Supplementary Estimates 2024-25: Estimates memorandum for the Competition and Markets Authority (CMA)

1 Overview

1.1 Objectives

The CMA is an independent non-ministerial UK Government department and is the UK's principal competition and consumer protection authority. We help people, businesses, and the UK economy by promoting competitive markets and tackling unfair behaviour. We are committed to doing this in a robust way, while also contributing to business confidence, investment and economic growth for the UK.

We derive our powers from the Enterprise and Regulatory Reform Act (ERRA) 2013 and our work is overseen by a Board and led by the Chief Executive and senior executive team. Decisions in some investigations, including phase 2 merger investigations, are made by members of the CMA's independent Panel.

The CMA has a UK-wide remit, with offices in Belfast, Cardiff, Edinburgh, London, and Manchester, in addition to the Microeconomics Unit (MU) based in Darlington. We adopt an evidence-based, integrated approach to our work, selecting the tools we believe will achieve maximum positive impact for people and businesses (wherever they live and operate in the four nations), as well as for the UK economy.

The CMA's statutory duty under the ERRA is to promote competition, both within and outside the UK, for the benefit of consumers.

Our main functions are:

- **Investigating mergers that have the potential to lead to a substantial lessening of competition**. If a merger is likely to reduce competition substantially, the CMA can accept remedies to address concerns or, in the absence of effective remedies, prohibit the transaction. The CMA performs this function in a targeted and proportionate way, enabling the vast majority of deals to go ahead, whilst looking more closely at the small number of cases which are truly problematic for UK consumers and businesses from a competition perspective.
- **Investigating businesses to determine whether they have breached UK competition law,** ending and deterring breaches by fining businesses and, where appropriate, seeking the disqualification of the company directors involved. Illegal anti-competitive conduct subverts the proper functioning of fair, open, and effective competition. Tackling it can bring down barriers to entry and scaling for fair-dealing businesses, as well as boosting productivity and incentives for investment.
- **Enforcing consumer protection legislation**, including through a new administrative enforcement model for consumer protection expected to commence later in 2025 under the Digital Markets, Competition and Consumer Act 2024 (DMCCA). The CMA operates alongside several other bodies across the UK with consumer enforcement responsibilities. Strong consumer enforcement by the CMA helps put money back in people's pockets and ensures they are treated fairly, so they can engage actively and confidently in markets.

- **Conducting studies, investigations, or other pieces of work into why particular markets are not working well**. The CMA can take action – and recommend action be taken by others – to help markets work better. Interventions can be designed to (for example) improve price and quality for consumers, tackle barriers to success for small and scaling businesses, support economic growth, and build trust in markets for the benefit of all participants.
- **Operating a new regime to promote competition in digital markets** under the DMCCA. The new regime is targeted, proportionate and uniquely designed to unlock opportunities for growth, innovation, and investment in the UK tech sector (and more broadly across the economy).
- **Giving information or advice on matters related to any CMA functions to governments and public bodies across the UK.** This includes advice on how policy can be designed and implemented to promote the interests of consumers and harness the power of competition to deliver long-term growth and prosperity for the UK.
- **Providing information and advice to people and businesses** about their rights and obligations under competition and consumer law. This ensures consumers can make well-informed decisions and receive fair treatment, as well as encouraging and facilitating companies to stay on the right side of the law.
- **Promoting stronger competition and consumer protection in the regulated industries** (gas, electricity, water, aviation, rail, communications, and financial services), working with the sector regulators to do so.
- **Conducting regulatory appeals and references** in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation.
- **Through the Office for the Internal Market (OIM),** providing advice, reporting, and monitoring in relation to intra-UK trade.
- **Through the Subsidy Advice Unit (SAU),** providing advice, reporting, and monitoring in relation to government subsidies that support important policy objectives.
- **Through the Microeconomics Unit (MU),** providing deep expert analysis and research on issues relevant to growth, innovation, productivity, and supply-side reforms.

Our Annual Plan for 2024/25 set out our Areas of Focus for the year, grouped under our Ambitions:

- <u>People can be confident they are getting great choices and fair deals</u>

  Areas of Focus for 2024/25 include: acting in areas of essential spending and where people are under particular financial pressure; protecting consumers from harmful practices in online choice architecture and misleading pricing; preparing to apply our enhanced consumer enforcement responsibilities under the DMCCA to achieve fairer outcomes; deterring anti-competitive behaviour, including cartels in public procurement; and tackling potential competition issues in UK labour markets.

- <u>Competitive, fair-dealing businesses can innovate and thrive</u>

  Areas of Focus for 2024/25 include: enabling innovative businesses to access digital markets; encouraging effective competitive in emergent markets; and deterring anti-competitive behaviour, including where innovative competitors and entrants could be disadvantaged.

- <u>The whole UK economy can grow productively and sustainably</u>

  Areas of Focus for 2024/25 include: acting in existing and emergent markets for sustainable products and services; identifying and acting in areas where we can have the most positive impact on innovation and productivity; preparing to apply new responsibilities in the digital markets competition regime; and providing advice to government through our OIM and SAU.

This year, we have made commitments in our Annual Plan to deliver a step change in how we work. More than ever before, the CMA is determined to engage pro-actively and directly with our stakeholders. This includes regular engagement with businesses and investors, diverse industry bodies across the UK economy, as well as critical dialogue with consumer groups, civil society, academia, and the third sector. It also includes inviting feedback and surveying perceptions of our work from a broad range of stakeholders. Based on feedback we have received from businesses and investors, this year we will implement meaningful changes to the way we work across a '4Ps' framework: pace, proportionality, predictability and process. We are confident these changes will enable us to deliver a robust regime which also shores up business confidence and contributes to economic growth.

1.2 Spending controls

The CMA's net spending is broken down into various spending control totals, for which Parliament's approval is sought.

The spending control 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/references and recovery of legal costs from third parties.
- 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, dilapidations, adverse legal costs and voluntary exit schemes etc.
- Capital Annually Manged Expenditure Limit ("**Capital AME**") – a net limit comprising provisions for dilapidations under IFRS16.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require 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 2024-25)**	**Difference (+/-) compared to original budget this year** **(Main Estimate 2024-25)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2023-24)**	
	£ m	**%**	**£m**	**%**

Resource DEL*	152.6	14.9	10.82%	29.6	24.03%
Capital DEL	8.1	0.0	0.00%	1.8	28.28%
Resource AME	27.0	5.0	22.73%	8.8	48.70%
Capital AME	2.0	0.0	0.00%	2.3	679.71%

*Including ringfenced depreciation budget.

See section 2 for detail on net spending.

1.4 Key drivers of spending changes since original budget this year

1. Resource DEL has increased by £14.9m

a. £8.0m Resource DEL increase following Autumn Budget 2024

- This funding is to enable the CMA to continue to promote competition for the benefit of consumers. This includes funding for the Digital Markets Unit, which has been established to oversee a digital markets competition regime that will unlock opportunities for enhanced innovation, investment and growth across the UK tech sector, and enable people and businesses across the UK, who depend on critical digital markets to access or offer goods and services, to get a fair deal.

b. £6.3m Resource DEL increase to support pressures arising from adverse legal costs in FY 24-25

- This request is driven by uncertainties around the timings of court decisions which may result in payments being required, beyond the CMA's control, as well the timings of any CA98 income which may be collected. This income covers both the adverse legal costs and the CMA's own litigation costs.

c. £0.6m Resource DEL increase to support regulatory appeals/references

- The CMA is anticipating costs of up to £0.60m this year relating to the Ofwat price redetermination (PR24) timing and need to start pre-reference work, as this is non-discretionary.

2. Resource AME has increased from £22.0m to £27.0m.

The CMA is requesting an increase of non-cash RAME budget for expected provisions in line with IAS 37.

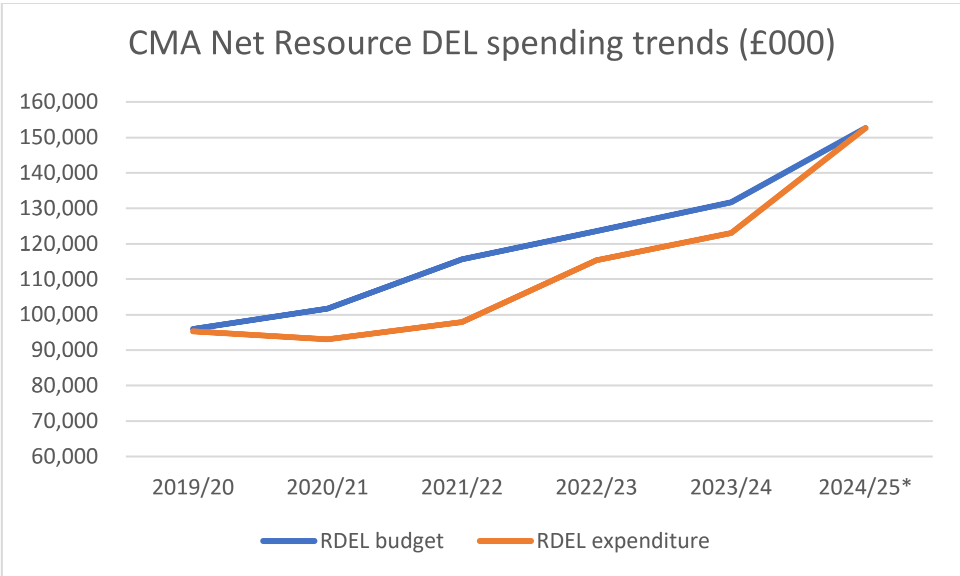
1.5 New policies and programmes; ambit changes

The only change to the CMA's ambit at Supplementary Estimate 2024-25 to clarify the types of income recovery made possible from the CMA's role as the specified appeal body for a number of regulated sectors (including energy, water, telecoms, airports and air traffic services).

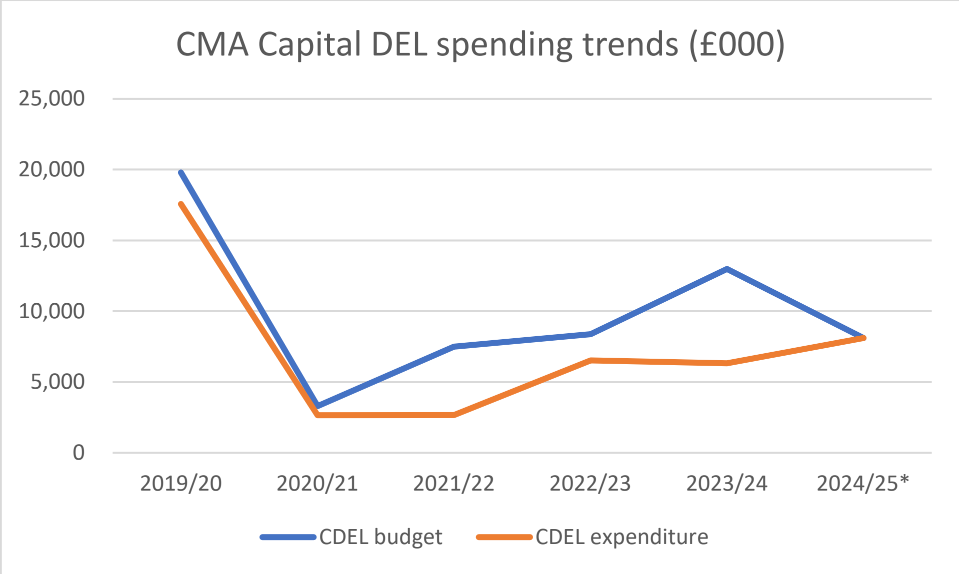
As well as regulatory appeals, the CMA is able to recover costs from references made in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation.

1.6 Net spending trends

The charts below show overall net Resource DEL and Capital DEL spending trends over the last 5 years and plans presented in the 2024-25 Supplementary Estimate.



* Includes forecast data



* Includes forecast data

1.7 Administration costs and efficiency plans

Spending total **Amounts sought this year** **(Supplementary Estimate 2024-25)**		**Difference (+/-) compared to original budget this year** **(Main Estimate 2024-25)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2023-24)**	
		£ m	**%**	**£m**	**%**
Administration costs*	31.3	1.9	6.60%	9.6	44.08%

*Excluding ring-fenced depreciation budget.

There is a 6.6% increase to the CMA's administration budget from the Main Estimate.

It is important to note that the CMA's administration costs include the CMA's Corporate Services costs which houses functions that directly support the delivery of cases – e.g., IT, property, facilities management, commercial, finance, and human resources. These functions are managed centrally rather than being embedded in the business areas directly. The size of Corporate Services is flexed depending on operational need.

Following Phase 1 of Spending Review 2025 (SR25) settlement, the CMA is committed to delivering 2% productivity and efficiency gains against the administration budget, which is to be recycled to fund pressures.

1.8 Funding: Spending Review and Budgets

This Supplementary Estimate relates to the final year of SR21 settlement:

- at SR21, HMT originally allocated the CMA a Resource DEL budget (excluding depreciation) of £130.5m for 2024-25, although agreed adjustments with HMT have been made since that was set (e.g. IFRS16 requirement).
- Following adjustments for AB24, adverse legal costs and regulatory appeals/references as part of our Supplementary Estimates request, this budget is now £138.2m for 2024-25.

2 Spending detail

2.1 Explanations of changes in net spending

Resource DEL

The table below shows how spending plans for Resource DEL compare with the plans submitted at Main Estimates.

		Resource	DEL*			
		This year (2024-25 Supplementary Estimate budget sought)	*This year (2024-25 Main Estimate budget approved)*	change from Main Estimates		is change significant? see explanation, note number
subhead		£ million			%	
A	Competition Promotion	137.7	152.6	14.9	10.8%	1
	Total Voted and Non-Voted	**137.7**	**152.6**	**14.9**	**10.8%**	

*Including ringfenced depreciation budget.

Capital DEL

The table below shows how spending plans for Capital DEL compare with the plans submitted at Main Estimates.

		Capital	DEL			
		This year (2024-25 Supplementary Estimate budget sought)	*This year (2024-25 Main Estimate budget approved)*	change from Main Estimates		is change significant? see explanation, note number
Subhead		£ million			%	
A	Competition Promotion	8.1	8.1	0.0	0%	N/A
	Gross expenditure	**8.1**	**8.1**	**0.0**	**0%**	

Resource AME

The table below shows how spending plans for Resource AME compare with the plans submitted at Main Estimates.

		Resource	AME			
		This year (2024-25 Supplementary Estimate budget sought)	*This year (2024-25 Main Estimate budget approved)*	change from Main Estimates		is change significant? see explanation, note number
subhead		£ million			%	
B	Competition Promotion	27.0	22.0	5.0	22.7 %	1
	Gross expenditure	**27.0**	**22.0**	**5.0**	**22.7 %**	

Capital AME

The table below shows how spending plans for Capital AME compare with the plans submitted at Main Estimates.

		Resource	AME			
		This year (2024-25 Supplementary Estimate budget sought)	*This year (2024-25 Main Estimate budget approved)*	change from Main Estimates		is change significant? see explanation, note number
subhead		£ million			%	
B	Competition Promotion	2.0	2.0	0.0	0%	N/A
	Gross expenditure	**2.0**	**2.0**	**0.0**	**0%**	

Note 1 - see section 1.4 above for key drivers of spending changes since original budget this year.

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 **Amounts sought this year** **(Supplementary Estimate 2024-25)**		**Difference (+/-) compared to original budget this year** **(Main Estimate 2024-25)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2023-24)**	
		£ m	**%**	**£m**	**%**
Depreciation	£14.5 m	0	0 %	3.41	30.9 %

2.4 Changes to contingent liabilities

The following contingent liabilities are contained within Part III: Note K of the Supplementary Estimate.

Nature of liability	£'000
The CMA is currently engaged in litigation activity which is not disclosed on the grounds that it may be prejudicial to legal privilege and the outcome of the litigation.	Up to 33,000

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 2024-25 annual plan.

3.2 Measures of performance against each priority

Delivering positive outcomes for people, businesses and the UK economy is integral to the CMA's work. We recognise the importance of evaluating and reporting on both the impact of our work, and the way in which we carry it out.

In our annual Impact Assessment, the CMA estimates the direct financial benefit of our work for consumers. These estimates are based on conservative assumptions. Our most recent Impact Assessment demonstrated that we returned an average of over £23 in savings to UK consumers for every £1 of taxpayer money spent in the three years to 2023/24. This is against the target of £10:1 set by the UK government. Over the first 10 years of the CMA's operation, we delivered more than £20bn in direct consumer benefits.

Our Annual Report and Accounts reviews the outcomes we deliver for those we serve, including delivery against our Areas of Focus for the year. Our next Annual Report and Accounts (for 2024/25) will be published alongside our next Impact Assessment in the Summer. Our future Annual Reports will specifically review and report on how our work has contributed to economic growth.

3.3 Commentary on steps being taken to address performance issues

Not applicable

3.4 Major projects

Not applicable.

4. Other information

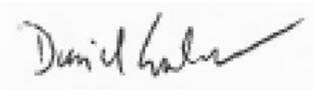
4.1 Additional specific information required by the select committee

No additional information has been requested by the select committee.

5 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HMT 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.



Daniel Lambauer

Additional Accounting Officer

CMA
11 February 2025

Competition and Markets Authority

INTRODUCTION

This Supplementary Estimate is required for the following purposes:

£

Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total
Other Changes			
"(Section A)" increase in Resource DEL due to Autumn Budget (AB24)	8,000,000		
Reserve Claims			
"(Section A)" Reserve claim Resource DEL	6,900,000		
Total change in Resource DEL (voted)	**14,900,000**		**14,900,000**
AME Expenditure Changes			
"(Section B)" Increase in Resource AME related to provisions	5,000,000		
Total change in Resource AME (voted)	**5,000,000**		**5,000,000**
Revisions to the Net Cash Requirement reflect changes to resources as set out above	14,900,000		
Total change in Net Cash Requirement	**14,900,000**		**14,900,000**

PART I: EXPENDITURE AND AMBIT

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	**14,900,000**	-	14,900,000
Capital	**-**	-	-
Annually Managed Expenditure			
Resource	**5,000,000**	-	5,000,000
Capital	**-**	-	-
Total Net Budget			
Resource	**19,900,000**	-	19,900,000
Capital	**-**	-	-
Non-Budget Expenditure	**-**		
Net Cash Requirement	**14,900,000**		

Supplementary amounts required in the year ending 31 March 2025 for expenditure by Competition and Markets Authority on:

Departmental Expenditure Limit:

Expenditure arising from:

Advancing and safeguarding the economic interests of United Kingdom (UK) consumers, businesses and the economy; enforcing competition and consumer law, including payment for information; analysing and monitoring markets; merger control; advocacy; information, education and advice; costs in respect of reactive and proactive litigation; providing expert, independent, trusted advice and economic analysis to support the four nations to trade effectively within the UK Internal Market; providing advice to public authorities and report on the effective operation of the subsidy control regime; operationalising and preparing for the new regulatory regime to implement and enforce a new pro-competition regime for digital markets; statutory information gathering powers for the monitoring function for road fuel; administrative and operational costs, associated depreciation and any other non-cash items falling in DEL. Supporting the Government's Places for Growth programme by increasing presence in Edinburgh, Belfast and Cardiff, and establishing new offices in Manchester and Darlington.

Income arising from:

Recovery of legal costs; recovery of regulatory appeal costs; contributions from other departments towards the costs of market studies; payments from the Home Office under the asset recovery incentivisation scheme; income from office space rental and other property related income, including compensation from the landlord; fees for common services provided to other organisations; recoveries of salaries of staff on loan or seconded to outside bodies; sale of plant and machinery.

*Cost recovery from references and appeals in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation.

Annually Managed Expenditure:

Expenditure arising from:

Provisions and other non-cash costs.

Competition and Markets Authority will account for this Estimate.

PART II: CHANGES PROPOSED

£'000

	Net Resources						Net Capital		
	Present		Changes		Revised		Present	Changes	Revised
	Admin	Prog	Admin	Prog	Admin	Prog			
	1	2	3	4	5	6	7	8	9
Departmental Expenditure Limit (DEL)									
Voted expenditure									
A Competition Promotion	32,721	105,015	1,935	12,965	34,656	117,980	8,120	-	8,120
Total voted DEL	**32,721**	**105,015**	**1,935**	**12,965**	**34,656**	**117,980**	**8,120**	**-**	**8,120**
Total DEL			**1,935**	**12,965**				**-**	
Annually Managed Expenditure (AME)									
Voted expenditure									
B Competition Promotion	-	22,000	-	5,000	-	27,000	2,000	-	2,000
Total voted AME	**-**	**22,000**	**-**	**5,000**	**-**	**27,000**	**2,000**	**-**	**2,000**
Total AME			**-**	**5,000**				**-**	
Voted expenditure			**1,935**	**17,965**				**-**	
Non-voted expenditure			**-**	**-**				**-**	
Total for Estimate			**1,935**	**17,965**				**-**	

£'000

	Present Plans	Changes	Revised Plans
Net Cash Requirement	**136,399**	**14,900**	**151,299**

PART II: REVISED SUBHEAD DETAIL INCLUDING ADDITIONAL PROVISION

£'000

	Revised Plans									
	Resources							Capital		
	Administration			Programme			Total			
	Gross	Income	Net	Gross	Income	Net	Net	Gross	Income	Net
	1	2	3	4	5	6	7	8	9	10
Departmental Expenditure Limit (DEL)										
Voted expenditure										
A Competition Promotion	37,656	-3,000	34,656	120,980	-3,000	117,980	152,636	8,120	-	8,120
Total voted DEL	**37,656**	**-3,000**	**34,656**	**120,980**	**-3,000**	**117,980**	**152,636**	**8,120**	**-**	**8,120**
Total DEL	**37,656**	**-3,000**	**34,656**	**120,980**	**-3,000**	**117,980**	**152,636**	**8,120**	**-**	**8,120**
Annually Managed Expenditure (AME)										
Voted expenditure										
B Competition Promotion	-	-	-	27,000	-	27,000	27,000	2,000	-	2,000
Total voted AME	**-**	**-**	**-**	**27,000**	**-**	**27,000**	**27,000**	**2,000**	**-**	**2,000**
Total AME	**-**	**-**	**-**	**27,000**	**-**	**27,000**	**27,000**	**2,000**	**-**	**2,000**
Voted expenditure	**37,656**	**-3,000**	**34,656**	**147,980**	**-3,000**	**144,980**	**179,636**	**10,120**	**-**	**10,120**
Non-voted expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total for Estimate	**37,656**	**-3,000**	**34,656**	**147,980**	**-3,000**	**144,980**	**179,636**	**10,120**	**-**	**10,120**

PART II: RESOURCE TO CASH RECONCILIATION

			£'000
	Present Plans	**Changes**	**Revised Plans**
Net Resource Requirement	**159,736**	**19,900**	**179,636**
Net Capital Requirement	**10,120**	**-**	**10,120**
Accruals to cash adjustments	**-33,457**	**-5,000**	**-38,457**
Of which:			
Adjustment for ALBs:			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
Adjustments to remove non-cash items:			
Depreciation	-14,462	-	-14,462
New provisions and adjustments to previous provisions	-24,000	-5,000	-29,000
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-	-	-
Adjustments to reflect movements in working balances:			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	5,005	-	5,005
Use of provisions	-	-	-
Removal of non-voted budget items	**-**	**-**	**-**
Of which:			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	**136,399**	**14,900**	**151,299**

PART III: NOTE A - STATEMENT OF COMPREHENSIVE NET EXPENDITURE & RECONCILIATION TABLE

	£'000
	Revised Plans
Gross Administration Costs	37,656
Less:	
Administration DEL Income	-3,000
Net Administration Costs	**34,656**
Gross Programme Costs	147,980
Less:	
Programme DEL Income	-3,000
Programme AME Income	-
Non-budget income	-
Net Programme Costs	**144,980**
Total Net Operating Costs	**179,636**
Of which:	
Resource DEL	152,636
Capital DEL	-
Resource AME	27,000
Capital AME	-
Non-budget	-
Adjustments to include:	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-
Adjustments to remove:	
Capital in the SoCNE	-
Grants to devolved administrations	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-
Other adjustments	-
Total Resource Budget	**179,636**
Of which:	
Resource DEL	152,636
Resource AME	27,000
Adjustments to include:	
Grants to devolved administrations	-
Prior period adjustments	-
Adjustments to remove:	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
Total Resource (Estimate)	**179,636**

PART III: NOTE B - ANALYSIS OF DEPARTMENTAL INCOME

	£'000
	Revised Plans
Voted Resource DEL	
Administration	
A Competition Promotion	
Sales of Goods and Services	-3,000
Total Sales of Goods and Services	**-3,000**
Total Administration	**-3,000**
Programme	
A Competition Promotion	
Sales of Goods and Services	-3,000
Total Sales of Goods and Services	**-3,000**
Total Programme	**-3,000**
Total Voted Resource DEL	**-6,000**
Total Voted Resource Income	**-6,000**

PART III: NOTE C - ANALYSIS OF CONSOLIDATED FUND EXTRA RECEIPTS

No CFER income or receipts are expected in 2024-25.

PART III: NOTE D - EXPLANATION OF ACCOUNTING OFFICER RESPONSIBILITIES

The Accounting Officer prepares resource accounts for each financial year. See Section 2, Part III - Other Statements and notes of Main Estimates 2024-25 for further details of Accounting Officer responsibilities.

Accounting Officer:	Sarah Cardell
Additional Accounting Officers:	Daniel Lambauer for sections A and B

PART III: NOTE K - CONTINGENT LIABILITIES

Nature of liability	£'000
The CMA is currently engaged in litigation activity which is not disclosed on the grounds that it may be prejudicial to legal privilege and the outcome of the litigation.	Up to 33,000