU Exit and Subsidy Control	£19.89m	£0.11m	-0.5%	£0.11m	-0.5%

In 2019-20 HM Treasury provided approval to remove the EU Exit and Subsidy Control ringfence to support the CMA during the Coronavirus Covid-19 pandemic. If Government restrictions on movement and continued social distancing continue for a significant period, this will have additional financial implications for the CMA in 2020-21, particularly as the CMA moves to normalisation and re-establishing many of its BAU activities as well.

## 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 consumers, including those in vulnerable circumstances; Improving trust in markets
- Tackling concerns in digital markets;
- Enhancing productivity and economic growth;
- Climate change - supporting the transition to a low carbon economy;
- Taking on new responsibilities as a result of the UK leaving the EU

The CMA's 2019-20 high-level objectives can be found [here](#) and our performance against these objectives will be published in the 2019-20 Annual Report and Accounts.

## 3.3 Commentary on steps being taken to address performance issues

Not applicable.

## 3.4 Major projects

Not applicable.

## 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 me as Additional Accounting Officer.

Erik Wilson, CBE

Additional Accounting Officer

CMA

27 April 2020