



Department for  
Business & Trade

# **UK INTERNAL MARKET ACT 2020**

## **UK Government response to the Review of the United Kingdom Internal Market Act 2020 and Public Consultation**

15<sup>th</sup> July 2025

**Presented to Parliament, the Scottish Parliament, Senedd Cymru, and the Northern Ireland Assembly pursuant to Sections 13(2), 22(2), and 44(1) of the UK Internal Market Act 2020**

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## Ministerial Foreword

A well-functioning UK internal market is vital to delivering the government's ambition to improve economic growth for the benefit of businesses and people in all parts of our country. Latest figures show that trade between the four nations of the UK is valued at £129bn, and that it is particularly important to the economies of Scotland, Wales, and Northern Ireland.

This is why we launched the statutory review of the UK Internal Market Act in January 2025, expanding the scope of that review beyond what the law requires, and why I committed to completing this review by summer 2025 - well ahead of the December statutory deadline.

I would like to convey my heartfelt thanks to everyone who took the time to send a written response and to join the stakeholder roundtable discussions that we held during March. We have engaged with a wide variety of stakeholders, hearing a broad range of views - with more than half of all responses coming from the business community. It is clear that stakeholders value a well-functioning internal market and want to see more collaborative working between governments in the UK, together with stronger communication and engagement with those stakeholders who could be affected by governments' policy decisions.

The message that I have heard loud and clear is that our businesses – wherever they are based – need certainty that they can trade freely within the UK, unencumbered by unnecessary disruption resulting from poorly managed regulatory difference between the nations of the UK. Businesses also require clarity and certainty to take informed planning decisions and make confident investment decisions for the future. That certainty comes, not just from the legal framework of course, but also through the way in which the UK's four governments are seen to be working together.

We must support innovation which addresses the needs of local people. But we should do so in a way that promotes economic growth in a context which recognises that regulation can also be a force for good in better public policy outcomes. This means more actively managing regulatory difference within the UK, with all governments discussing, designing and, where there are clear benefits, implementing policy in a joined-up way.

I have been explicit about the need for businesses to have certainty, which is why the review has not considered repeal of the Act or any of its provisions, and why our starting position was not to weaken the protections provided by the Act's Market Access Principles. Many business stakeholders have told us that the Act and these principles provide important protections for our producers, service providers and qualified professionals. We have listened to those views and are therefore not changing the Market Access Principles.

Instead, we pledged to explore improvements in the way the Act's provisions operate. I recognise the very real concerns that have been raised about how the UK internal market has been managed to date. That is why this report describes how we plan to facilitate a more transparent, proportionate, and pragmatic framework, fostering open policy discussions between UK government and devolved governments, with greater clarity for and engagement with businesses and other stakeholders. This will provide the certainty

that is so vital for business, driving economic growth for the benefit of everyone, whilst also enabling devolved governments to address the needs of their communities.

As a result, the UK government commits to introducing the following key changes:

- a. To implement all UK Internal Market Act exclusions where they are agreed by all governments in a Common Framework;
- b. Alongside economic impacts, we will now consider in particular environmental protection and public health in UK Internal Market Act exclusions, thereby ensuring a balance of factors is considered; and
- c. To implement a streamlined process to consider proposed exclusions that have minimum economic impact.

The UK government will also work with devolved governments to ensure that businesses and the Office for the Internal Market are more involved in discussions concerning the management of the UK internal market.

These measures meet the key requests of many stakeholders, allowing governments, businesses and other stakeholders to move forward together in managing the internal market in a way that delivers growth, jobs, and opportunities across our country.

*The Rt Hon Douglas Alexander MP*

*Minister of State for Trade Policy and Economic Security and Minister at the Cabinet Office.*

## Executive Summary

The UK government is committed to ensuring a well-functioning UK internal market, underpinned by a framework that supports businesses to trade unencumbered by unnecessary costs and other barriers. This benefits both businesses and consumers across the UK. Equally, we want to respect the devolution settlements introduced under the last Labour government, enabling the devolved governments in Scotland, Wales and Northern Ireland to design and implement policies that meet needs of people locally.

That is why we seized the opportunity to bring forward and expand the scope of the review of the UK Internal Market Act beyond what was required in law. We also launched a public consultation on 23 January 2025 as we were keen to hear views from stakeholders about how to improve the operation and management of the UK internal market.

We received 85 responses to the consultation, with 48 submitted online and 37 by email (see breakdown of responses at Annex A). The responses represent a broad range of stakeholders including business and business representative bodies (BROs), devolved governments, academia, and non-governmental organisations. Business and BROs together accounted for over half of the total number of responses received.

Overall, there is broad recognition of the need for a secure framework to support a well-functioning UK internal market, with a range of views about how this could best be achieved. There is general support for the UK Internal Market Act's Market Access Principles of mutual recognition and non-discrimination, with responses recognising the important role they play in facilitating the smooth trade of goods and provision of services across the UK. Businesses and BROs are particularly vocal about the need to avoid barriers to free trade and the consultation showed clearly that the protections provided by the Market Access Principles are an important way to achieve this.

What is also clear is that a broad range of stakeholders want to see the four governments within the UK working together more effectively. This means having joined up policy discussions and considering the business and wider impacts before making decisions. For example, governments were able to coordinate the implementation of the recent ban on the sale of disposable vapes across the UK.<sup>1</sup> Stakeholders want to see the UK government and devolved governments working this way more consistently in future.

The majority of respondents do not want repeal or major reform of the Act, although many did assert the importance of innovation addressing local needs. Respondents also want to see improvements in the way that exclusions from the Market Access Principles are considered and agreed. We have thought carefully about how to improve the processes to address these concerns. As a result, we describe in this report how the exclusions process will work better in future, and we also commit to consider evidence on environmental protection and public health impacts in relation to any proposed new exclusion (see Annex B).

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<sup>1</sup> <https://www.gov.uk/guidance/single-use-vapes-ban>

Stakeholders were broadly satisfied with the current functions conferred on the Competition and Markets Authority (CMA) and the way in which the Office for the Internal Market (OIM) is carrying them out. We will therefore not be making any changes to these arrangements. However, there is broad consensus on governments making better use of the expertise and added value that the OIM can bring to inform policy thinking. We therefore describe in this report how the OIM will have a more active role in Common Framework discussions.

The total package of measures is as follows. The UK government will:

- implement UK Internal Market Act exclusions that have been agreed by all governments within a Common Framework;
- alongside economic impacts, now consider in particular environmental protection and public health in UK Internal Market Act exclusions, thereby ensuring a balance of factors is considered;
- establish a Minimum Economic Impact process for considering smaller exclusions, and implement them where all governments agree the exclusion has an economic impact of less than £10 million a year;
- implement a “reserve” exclusions process where it has not been possible for all four governments to reach agreement on an exclusion;
- work with the devolved governments to agree processes for how all four governments engage with businesses and other stakeholders on matters being discussed in Common Frameworks; and
- work with the devolved governments to agree a process for all four governments to jointly refer UK internal market matters for advice to the Office for the Internal Market.

This builds on other measures announced last December, which were well received by devolved governments and stakeholders. We believe that, by working together with the devolved governments to plan and, where possible, coordinate delivery; by jointly engaging better with stakeholders likely to be affected by new policies; by bringing more clarity and being more proportionate in the way exclusions are considered; and by making optimal use of the independent insight and expertise of the OIM, we are addressing the key concerns that have emerged during this review.

In particular, by firmly establishing Common Frameworks as the principal place for intra-governmental policy discussion, we aspire to see genuine collaborative working between the four governments in the best interests of our country and its citizens, effectively moving the UK Internal Market Act into the background, only operating to underpin an efficient and effective UK internal market.

## **Background to the UK internal market and introduction of the UK Internal Market Act 2020**

1. The UK internal market is the trading space that exists between the four nations of the UK. It has existed for hundreds of years. However, for many decades the operation of the UK internal market was largely set by the UK's membership of the European Union.
2. The UK's departure from the EU in January 2020 saw hundreds of regulatory powers return to the UK. Many of those powers were in areas of devolved competence, so creating the potential for differing regulations to emerge across the UK in how goods can be sold, services provided or professional qualifications recognised.
3. The UK Internal Market Act, introduced at the end of 2020, provides protections to ensure that the emergence of differing regulations within the UK does not introduce any unnecessary barriers to the continued free trading of goods and services across the whole of the UK – or disadvantage any worker from using their qualifications to work in any part of the UK.
4. The Act does this by establishing the “Market Access Principles”. These principles mean the producer of a good or provider of a service need only comply with regulations in the part of the UK they are based in, to continue to be able to trade freely across the rest of the UK. This has provided the framework for intra-UK trading for the past four and half years.
5. We made clear in the consultation document that this review would not lead to a repeal of the Act or any part of it, and that we were not minded to weaken the protections offered by the Market Access Principles.

### **The launch of the UK Internal Market Act Review and consultation**

6. Through conducting this review, we have taken the opportunity to seek a much broader view from stakeholders than we are required to in law, about how the provisions of the UK Internal Market Act have been used to manage the performance of the UK internal market after EU exit.
7. We made clear this government's view that Common Frameworks provide the principal place for the four governments within the UK to engage in policy discussions and matters relating to the management of the UK internal market, and that the UK Internal Market Act itself should sit in the background, only operating to underpin an efficient and effective internal market.
8. We recognised that there had been concerns about how the UK internal market had been managed under the previous UK government. We welcomed views on improvements that could be introduced that would lead to better collaborative working



between the four governments within the UK, and greater clarity on process and better engagement with stakeholders - particularly businesses.

9. We also sought views on what improvements could be made to how proposals for new exclusions from the scope of the UK Internal Market Act should be considered, taking into account factors such as evidence criteria, economic impacts and wider policy issues. This too was in recognition of criticisms of how proposals had been managed to date.
10. Through the consultation responses and stakeholder roundtable discussions, we secured valuable feedback on how Common Frameworks are perceived to have performed and their interaction with the UK Internal Market Act.

### **Review of the use of Parts 1 and 2 statutory powers**

11. As also required by the Act, we have reviewed the use of the Parts 1 and 2 amendment powers and assessed the impact and effectiveness of their use. These provide for a UK government Secretary of State to add, amend or remove any items presently listed on the goods and services exclusions Schedules and to amend certain provisions of the Act.

### **Review of arrangements for carrying out Part 4 functions**

12. As required under the Act, we have also undertaken a review of the arrangements for carrying out the independent monitoring and reporting functions under Part 4 of the UK Internal Market Act. These are presently delivered by the CMA through the OIM. We have concluded there should be no change to the delivery of these functions.
13. We would like to thank all participants in the consultation and review, whose feedback has been invaluable for identifying, designing, and making the changes to the operation of the UK Internal Market Act detailed in this document.

## Management of the UK internal market and operation of the UK Internal Market Act

14. Common Frameworks are agreements between the UK government and the devolved governments in Scotland, Wales and Northern Ireland. They establish structures for regular engagement to discuss, make decisions, and resolve disputes about developments in policy areas that are within devolved competence. They provide ways to work in areas where continuing a high level of coordination makes sense, despite powers being devolved, and to ensure any changes to policy in these areas are well-managed UK-wide.
15. Consultation responses revealed a good level of support for the Common Frameworks programme, recognising the value it brings to joined up discussion between the UK government and devolved governments. Stakeholders commented that seeing the four governments within the UK working together provides more certainty for business, which can lead to positive impacts on business confidence.
16. Responses also recognised the importance of Common Frameworks as a place for the four governments within the UK to meet and consider approaches to regulation and the management of regulatory divergence across the UK, and so actively support the effective performance of the UK internal market. The UK government's restated commitment to Common Frameworks was welcomed in numerous consultation responses and discussions.
17. The consultation also showed that, while business and other stakeholders value Common Frameworks for ensuring joined up governmental discussion, some respondents felt that Common Frameworks had underperformed; that governments can lose sight of the stakeholders impacted; and that, to an outsider, Common Frameworks can be seen as "talking shops" or opaque.
18. There was a view from a range of stakeholders that Common Frameworks need to operate with more clarity, with government policy delivery programmes communicating more effectively with their external stakeholders about upcoming areas of discussion. Stakeholders want their views to be considered within Common Frameworks discussions, and for this to take place in a clear and transparent way. One stakeholder said:

"The Common Framework system could be improved to make it more transparent to business. From a business perspective there is little insight or communication as to what potential upcoming legislation is being considered and on what is being discussed. The mechanisms for inter-government dialogue seem unclear to businesses. There appears to be no direct way for businesses or their representatives to input into these discussions or provide their views."

19. More broadly, consultation responses contained a number of comments and suggested improvements that stakeholders would like to see in how Common Frameworks operate. These include:
- a. Common Frameworks not operating with sufficient transparency. Stakeholders feel that Common Frameworks can be perceived as UK government and devolved governments operating behind closed doors;
  - b. decisions taken in Common Frameworks not being communicated or understood well by affected stakeholders, including businesses;
  - c. governments failing to adequately engage or consider the views of businesses in the development and implementation of policies;
  - d. the unintended impacts that decisions reached in a Common Framework can have further up or down the supply chain;
  - e. governments failing to bring policy issues to other governments sufficiently early;
  - f. a lack of understanding about the relationship between Common Frameworks and the UK Internal Market Act (UKIM Act); and
  - g. non-governmental stakeholders wanting more involvement both of themselves and the OIM in Common Frameworks discussions.
20. While Common Frameworks provide a good place for inter-governmental discussion, the decisions taken through Common Frameworks set the regulatory framework through which our businesses, traders and service providers operate across the UK. It is therefore essential that Common Frameworks operate effectively, including taking into account representations by stakeholders.

## **Managing the UK Internal Market through Common Frameworks**

21. We are committed to the Common Frameworks programme, as affirmed last December. That is why we are establishing Common Frameworks as the principal place where UK government and devolved governments come together to discuss matters related to the management of the UK internal market in the areas that Common Frameworks cover. A list of Common Frameworks where the UK Internal Market is relevant is attached at Annex C. We will continue to work collaboratively with the devolved governments to ensure Common Frameworks' full implementation and success.
22. All governments in the UK place high value on Common Frameworks as a space in which they can hold positive and constructive discussions with one another and assess the opportunities and challenges of developing policy in areas of devolved competence. Common Frameworks operate in a consensual way and therefore provide the right space for the consideration of internal market matters.

23. However, we recognise and agree with stakeholders' concerns around the lack of clarity about how Common Frameworks operate. **We will therefore work with the devolved governments to improve transparency and communication around the Common Frameworks programme overall and via individual frameworks themselves.** This will result in improved engagement with business and other stakeholders who, as a result, should feel more informed and involved. This in turn should lead to better decision-making by governments and improved clarity for businesses to support investment and growth.
24. We also agree with the views expressed by respondents who would like to see a more involved role for the OIM within Common Framework discussions. **We will work with the devolved governments to agree a process for all governments to make a joint referral for advice to the OIM where potential UKIM impacts are identified in Common Framework discussions.**

### **Bringing Common Frameworks to the fore**

25. The UK government has been clear that Common Frameworks should be the principal place through which the four governments within the UK discuss and collaborate on new ideas and policies in the areas they cover, and to consider the impact these may have on the internal market. The UKIM Act should sit in the background as a tool for all governments within the UK to manage instances of divergence which might cause unnecessary cost and trade barriers – enabling free movement of goods and services and supporting people to work and do business.
26. The UK government believes that, within Common Framework discussions, all governments should be seeking opportunities to align their approaches where appropriate and, as a minimum, look to achieve interoperability of policy across the different parts of the UK. This approach has been successful recently with the ban on sale of single-use vapes. The ability of governments to work together on this policy issue was commented on positively by stakeholders, who were clear they would like to see more of this between governments, noting that it provides them with certainty and boosts business confidence.
27. We recognise, however, there will remain cases where a government may propose a policy approach which they believe can only be successfully implemented by securing an exclusion from the UKIM Act's Market Access Principles. This could be as a result of needing to address a particular localised policy need or to pilot an innovative approach to a policy challenge that has the potential to deliver wider UK benefits.
28. As part of its commitment to the Common Frameworks programme, **the UK government confirms it will discuss proposed UKIM exclusions in Common Framework meetings, and will implement all exclusions that have been agreed by all governments through a Common Framework. UK government intends to use Common Framework meetings to ensure interoperable policy solutions across**

**the UK, as far as that is reasonably possible, but also to seek to reach agreement with all governments where an exclusion is suitable and necessary.**

29. Beyond that, we will provide full clarity on how the process will operate. This will include timescales for considering exclusion proposals, which should lead to governments reaching decisions more quickly. This is important to minimise periods of uncertainty for businesses. A proposed Common Frameworks exclusions process is set out at Annex B.
30. In cases where it is not possible for all four governments within the UK to reach agreement within a Common Framework on supporting an exclusion, the proposing government (including where that is UK government) could choose to initiate the “reserve” exclusion process. This reserve process would also apply where a policy is not covered by a Common Framework and will ensure that there is always a clear route for any government to propose an exclusion from the UKIM Act. Details on the “reserve” exclusions process can be found at Annex B.
31. This clear foregrounding of Common Frameworks through all governments considering and, where appropriate, agreeing UKIM Act exclusions, coupled with improvements to the efficiency and effectiveness of Common Frameworks’ operation, should drive better, more timely outcomes that are informed by business and other stakeholder engagement. We look forward to working with the devolved governments, the business and wider stakeholder community to manage the UK internal market effectively in this way.

## A more proportionate approach to the UK Internal Market Act

32. We have listened to the concerns of devolved governments and stakeholders about the previous UK government's management of the UK internal market exclusions process. We heard criticisms about:

- a. exclusion proposals only being assessed against economic impacts;
- b. a lack of clarity about how decisions were taken in response to exclusions proposals;
- c. a lack of transparency about the operation of the exclusions process; and
- d. stakeholder concern at UK government and devolved governments treating exclusions discussions as a means to pursue political arguments rather than considering the best interests of business and other stakeholders.

We also heard business representative groups in Scotland and Wales expressing their support for a more proportionate regime that better supports devolved governments legislating for local needs.

33. There were however strong arguments put forward by both business groups and animal welfare charities about the need to keep any intra-UK regulatory divergence to an absolute minimum, citing the impact that divergence has on both business costs, certainty, and supply chain performance.

34. We agree that the operation of the UKIM Act needs to be more proportionate. We think the best way to do so is to make the process and criteria for exclusions from the UKIM Act more proportionate. We will therefore implement the following measures described below:

### **Broadening the factors to be assessed by governments when considering a proposed exclusion**

35. We heard very clearly the concerns raised by a broad range of stakeholders that viewing proposals purely through an economic lens can lead to unbalanced decision making. With those comments in mind, we have decided to broaden the range of factors that the four governments within the UK - separately and when working together in Common Frameworks - should consider and address for any proposed exclusion. We will now consider alongside economic factors:

- a. environmental protection impacts/benefits; and**
- b. public health impacts/benefits**

36. Considering these factors alongside direct and indirect economic impacts or benefits will ensure balanced consideration and a more rounded evidence base to inform any final decisions. The UK government is committing to basing its decision about whether

or not to agree a proposed exclusion on the balance of these factors, and we encourage devolved governments to do the same. This will mean that, where all four governments can agree that the balance of these factors points towards an exclusion, that exclusion will be implemented.

37. Environmental and public health matters are key devolved policy areas that may have an interaction with the UKIM Act. We believe that, by taking those into account in the consideration of a UKIM Act exclusion, we will ensure the right balance between encouraging innovation and solutions that meet local needs; and preserving the integrity of the UK internal market. We encourage devolved governments also to consider environmental protection and public health factors in any exclusion proposal.

### **Exclusions that have Minimum Economic Impact**

38. In our consultation, we asked for views about whether all proposed exclusions should follow the same process of consideration regardless of the size of their economic impact. This followed the UK government confirming its agreement to an exclusion to enable the ban on the sale of rodent glue traps in Scotland. This decision was taken on the basis that UK sales were valued at less than £10m per year. The economic impact of the ban on the UK internal market would therefore be minimal.

39. Consideration of this specific exclusion proposal raised questions about the appropriateness of requiring detailed, fully evidenced proposals for exclusions in areas which represent minimal economic activity. Responses on this point in general showed there is support for UK government running a lighter touch exclusions process where there is clear evidence to show minimal economic impacts on the UK internal market.

40. **We are therefore introducing a new Minimum Economic Impact (MEI) exclusion process** which will involve the following:

- a. The proposing government would need to reasonably and proportionally demonstrate that the economic impact of an exclusion in the policy area in question would be no greater than £10m per year in terms of Equivalent Annual Net Direct Costs to Business (EANDCB)<sup>2</sup>;
- b. All other governments would need to be satisfied that this had been sufficiently demonstrated and so had no objections to this exclusion; and
- c. If agreed, UK government will commit to implement the exclusion in law as soon as practically possible.

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<sup>2</sup> The EANDCB is an estimate of the average annual net direct costs to business in each year that the measure is in force. It is calculated as the present value of the net direct cost to business divided by the sum of the discount factors appropriate for the length of time the measure is in force. The discount rate used is determined by the HM Treasury Green Book.

41. This new process ensures a more reasonable approach to the consideration of such proposals. It will also lead to quicker decision-making between governments, so providing greater certainty and clarity for affected stakeholders.
42. However, to address concerns also expressed by a number of consultation respondents regarding the potential impact of cumulative divergence as a result of multiple MEI exclusions being agreed in the same area, we are also introducing the following safeguards:
- a. UK government will monitor total cumulative divergence agreed under the streamlined MEI process and trigger a notification to ministers in all governments where a threshold of £50 million is met in a defined policy or sectoral area. Governments may object to further proposals for MEI exclusions in that area once the threshold has been reached – the exclusion proposal would then be considered under the relevant Common Framework, or the reserve process if there is no Common Framework in place;
  - b. Monitoring will also consider whether there are disproportionate impacts on specific sectors and/or localities; and
  - c. The exclusions agreed under this MEI process will be reviewed at three-year intervals.
43. Details of how the MEI process will work is set out at Annex B. The UK government will also implement in legislation at the earliest opportunity the Scottish government's proposal for an exclusion for the ban on sale of rodent glue traps. This will be the first example of a Minimum Economic Impact exclusion.



## **The effectiveness of the UK Internal Market Act's Market Access Principles in managing the UK internal market for goods, services and professional qualifications**

44. We broadened the scope of the review beyond that required by law, as we believed it was important to invite a range of views relating to how the UK Internal Market Act and its Market Access Principles can best support the UK internal market. In this section we set out the key findings from this part of the consultation together with the government's conclusions.

### **How the UK internal market for goods, services and recognition of professional qualifications is best supported by the UK Internal Market Act**

45. In launching our consultation, we were clear that the government will not be repealing the Act and that we were not minded to weaken the protections provided by the Act's Market Access Principles. This is because the Act and the Market Access Principles provide important protections that can, when necessary, facilitate the free movement and trade in goods, provision of services and practice of professions across the UK. The Act also contains important protections for Northern Ireland's place in the UK internal market and customs territory.

46. It is clear from a large number of responses that these protections are highly valued, particularly by businesses and business representative organisations, but also from a variety of other stakeholders. As well as recognising the importance of retaining the Market Access Principles, many business and business representative organisations indicated that repeal of the Market Access Principles would result in economic damage, especially concerning access into the English market from other nations. Example of such responses are:

"(We) are strong supporters of the principle of the Internal Market Act. A clear and stable regulatory environment across the whole of the UK is critical to ensure that food and drink businesses can strategically and financially plan for the long term"

"...our members definitely crave certainty for businesses. We are supportive of the principle of the internal market act."

"UKIMA is important. It matters because the UK internal market underpins economic growth and investment stability." Adding that if "we have divergent regulations, all that will do is increase costs and reduce competitiveness".

47. There were responses that also noted the need to respect the devolution settlements introduced by the last Labour government:

“The (name redacted) is a passionate supporter of the value of the devolution settlements across the United Kingdom. In supporting devolution, we recognise that there will inevitably be consequential regulatory divergence.”

48. We agree with this view. The government remains wholly committed to the devolution settlements. We have set out above how we will work with the devolved governments more openly and collaboratively, principally through the jointly owned Common Frameworks.

49. We are satisfied that responses to the consultation confirm that the Act’s Market Access Principles not only deliver important protections for our businesses and traders, but that those protections are welcomed by the key stakeholders that would be most affected should those protections not be in place.

## **Impact of differing regulations on supply chains**

50. There was a recognition among many respondents about the impact that differing regulations can have on supply chain performance. The consultation asked whether impacts later down the supply chain are more straightforward to address. There was some support for this view, but responses revealed concerns about impacts of differing regulations on any part of a business or sector supply chain. There were also concerns raised about unintended impacts being felt by suppliers as a result of decisions taken in Common Frameworks, and that these impacts could be felt earlier or later in the supply chain. Examples of responses received include:

“...generally it is more straightforward for businesses to address differing regulations that take effect later in the supply process, such as at the retail level, rather than earlier like product standards.”

“A regulation that takes effect later in the supply chain might still result in changes earlier in the supply chain. For example, the foods High in Fat, Salts and Sugars case study found that some manufacturers covered by the regulation (but not all) chose to change the formulation of their products in order to ensure that their products could still be offered on promotion by retailers. The regulation did not mandate these changes, but producers chose to respond in this manner. A similar causal chain could apply in other sectors in relation to other regulations”

“Most businesses operate across the four nations— very few operate exclusively in one. The UKIMA protects supply chains and makes sure that businesses can operate efficiently across the UK.”

“The economies and supply chains of Scotland, England, Wales and Northern Ireland are closely interconnected, and it is important that no barriers to trade emerge between the constituent countries of the UK”

51. Such views satisfy the UK government that the case for maintaining the protections provided by the Act is compelling. Nevertheless, as set out elsewhere in this report, we will make improvements to the way in which Common Frameworks operate and how

the four governments within the UK work with one another and involve stakeholders in policy discussions.

## **Getting the right balance between the potential for local regulatory innovations in sectors and UK-wide alignment**

52. We want to enable innovation, particularly where that supports economic growth. From our consultation, it is clear that stakeholders agree. They particularly support devolved governments' ability to launch local innovative initiatives. We are also supportive of this, which is in line with our ongoing commitment to devolution.
53. Common Frameworks are the right place to discuss the potential for policy innovation. Discussions might explore how a local need could be met and where there are opportunities for wider UK alignment and roll-out. Our approach should ensure that we foster an environment that enables successful initiatives, such as the Welsh government's charge on single use carrier bags, to provide UK-wide benefits.

## **The operation of the Market Access Principles for goods, services and professional qualifications to date**

54. There were many responses in support of the Act's Market Access Principles. Many stakeholders clearly like the certainty these bring to businesses trading across the UK, facilitating barrier-free trade. Examples of support for the Market Access Principles include:

"The UKIM Act is a necessary underpinning for the operation of the UK Internal Market in a world where the Windsor Framework creates one regulatory dynamic whereas the UK being in its own regulatory space for many areas after Brexit creates another. Having a clear statutory underpinning of the two main market access levers of mutual recognition and non-discrimination is vital."

"... content with the principles as set out, with regard to the definitions of 'mutual recognition' and 'non-discrimination'."

"So far, the IMA's Market Access Principles have operated well, and they represent a fair mechanism to ensure that products made available to UK in as equitable a manner as possible."

"From a business perspective, these principles provide relative levels of certainty around product access and supply across the devolved nations and promote an economically sustainable single market."

55. However, this support was often accompanied by views expressing the need for the Act's provisions to be more effectively considered earlier in policy discussions. A

number of respondents also noted that inter-governmental policy discussions should seek alignment rather than pursue different approaches. Comments representing these caveated views include:

“...while we appreciate the complexity of the UK internal market, we would welcome additional clarity of the criteria required and timing of the use of the Act. In addition to a first principle of alignment wherever possible.”

“...the Act has created some uncertainty in policymaking. At the moment the Act provokes significant debate on whether a policy is applicable to the internal market principles which creates a level of uncertainty about whether a policy will be enacted, whether an exclusion is required, or whether and under what terms an exclusion may be granted. In short, we believe the Internal Market Act has worked reasonably well when governments agree, but there have been significant challenges when there is disagreement.”

56. There was also some concern raised about the potential impact of allowing further exclusions without appropriate checks and balances. The measures we have set out in Annex B shows how we will address this concern.

## Statutory Review of the use of the UK Internal Market Act's Part 1 and 2 amendment powers

57. Parts 1 and 2 of the UK Internal Market Act provide the power for the Secretary of State to amend certain provisions in these Parts of the Act, such as to add, vary or remove what is meant by a legitimate aim in Parts 1 and 2 and the scope of the non-discrimination principle in Part 1. They also provide the power to add, vary, or remove exclusions from the Market Access Principles for goods and services respectively.
58. As required by the Act, the Secretary of State has conducted a review of the use of the Parts 1 and 2 amendment powers.
59. As part of the review process, the Secretary of State consulted stakeholders, as well as Scottish Ministers, Welsh Ministers, and the Department for the Economy in Northern Ireland as required by the Act. As part of the public consultation, the Government asked the following two questions:

**What are your views on the use that has been made of the Part 1 amendment powers – for example the exclusion for single-use plastics?** In particular, we would welcome views on whether the changes have had or will have a positive or negative impact and whether they have been effective.

**What are your views on the use that has been made of the Part 2 amendment powers – for example, removing exclusions for certain services?** In particular, we would welcome views on whether the changes have had or will have a positive or negative impact and whether they have been effective.

### Part 1

60. At the time of publication of this report, since the UK Internal Market Act came into force, there has been no use of the power to add, vary or remove provisions relating to what type of statutory provision is within the scope of the non-discrimination principle. There has also been no use of the power to add, vary or remove a legitimate aim in relation to indirect discrimination.
61. However, there has been one use of the power to amend the Schedule 1 list of exclusions from the Market Access Principles. In November 2021, the Scottish government proposed an exclusion from the Market Access Principles for certain single-use plastic (SUP) items. This was the first exclusion to be proposed following the introduction of the UK Internal Market Act. The UK government implemented an exclusion using the powers in Part 1. The government has also committed to using this power again to amend Schedule 1 in respect of implementing an exclusion for the sale of rodent glue traps.

62. In the consultation, we received a number of representations from businesses, environmental groups, and academics on this issue. The SUP exclusion was frequently noted as an example of governments working well together. However, some respondents criticised the lack of transparency and clarity around how exclusion decisions were reached, and a business representative organisation expressed concern about the impact of regulatory divergence in Scotland as a result of this exclusion. Our improvements concerning exclusions detailed elsewhere in this review document are designed to address these concerns.
63. As required by the Act, the government has considered the OIM report concerning the impact of restrictions on the sale of SUP items on the operation of the UK internal market<sup>3</sup>. The OIM highlighted that governments had collaborated well, including through Common Frameworks, so that regulations governing individual products have mostly been introduced in different UK nations at broadly similar times. This has meant that suppliers across supply chains and the nations have largely adapted simultaneously.
64. The OIM also noted that the cost of complying with SUP regulations has for some businesses been significant – but this was not an issue with the use of the Part 1 powers, as the additional costs of complying with any internal market differences due to an exclusion have been relatively small. This is because the scope of most SUP regulations to date are aligned. The OIM further noted that this has enabled most businesses which trade across the UK to adopt a uniform approach. This ensures their products/services comply with SUP regulations in all nations, rather than the business tailoring different approaches depending on the specific SUP regulations in each nation. The OIM study highlighted that businesses stated the differences in SUP regulations that had emerged from the exclusion (at the time of publication in February 2025) had not significantly hindered or contributed to product or process innovation.
65. We note that the OIM recommended that governments provide relevant trade associations and businesses with clear guidance on SUP regulatory changes, and how to comply with them, at the earliest opportunity. This would help these businesses to plan for their transition to alternative products. We agree with this recommendation, and have detailed our proposals to improve engagement from all governments with businesses in paragraph 23.
66. Therefore, having assessed the consultation responses and the OIM's report, the government believes the use of this power has delivered an effective outcome. This is

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<sup>3</sup> <https://www.gov.uk/government/publications/report-on-the-impact-of-restrictions-on-the-sale-of-single-use-plastics-on-the-operation-of-the-uk-internal-market>

because the government assesses the impact has been that different governments have been able to enact different legislation, yet that has not resulted in a significant adverse impact on the integrity of the UK internal market. However, the government believes that improvements should be made to the process of considering exclusions between governments that leads to the use of this power, as highlighted elsewhere in this document.

## **Part 2**

67. At the time of publication of this report, since the UK Internal Market Act came into force, there has been no use of the power to add, vary or remove a legitimate aim in relation to indirect discrimination.
68. However, there has been one use of the power to amend the Schedule 2 list of exclusions from the Market Access Principles. This was used to make changes to the schedule following a public consultation on services exclusions. Specifically:
- a. adding new exclusions from the mutual recognition principle to Part 1 of Schedule 2, for gas, electricity, water and waste; qualifications-awarding services and heat networks;
  - b. removing existing exclusions for financial services, postal services, electronic communications services, services of temporary work agencies, and services of a statutory auditor from the relevant parts of Schedule 2; and
  - c. amending the scope of the exclusions for social services in Parts 1 and 2 of Schedule 2.
69. Consultation responses on this issue were limited. The removal of financial services and services of a professional auditor was welcomed by one professional body. A business representative organisation noted it is important to consider the effect of any use of the power on SMEs particularly located in border regions. Other respondents noted issues concerning the operation of the exclusions process generally, which is covered in the section concerning Part 1 and elsewhere in this document. The government has assessed that the impact of these changes has been limited, and has not led to any significant adverse impact on the functioning of the internal market.

# **Statutory Review of the arrangements for the provision of independent advice on and monitoring of the UK internal market**

## **Background**

70. Part 4 of the United Kingdom Internal Market Act 2020 (the Act) sets out the arrangements for the provision of independent advice on, and monitoring of, the UK internal market. The Act confers a range of functions on the Competition and Markets Authority (CMA), an independent non-ministerial UK government department, which it performs through the Office for the Internal Market (OIM). The OIM supports and reports on the effective operation of the UK internal market, makes assessments and provides expert and independent advice to the UK government and devolved governments on how specific legislation, rules and regulations impact the UK internal market.
71. The OIM was established in September 2021. The OIM is a distinct function within the CMA and has a 7-member appointed panel and a Chair. The OIM has dedicated staffing within the CMA, as well as access to the CMA's advisory professions, such as economists, lawyers, and finance and business advisory professionals. The OIM can form task groups comprising OIM panel members to carry out functions conferred on the CMA under Part 4, such as providing advice on a particular matter that is relevant to the UK internal market.

## **The Review**

72. As required by the Act, the Secretary of State has conducted a review of the arrangements for carrying out of the functions set out in Part 4 of the Act and which are presently delivered by the Office for the Internal Market. More information on the review requirements, as well as the functions in Part 4, are set out in Annex E.
73. As part of the review process, the Secretary of State consulted stakeholders, as well as Scottish Ministers, Welsh Ministers, and the Department for the Economy in Northern Ireland as required by the Act. As part of the public consultation, the government asked the following two questions:

**How can the Office for the Internal Market best support the UK internal market through its role in providing independent monitoring and advice?**

**What are your views on whether the current arrangements in Part 4 relating to the use of the Office for the Internal Market task groups are appropriate for securing the most effective and efficient performance of the CMA's Part 4 functions?**

## **The role of the Office for the Internal Market**



74. In carrying out the review, the Secretary of State has reached the conclusion that the current arrangements for the way the functions in Part 4 are carried out are appropriate for the purpose of securing the most effective and efficient performance of those functions. The Secretary of State is also of the view that there should be no changes made to the statutory functions of the OIM and that the OIM is delivering fully effectively all the tasks required of it or authorised by the CMA under the Act and, in doing so, providing the independent expertise and insight needed to inform the effective management and operation of the UK internal market. In other words, the government believes the current statutory role of the OIM continues to be suitable and no changes to the statutory functions are required.
75. However, the UK government does want to see the OIM build on the good progress it has made in establishing its strong reputation for excellence in monitoring and reporting on the UK internal market, and in applying its expertise to inform the understanding of the performance and health of the UK internal market. In particular, we will take steps to work with the devolved governments to ensure that the OIM's independent expertise is engaged and considered earlier and in a more structured and consistent way within policy discussions to inform better decision making.
76. Consultation responses show this would be well received by a range of stakeholders, who are keen to see the four governments sharing or working from shared evidence and research that can lead to more joined up discussion around the impacts of different regulatory approaches. This is consistent with a wider theme from the consultation that stakeholder confidence, particularly among businesses, would be boosted by seeing the governments working better together.

## **The Office for the Internal Market's work**

### **Statutory reporting and policy specific projects**

77. The OIM has produced three annual reports on the condition of the UK internal market. It has also published a periodic report in 2023 assessing the effectiveness of Parts 1 to 3 of the UK Internal Market Act; and conducted detailed research into issues concerning the UK internal market - particularly the regulations concerning single-use plastics (SUP) and the sale of horticultural peat. Detailed case studies for these two projects are set out at Annex D.
78. The OIM's work in relation to both of these issues provides strong examples of the value of the OIM, showcasing its ability to:
- a. undertake research in response to a referral by one of the governments within the UK (as was the case for the horticultural peat project), and
  - b. initiate its own research as a result of monitoring live UK internal market policy issues, where a need for further detailed expert analysis has been identified (the SUP project).

79. The reports delivered by the OIM for these two projects were well received by governments, business and other stakeholders. One stakeholder observed that the OIM's report on horticultural peat was "*thorough and provided a balanced assessment...*". The SUP project in particular demonstrates the work that the OIM can engage the OIM panel to deliver, including through project scoping, background research, identifying key areas of focus, and engaging with governments and other stakeholders effectively ahead of delivering its conclusions. A key aspect of the OIM's successful track record for delivering useful reports is the fact that it is required to act even-handedly, and secures strong, constructive engagement from the four governments within the UK.

### **Intra-UK trade data**

80. The OIM has carried out data strategy work to advocate for better quality data on trade within the UK. Specifically, it published the Data Strategy Roadmap in 2023, which it updated in May 2024 and June 2025. This is significantly adding to our knowledge of intra-UK trade flows and its importance to the performance of the UK economy and its constituent parts. This should help the governments within the UK to take better informed decisions on policies intended to deliver economic and other benefits for people across the UK.

81. In delivering this work, the OIM has engaged very effectively with a broad range of interested parties and stakeholders, including from governments, academia and statistical experts, showcasing experimental data sets and seeking feedback. This work has clearly supported the OIM's ability to carry out its monitoring and reporting responsibilities in a better way and, in a relatively short period of time, we have seen a move away from a reliance on 2015 trade data to datasets from 2020 with the expectation of regular annual data production in future years. We look forward to this work being further developed so that in future years everyone can benefit from the production of consistent, regular datasets monitoring trade and other relevant indicators of the UK internal market.

### **Online function for reporting UK internal market issues**

82. The OIM has a reporting function where anyone can report a difficulty concerning trade within the UK internal market. There has not been much feedback on its use to date and therefore a full assessment of this function is not possible; however, the government believes it is important this function remains available to businesses across the UK.

### **Regulatory Developments Dashboard**

83. Since the launch of this review, the OIM has introduced its interactive Regulatory Developments Dashboard. This enables users to explore data, view trends and review the potential intra-UK regulatory differences that the OIM is tracking. This development was welcomed by stakeholders and is seen as a positive step in meeting views expressed by some stakeholders that the OIM could be more proactive about how it shares the information it collects. It also provided a further clear demonstration of how

the OIM is meeting its monitoring and reporting responsibilities. A major business representative organisation said, “[We] would like to advise that regular updates of the dashboard would be needed in order for it to be a useful tool”.

#### **Further consultation feedback**

84. In addition to the feedback referred to elsewhere in this report, stakeholders have also reported positively on their experience of direct engagement with the OIM, whether this is where the OIM has contacted them as part of one of its research projects or where stakeholders have contacted the OIM to seek advice in response to specific internal market issues. Stakeholder experience is that the OIM has been clear, responsive and helpful.
85. Some stakeholders would like to see an expansion to the statutory functions conferred on the CMA and performed by the OIM. Suggestions included:
- a. giving the OIM arbitration or decision-making powers, for example to determine whether a proposed exclusion from the Act’s Market Access Principles should be agreed; and
  - b. the OIM operating a regulatory divergence notifications system (similar to the European Union’s Technical Regulation Information System), through which the OIM could alert business to potential areas of divergence and allow a set period during which to respond with comments/concerns.
86. Some stakeholders questioned the ability of the OIM to provide timely advice in a fast-paced policy environment.
87. Additionally, although there was generally positive feedback on the OIM, there were also views expressed that reveal a lack of familiarity about what the OIM does and about its effectiveness in making its services known to the business community. Notwithstanding this, the OIM’s independent expertise is recognised by business and other stakeholder communities. One large multinational consumer goods corporation voiced its endorsement of an independent OIM, stating, “...the degree of impartiality associated with exercise of these provisions by the OIM must be preserved”.
88. Overall, this confirms the value of an independent OIM providing its expert advice about the operation of the internal market. We are therefore satisfied that its independent status provides the appropriate degree of separation needed to inform the policy discussions and considerations between the four governments, whilst also making its services and expertise accessible to business and other stakeholders.
89. Similarly, we think it is the role of government to notify businesses and other stakeholders of any proposed or developing regulatory changes, and that there is scope for the four governments within the UK to do so more effectively. That would then offer the potential for the OIM to enhance the content it captures on its regulatory

divergence dashboard such that it becomes an established tool that brings together the regulatory plans and proposals of the four governments into one place.

90. We recognise the concerns that have been raised about the agility and flexibility of the OIM to respond to urgent requests and agree that the OIM should take steps to address this. The OIM is also alive to this need and, in response, is already considering research models to support the delivery of shorter form reports that would address specific sector or policy issues. Recent initiatives by the OIM, such as undertaking a SUP research project and launching an interactive regulatory divergence dashboard, demonstrate how the OIM is becoming more proactive. The interactive regulatory divergence dashboard provides an excellent example of the value the OIM can bring to understanding the suite of policy areas being monitored, and how it is doing so in a timely and accessible format.

## **Potential alternative models for monitoring and reporting on the UK internal market**

91. A requirement of this review is to carry out an assessment of alternative models for the carrying out of the Part 4 functions conferred on the OIM. In considering this, we have looked at the following options:

- a. Establishing a stand-alone body to perform Part 4 functions combined with independent arbitration or decision-making functions concerning the UK internal market. This could include, for example, a role in using reporting and monitoring expertise for arbitrating on the application of the Market Access Principles to particular policies; or deciding the merits of a proposed exclusion from the Market Access Principles.

We do not see this as a suitable option as we believe that matters concerning management of the internal market are fundamentally for governments. Instead, we believe that Common Frameworks are the primary fora for the governments within the UK to meet and have discussions about the implications for the UK internal market of the policies being developed. We are also concerned that any expansion in the scope and role of the OIM or a successor body could result in significant costs for the public purse as well as delays setting up a new body or new systems.

- b. Abolishing the OIM and bringing all statutory monitoring and reporting functions in-house within the UK government.

We do not see this as a viable option. The independent status of the OIM has been fundamental to its success and its ability to manage relations with each of the governments within the UK. Bringing the monitoring and reporting capability in-house within the UK government could create perceptions of an immediate imbalance between the governments regarding data ownership, reasons why data

is being gathered, and how the data could be used. Creating this sort of tension would work against the overall aims of the review, which is for all the governments within the UK to work together more effectively and collaboratively. The present model for carrying out these functions through the OIM supports this ambition. Any move to change how these functions are carried out would be a significant backward step from the excellent progress the OIM has made in the way it manages relations with all the governments.

92. Beyond these two options, it is also relevant to highlight the commitments made in the 2024 Command Paper [Safeguarding the Union](#) in relation to the role of the OIM and Northern Ireland's place within the UK internal market. Given the UK government's commitment to the Windsor Framework, we do not intend to introduce any changes in the area.<sup>4</sup>

## Conclusions

93. The Secretary of State has concluded that the current arrangements for carrying out of the functions in Part 4 are appropriate for the purpose of securing the most effective and efficient performance of those functions. The Secretary of State is also content that there should be no changes made to the statutory functions of the OIM and that the OIM is delivering fully effectively all the tasks required of it by the CMA under the Act. In doing so, the OIM is providing the independent expertise and insight needed to inform the effective management and operation of the UK internal market.
94. We have concluded that there should be no changes made to the statutory functions of the OIM. This decision recognises not only the very effective way in which the OIM has carried out the Part 4 functions to date, and the further initiatives it has taken to further cement its reputation in doing so, but also the importance of keeping this role separate and independent of the four governments of the UK, which is clearly highly valued by all the governments as well as stakeholders.
95. We have also concluded that the OIM's role should remain as an advisory body and not be expanded to include any arbitration or decision-making functions. This recognises the importance of ensuring that the management of the UK internal market rests with governments accountable to their respective legislatures. Further, we are conscious that any change to the OIM's role has the potential to impact on perceptions of its independence should any government not agree with any decisions taken by an OIM if it were to have those additional powers. This has the potential to impact on the trust that has built up through the OIM's good work to date. We are also of the view that the OIM's expertise should remain focused on internal market economic impacts, and that it remains the responsibility of governments to factor in wider issues, such as

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<sup>4</sup> As part of its general monitoring role in relation to the UK internal market, the OIM also captures and reports on trade data relating to Northern Ireland.

environmental protection and public health, as part of their policy deliberations. Beyond this point of principle, it is worth noting that any expansion of scope for the OIM would represent significant resourcing challenges for both the OIM and the CMA, which ultimately would have to be met by funds from the public purse. There is no compelling case for spending public money in this way.

## Annex A: Who responded to the consultation

A breakdown of respondents to the consultation by email and online survey on GOV.UK is as follows.

**Table 1: Breakdown of respondents to the consultation**

<b>Respondents</b>	<b>Number of respondents</b>
<b>Business</b>	<b>28</b>
<b>Business Representative Organisation</b>	<b>23</b>
<b>Academia</b>	<b>10</b>
<b>Government</b>	<b>2</b>
<b>Parliamentary</b>	<b>2</b>
<b>Special interest groups</b>	<b>16</b>
<b>Independent bodies</b>	<b>1</b>
<b>Didn't say</b>	<b>3</b>

## **Annex B: Reformed process for the proposal and consideration of exclusions**

1. Exclusions shall be proposed in writing to all relevant Ministers in UK government and devolved governments, who shall confirm receipt of the proposal. The proposal will be considered by one or more of the following three processes.

### **Minimum Economic Impact exclusions**

2. If a government proposing the exclusion believes the total economic impact of the exclusion would be less than £10 million per year in terms of Equivalent Annual Net Direct Costs to Business (EANDCB), they should provide evidence in support of their assessment alongside their proposal
3. In cases where there are significant challenges in determining the size of the economic impact, alternative measures such as estimates of market size or business turnover could be provided.
4. Proposals should also evidence:
  - a. there are no disproportionate impacts on some locations or businesses that would limit their ability to operate across the UKIM and/or limit the operation of the UKIM; and
  - b. that businesses and/or consumers would have easily accessible alternatives to the product or service affected by the exclusion, or would not be significantly disadvantaged by not having access to the product or service.
5. An assessment of the evidence should be made within six weeks of the ministerial correspondence proposing the exclusion.
6. At the end of that six-week period, if all governments have agreed the proposal meets the threshold for an MEI exclusion, the UK government will begin the process of implementing the exclusion, or write to the devolved governments explaining why this is not the case.
7. In the event that one or more government objects to the case for an MEI exclusion, and the proposing government is unable to produce further evidence or other information that addresses those governments' concerns, the exclusion will then be considered under the relevant Common Framework, or under the reserve exclusions process if there is no relevant Common Framework in place.
8. UK government will also implement the following safeguards for the MEI exclusions process:
  - a. UK government will monitor total cumulative divergence agreed under the streamlined MEI process and trigger a notification to ministers in all governments where a threshold of £50 million is met in a defined policy or sectoral area.



Governments may object to further proposals for MEI exclusions in that area once the threshold has been reached – the exclusion proposal would then be considered under the relevant Common Framework, or the reserve process if there is no Common Framework in place;

- b. Monitoring will also consider whether there are disproportionate impacts on specific sectors and/or localities; and
- c. The exclusions agreed under this MEI process will be reviewed at three-year intervals.

### **Common Frameworks exclusions – proposed process**

9. Whenever any party is proposing an amendment to Schedules 1 or 2 of the Act by a Common Framework:
  - a. Once all avenues to explore similar policy approaches have been pursued within the Common Framework, the exclusion-seeking party should set out the scope and rationale for the proposed exclusion; and provide evidence – including input from affected businesses and any OIM evidence that has been sought.
  - b. Consideration of the proposal, associated evidence and potential impact should be taken forward consistent with the established processes as set out in the relevant Common Framework. Exclusion proposals will consider evidence in particular of the following:
    - i. direct and indirect economic impacts (including costs to businesses);
    - ii. environmental protection; and
    - iii. public health.
10. It is recognised that all parties will have their own processes for considering policy proposals, before seeking to formally agree the position within the relevant Common Frameworks. It is also recognised that substantive policy change to an exclusion proposal that occurs during discussions may require further / new agreement between parties.
11. Where policy divergence has been agreed by all governments through a Common Framework, this should be confirmed in the relevant Common Framework. This includes any agreement to create or amend an exclusion to the UKIM Act Market Access Principles.
12. Evidence of the final position of each party regarding any exclusion, and the fact that an agreement has been reached, should be recorded in all cases. This could take the form of an exchange of letters between appropriate UK government and devolved government ministers.
13. Parties remain able to engage the dispute resolution mechanism within the appropriate Common Framework, if desired. The need for seeking an exclusion does not automatically mean there is a dispute to resolve.

14. The UK government will commit to implement all exclusions that have been formally agreed by all governments within a Common Framework.

## **Reserve Exclusions Process**

15. The reserve exclusions process shall apply in the following circumstances:
- where a proposed exclusion is not covered by a Common Framework or is not eligible for the MEI process;
  - where agreement to an exclusion is not reached in a Common Framework; or
  - where agreement to an exclusion is not reached within the MEI process.
16. In these circumstances, a party may write to the relevant UK government minister, copying all relevant devolved government ministers, indicating they wish to propose an exclusion via the reserve process.
17. Exclusion proposals under this process will be acknowledged in writing by the relevant UK government minister within one month, and should receive a published, ministerial response from UK government within six months of the proposal being made. If a decision has not been reached in this timeframe – for example, if the evidence provided is insufficient to make a decision - the response should explain why this has not been possible and commit to a new timeframe. This should be published to extend transparency to businesses and Common Frameworks.
18. Exclusion decisions under the reserve process will consider evidence in particular of the following:
- direct and indirect economic impact (including costs to businesses);
  - environmental protection; and
  - public health.

## **Finalising an exclusion**

19. Under section 10 or section 18 of the UK Internal Market Act 2020, amendments to the schedules containing exclusions from the application of the Market Access Principles require the approval of both Houses of the UK Parliament through the affirmative resolution procedure. Where agreement to such an exclusion is reached within a Common Framework, through the MEI process, or through the reserve process, the Secretary of State for the UK government department named in the Framework is responsible for ensuring that a draft statutory instrument is put before the UK Parliament.

## **Annex C: Common Frameworks with UK Internal Market relevance**

<i>Framework</i>
<b>Hazardous substances: planning framework</b>
<b>Animal health and welfare</b>
<b>Radioactive substances</b>
<b>Fertiliser regulations</b>
<b>Plant varieties and seeds</b>
<b>Food and feed safety and hygiene</b>
<b>Plant health</b>
<b>Chemicals and pesticides</b>
<b>Nutrition labelling and compositional standards</b>
<b>Fisheries management and support</b>
<b>Late payment</b>
<b>Organic production</b>
<b>Agricultural support</b>
<b>Blood safety and quality</b>
<b>Food compositional standards and labelling</b>
<b>Organs, tissues and cells (apart from embryos and gametes)</b>
<b>Air quality</b>
<b>Integrated pollution prevention and control: developing and setting of Best Available Techniques (BAT)</b>
<b>Ozone depleting substances and flourinated-greenhouse gases</b>
<b>Resources and waste</b>
<b>Zootech</b>

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**Services**

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**Mutual recognition of professional qualifications**

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**Specified quantities and packaged food legislation**

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## **Annex D: OIM Research Case Studies**

### **OIM Case Study 1 - Horticultural Peat Research Project**

#### **Defra request under s34(1) UK Internal Market Act 2020**

1. On 2 August 2022 the Secretary of State for Environment, Food and Rural Affairs (Defra) wrote to the Chair of the OIM Panel to request a report under section 34 UKIMA on proposed regulatory provisions to ban the sale of peat and peat-containing products by the end of 2024, whilst exempting the sale of peat within the ornamental and edible horticulture sectors. These proposed regulatory provisions fell within scope of UKIMA as a relevant requirement for the purposes of the Market Access Principles.
2. The Secretary of State had concluded that there would be benefit in requesting a section 34 report due to the internal market impact of pursuing a ban on peat in England, where no ban was in place in the other nations. The request noted that the report should be completed within 26 weeks of the request being accepted, in accordance with the OIM's operational guidance.

#### **Process to consider request**

3. Although the Panel Chair was in place when the request was received, the OIM Panel was not yet appointed. The OIM considered the request in accordance with its prioritisation principles, published in its operational guidance.
4. The decision to accept the request was made by the OIM's Senior Director, alongside another executive member of CMA staff and a CMA non-executive. This approach, known as SD+2, had been agreed by the CMA Board as an appropriate mechanism for decision making in internal market functions.

#### **Project scope**

5. The project scope was informed by two practical considerations:
  - The commitment to complete the report within 26 weeks of the request being accepted.
  - Availability of delivery resources within the OIM team and access to economic and legal advice.
6. The exemptions to the proposed regulations shaped the decision on scoping. The proposal for a retail ban on peat by the end of 2024, with bans in other peat-using sectors on a longer timescale, indicated the focus should be on domestic use of peat. Retail sales by volume were more than double those of the commercial sector and the retail ban would happen sooner. This meant that any internal market effects would be apparent in the retail sector first, indicating that should be the area of focus for the section 34 report.

7. Although the decision was to focus the report on the retail sales ban, scoping for the project acknowledged the usefulness of looking across the supply chains and speaking with a wider range of stakeholders, including in peat extraction and growing media processing. As there was overlap between the retail supply chain and the supply chain for agricultural use, it was anticipated this would provide some insights into trade effects on the agricultural sector.
8. Engagement with stakeholders throughout the supply chain was important to examine economic incentives in the sector to understand factors such as how products were sold, the significance of products in retail ranges, the availability of alternative input materials, and the price sensitivity of consumers. Consumer attitudes were considered to be particularly important in this case, as consumers were likely to have a strong influence on how swiftly retailers moved to peat-free products.

### **Stakeholder engagement**

9. The OIM engaged with stakeholders across the value chain. The team spoke with peat extractors, processors and retailers, working with the retail trade body to identify contacts. Larger retailers (supermarkets, DIY outlets, garden centre chains) were generally easier to engage with. The retail sector also includes many smaller independent garden centres which were more challenging to involve in the project, given their more limited resources to engage with governmental enquiries. Nevertheless, a trade association was able to connect us with a number of smaller retailers, whose views were important.
10. The OIM commissioned a telephone survey of consumers who had purchased growing media in the 12 months to November 2022. In total 182 interviews were completed.
11. The project aimed for a geographic spread of stakeholder engagement but the sector footprint across the four nations is variable. For example, there is considerable extraction and processing of peat in Scotland and Northern Ireland, a small amount of extraction in England and none in Wales.
12. A significant amount of the 26 week timescale was spent on stakeholder engagement.

### **Government engagement**

13. The Defra policy team played an important role in helping the OIM team make some initial, influential, contacts within the industry. This proved especially helpful when initial approaches to some of the larger growing media producers did not produce responses.
14. The devolved governments were kept informed, including sharing headline conclusions, as Defra's regulation would impact on the largest retail market for peat in the UK (which was a key market for businesses based in Scotland and Northern

Ireland). The report noted the policy positions of the devolved governments and considered the likelihood that retailers in England might rely on the Market Access Principless to obtain peat-based growing media from elsewhere in the UK once the ban was in place. The report concluded there were limited incentives to do so.

15. Engagement was important to ensure the devolved governments felt confident about the OIM's process to prepare a section 34 report, to build the relationship and raise awareness of the ability to request a report.

### **Governance and report sign off**

16. As the OIM Panel had not yet been appointed, during the course of writing the report the project team was supported by the OIM Advisory Group (OAG). This temporary group (disbanded on the appointment of the OIM Panel) comprised CMA Competition Panel members with familiarity with the policy landscape across the UK. The OAG provided advice and guidance in a similar manner to the way the OIM Panel functions.
17. The final report was shared with the CMA Board and signed off through the CMA's standard 'Senior Director +2' process in January 2023. (This process consists of a Senior Director considering the report alongside two others, in this case the Executive Director with responsibility for the OIM and the Chair of the OIM Panel). The report was sent to the Defra Secretary of State on 2 February 2023. UKIMA gives the requesting authority up to 15 days to review a section 34 report.
18. Following Defra's review, the report was sent to the devolved governments. They had two days to review the report before publication. The report was published on 21 February 2023.

## **OIM Case Study 2: Single-Use Plastics Research Project**

### **Introduction**

1. Over the past decade, Governments across all four nations in the UK have been taking action to regulate single-use plastic (SUP) products for environmental reasons. On 29 July 2024, the Office for the Internal Market (OIM) launched an own initiative project to review the effects of SUP regulations, with a specific focus on the functioning of the UK internal market. Following its review, the OIM published its SUP [report](#) on 12 February 2025.
2. The review was the first-of-its-kind by the OIM. The OIM was able to focus on delivering and landing the SUP project while sustaining good relationships with external stakeholders including the four governments and a range of businesses.

### **How was the work scoped initially**

3. The key aims of the project were scoped following a period of background research on SUP regulations across the UK. This enabled the project team to develop a number of key areas of focus to explore, for example:
  - a. how businesses (large and SMEs) have responded to differences in SUP regulations across the UK nations and the factors influencing their decisions;
  - b. any UK internal market effects (as opposed to the policy impact of SUP regulations themselves).
4. As part of the scoping process, it was agreed that the OIM would undertake a backward and forward-looking study exploring potential cumulative effects of regulatory difference/alignment on the UK internal market. The time period in scope was from 2011 (the earliest SUP restriction, i.e. the plastic bag charge introduced by the Welsh Government) onwards and considered the restrictions announced for the future (eg the plasticated wet wipes ban, the ban on single use vapes across the UK and Phase 2 of the Welsh Government's single-use plastic ban which includes carrier bags, polystyrene lids and oxo-degradable products).
5. Given that sustainability goals are long term, it was anticipated that policy teams and businesses would have a view on the direction of travel for other future potential regulations. The study aimed to capture these and consider any broader connections to wider Extended Producer Responsibilities.
6. The project started with a broad project scope including all SUP products that have current or proposed restrictions, including price restrictions. This allowed the project team to reach out to a wide range of stakeholders while retaining flexibility to narrow the scope.
7. To develop a rich evidence base for the report, the OIM planned to engage with businesses at all stages of the supply chain, including manufacturers, wholesalers, distributors and retailers.



## **The sectors focused on**

8. The project aimed to develop sector-specific insights in relation to SUP items and the impact of differing national regulatory restrictions on businesses. The project considered a range of products at different levels of the supply chain.
9. The OIM was able to gather a rich evidence base of qualitative information including over 40 direct interviews, online questionnaire responses, direct submissions and other forms of engagement.
10. The OIM identified that SUP bans can have varying impacts on different sectors and on businesses within the same sector. The OIM was told that a ban can have a smaller impact in some parts of the supply chain; for example, for larger retailers where SUP product costs are not a significant proportion of their costs. Conversely, the OIM was told that a ban often has a bigger impact on small and medium sized enterprises (SMEs), who frequently have less knowledge of upcoming regulatory changes, although the OIM also heard that some smaller SMEs in the food-to-go sector have avoided these costs by continuing to use cheaper banned SUP items.
11. The stakeholder engagement indicated that SUP providers of all sizes and in all sectors that trade across the UK tend to see the UK as a unified market, with some going further and regarding the EU and UK as a single market. Almost all businesses told us that they have a strong preference for working to a single set of regulations at least across the UK, with some also preferring alignment with EU regulations.

## **How was the OIM Panel engaged**

12. In addition to providing thoughts on SUP as a potential topic for a report under section 33 UKIMA, the project team provided the OIM Panel with regular presentations and oral updates on the SUP project at OIM Panel meetings during the project, the Panel operating as a standing task group in accordance with the [CMA's Board Guidance on Task Groups](#).
13. Additionally, at the start of the project, a smaller group of OIM Panel Members were convened as 'critical friends' to provide ongoing advice and expertise on the emerging key findings. These 'critical friends' were engaged with to discuss early findings and core themes as well as connect the project team with external stakeholders.
14. The OIM Panel was provided with the draft report for comment before the report was provided to an OIM SD+2 decision making group (which included the Senior Director of OIM plus a CMA Executive and non-Executive Director) as part of our governance arrangements for sign off and publication.

## **How the governments were engaged**

15. The engagement with the governments was a key part of the SUP project. Early engagement with the governments identified a number of questions that they would find useful for the SUP project to explore. In addition, post-launch, there were meetings with the policy teams and constitutional teams from the four governments which enabled the OIM to provide updates and to share key findings. The OIM organised a valuable 'putback' process before the SUP report was published to allow the governments to comment and to clarify any factual inaccuracies.
16. The OIM also sought feedback from the governments post-publication. The feedback was positive and included feedback that: the conclusions and recommendations in the SUP report provided a useful resource to refer to for policy development; the working relationship between the OIM and the governments was good; and the report identified findings that were not picked up in previous economic impact assessments.

## **Conclusion**

17. The report shone a light on how businesses have adjusted to restrictions on single-use plastic items, often adopting a single set of standards that enabled them to comply with all national regulations simultaneously. The report also found that the four governments are working effectively together, having considered lessons learned from the introduction of previous SUP regulations.
18. To support policymakers across the UK to manage future regulatory differences between nations, the report set out practical recommendations, drawing on the insights and stakeholder feedback obtained through the study.

## **Annex E: Statutory Review**

### **Review of the use of Parts 1 and 2 amendment powers**

#### **Part 1**

1. Under section 13 of the United Kingdom Internal Market Act 2020 the Secretary of State is required to carry out a review of any use that has been made of the Part 1 amendment powers (conferred by sections 6(5), 8(7) and 10(2) of the Act).
2. During the permitted period the Secretary of State must—
  - a. carry out a review of any use that has been made of the Part 1 amendment powers,
  - b. prepare a report of the review, and
  - c. lay a copy of the report before Parliament.
3. In carrying out the review the Secretary of State must—
  - a. consult the Scottish Ministers, the Welsh Ministers and the Department for the Economy in Northern Ireland,
  - b. consider any relevant reports made, or advice given, by the Competition and Markets Authority under Part 4, and
  - c. assess the impact and effectiveness of any changes made under the Part 1 amendment powers.
4. The permitted period is the period beginning with the third anniversary of the passing of this Act and ending with the fifth anniversary.
5. If any Part 1 amendment power has not been used by the time the review is carried out, this section has effect—
  - a. as if the report required by 2. above, so far as relating to that power, is a report containing—
    - i. a statement to the effect that the power has not been used since it came into force, and
    - ii. such other information relating to that statement as the Secretary of State considers it appropriate to give, and
  - b. as if the requirements of subsection (3) did not apply in relation to that power.

#### **Part 2**

6. Under Section 22 of the Act of the United Kingdom Internal Market Act 2020 the Secretary of State is required to review any use that has been made of the Part 2 amendment powers (conferred by sections 18(2) and 21(8) of the Act).
7. During the permitted period the Secretary of State must
  - a. carry out a review of any use that has been made of the Part 2 amendment powers,

- b. prepare a report of the review, and
  - c. lay a copy of the report before Parliament.
8. In carrying out the review the Secretary of State must—
- a. consult the Scottish Ministers, the Welsh Ministers and the Department for the Economy in Northern Ireland,
  - b. consider any relevant reports made, or advice given, by the Competition and Markets Authority under Part 4, and
  - c. assess the impact and effectiveness of any changes made under the Part 2 amendment powers.
9. The permitted period is the period beginning with the third anniversary of the passing of this Act and ending with the fifth anniversary.
10. If either of the Part 2 amendment powers has not been used by the time the review is carried out, this section has effect—
- a. as if the report required by subsection 7. above, so far as relating to that power, is a report containing—
    - i. a statement to the effect that the power has not been used since it came into force, and
    - ii. such other information relating to that statement as the Secretary of State considers it appropriate to give, and
  - b. as if the requirements of subsection (3) did not apply in relation to that power.

## **Part 4 review - statutory requirements**

11. Under Section 44 of the United Kingdom Internal Market Act 2020 (the Act), the Secretary of State is required to carry out a review of the appropriateness of the arrangements made for carrying out of the Competition and Markets Authority's (CMA) functions in Part 4 of the Act, for the purpose of securing the most effective and efficient performance of those functions. The arrangements are those set out in:
- a. section 32(1) of the Act, which enable the CMA to authorise an Office for the Internal Market (OIM) task group (constituted under Schedule 4 to the Enterprise and Regulatory Reform Act 2013) to carry out the CMA's functions; and
  - b. Schedule 3 of the Act, which amended Schedule 4 of the Enterprise and Regulatory Reform Act 2013 to make provision for the Office for the Internal Market within the CMA. These include arrangements relating to the OIM, such as the appointment and role of OIM panel members, including its Chair, and the constitution, membership and procedures of OIM task groups.
  - c. Any arrangements made under or in connection with section 32(1) and the amendments made by Schedule 3.

12. The Part 4 functions are summarised in Table 2 below.
13. The CMA has issued guidance under section 39(1) of the Act on the operation of its UK internal market functions.<sup>5</sup> There is a Code of Conduct<sup>6</sup> relating to the OIM. The purpose of this is to enable the OIM panel Chair and OIM panel members to help the OIM to (a) establish and maintain a reputation for fairness, independence, integrity, rigorous analysis, careful handling of sensitive information, and efficient use of public money; and (b) fulfil its duty to act even-handedly in relation to the relevant national authorities, as required under section 31(4) of the Act.
14. In undertaking the review, the Secretary of State is required to assess, among other things:
- a. the way in which the Part 4 functions have been carried out by the CMA through the Office for the Internal Market task groups; and
  - b. any advantages or disadvantages of continuing with the arrangements referred to in paragraph 1(a)-(c), as compared with other possible ways of providing for the Part 4 functions to be carried out (including possible arrangements not involving the CMA).
15. The Secretary of State must prepare a report of the review.

#### Procedural requirements relating to the Part 4 review

16. In carrying out the review, the Secretary of State is required to consult the Scottish Ministers, the Welsh Ministers and a Northern Ireland Department. The Secretary of State must also send them a draft of the proposed report of the review, inviting representations as to the content of the report and then consider those representations and decide whether to alter the report in light of them. No further consultation is required, although the Secretary of State is free to do so if the Secretary of State thinks fit.
17. Once finalised, the Secretary of State must lay a copy of the report before the UK Parliament, the Scottish Parliament, Senedd Cymru and the Northern Ireland Assembly.
18. A summary of the CMA's main functions under Part 4 of the UK Internal Market Act 2020 is set out in Table 2.

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<sup>5</sup> <https://www.gov.uk/government/publications/guidance-on-the-operation-of-the-cmas-uk-internal-market-functions/guidance-on-the-operation-of-the-cmas-uk-internal-market-functions>

<sup>6</sup> <https://www.gov.uk/government/publications/oim-code-of-conduct/>

**Table 2: the CMA's main functions under Part 4 of the UK Internal Market Act 2020**

<b>Provision</b>	<b>Description</b>
<b>Sections 31(1) to 31(3)</b>	<p>The <b>CMA's objective in carrying out its functions:</b></p> <ul style="list-style-type: none"> <li>• to support, through the application of economic and other technical expertise, the effective operation of the internal market in the United Kingdom (with particular reference to the purposes of Parts 1, 2 and 3)</li> <li>• this objective includes, in particular, supporting the operation of the internal market in the interests of all parts of the UK and in the interests of consumers of goods and services, and other classes of persons with an interest in its operation</li> </ul>
<b>Section 31(6)</b>	<p><b>General function:</b></p> <ul style="list-style-type: none"> <li>• the CMA may give information or advice to the Secretary of State on matters relating to its functions under Part 4 of the UK Internal Market Act</li> </ul>
<b>Section 33</b>	<p><b>Monitoring and reporting on the operation of the internal market</b></p> <ul style="list-style-type: none"> <li>• the CMA may <b>undertake reviews</b> on any matter it considers relevant to assessing or promoting the effective operation of the internal market and the provisions of Parts 1 to 3 of the UK Internal Market Act. The CMA may receive and consider proposals for undertaking these reviews and may prepare and publish a report on these reviews. (Subsections (1) to (3))</li> <li>• the CMA must <b>prepare annual reports</b> on the operation of the internal market and developments as to the effectiveness of the operation of the internal market. (See, in particular, subsections (5) and (8))</li> <li>• the CMA must <b>prepare 5-yearly reports</b> covering specific issues, including the effectiveness of the operation of Parts 1 to 3 of the UK Internal Market Act and the interaction between the operation of those Parts and common framework agreements. Annual and 5-yearly reports must be laid before the UK Parliament, the Scottish Parliament, Senedd Cymru and the Northern Ireland Assembly. (See, in particular, subsections (6) and (8))</li> </ul>
<b>Section 34</b>	<p><b>Advice on proposed regulatory provisions on request</b></p> <ul style="list-style-type: none"> <li>• subject to certain conditions and other requirements in section 34 being met, the CMA may, at the request of a relevant national authority (meaning the Secretary of State, the Scottish ministers, the Welsh ministers or a Northern Ireland department) give advice or provide a report to that authority in relation to a proposed regulatory provision.</li> </ul> <p>The advice given or the report prepared may consider, among other things,</p>

Provision	Description
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	the potential economic effects of a proposed regulatory provision on the effective operation of the internal market.
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<b>Section 35</b>	<b>Provision of report on request after a regulatory provision is passed or made</b> <ul style="list-style-type: none"><li>• subject to certain requirements in section 35 being met, the CMA may at the request of a relevant national authority (see above) provide a report to that authority in relation to the impact on the effective operation of the internal market of a regulatory provision that has been passed or made</li></ul>
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<b>Section 36</b>	<b>Report on request on provision considered to have detrimental effects</b> <ul style="list-style-type: none"><li>• subject to the requirements of section 36 being met, the CMA may, at the request of a relevant national authority (see above), provide a report to the authority on the economic impact of a regulatory provision that has passed or been made where the requesting authority considers that the operation of the regulatory provision is, or may come to be, detrimental to the effective operation of the internal market in the United Kingdom</li></ul>
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<b>Section 39</b>	<b>General advice and information with regard to the exercise of the CMA's functions</b> <ul style="list-style-type: none"><li>• the CMA must prepare and publish general advice and information about how it expects to approach the exercise of its functions under sections 33 to 36</li></ul>
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<b>Sections 41 to 43</b>	<b>Information-gathering powers</b> <ul style="list-style-type: none"><li>• the CMA has powers to gather information in relation to the exercise of certain of its functions, including under sections 33, 34, 35 and 36 of the UK Internal Market Act. These are powers to enforce these provisions</li></ul>
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**Department for Business and Trade**

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