

# Supplementary 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 (Supplementary Estimate 2020-21)		Difference (+/-) compared to original budget this year (Main Estimate 2020-21)		Difference (+/-) compared to final outturn last year (Outturn 2019-20)	
		£ m	%	£m	%
Resource DEL*	£101.7m	£6.4m	6.7%	£6.4m	6.7%
Capital DEL	£3.3m	£2.3m	230%	-£14.3m	-81.3%
Resource AME	£10.0m	£0.0m	0.0%	£7.4m	281%

\*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 original budget this year

**The 2020-21 net Resource DEL is 6.7% more than the original budget for 2020-21 because the CMA have been allocated:**

- **an additional £3.9 million** to help manage unforeseen and unavoidable pressures arising as a result of the Covid-19 pandemic and assume additional responsibilities arising from EU Exit.
- **an additional £2.5 million** depreciation (non-cash, Ringfenced) for assets which have now come into full use this year following our office relocation and is non-cash budget cover to depreciate these assets.

**The net Capital DEL is 230%\* more than the original budget for 2020-21 due to £2.3 million additional funding allocated to the CMA for operational requirements and additional pressures arising a result of the Covid-19 pandemic as the original CDEL budget (which was originally set during SR15 and not reopened in SR19) was not sufficient to deliver CMA capital programs.**

\*a 230% increase represents a relatively small increase in real terms, as £1m is a low starting budget, therefore the proportional increase is high.

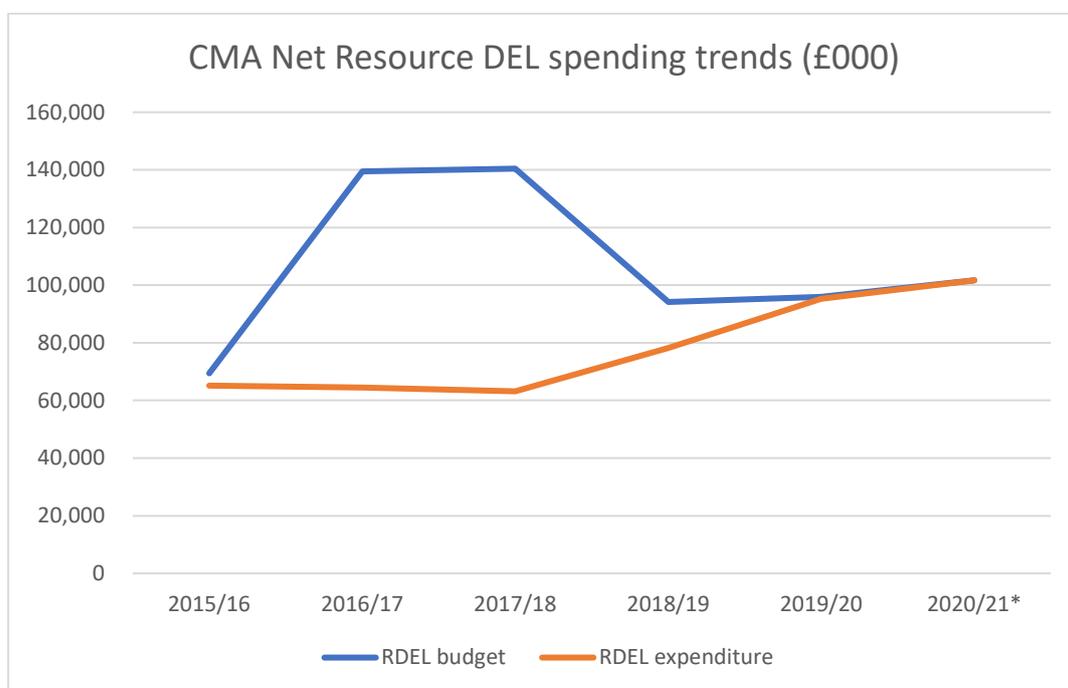
## 1.5 New policies and programmes; ambit changes

The CMA's ambit has changed from the Main Estimate (\*see below) to reflect the CMA's role in preparing to support the government's plans to monitor the running of the UK Internal Market through the Office for the Internal Market (OIM) and set up a Digital Markets Unit (DMU) to oversee a pro-competition regime for online platforms.

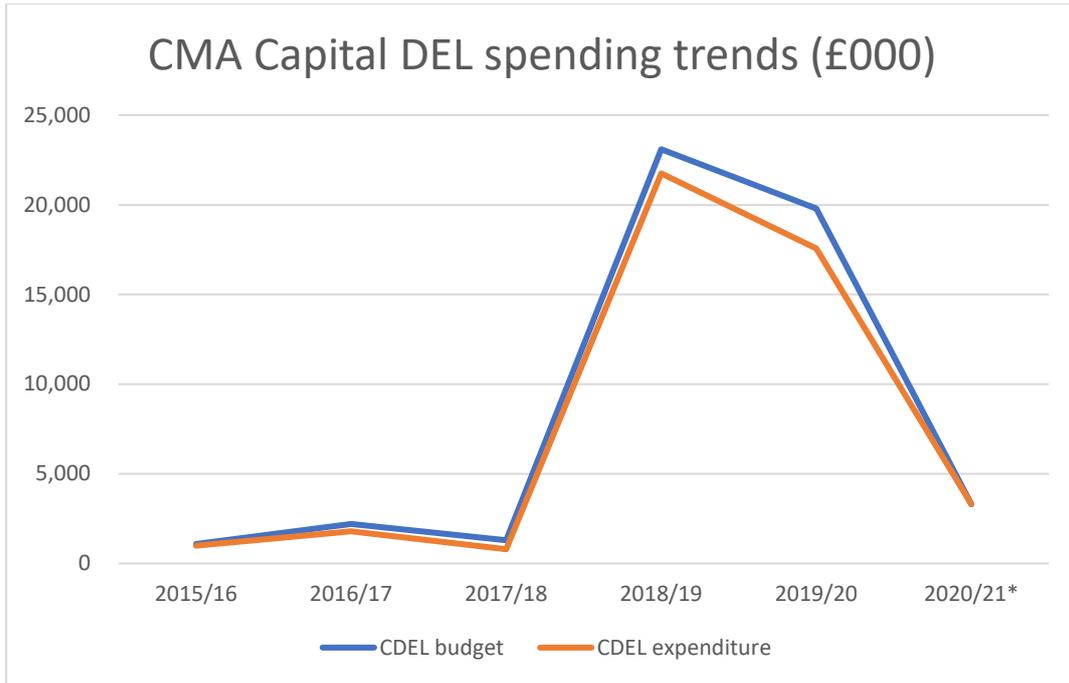
\*Preparatory work to set up the Office for the Internal Market (OIM) and Digital Markets Unit (DMU)

## 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 2020-21.



\* includes forecast data



\* includes forecast data

## 1.7 Administration costs and efficiency plans

Administration costs are set to rise by 4.3% to the compared to the original budget.

Spending total Amounts sought this year (Supplementary Estimate 2020-21)		Difference (+/-) compared to original budget this year (Main Estimate 2020-21)		Difference (+/-) compared to final outturn last year (Outturn 2019-20)	
		£ m	%	£m	%
Administration costs*	£24.3m	£1.0m	4.3%	3.2m	15.2%

\*including ringfenced depreciation budget.

Our administration costs have increased primarily as a result of the depreciation budget cover requested, as some of the assets coming into full use this year (following our office relocation) are attributed to Corporate Services staff. The increase in administration costs also relates to Covid-19 pressures resulting a proportionate/small increase in the CMA's Corporate Services costs (e.g. Accommodation and Facilities Management, IT)

The CMA's plan to realise efficiency savings remain 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.

## 1.8 Funding: Spending Review and Budgets

This Supplementary Estimate relates to the 2019 Spending Review (SR19) settlement. HMT 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% inflationary uplift (excluding ringfenced depreciation budget). The CMA's 2019-20 budget comprised the Spending Review 2015 baseline, the additional enforcement funding from Autumn Budget 2017, funding for employer pension 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*		change from last year		is change significant? see explanation, note number
		<i>This year (2020-21 Supplementary Estimates budget sought)</i>	<i>This year (2020-21 Main Estimates budget approved)</i>			
A	Competition Promotion	101.7	95.3	6.4	6.7%	1
	<b>Total Voted and Non-Voted</b>	<b>101.7</b>	<b>95.3</b>	<b>6.4</b>	<b>6.7%</b>	

\*including ringfenced depreciation budget.

## Capital DEL

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

subhead	Capital	DEL		change from last year		is change significant? see explanation, note number
	<i>This year (2020-21 Supplementary Estimates budget sought)</i>	<i>This year (2020-21 Main Estimates budget approved)</i>	£ million	%		
A	Competition Promotion	3.3	1.0	2.3	230%	1
	Gross expenditure	<b>3.3</b>	<b>1.0</b>	<b>2.3</b>	<b>230%</b>	

\*a 230% increase represents a relatively small increase in real terms, as £1m is a low starting budget, therefore the proportional increase is high.

### Note 1

- a) **Covid-19:** The CMA has faced unforeseen and unavoidable Covid-19 costs such as deep office cleaning, printing, signage and security for the Cabot and offices in the devolved nations for re-occupation as well as an increase in costs to ensure all staff can operate remotely without impacting outputs.

The pandemic also delayed costs from last year into the start of 2020/21 (e.g. external Communications Campaigns). As a result, we were unable to accrue all of these costs in 2019-20, as this would not meet the NAO's accruals' testing at year-end and wouldn't be in line with HMT budgeting guidance or accounting rules.

- b) **Annual leave accrual:** The CMA's staff forecast reflects the expected increase in untaken annual leave driven by the continued demands on CMA colleagues as a consequence of the workloads due to Brexit (both in the last financial year and as we come to the end of the transition period), the Covid-19 response and the uncertainty around easing lockdown restrictions this year.

We are required to account for unused annual leave in accordance with accounting standard IAS 19 (Employee Benefits) and in effect unused annual leave is accrued and recorded as an in-year cost at financial year end funded from Resource DEL.

- c) **Income shortfall risk:** The income shortfall can occur where cases that the CMA can recover costs, are delayed into next financial year, meaning the income isn't recognised in this financial year. If this risk doesn't materialise (i.e. we are able to recognise the income this year) we have agreed with the Spending Team that we will not draw-down this element of the claim.
- d) **Depreciation:** The CMA's 2020/21 depreciation budget 2020/21 was not reopened as part of the Spending Round 2019 (SR19) settlement. The additional budget cover is required for assets which have now come into full use this year following our office relocation and is non-cash budget cover to depreciate these assets.

£6.4m RDEL budget (£3.9m cash, £2.5m non-cash for depreciation) is required for the pressures listed above.

£2.3m CDEL funding is required for the CMA's operational needs and additional pressures arising a result of the Covid-19 pandemic as the original CDEL budget (which was originally set during SR15 and not reopened in SR19) was not sufficient.

#### 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 Supplementary Estimates budget sought)</i>	<i>This year (2020-21 Main Estimates budget approved)</i>	<i>This year (2020-21 Supplementary Estimates budget sought)</i>	<i>This year (2020-21 Main Estimates budget approved)</i>		
subhead		£ million				%	
B	Competition Promotion	10.0	10.0	0	0.0%		N/A
	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 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 2020-21)		Difference (+/-) compared to final outturn last year  (Outturn 2019-20)	
		£ m	%	£m	%
Depreciation	£6.0m	£2.5m	72.1%	£2.9m	95.6%

## 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 was published in the [Annual Report and Accounts](#) in July'20.

### 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 myself as Additional Accounting Officer.

Erik Wilson, CBE

Additional Accounting Officer

CMA

17 February 2021