Supplementary Estimates 2021-22: Estimates memorandum for the Competition and Markets Authority (CMA)

1 Overview

1.1 Objectives

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

The CMA does this in a variety of ways by:

- Investigating mergers that have the potential to lead to a substantial lessening of competition. If a merger reduces competition, the CMA can block it or impose remedies to address such concerns;
- Conducting studies, investigations, or other pieces of work into particular markets where there are suspected competition and consumer problems. The CMA can take action – and recommend action be taken by others – in markets where competition may not be working well;
- Investigating businesses and individuals to determine whether they have breached UK competition law and, if so, to end and deter such breaches, including by fining businesses and seeking the disqualification of directors of the companies involved, as well as pursuing individuals who commit the criminal cartel offence;
- Enforcing a range of consumer protection legislation, tackling issues which suggest a systemic market problem, or which affect consumers' ability to make choices;
- Promoting stronger competition in the regulated industries (gas, electricity, water, aviation, rail, communications, and health), working with the sector regulators;
- Conducting regulatory appeals and references in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation;
- Giving information or advice in respect of matters relating to any of the CMA's functions to the public, policy makers and to Ministers about how they can design and implement policy in a way that harnesses the benefits of competition, and protects and promotes the interests of consumers;
- Providing technical advice, reporting, and monitoring in relation to the effective operation of the UK internal market; and
- From Autumn 2022, providing advice, reporting, and monitoring in relation to specific subsidies, the effective operation of the domestic subsidy regime, and its impact on competition and investment.

The CMA adopts an integrated approach to our work, selecting those tools we believe will achieve maximum positive impact for consumers and the UK economy. The CMA has a UK-wide remit and employs around 830 people. As well as our London office, where most of our staff are based, we have a significant presence in Scotland as well as offices in Edinburgh as well as offices in Belfast and Cardiff. We are also opening an office in Manchester which will be the home of the new Digital Markets Unit and will be setting up a new Microeconomics Unit in HM Treasury's Darlington campus.

1.2 Spending controls

The CMA's net spending is broken down into a several different 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 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, 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 2021-22)**		**Difference (+/-) compared to original budget this year** **(Main Estimate 2021-22)**		**Difference (+/-) compared to final outturn last year** **(Outturn 2020-21)**	
		£ m	**%**	**£m**	**%**
Resource DEL*	£115.6m	£0.0m	0%	£14.9m	14.7%
Capital DEL	£7.5m	£0.0m	0%	£4.9m	188.9%
Resource AME	£45.0m	£35.0m	350%	£37.3m	484.7%

*including ringfenced depreciation budget.

See section 2 for detail on net spending.

1.4 Key drivers of spending changes since original budget this year

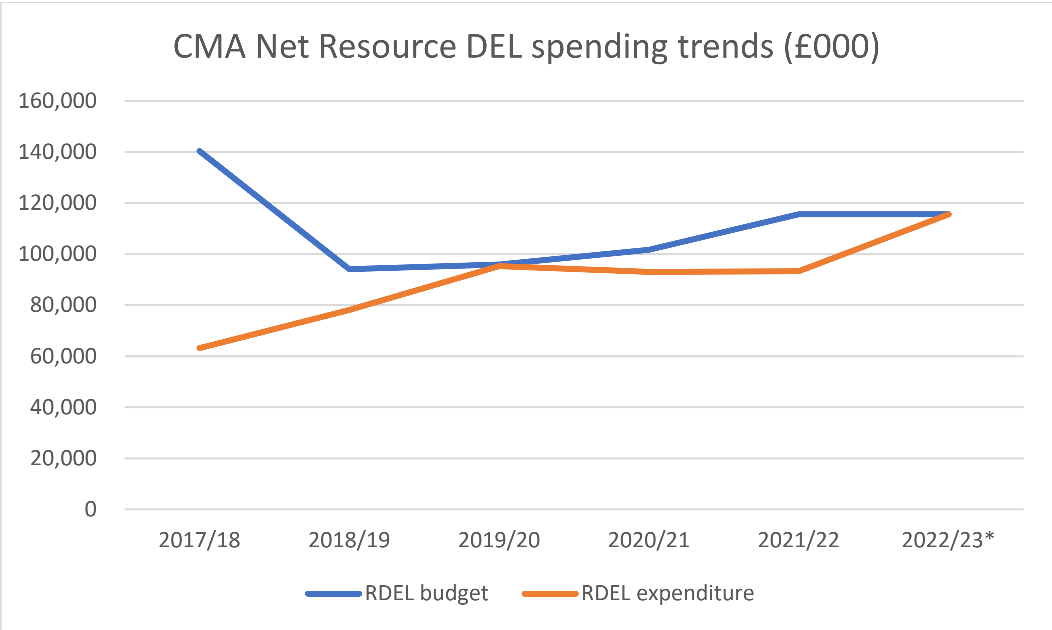
The CMA Resource AME control total has also been uplifted during the Supplementary Estimates' exercise to continue to ensure sufficient budget cover is available in 2021-22 for any provisions to be recognised for ongoing litigation cases. In these instances, the CMA refers to the recognition criteria for a legal costs provision within accounting standard IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and notes the 3 conditions in paragraph 14 which must be met for a provision to be recognised.

1.5 New policies and programmes; ambit changes

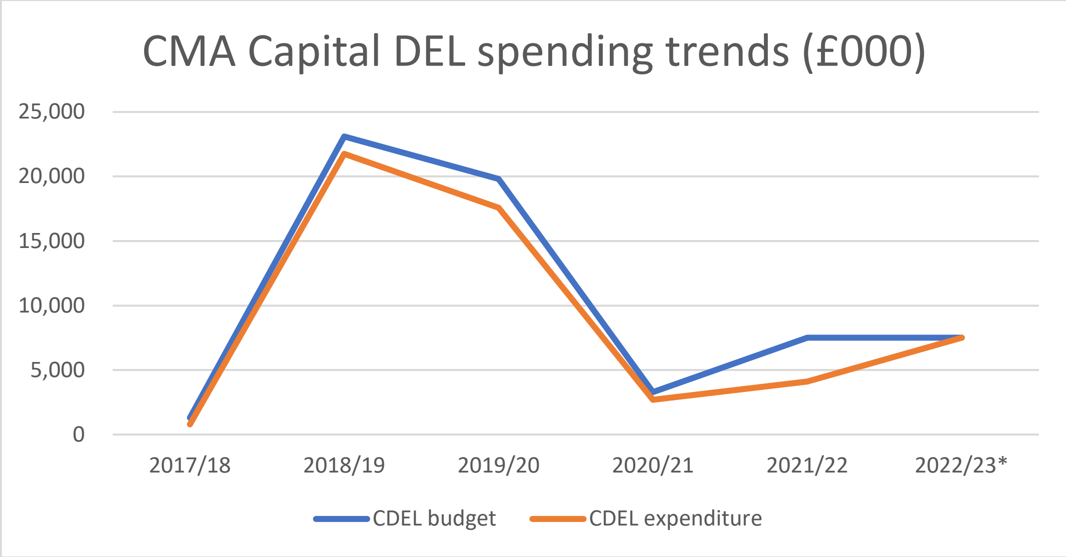
Not applicable.

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 2021-22 Supplementary Estimates.



* includes forecast data



* includes forecast data

1.7 Administration costs and efficiency plans

The CMA's plan to realise efficiency savings remain the same as at Main Estimates. Our London office incurs lower rental charges, following our move from Holborn to Canary Wharf in 2019 and we are continuing to increase our presence in the Devolved Nations. We will explore all options to realise efficiencies as we expand our presence in the devolved nations.

1.8 Funding: Spending Review and Budgets

This Supplementary Estimate relates to the 2020 Spending Review (SR20) settlement. HM Treasury allocated the CMA increased funding with an inflationary uplift 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.

SR20 allocated the CMA's budget for 2021-22 only as a Resource DEL budget of £115.6 million and a Capital budget of £7.5 million. This settlement is based on a rollover of the CMA's 2020-21 budget with an additional 2% inflationary uplift (excluding ringfenced depreciation budget). The CMA's 2020-21 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 and subsidy control regime preparations.

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 (2021-22 Supplementary Estimates budget sought)	*This year (2021-22 Main Estimates budget approved)*	change from Main Estimates	is change significant? see explanation, note number

subhead	£ million			%	
A Competition Promotion	115.6	115.6	0	0%	N/A
Total Voted and Non-Voted	**115.6**	**115.6**	**0**	**0%**	

*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 (2021-22 Supplementary Estimates budget sought)	*This year (2021-2 Main Estimates budget approved)*	change from Main Estimates		is change significant? see explanation, note number
Subhead	£ million			%	
A Competition Promotion	7.5	7.5	0	0%	N/A
Gross expenditure	**7.5**	**7.5**	**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 (2021-22 Supplementary Estimates budget sought)	*This year (2021-22 Main Estimates budget approved)*	change from Main Estimates		is change significant? see explanation, note number
subhead	£ million			%	
B Competition Promotion	45.0	10.0	35	350.0%	1
Gross expenditure	**45.0**	**10.0**	**35**	**350.0%**	

See section 1.4 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**	**Difference (+/-) compared to original budget this year** **(Main Estimate 2021-22)**	**Difference (+/-) compared to final outturn last year** **(Outturn 2020-21)**

		£ m	%	£m	%
Depreciation	£6.0m	0	0%	1.11	22.6%

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 and driving recovery during and after the coronavirus pandemic. We will do so with a particular focus on:
    - Protecting the vulnerable from breaches of competition and consumer protection laws and poorly functioning markets
    - Supporting the UK economy by fostering competition to promote innovation, productivity, and growth
- Taking our place as a global competition and consumer protection authority as we assume our new responsibilities after the EU Exit transition period;
- Fostering effective competition in digital markets; and
- Supporting the transition to a low carbon economy.

The CMA's 2021-22 high-level objectives can be found here and our performance against these objectives was published in the Annual Report and Accounts in July 2021.

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

22 February 2022