

Office for the Internal Markets (OIM) response to the House of Lords Common Frameworks Scrutiny Committee recommendation at paragraph 58 of its report of 15 July 2022

Introduction

1. This submission sets out the response of the Office for the Internal Market (OIM) to a recommendation made by the House of Lords Common Frameworks Scrutiny Committee (the Committee) in its report [Common frameworks: an unfulfilled opportunity?](#) (the Report), published on 15 July 2022.
2. The OIM is part of the Competition and Markets Authority (CMA). In summary, the OIM provides independent and non-binding advice to the Northern Ireland Executive, the Scottish Government, the UK government and the Welsh Government on how specific laws, rules and regulations impact trade between UK nations, and more generally reports on the effective operation of the UK internal market. The OIM's functions are set out in the United Kingdom Internal Market Act 2020 (the UKIM Act).
3. At paragraph 57 of the Report, the Committee concluded **'When the Office for the Internal Market (OIM) is assessing or advising on the impact of policy divergence agreed through common frameworks, it must consider the economic impact alongside the policy implications and devolved policy autonomy. We welcome that the OIM recognises this important aspect to its work, but it remains unclear how it will do so in practice'**.
4. The Committee recommended that **'the Office for the Internal Market make clear in its statutory reports exactly how in practice it takes into account devolved policy autonomy when advising on, and assessing, the impact of policy divergence agreed through common frameworks on the UK internal market'** (paragraph 58 of the Report). Below is the OIM's response to this recommendation.

OIM's response

5. We welcome the Committee's consideration of the OIM's role, as part of its scrutiny of common frameworks. As the Report notes, the OIM's functions include the requirement to prepare a report on, amongst other things, the impact of common framework agreements on the operation and development of the internal market in the UK and any interaction between the operation of Parts 1 to 3 of the UKIM Act and common framework agreements.¹ The first of these statutory reports must be published by 31 March 2023.
6. The Committee previously heard from Rachel Merelie, Senior Director of the OIM², that the OIM recognises that common frameworks provide a "very important mechanism", established to facilitate consensus (across the four governments in the UK) on the management of potential regulatory divergence.
7. As a general matter, when assessing the impact of divergent regulatory approaches on the effective operation of the UK internal market, the OIM's analysis is likely to be focused on economic effects, consistent with the relevant provisions of the UKIM Act. Where appropriate, we will make the scope of our reports clear and acknowledge any wider policy considerations that have informed governments' decision-making but fall outside the scope of the OIM's assessment.

¹ See section 33(6) of the UKIM Act.

² See paragraph 56 - [House of Lords - Common frameworks: an unfulfilled opportunity? - Common Frameworks Scrutiny Committee \(parliament.uk\)](#)

OIM's approach to its functions

8. When carrying out its functions, the OIM must have due regard to its objective to support the effective operation of the internal market in the UK through the application of economic and technical expertise, with particular reference to the purpose of Parts 1 to 3 of the UKIM Act.³ The purpose of Parts 1 to 3 of the UKIM Act is to promote the functioning of the internal market by establishing the Market Access Principles (MAPs), so as to ensure that 'people and businesses ... can work and trade freely across the whole of the UK⁴.'
9. In accordance with these provisions, when exercising our functions (including preparing our statutory reports) our analysis is likely to focus on trade between the nations and, in particular, on the economic effects of different regulatory choices, made by governments, on the operation of the internal market. This is the lens through which we will advise and assess the impact of policy divergence agreed through common frameworks on the UK internal market.
10. However, these economic effects are likely to represent one of a number of considerations that can inform governmental policy discussions and decisions. Where it makes sense to do so, the OIM will clearly set out the scope of its reports and reference policy considerations of the relevant government (or governments) which fall outside the scope of the OIM's considerations. More generally, taking into account the OIM's focus on economic effects, we will ensure that our reports are focused on matters where our analysis is relevant and of assistance to the four nations' governments.
11. The OIM continues to be open to exploring with the four governments how best the OIM can support them in the operation of the common frameworks process. We will continue to liaise closely with the Cabinet Office and the four governments to understand developments in common frameworks and their implications for the UK internal market, as well as for our role. We would also anticipate that, as the UK internal market and the inter-governmental mechanisms (including common frameworks) for discussing differences in rules and regulations between the four nations evolve over time, our role is also likely to evolve.

³ Section 31(2) of the UKIM Act.

⁴ See Paragraph 1 of the UKIM Act's Explanatory Notes.