

## **VETERINARY SERVICES FOR HOUSEHOLD PETS MARKET INVESTIGATION**

### **The Veterinary Services Market Investigation (Funding) Undertakings 2026**

#### **Notice of proposal to accept Undertakings from the RCVS pursuant to sections 159 and 165 of, and Schedule 10 to, the Enterprise Act 2002 and public consultation on the proposed Undertakings**

##### **Notice of proposal to accept**

1. On 23 May 2024, following a market review launched on 7 September 2023 and a consultation opened on 12 March 2024, the Competition and Markets Authority (the **CMA**), in exercise of its powers under sections 131 and 133 of the Enterprise Act 2002 (the **Act**), made a reference for a market investigation in relation to the supply of Veterinary Services for Household Pets in the United Kingdom.
2. On 23 May 2024, the CMA appointed from its panel a group of five independent members (the **Group**) to conduct the market investigation and publish a final report. The Group was required to decide whether any feature, or combination of features, of each relevant market prevents, restricts or distorts competition and thereby has an adverse effect on competition (**AEC**) and, if so, what action should be taken.
3. On 24 March 2026, the CMA published its report on the market investigation (the **Final Report**) in which it concluded that there are certain features which have an AEC in the markets for (i) the retail supply of Veterinary Services for Household Pets by First Opinion Practices (**FOPs**) in the UK, and (ii) the supply of outsourced out of hours (**OOH**) provision to FOPs in the UK. Those features are set out in section 15 of Part A of the Final Report (in paragraphs 15.15 and 15.23).<sup>1</sup>

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<sup>1</sup> Since the publication of the Final Report, two members of the Group have ceased to be members of it. One Group member's appointment to the CMA panel ended on 1 April 2026, and another resigned from the Group on 24 April 2026. Each cessation of membership of the Group, and the Group's continued functioning with its remaining members thereafter, is in accordance with Schedule 4 to the Enterprise and Regulatory Reform Act 2013.

4. The Group decided that, in order to address the AEC and resulting customer detriment, a package of remedies should be adopted consisting of:
- (a) Measures to empower Pet Owners when making choices, relating to:
    - (i) Transparency of the ownership of Veterinary Businesses
    - (ii) The ability to compare FOPs directly
    - (iii) Better pricing information when choosing treatments and services
    - (iv) Increased awareness of the ability to purchase medicines online and potential savings
    - (v) Clear information on end-of-life services
  - (b) Measures to remove barriers to engagement and competition, relating to:
    - (i) Ensuring that vets and vet nurses are able to act in accordance with the relevant provisions of the Royal College of Veterinary Surgeons (**RCVS**) Code and Guidance
    - (ii) Making it easier for Pet Owners to get and use a written prescription
    - (iii) Improving consumer complaints and redress mechanisms
    - (iv) Making it easier for FOPs to switch OOH provider
  - (c) A recommendation to government on reform of the existing statutory regime for the regulation of Veterinary Services
  - (d) Recommendations to the RCVS and the Veterinary Medicines Directorate (**VMD**).
5. The Group decided that implementing this remedies package requires action not only by the CMA and the imposition of remedies on Veterinary Businesses but also an enhanced role for the RCVS (as the existing sector regulator), in order to address the wide-ranging concerns identified in the Final Report. The Group decided that the RCVS should be required – by means of Undertakings it gives to the CMA or by Order – to perform certain activities to support the remedies to be imposed on Veterinary Businesses and to monitor compliance by those businesses with those remedies. Those activities are set out in the

Final Report and they are described in this Notice (see paragraph 13 below)<sup>2</sup> as the **RCVS Activities**.

6. The Group also decided that the costs of the RCVS's performance of the RCVS Activities should be met by Veterinary Businesses paying a Levy to the RCVS. The establishment and operation of the processes for collecting that Levy and estimating the RCVS's reasonably necessary and reasonably efficiently incurred costs also form part of the RCVS Activities that should be so funded.
7. The remedies will therefore be implemented by a combination of (i) CMA Orders on Veterinary Businesses and (ii) the RCVS entering into legally binding Undertakings. Some of these instruments would set out substantive requirements on Veterinary Businesses and the RCVS. Others (such as the Undertakings to which this Notice relates and the Order referred to in paragraph 8(a) below) would provide mechanisms which put in place the funding required for the RCVS's performance of the RCVS Activities.
8. Specifically, the package of remedies will be implemented by:
  - (a) the Veterinary Services Market Investigation (Funding) Order 2026 (the **Funding Order**);
  - (b) the Veterinary Services Market Investigation Royal College of Veterinary Surgeons (Funding) Undertakings 2026 (the **RCVS Funding Undertakings**);
  - (c) a separate order imposing substantive requirements on Veterinary Businesses (to be known as 'the Veterinary Services Market Investigation Order 2026' and referred to in this Notice as the '**Substantive Order**');
  - (d) separate undertakings entered into by the RCVS relating to the RCVS Activities (to be known as 'the Veterinary Services Market Investigation Royal College of Veterinary Surgeons Undertakings 2026' and referred to in this Notice as the '**RCVS Substantive Undertakings**');<sup>3</sup> and
  - (e) recommendations to government, the RCVS and the VMD as set out in the Final Report.

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<sup>2</sup> And in the draft RCVS Funding Undertakings to which this Notice relates.

<sup>3</sup> Subject to the RCVS offering, and the CMA accepting, suitable undertakings and following the procedure provided for by the Act. In default of the RCVS giving such undertakings, the CMA may instead require the RCVS to perform the relevant activities.

# **The RCVS Funding Undertakings and the Funding Order**

## ***Structure***

9. This Notice relates to the RCVS Funding Undertakings which the CMA now proposes to accept from the RCVS (alongside its proposal to make the Funding Order). A copy of the draft RCVS Funding Undertakings is published with this Notice. Terms used in the Notice have the same meaning as in the draft Undertakings. The CMA's proposal to make the Funding Order is the subject of a separate notice published on the same date as this Notice, together with a draft of that Order.
10. As explained in more detail below, the Funding Order would provide for the CMA to set the Levy that Veterinary Businesses which operate FOPs and OOH Centres (Qualifying Veterinary Businesses)<sup>4</sup> must pay to the RCVS, for each such FOP or centre, in order to meet the costs of the RCVS performing the RCVS Activities. The CMA would do that based on its assessment of the RCVS's estimates of those costs, which estimates the RCVS would provide to the CMA pursuant to the RCVS Funding Undertakings. The estimates would be the subject of consultation, and the CMA would set the Levy periodically based on the numbers of FOPs and OOH Centres in the UK. The RCVS would collect the Levy from Qualifying Veterinary Businesses pursuant to the arrangements and processes the RCVS Funding Undertakings would require it to put in place.

## ***Purpose and effect***

11. The purposes of the RCVS Funding Undertakings, together with the Funding Order, would, in accordance with the decisions contained in the Final Report, be to ensure that:
  - (a) the RCVS is appropriately funded for performing the RCVS Activities;
  - (b) the RCVS puts in place and administers arrangements and processes for collecting the Levy; and
  - (c) the costs of the aspects of regulation comprised in the RCVS Activities would be borne, in proportion to their size, by those businesses to which those aspects of regulation mainly relate.

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<sup>4</sup> Other than charitable organisations that do not provide Veterinary Services for Household Pets for profit.

12. The effects of the RCVS Funding Undertakings, together with the Funding Order, would be that:
- (a) the RCVS would be appropriately funded;
  - (b) the RCVS would have in place and administer arrangements and processes for collecting the Levy; and
  - (c) the package of remedies the Group decided upon in the Final Report can be implemented, and compliance with it monitored, effectively, so as to address the AEC and its resulting detrimental effects on customers.

### ***Consistency with the Final Report***

13. The RCVS Funding Undertakings would be consistent with and give effect (with the Funding Order) to the Group's decisions in the Final Report that the costs of performing the RCVS Activities should be funded by a Levy on Veterinary Businesses that is collected by the RCVS.<sup>5</sup> These activities, which are more fully described in sections 3 to 9 of part B of the Final Report, include:
- (a) monitoring compliance by Veterinary Businesses with the Funding Order and the Veterinary Services Market Investigation Order 2026;
  - (b) improving the functionality of the Find A Vet website and operating and maintaining it on an ongoing basis;
  - (c) collecting information from Veterinary Businesses to present on the Find A Vet website;
  - (d) sharing information from the Find A Vet website with approved third parties, including setting up the approval and sharing process;
  - (e) contracting with an approved ADR provider which offers mediation services to Veterinary Businesses;
  - (f) producing, distributing to Veterinary Businesses, and publishing, standardised literature and information about the ability of Pet Owners to request written prescriptions;

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<sup>5</sup> See, for example, paragraphs 2.64 – 2.66 and 2.70 – 2.72 of Part B of the Final Report. Paragraph 2.70, in particular, indicated matters which the Funding Order would be expected to cover.

- (g) publishing the level of the monetary threshold above which Veterinary Businesses will be required to ensure that Pet Owners are provided with a written estimate for treatments;
  - (h) developing and publicising a decision tree to help Pet Owners navigate the different routes to redress when they have a complaint about a Veterinary Business;
  - (i) collecting, analysing and publishing on an annual basis data and insights on complaints in the market for Veterinary Services for Household Pets;
  - (j) providing independently assured estimates of the costs that the RCVS expects to incur in carrying out the RCVS Activities and operating and administering the system for collecting the Levy; and
  - (k) any other activities which are reasonably necessary to put in place, operate and maintain the systems, mechanisms, arrangements and activities described in sub-paragraphs (a) to (j) above.
14. The RCVS Funding Undertakings would, as described in sub-paragraph 13(j) above, provide for the RCVS Activities to include: (i) obtaining independent assurance of estimates of the costs of performing those activities; and (ii) operating and administering the system for collecting the Levy. Such inclusion was not the subject of express decisions in the Final Report. It would, however, be consistent with the decisions in that document that:
- (a) the RCVS should be paid such a Levy by Qualifying Veterinary Businesses (as to which, see paragraphs 2.64-2.66 of Part B of the Final Report); and
  - (b) the businesses which are subject to the regulation the CMA would impose should bear the costs thereof <sup>6</sup> (see paragraphs 11.71 and 11.83-11.85 of Part B of the Final Report).
15. The RCVS Funding Undertakings would make provision for the RCVS to provide to the CMA estimates of the reasonably necessary and reasonably efficiently incurred costs of its performance of the RCVS Activities, and for these estimates to be subject to consultation and CMA approval before they are used by the CMA to set the Levy (further as to which see paragraphs 18-22 below). Such provision is consistent with the decisions in paragraphs 2.64 to 2.73 of Part B of the Final Report.

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<sup>6</sup> Rather than those costs being met from other sources of RCVS funds (such as fees paid by individual veterinary professionals).

16. The periods in respect of which the RCVS Funding Undertakings would require the RCVS to provide estimates of its costs include the time from the publication of the Final Report. That is consistent with the Group's decision in the report that the Levy payable by Veterinary Businesses would cover such efficiently incurred costs from the date of publication.<sup>7</sup> This was on the basis that a number of the RCVS's obligations would be clear in important respects from that date, and the RCVS should take preparatory action to comply with those obligations, with the costs to be met by the Veterinary Businesses which were to be subject to regulation.
17. The RCVS Funding Undertakings would help give effect to the aspect of the Group's decision described in the preceding paragraph, which decision was clearly communicated to relevant Veterinary Businesses at the time the Group made it. The amounts recoverable, which are the subject of consultation, would be constrained by the limiting of the costs to those reasonably necessary to perform the RCVS Activities (including reasonably necessary set-up costs) and that are reasonably efficiently incurred.

## Specific provisions

### *RCVS Funding Estimates*

18. As we note above, the Levy is designed on a cost-recovery basis. One element of its calculation by the CMA would be based on the RCVS's estimates of its costs in performing the RCVS Activities (which estimates the RCVS will provide to the CMA) (the **RCVS Funding Estimates**). The RCVS Funding Estimates would be defined in the RCVS Funding Undertakings which set out obligations the RCVS would have in respect of those estimates.
19. A RCVS Funding Estimate would be defined so as to require that the RCVS:
  - (a) describes each of the activities the estimated costs will cover;
  - (b) includes:
    - (i) the total amount of those costs, plus a contingency amount of up to 15 percent of that total; and
    - (ii) the amounts attributable to each of the activities in (a);

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<sup>7</sup> See paragraphs 2.66, and 2.70 – 2.72 of Part B to the Final Report, for illustration.

- (c) for each activity, explains how the RCVS considers that the estimated costs attributable to that activity are reasonably necessary and represent reasonably efficiently incurred costs; and
    - (d) carries forward from any previous period any reasonably estimated, or actual, surplus or shortfall in the funds for carrying out the RCVS Activities.
20. The view on which the CMA is consulting in this Notice is that the process by which the RCVS provides the RCVS Funding Estimates to the CMA would be an appropriate one subject to suitable safeguards because:
- (a) The RCVS is the current regulator of veterinary professionals, and the body that will carry out the RCVS Activities, some of which will use and build on existing RCVS processes. It has the knowledge and expertise required to provide robust estimates of its costs.
  - (b) The costs would be subject, in accordance with the Funding Undertakings, to the requirements that they are reasonably necessary for the RCVS to perform the RCVS Activities and represent the reasonably efficiently incurred costs of doing so. The requirement for reasonable necessity would mean that the RCVS Funding Estimates must contain only the costs a prudent regulatory body would regard as necessary to perform the activities. The requirement for reasonable efficiency would help constrain the amount of the costs. Those requirements would set important in-principle benchmarks for the RCVS's costs, against which the RCVS would be required to provide justifications and which the CMA would use to assess the estimates.
  - (c) The RCVS's estimates would be subject to consultation as described in this Notice before they are finalised and adopted.
  - (d) The RCVS would be required to publish a post-hoc breakdown of its actual costs incurred and an independent audit of those costs by a suitably skilled, qualified and experienced person, and including the auditor's opinion as to whether, based on the procedures they have carried out, anything came to their attention to indicate that such costs attributable to each RCVS Activity were not reasonably necessary and reasonably efficiently incurred.
21. The RCVS Funding Undertakings (and the Funding Order) would provide for two relevant periods for the purposes of the RCVS Funding Estimates. Additional safeguards would apply in the second of those periods, as described below.

22. The relevant safeguards would ensure that the RCVS Funding Estimates, and the Levy set by the CMA, are robust and proportionate reflections of the costs of the RCVS Activities.

*Funding estimates for the Initial Relevant Period*

23. The first period for which the RCVS would provide the CMA with a RCVS Funding Estimate is, in line with the decisions in the Final Report, 24 March 2026 to 31 March 2027 (see paragraph 16 above). That period is referred to in the RCVS Funding Undertakings (and in the Funding Order) as the Initial Relevant Period.
24. Paragraphs 2.71 and 2.72 of the Final Report state that:
- (a) 'The Undertaking to be offered by the RCVS will include requirements for the RCVS to provide estimates of the costs that it expects to incur in carrying out the actions the CMA requires it to take.'
  - (b) 'These estimates would be required to be in relation to efficiently incurred costs and in the first instance include the costs of associated up-front set up activities.'
  - (c) 'The initial estimate will also require, to the extent relevant, information on the costs incurred from the date of this report or expected to be incurred from that date by the RCVS and funded from its professional fee contingency fund and which are to be refunded from the levy payable by veterinary businesses.'
  - (d) 'These estimates will be the basis of the calculation of the initial levy fee payable by each veterinary business.'
25. The RCVS has provided the CMA with its RCVS Funding Estimate for the Initial Relevant Period:<sup>8</sup>

**Table 1: RCVS Funding Estimate for the period 24 March 2026 to 31 March 2027**

| RCVS Activity | Estimated cost including a |
|---------------|----------------------------|
|---------------|----------------------------|

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<sup>8</sup> As provided for in the draft Funding Undertaking, the RCVS's estimate of its funding requirements for the two-year period beyond 31 March 2027, and the associated Levy, will be consulted on separately by the RCVS after the CMA has made the Funding Order and accepted the Funding Undertakings.

|                                                                                                                                                                                                                                                                                    | <b>contingency<br/>(£'000)</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| (a) monitoring compliance by Veterinary Businesses with the Substantive Order and the Funding Order;                                                                                                                                                                               | 224                            |
| (b) improving the functionality of the Find A Vet website and operating and maintaining it on an ongoing basis;                                                                                                                                                                    | 402                            |
| (c) collecting information from Veterinary Businesses to present on the Find A Vet website                                                                                                                                                                                         | 32                             |
| (d) sharing information from the Find A Vet website with approved third parties, including setting up the approval and sharing process;                                                                                                                                            | 41                             |
| (e) contracting with an approved ADR provider which offers mediation services to Veterinary Businesses;                                                                                                                                                                            | 2                              |
| (f) producing, distributing to Veterinary Businesses, and publishing, standardised literature and information about the ability of Pet Owners to request written prescriptions                                                                                                     | 3                              |
| (g) publishing the level of the monetary threshold above which Veterinary Businesses will be required to ensure that Pet Owners are provided with a written estimate for treatments;                                                                                               | 0                              |
| (h) developing and publicising a decision tree to help Pet Owners navigate the different routes to redress when they have a complaint about a Veterinary Business;                                                                                                                 | 24                             |
| (i) collecting, analysing and publishing on an annual basis data and insights on complaints in the market for Veterinary Services for Household Pets;                                                                                                                              | 1                              |
| (j) providing independently assured estimates by an auditor or another suitably skilled, qualified and experienced third party of the costs that the RCVS expects to incur in carrying out the RCVS Activities and operating and administering the system for collecting the Levy; | 257                            |
| (k) any other activities which are reasonably necessary to put in place, operate and maintain the systems, mechanisms,                                                                                                                                                             | 769                            |

|                                                                          |              |
|--------------------------------------------------------------------------|--------------|
| arrangements and activities described in sub-paragraphs (a) to (j) above |              |
| <b>TOTAL</b>                                                             | <b>1,755</b> |

26. The RCVS has provided to the CMA, in support of its RCVS Funding Estimate for the Initial Relevant Period, evidence and explanations relating to how it produced that estimate. This includes an assurance report by a public accounting and consulting firm to the RCVS, dated June 2026. It also includes a summary of the actions the RCVS will perform as RCVS Activities in the Initial Relevant Period (see **Annex 1: RCVS Submission of Funding Estimate for the Initial Relevant Period**).
27. The RCVS has noted that there are a number of key risks or challenges which have an impact on its ability to develop its RCVS Funding Estimate. Two of the primary ones are:
- (a) 'Concentration of cost in a small number of large items: A significant proportion of the total cost sits within CRM and IT delivery; while supported by external estimates, there is inherent uncertainty around large system implementation costs.'
  - (b) 'Programme management scope: The inclusion of programme and project management roles is appropriate, but the level of effort required will depend on delivery complexity and could vary as the programme evolves.'
28. The RCVS has explained to the CMA that it has sought to account for this uncertainty by applying a contingency percentage to each RCVS Activity, reflecting its assessment of the level of uncertainty involved. These contingency percentages vary between five percent where the cost estimates can be gauged on a more certain basis, and 15 percent where there is currently less certainty associated with the costs that will need to be incurred.
29. The CMA has carefully considered all of the information provided by the RCVS, including responses to inquiries that the CMA has made of senior members of RCVS staff. For the reasons set out in more detail below, the CMA's provisional view is that the figures in the RCVS Funding Estimate, for each individual RCVS Activity and in aggregate, represent reasonably necessary and reasonably efficiently incurred costs. Therefore, the CMA is minded to approve the RCVS Funding Estimate and use it as the basis for calculating the Levy for the Initial Relevant Period.

30. The CMA has focused its review on larger estimated amounts within the RCVS Funding Estimate since these amounts will have the greatest impact on whether the overall costs are reasonably necessary and reasonably efficiently incurred. Around 94 percent of the RCVS Funding Estimate for the Initial Relevant Period relates to four activities:
- (a) Monitoring compliance by Veterinary Businesses with the Substantive Order and the Funding Order (estimated to be around £224,000, including set-up costs and a 15 percent contingency);
  - (b) Improving the functionality of the Find A Vet website (estimated to be around £402,000, including a 15 percent contingency);
  - (c) Providing independently assured estimates by an auditor or another suitably skilled, qualified and experienced third party of the costs that the RCVS expects to incur in carrying out the RCVS Activities and operating and administering the system for collecting the Levy (estimated to be around £257,000, including a 10 percent contingency); and
  - (d) Other activities which are reasonably necessary to put in place, operate and maintain the systems, mechanisms, arrangements and activities that comprise or support the RCVS Activities (estimated to be around £769,000, including a 15 percent contingency).
31. In the course of reviewing the RCVS Funding Estimate (including the evidence and explanations provided), the CMA has considered two questions:
- (a) Whether the RCVS's proposed actions in carrying out the RCVS Activities are reasonably necessary and represent reasonably efficient actions; and
  - (b) Whether the RCVS's costs in carrying out the actions in (a) above are reasonably necessary and represent reasonably efficient costs.

#### *Monitoring compliance*

32. The RCVS's estimate of around £224,000 relating to monitoring compliance by Veterinary Businesses largely relates to the employment of in-house staff to develop, put in place and follow policies relating to the following:
- (a) Developing a monitoring plan, policies and reporting;
  - (b) Monitoring Attestations;
  - (c) Reactive monitoring following complaints and enquiries; and
  - (d) Establishing a verification and data assurance framework.

33. The CMA has engaged with the RCVS about the scope of its proposed actions to ensure that they are not broader than necessary and that the proposed frequency, detail and coverage is proportionate. Following these discussions, the RCVS made revisions to its monitoring proposal, particularly in relation to its methodology, which significantly reduced the estimated cost of the RCVS's proposal.
34. The RCVS has set out how it expects its existing and new staff at different levels of seniority to be allocated across responsibilities, with those allocations expressed as proportions of full time equivalent ('FTE'). It has also explained why individuals with certain qualifications and/or experience will be needed for particular RCVS Activities. For example, it has stated that levels of seniority have been assigned on the basis of similar activities already undertaken by the RCVS, such as collecting information for the Find A Vet website, managing registrations and fees, and the delivery of new processes such as IT projects. In addition, the RCVS has identified that a data analyst will be required to meet the RCVS's reporting requirements and lawyers will be required to support its monitoring activities.
35. The RCVS has based its estimated salary costs on its existing salary bands, which were last benchmarked in January 2025 by an external firm which specialises in pay and reward. Therefore, its salary costs are consistent with its existing salaries and relevant market rates.
36. While the RCVS has provided a detailed monitoring proposal to the CMA, we note that there is uncertainty over how it will be implemented and the volume of information which the RCVS will need to process. In this context, the CMA's provisional view is that a 15 percent contingency is not unreasonable.

*Improving the functionality of the Find A Vet website*

37. The RCVS has told the CMA how it intends to evolve and enhance its existing Find A Vet platform. This will leverage data stored on the RCVS's customer relationship management ('CRM') system with a content management system ('CMS') for the front-end user experience.
38. The RCVS's estimate of around £402,000 is driven by the cost of appointing an external IT provider to develop the front-end CMS for the Find A Vet website. The primary objective is to 'support publication and navigation of substantially expanded practice datasets in a way that remains usable and understandable for the public.' The RCVS has noted that this workstream is a companion to wider programme activity rather than a standalone platform replacement.

39. As part of its submission to the CMA, the RCVS has provided internal documentation which translates the requirements of the Find A Vet remedy in the CMA's Final Report into an initial specification. This helps to demonstrate that the proposed specification of the Find A Vet website is based directly on what is necessary to implement the remedy. Further, the RCVS has shared communications with its IT provider which show that: (i) the specification of the RCVS's CMS has been developed and refined over time on an iterative basis; and (ii) the RCVS has sought to improve the accuracy of the estimate by addressing areas of uncertainty.
40. The RCVS has also provided a copy of internal documents which help to explain its rationale for choosing to enhance its existing CMS for the Find A Vet website over other alternatives. Some such alternatives may be less expensive but lack the necessary functionality (for example, scalability and interoperability).
41. The RCVS has highlighted that there continues to be uncertainty over the final front-end design and user interface of the Find A Vet website, that will not be fully resolved until the relevant work is undertaken. It has mitigated this uncertainty, or proposed to do so, by:
- (a) undertaking a detailed a planning and scoping exercise where it can;
  - (b) appointing an in-house Project Manager to oversee the IT project;
  - (c) undertaking user testing; and
  - (d) including in its costs estimate a 15 percent contingency.
42. With regard to the cost of carrying out the proposed actions, the RCVS has explained that it selected the IT provider in 2024 to carry out another IT project following a competitive tendering process. The RCVS told the CMA that the tendering process was managed by an external firm and there was additional oversight from a project board, which included an external IT consultancy and RCVS executives. Among other award criteria, the RCVS took into account the winning IT provider's pricing structure and its offer to provide an open source CMS with greater flexibility than a bespoke solution. The RCVS informed the CMA that the IT provider delivered the previous project on time and on budget.
43. The RCVS has told the CMA that the IT provider's proposed charges for improving the functionality of the Find A Vet website are consistent with those it previously agreed as part of the competitive tendering process. The RCVS considers that, by instructing its existing IT provider to carry out this IT project, the time and expense of a further tendering process will be saved.

*Providing independently assured estimates and operating and administering the system for collecting the Levy*

44. The majority of the RCVS's estimate of around £257,000 associated with this activity relates to the cost of in-house staff to carry out the following activities:
- (a) Forecasting reasonably necessary and reasonably efficient actions and costs in the Subsequent Relevant Period;
  - (b) Administering the Levy (including collecting payments and issuing refunds); and
  - (c) Other finance and accounting functions.
45. The RCVS's estimate also includes amounts for instituting debt recovery proceedings and obtaining independent assurance.
46. The CMA has discussed these actions with the RCVS to ensure that they are not duplicative or broader than necessary. The RCVS's explanations, including estimates of the time needed to carry out some actions, indicate that it has considered the level of additional resource required to adequately fulfil these requirements. In particular, the RCVS has estimated that:
- (a) One and a half FTE administrators will be required to issue demands for annual and pro rata payments of the Levy.
  - (b) One FTE senior administrator will be required to carry out various finance functions, including payroll processing and recording invoices payable.
  - (c) A mixed team with a combined hourly rate equivalent to around three administrators will need to spend around 140 hours producing cost models and liaising with the CMA.
  - (d) The cost of taking legal action to recover unpaid Levy payments may be around £50,000.
  - (e) The cost of a consultation during the Initial Relevant Period on the estimate for the Subsequent Relevant Period may be around £40,000, split between in-house staff costs and a third party supplier.
  - (f) The cost of obtaining independent assurance for the Initial Relevant Period and Subsequent Relevant Period may be around £25,000.
47. As in other areas of its estimate, the RCVS has benchmarked its estimated salary costs for this activity against its existing salaries. These salaries were part of the benchmarking in January 2025 by an external firm which

specialises in pay and reward. This benchmarking takes into account the professional skills, such as accounting, that would be required. The estimated salary costs are consistent with the RCVS's existing salaries and relevant market rates.

48. The CMA notes that the RCVS has an existing finance function and systems currently in place to receive membership fees from veterinary professionals. This has four implications the CMA is minded to take into account. Namely, that the RCVS:
- (a) has skills and experience that makes it well-placed to estimate the functions, time and costs involved in carrying out the relevant parts of the RCVS Activities;
  - (b) has some systems in place with which this part of the RCVS Activities overlaps and is able to take advantage of certain synergies (for example, the RCVS's existing knowledge of how to operate a system for managing registrations and professional fees);
  - (c) has been able to check that its costs estimate does not include costs that it would incur in any event in receiving individual professionals' fees; and
  - (d) is able to estimate the relevant costs with a higher degree of confidence than in respect of some other RCVS Activities, such that a 10 percent contingency is not unreasonable.

*Putting in place, operating and maintaining the systems, mechanisms, arrangements and activities*

49. The RCVS's estimate of around £769,000 is driven by the cost of a second external IT provider extending the capabilities of the RCVS's existing CRM. The work involved in this respect includes developing and implementing:
- (a) standardised secure online web forms for Veterinary Businesses to submit data to the RCVS for the Find A Vet website;
  - (b) information about FOPs;
  - (c) a portal for Veterinary Businesses to submit Attestations and a system for recording these records;
  - (d) a system for receiving complaints and enquiries;
  - (e) a database to support the RCVS to monitor compliance, including a dashboard to manage cases;

- (f) standard communication templates;
  - (g) a system to manage Levy receipts and payments;
  - (h) periodic reporting with filtering capabilities; and
  - (i) system access and security features.
50. These activities and developments are complementary but separate from the work in relation to the improvements in the functionality of the Find A Vet website. The CRM will act as the RCVS's back-end dataset for its RCVS Activities, including data for the Find A Vet website, but will not focus on the public-facing user experience and presentation layer of that website.
51. The RCVS has explained to the CMA that the two IT providers have existing knowledge of the RCVS's systems and requirements, having worked together on the development of the RCVS's existing CRM and website.
52. The RCVS told the CMA that the IT provider which it has identified to extend the capabilities of the RCVS's existing CRM has worked with the RCVS for two years, having been appointed following a tendering process overseen by an independent IT consultancy. The RCVS has informed the CMA that the IT provider's proposed charge rates are consistent with its previous tender.
53. The RCVS considers that, by instructing an existing IT provider to extend the capabilities of its existing CRM, there will be efficiencies arising from:
- (a) Having data in one place, which the RCVS considers will be essential for monitoring and reporting.
  - (b) Being able to leverage technology which the RCVS is already familiar with.
  - (c) The IT provider's existing knowledge of RCVS and its CRM.
54. The RCVS has explained to the CMA that it has considered alternative approaches to extending the capabilities of its existing CRM. In particular, it has considered creating a separate application. It has judged that this would bring additional complexity and risk since it would need to interface with the existing CRM, both at the build and implementation stages, and with later updates.
55. The RCVS has provided to the CMA an estimate from its IT provider which sets out what actions it is proposing to take over five project phases, together with an estimate of the time involved and corresponding cost. The RCVS has also provided a copy of email communications between itself and the IT

provider. Within these there are references to discussions taking place over several months regarding the RCVS's design and implementation requirements, cost estimates and sources of uncertainty.

56. The degree of uncertainty in relation to this aspect of the RCVS Activities is higher than for the other parts of those activities because there is some uncertainty over the changes to the RCVS's existing CRM that are necessary to implement the CMA's requirements. To help mitigate the impact of this higher degree of uncertainty:
- (a) the RCVS is proposing to appoint an in-house Programme Manager to oversee the changes to its CRM; and
  - (b) the RCVS has added a 15 percent contingency to the total amount.

*Value added tax (VAT) treatment*

57. The Funding Order would require Qualifying Veterinary Businesses to contribute to the reasonably necessary and reasonably efficient costs of funding the RCVS Activities by paying a Levy to the RCVS. Qualifying Veterinary Businesses would be liable to pay the Levy to the RCVS by virtue of the legal obligations created by that Order (which Order would be made under the CMA's statutory powers), irrespective of whether they had received any demand or notice for payment from the RCVS.
58. The RCVS has informed the CMA that it considers that the Levy would:
- (a) not represent consideration for a supply of goods or services; and
  - (b) constitute a statutory charge which is out of scope of value added tax ('VAT').
59. On that basis, the RCVS has told the CMA that it does not intend to:
- (a) claim input VAT on purchases of goods or services for the RCVS Activities; or
  - (b) charge output VAT in addition to the Levy.
60. Accordingly, the RCVS Funding Estimate has been prepared on the basis that the costs to the RCVS will be the gross amount, inclusive of VAT, as the VAT element cannot be reclaimed.

*Further assurance over the RCVS Funding Estimate.*

61. In assessing the RCVS Funding Estimate for the Initial Relevant Period, the CMA has, in addition to the above, taken into account the following:
- (a) The RCVS's approach to producing the RCVS Funding Estimate.
  - (b) The assurance report by a public accounting and consulting firm to the RCVS.
  - (c) The provision made for an ex post audit of actual costs incurred.
  - (d) The RCVS's ability to allocate the RCVS Funding Estimate across the RCVS Activities at its discretion.
  - (e) The proposed mechanism for carrying forward any shortfall or surplus into Subsequent Relevant Periods.
62. We discuss each of these in turn below.
- *The RCVS's approach.*
63. The RCVS has produced the RCVS Funding Estimate for the Initial Relevant Period after a period of constructive engagement with the CMA by senior members of RCVS staff. That engagement has focussed on the requirements of the CMA's decision as set out in the Final Report and the resulting obligations under which the RCVS would be placed.
64. The RCVS has produced revised draft cost estimates as its understanding of the actions required of it, and the associated costs, has evolved. As well as being the product of the RCVS's engagement with the CMA, those estimates have been the subject of internal RCVS deliberations and professional advice (see paragraphs 65 to 67 below). The RCVS has:
- (a) explained to the CMA its reasons for changes it has made as its estimates have developed;
  - (b) consistently been responsive to the CMA's comments on the draft versions of those estimates;
  - (c) in line with standard approaches to managing uncertainties, applied varying contingencies to different RCVS Activities depending on the uncertainty involved; and
  - (d) made its own assessment of whether its estimates represent reasonably necessary and reasonably efficiently incurred costs.

- *Assurance report.*

65. The RCVS has, as noted above, taken professional advice by a public accounting and consulting firm regarding its costing model and the firm has provided the RCVS with an assurance report. The report states that, following the firm's initial review, the RCVS prepared an updated model which reflects a number of refinements to the underlying assumptions, improved alignment of costs to activity timing, and clearer separation between initial set up and ongoing delivery costs.
66. Following its review of the RCVS's costing model, along with supporting evidence and underlying assumptions, the firm's report concludes that the model provides a reasonable and well-structured basis for estimating the costs expected to be incurred by the RCVS in carrying out the RCVS Activities.
67. The scope of the report is focused on evaluating the RCVS's costing model and provides a degree of assurance over the sufficiency of the RCVS's methodology.

- *Ex post audit of actual costs*

68. Under the Funding Undertakings, within four months of the end of each Relevant Period the RCVS would be required to publish an independent audit of its actual costs incurred in carrying out the RCVS Activities. That report would need to include the auditor's opinion as to whether, based on the procedures it has carried out, anything came to its attention to indicate that such costs attributable to each RCVS Activity were not reasonably necessary and reasonably efficiently incurred. This reporting mechanism would act as further assurance that the costs meet those requirements and as a further check and balance on the RCVS's expenditure.

- *RCVS ability to allocate the RCVS Funding Estimate*

69. The RCVS will have the ability to allocate the RCVS Funding Estimate across the RCVS Activities at its reasonable discretion. If it underestimates the cost of carrying out one RCVS Activity and overestimates the cost of another, the shortfall and surplus can be netted against one another. The CMA considers that, by permitting the RCVS to have this flexibility, it is more likely that the overall RCVS Funding Estimate in aggregate is at a level which is reasonably necessary and represents reasonably efficiently incurred costs.

- *Carry forward mechanism*

70. The CMA considers that further assurance over the RCVS Funding Estimate is obtained from the mechanism that would apply for any surplus or shortfall between the amount of the costs estimated and the amount incurred to be carried forward into the Subsequent Relevant Period. To the extent that the RCVS Funding Estimate is incorrect, this will be resolved over time.
71. The CMA expects that the level of uncertainty, and therefore likelihood of a surplus or shortfall, will be highest in relation to the Initial Relevant Period since it covers the design, set up and implementation of large IT projects and other new systems and processes and the commencement of new operations with significant assumptions about the variable (volume linked) costs. Over time, the CMA expects this level of uncertainty to reduce.

*The number of small animal FOPs and OOH Centres*

72. To reckon the proposed per FOP and OOH Centre Levy, the CMA would divide the RCVS Funding Estimate by the best estimate of the number of such FOPs and centres for which Veterinary Businesses would be required to pay the Levy.
73. The CMA's estimate in the Final Report was that there were around 4,417 small animal FOPs in the UK as of May 2025. There are around 200 OOH Centres. Accordingly, based on the RCVS Funding Estimate, the Levy payable for each FOP and OOH Centre for the Initial Relevant Period would be around £400.
74. Prior to finalising the Funding Order and Funding Undertakings, the RCVS would undertake further work to refine the estimate of the number of FOPs and OOH Centres. The CMA anticipates that the total numbers may change a little but not significantly, and the principles by which the Levy would be calculated would stay the same, so the CMA does not expect that the amount of the Levy that would become payable would be materially different from that on which it is now consulting.

*The CMA's provisional conclusion*

75. The CMA's provisional conclusion, in light of all the above, is that the RCVS Funding Estimate should be approved as reflecting the RCVS's reasonably necessary and reasonably efficiently incurred costs of performing the RCVS Activities. The CMA takes all the above points into account and notes that:

- (a) The RCVS's assessment of the action it would need to take to meet its obligation to perform the RCVS Activities has been the subject of careful deliberation. It has taken steps to limit the scope of those activities and identified those which are additional to activities it already undertakes in respect of individual veterinary professionals. It is also building upon its existing expertise and processes where possible, and would benefit from the synergies that result.
- (b) As to the estimated costs of those activities, the RCVS is using external IT providers with whom it has previously contracted following tendering processes. Its own staff costs are appropriately benchmarked at market rates. The RCVS's model for producing the estimated costs has been the subject of an assurance process by an external public accounting and consulting firm subject to professional and regulatory duties. Insofar as there is inherent uncertainty in the production of the RCVS Funding Estimate, the Funding Order and Funding Undertakings would ensure both there is ex post assurance of the RCVS's expenditure and a carry-over of any under or over spending into Levies for the Subsequent Relevant Period, both of which mechanisms provide appropriate checks, balances and constraints on the costs.

*Funding estimates for the Subsequent Relevant Periods*

- 76. The second defined period for which the RCVS would provide the CMA with a RCVS Funding Estimate is each period of 24 months beginning on 1 April 2027. Those periods are referred to in the RCVS Funding Undertakings (and in the Funding Order) as the **Subsequent Relevant Periods**. The first Subsequent Relevant Period would run from 1 April 2027 until 31 March 2029.
- 77. The view on which the CMA is consulting is that two-year Subsequent Relevant Periods would be appropriate on the basis that they would:
  - (a) be long enough that the administrative burden on the RCVS, in preparing the RCVS Funding Estimates and consulting upon them, is not excessive; but
  - (b) short enough that the costs could be estimated reasonably accurately and realistically, giving Veterinary Businesses an appropriate degree of confidence and certainty about the amounts they would be required to cover.
- 78. The RCVS would be required to produce a RCVS Funding Estimate for each Subsequent Relevant Period. That estimate would be subject to the

safeguards referred to in paragraphs 20-22 above and additional safeguards in that the estimate would need to:

- (a) include the same categories of information as the estimate provided in respect of the Initial Relevant Period, and include the carrying forward of any surplus or shortfall<sup>9</sup> from previous periods (see paragraph 19 above);<sup>10</sup>
- (b) be the subject of consultation with Veterinary Businesses by the RCVS (as to which consultation see the following paragraph);
- (c) subject to the consultation in (b), be submitted to the CMA for approval together with:
  - (i) a written statement explaining how the RCVS has consulted Qualifying Veterinary Businesses about the estimate and how it has taken any representations from those businesses into account in compiling the estimate; and
  - (ii) written assurance from an independent third party approved by the CMA that the estimated costs included in the estimate are reasonably necessary for, and would represent the reasonably efficiently incurred costs of, the RCVS's performance of the RCVS Activities.

79. The consultation the RCVS would be required to undertake in accordance with paragraph 79 (b) above would need to:

- (a) be conducted by way of publication of the draft RCVS Funding Estimate for at least 30 days on the RCVS website;
- (b) involve the publication, as part of that consultation, of the information described in paragraph 19 above, so as to enable respondents to scrutinise and comment meaningfully on whether the estimated costs are reasonably necessary for the performance of the RCVS Activities and would represent reasonably efficiently incurred costs, at a point where the RCVS is at a formative stage in respect of the estimate; and
- (c) take account of the responses received before the RCVS finalises the RCVS Funding Estimate and submits it to the CMA for approval.

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<sup>9</sup> Any such surplus or shortfall would need to be an aggregate figure for any anticipated or actual amount.

<sup>10</sup> This would mean that, in respect of the carrying forward of any overspend, the RCVS would be required to explain why that it considers the overspend to have been reasonably necessary and to involve reasonably efficiently incurred costs, to consult Veterinary Businesses on that view as part of the consultation on the whole estimate and to take account of their responses.

80. Once the RCVS submits the RCVS Funding Estimate for the applicable Subsequent Relevant Period to the CMA for approval, together with the relevant supporting material, the CMA would decide whether to approve that estimate. It would do so having regard to the information supplied to it by the RCVS and making a judgement about whether the estimate comprised the reasonably necessary and reasonably efficiently incurred costs of performing the RCVS Activities in the Relevant Period. The CMA would either approve the estimate or determine that the costs to be recovered via the Levy should be a different amount (applying the same reasonable necessity and reasonable efficiency criteria).

### ***Collection of funds***

81. Subject to the CMA's approval of the RCVS's costs estimates and the CMA's setting of the Levy, the RCVS Funding Undertakings would require the RCVS to collect the Levy from Qualifying Veterinary Businesses for each FOP and OOH Centre they operate. The RCVS would need to put in place arrangements and processes that require the businesses to pay:
- (a) The Initial Levy Payment no later than 44 days after the Levy Commencement Date; and
  - (b) The Subsequent Levy Payment in each Subsequent Relevant Period no later than 30 days after the applicable period begins.
82. The arrangements and processes the RCVS puts in place would need to:
- (a) include sufficient and appropriate systems and processes to record declarations and notifications from Qualifying Veterinary Businesses under the Funding Order;
  - (b) involve it making reasonable endeavours to identify Qualifying Veterinary Businesses which are liable to pay the Levy and which do not notify themselves to the RCVS;
  - (c) include appropriate procedures to:
    - (i) record payments of the Levy from each Qualifying Veterinary Business in respect of each of its FOPs; and
    - (ii) identify Qualifying Veterinary Businesses which have not met their obligations to pay the Levy and to obtain payment;
  - (d) include credit control processes to reduce the risk of late payments or bad debts; and
  - (e) include sufficient and appropriate systems to record where a Qualifying Veterinary Business ceases to operate, or makes changes to the number

of FOPs or OOH Centres it operates, such that its liability for Levy payments ends or changes.

83. The RCVS's arrangements and processes would need to provide for circumstances where a Qualifying Veterinary Business's liability to pay the Levy changes during an Initial or Subsequent Relevant Period. That includes provision for collecting pro-rated payments where such a business begins operating or opens additional FOPs or OOH Centres. They would also need to include a mechanism through which businesses can recover a portion of a Levy they have already paid for any FOP or OOH Centre they cease operating. The RCVS would be required either to make a refund or issue a credit against the business's future liability for the Levy.

### ***Use of monies***

84. The RCVS would be required by the RCVS Funding Undertakings to use the Levies it receives from Qualifying Veterinary Businesses only to fund its reasonably necessary and reasonably efficiently incurred costs of performing the RCVS Activities. It would be required to hold the Levies separately from its other funds. It would also be required to publish, within four months of the end of a Relevant Period, a breakdown and an independent audit of the actual costs it incurred in performing the RCVS Activities in that period.

### ***Other provisions***

85. The RCVS Funding Undertakings would contain ancillary requirements relating to the provision of information by the RCVS, including an annual report about its compliance with the Undertakings, to the CMA; to the law that would apply to the Undertakings and to the courts that would have jurisdiction in the event of any dispute; to the service of documents on the RCVS by the CMA; and to the termination of the Undertakings.

### ***Next steps***

86. In accordance with section 165 of, and paragraph 2(1)(a) of Schedule 10 to, the Act, the CMA hereby gives notice of its intention to accept the RCVS Funding Undertakings as part of a package of remedies to remedy, mitigate or prevent the AEC, and any resulting customer detriment, which it identified in the Final Report.
87. The CMA invites written representations on the draft RCVS Funding Undertakings from any interested person or persons. The Undertakings are intended to give effect to decisions set out in the Final Report. Any such

representations should not accordingly be about those decisions and should instead relate to matters including:

- (a) whether the Undertakings are consistent with the decisions in the Final Report, both generally and in the specific regards identified in this Notice;
- (b) the manner in which the draft Undertakings would give effect to the decisions in the Final Report;
- (c) the facts and matters that the CMA considers justify the acceptance of the Undertakings in the form proposed (or any facts and matters a party considers do not justify their acceptance in that form); and
- (d) whether the VAT treatment proposed by the RCVS regarding the Levy and purchases of goods or services for the RCVS Activities is correct.

88. The CMA will have regard to any representations made in response to this Notice and may make modifications to the Undertakings as a result. If the CMA considers that any representation necessitates any material change to the Undertakings, the CMA will give notice of the proposed modifications.

89. Representations made in response to this Notice should reach the CMA by 11.59 pm on 30 July 2026. Representations should be made in writing and should be addressed to:

VetsMI@cma.gov.uk

90. This Notice and the draft RCVS Funding Undertakings are published on the CMA website.