



Department for Levelling Up, Housing & Communities

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Rt Hon Michael Gove MP
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20 April 2022

Dear Clare,

Thank you for your letter dated February 22 and for your Committee's work in producing its report on the UK Internal Market (UKIM) Act. While I do not necessarily agree with all of its conclusions, the report provides a valuable opportunity to consider the relationship between the Act; Common Frameworks and other means of managing regulatory divergence.

I welcome the Committee's recognition of the importance of ensuring open trade across the UK and ensuring benefits to businesses and consumers – as the Scottish Government's own figures show, exports to the rest of the UK account for 60% of Scotland's overall total¹. This is why the UKIM Act was introduced and the UK Government is committed to enabling businesses to continue trading seamlessly across the whole UK, whilst ensuring our world-leading standards for consumers and workers are maintained and enhanced, including for food and the environment. In preserving and protecting the trade between and within our borders the UKIM Act does not seek to restrict regulatory autonomy or undermine devolution.

I note the Committee's view that the Act places more emphasis on open trade than regulatory autonomy compared to the EU single market; however, I fear that apples are being compared with oranges. The UKIM Act's market access principles have been designed to take full account of the UK's unique circumstances, reflecting that our market is highly integrated and highly aligned. Conversely, EU provisions deal with 27 separate sovereign states, all with diverse histories, cultures and competing market priorities.

The report also discusses the Subsidy Control Bill which sets out a UK-wide subsidy control regime, tailored to the UK's national circumstances while meeting our international subsidy control obligations. This new approach will provide a coherent set of principles, prohibitions and other requirements to protect the internal market. It provides flexibility for all public authorities, including the devolved governments, to design subsidies that are tailored and bespoke for differing needs across the UK. It is right that we create a UK-wide regime in this reserved policy area, to protect competition and investment and support compliance with our international obligations, including those under the UK-EU Trade and Cooperation Agreement. With respect to its application to subsidies in devolved primary legislation, the Bill takes a pragmatic approach that upholds the devolution settlements and fully respects our constitutional principles.

¹ <https://www.gov.scot/publications/export-statistics-scotland-2019/>

I note your concern around transparency especially in regard to Common Frameworks. In the context of Common Frameworks specifically, the idea is not to bring the policy-making process behind closed doors, but rather to ensure that governments coordinate with one another before and during that policy-making process. It is important to remember that Common Frameworks are structures for genuine cooperation and coordination between the UK Government and devolved governments. They do not afford governments any new powers to create or amend legislation. If, through discussion under a Common Framework, a government or governments take a decision to regulate in a particular way, this still needs to be implemented through the normal legislative or administrative processes. For example, if the parties to the Food Compositional Standards and Labelling Common Framework agreed that it was sensible to consider changes to labelling laws, we would still expect there to be consultation with industry and with the public on the merits of such a proposal. Should this require regulatory change, there would still need to be appropriate primary or secondary legislation made in the relevant legislature.

All four legislatures have rightly been invited to scrutinise the provisional Common Frameworks and stakeholders have been consulted throughout their development. If you feel that a greater level of scrutiny would be appropriate, this may be a discussion more suitable for a Scottish Government Minister.

With every good wish,

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive, slightly slanted style.

RT HON MICHAEL GOVE MP
Secretary of State for Levelling Up, Housing and Communities
and Minister for Intergovernmental Relations