



HM Treasury,  
1 Horse Guards Road,  
London, SW1A 2HQ



Department for  
Business & Trade

To: regulators within scope of the Growth Duty (s108 Deregulation Act 2015); Ofgem, Ofwat and Ofcom

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Dear colleagues,

## DRIVING GROWTH THROUGH WORLD CLASS, SMARTER REGULATION

This autumn, HM Government has set out a clear ambition to support business investment and economic growth.

Institutional frameworks and regulation are important for economic growth. That is why the government set out its vision in *Smarter regulation to grow the economy* (May 2023) for an ambitious approach to regulation. As Chancellor of the Exchequer and the Secretary of State for Business and Trade, we are committed to ensuring that regulators are contributing to this agenda as much as they can. We want to see our independent regulators take a more active role in creating a dynamic business environment which will result in the UK being seen as a great place for investment and innovation, whilst continuing to protect consumers and the environment.

### *Growth Duty Guidance*

Today, we have published a consultation on measures to strengthen the regulators' Growth Duty.<sup>1</sup> Central to this is consulting on new statutory guidance to which you, as regulators within scope of the Growth Duty,<sup>2</sup> would need to have regard. Our intention in updating the statutory guidance is to be clearer about how regulators can support sustainable economic growth alongside or as part of their other duties. Subject to consultation, regulators will be expected to consider seven Drivers of Economic Growth and seven Behaviours of Smarter Regulation. Your views are important, and we strongly welcome your input to this consultation before we issue final guidance to be effective in April 2024.

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<sup>1</sup> <https://www.gov.uk/government/consultations/smarter-regulation-regulating-for-growth>

<sup>2</sup> The current scope of the Growth Duty is set out in the Economic Growth (Regulatory Functions) Order 2017. The government has confirmed its intention to extend the Growth Duty to Ofgem, Ofwat, Ofcom, subject to Parliamentary approval in early 2024.

### *Growth Duty Reporting*

The Government believes that transparency and accountability for regulators is vital to show Parliament and the public the critical work that regulators do. Therefore, alongside consulting on statutory guidance, HM Government is consulting on whether regulators should publicly report on the Growth Duty, either using non-statutory reporting, which would allow for more flexibility and proportionality, or statutory reporting that would be more uniform, but could support greater consistency.

In this letter we want to set out further details to regulators of how a non-statutory approach could work, subject to consultation. Under this model, we would invite you as regulators to report on your actions as an opportunity to showcase the valuable work that you do.

Regulators would be invited to publish a report every year that included a Growth Duty statement and Growth Duty performance metrics. Please see Annex below.

To support growth, the government will evaluate how regulators have considered the Growth Duty before taking decisions on taxpayers' grant-in-aid funding and assessing regulators' approach to fees.

### *Strengthening Economic Regulation*

Additionally, the government has today confirmed its intention to extend the Growth Duty to Ofcom, Ofwat and Ofgem. Alongside this, the government has published a consultation on strengthening the regulation of the water, energy, and telecoms sectors.<sup>3</sup> We are rightly proud of the UK's system of independent economic regulation; it has attracted over £570 billion of investment between 2000 and 2020, helping to enhance infrastructure and deliver improvements to these essential industries. Ofcom, Ofwat and Ofgem have played a vital enabling role in encouraging this investment and, as set out in the economic regulation consultation published today, we expect these regulators to continue to focus their efforts on ensuring the sectors are able to attract the investment needed for the UK to deliver on its resilience and climate targets.

### *A Competitive UK Business Environment*

The purpose of this work is to ensure that the UK business environment is internationally competitive by preventing unnecessary burdens on business and ensuring that regulators operate in proportionate way, considering how they can support growth and investment in the sectors they regulate.

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<sup>3</sup> <https://www.gov.uk/government/consultations/smarter-regulation-strengthening-the-economic-regulation-of-the-energy-water-and-telecoms-sectors>



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We encourage responses to the consultations, and we look forward to our continued partnership in delivering growth and protections in the UK.

Yours sincerely

Handwritten signature of Jeremy Hunt in blue ink.

RT HON JEREMY HUNT MP  
Chancellor of the Exchequer

Handwritten signature of Kemi Badenoch in black ink.

RT HON KEMI BADENOCH MP  
Business Secretary

## **Annex:**

The Government anticipates that, if a non-statutory model of reporting were adopted, regulators could be invited to publicly report on Growth Duty performance metrics and a Growth Duty statement.

### *Growth Duty performance metrics*

Growth Duty performance metrics would focus on quantitative data and would likely include data in the following areas:

1. Sandboxes and innovation hubs
2. Business surveys
3. Streamlining of rules and processes
4. SLA/Time targets for approval times and Productivity Lock
5. Fast-track service

### *Growth Duty statement*

The Growth Duty statement would ask regulators to prepare a narrative statement and report against the seven drivers and seven behaviours set out in the guidance. The statement would largely be a narrative response, although regulators would be free to add relevant data to their response.

### *Proportionate approach*

We acknowledge that the scope of the Growth Duty includes a diverse set of regulators, and that it might not be desirable and proportionate for all regulators in scope to produce detailed statements and share performance metrics.

In a non-statutory model, the Government would support a balanced approach and would be open to lighter touch reporting for some regulators. The Government would pro-actively reach out to regulators where we would like to see greater detail in reporting.