



Department for
Science, Innovation
& Technology

Rt Hon Michelle Donelan MP

Secretary of State for
Science, Innovation and
Technology

100 Parliament Street
London SW1A 2BQ

17 March 2023

Dear John, Melanie, Nikhil, Sarah, Bethan,

ESTABLISHING A PRO-INNOVATION APPROACH TO REGULATING AI

I am delighted to write to you in my new capacity as the Secretary of State for Science, Innovation and Technology.

The creation of the Department for Science, Innovation and Technology marks a major milestone for the UK. For the first time ever we now have a single department in government focussed on maximising the possibilities of scientific and technical innovation. Taking an integrated approach to R&D, talent, infrastructure and regulation, the Department will help to position the UK at the forefront of global advances and make it the most innovative economy in the world.

My immediate priorities for the Department will include a strong focus on regulation. If we are to unlock the UK's potential for innovation and harness the enormous opportunities it presents, we need to ensure we have a regulatory environment that actively enables innovation. This means giving UK companies the clarity and confidence they need to innovate, minimising the barriers experienced by those developing new products or seeking to enter new markets, and strengthening public trust in the use and development of new technologies. This has also been the focus of Sir Patrick Vallance's recent "Regulation for Innovation" Review - the outputs of which will inform my Department's work this year.

To ensure this happens, my Department will drive forward the legislative and regulatory reforms initiated by the former Departments for Digital and Business - the Data Protection and Digital Information Bill; the Digital Markets, Competition and Consumer Bill; and the final stages of the Online Safety Bill. And we will also be delivering further ground-breaking regulatory reforms - foremost amongst these the introduction of a new pro-innovation framework for regulating AI.¹

The introduction of the new framework is timely. The UK is already at the forefront of AI innovation, with UK-based companies delivering some of the most remarkable advances of the day and the adoption of AI set to add up to 10.3% GDP growth to the UK economy by 2030 alone - the equivalent of an additional £232 billion.² But it is critical that we are not complacent: if we are to continue to

¹ [Establishing a pro-innovation approach to regulating AI](#). HMG, 2022.

² [The economic impact of artificial intelligence on the UK economy](#). PWC, 2017.



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harness the transformative possibilities of AI technologies, we need to ensure the UK is in the best possible position to support and stimulate innovation. By introducing a proportionate regulatory framework that encourages innovation while addressing the risks that really matter, the UK can ensure it harnesses the benefits of AI for its citizens and positions itself at the forefront of global debates about how to maximise the potential of AI technologies.

The role of the DRCF

Since its creation in 2020, the DRCF has already made a major contribution to the government's pro-innovation agenda. In particular, I note with gratitude the work your organisations have done to explore and clarify the interactions between the new online safety, data, and competition regimes;³ your forward-looking research on cross-cutting issues like algorithmic processing and assurance;⁴ and your horizon scanning activities on new regulatory challenges like Web 3.0.⁵

I anticipate that the DRCF will also have a significant role to play in supporting the development and implementation of the new proportionate and pro-innovation AI regulatory framework. There are three areas in particular where I believe the DRCF will be able to leverage its existing capabilities:

i. Facilitating cross-regulator engagement on the principles

The new framework will be underpinned by a set of cross-cutting principles for individual regulators to apply when regulating AI products and services. To do this effectively and in a way that delivers maximum coherence, regulators will need to be able to work closely with each other to share knowledge and best practice, something that will be especially important where regulators are still in the early stages of developing their AI capabilities. This is a function that the DRCF is particularly well-placed to support. We are particularly keen to understand if there is scope to expand the DRCF's activities to support the wider regulatory community in enhancing cooperation, research and knowledge transfer on AI.

ii. Horizon scanning

Through its joint programme of work, the DRCF has strengthened cross-regulator horizon scanning for future technology, which has already resulted in the publication of major discussion papers on the benefits, harms and auditing of algorithms. Such coordinated horizon scanning - underpinned by the deep expertise of individual

³ Including the [CMA-ICO joint statement on competition and data protection law](#). DRCF, 2021; [CMA-Ofcom joint statement on online safety and competition](#). DRCF, 2022; and [Ofcom-ICO joint statement on online safety and data protection](#). DRCF 2022.

⁴ [Findings from the DRCF Algorithmic Processing workstream](#). DRCF, 2022.

⁵ [Insight Paper on Web3](#). DRCF, 2023.



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regulators - will be essential for anticipating emerging challenges within our new regulatory framework. In particular, we would like to explore the possibilities of harnessing the DRCF's horizon-scanning programme to inform the central assessment of emerging risks and opportunities (e.g. those associated with Large Language Models) that we think is needed to support the delivery of the regulatory framework.

iii. Cross-sectoral sandbox

As recommended in Sir Patrick Vallance's 'Regulation for Innovation' review government is exploring the establishment of a multi-regulator AI sandbox to support innovators to get novel products and services to market, test how the AI regulatory framework is operating in practice, and identify emerging trends to which our regime may need to adapt. We envisage regulatory testbeds and sandboxes playing an important role in our regime and we would want to draw upon the experience of existing regulators such as DRCF members who have already successfully piloted digital sandboxes in their sectors, this includes gaining insights from the DRCF's multi-agency advice service funded via the Regulators' Pioneers Fund.⁶ We would also hope to collaborate directly with the DRCF to establish a new AI sandbox.

These are some of the main ways in which I hope the DRCF is able to support the implementation of the AI framework following the publication of our forthcoming AI white paper. I would like to thank you for the DRCF's ongoing contributions to policy development to date and, subject to your agreement, I will ask my officials to work with your teams to explore these proposals further over the next few months and develop recommendations for how the DRCF's role would work in practice. This will in turn inform the detailed implementation plan that we aim to publish later this year.

I look forward to engaging with you further to understand the role you think the DRCF can play in this space and to hear your plans for the DRCF's future programme of work.

Yours sincerely,

RT HON MICHELLE DONELAN MP
Secretary of State for Science, Innovation and Technology

⁶ ['Enabling innovation – piloting a multi-agency advice service for digital innovators'](#). Projects selected for the Regulators' Pioneer Fund, BEIS 2022.