



Department for
Business & Trade

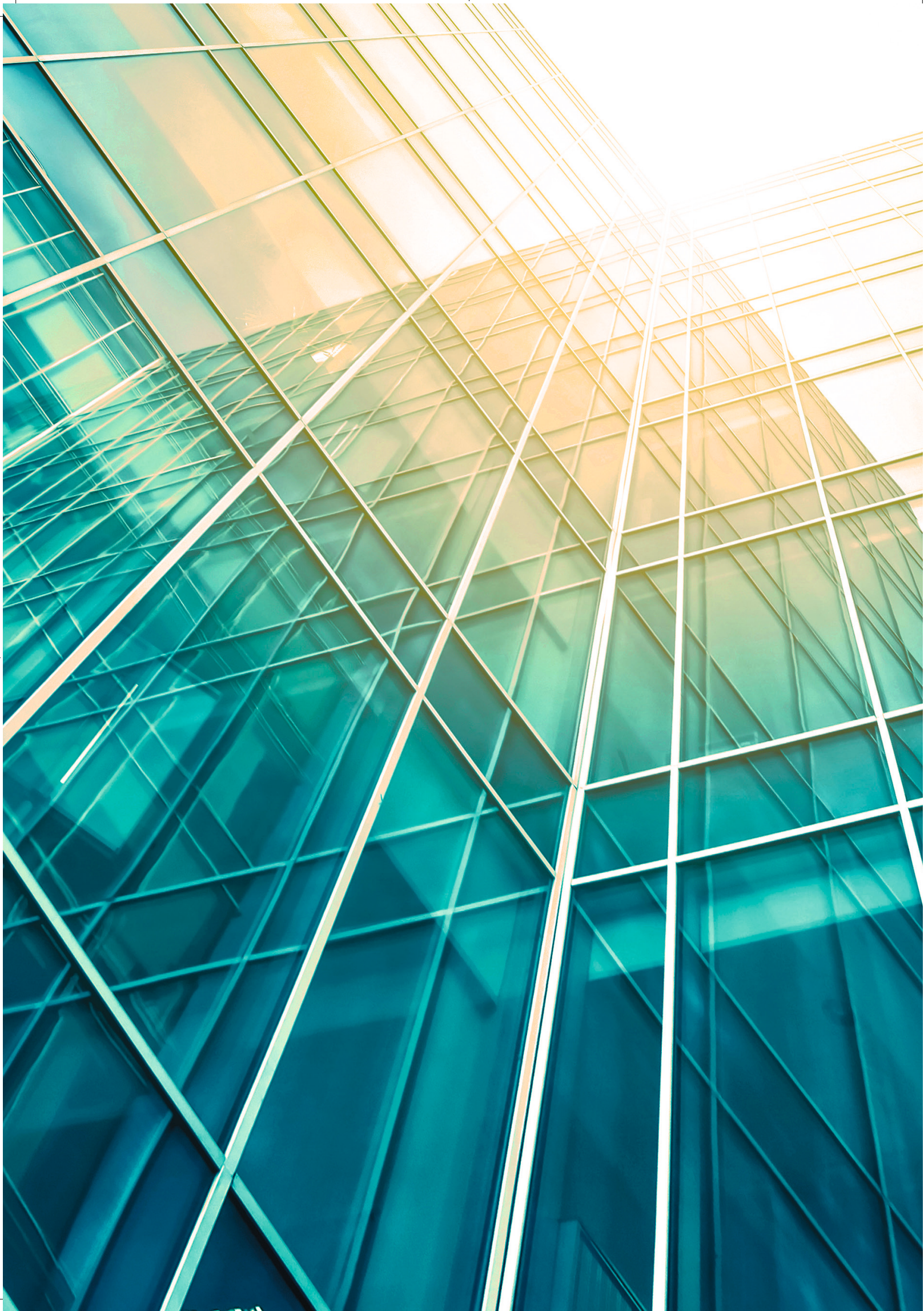
Smarter regulation:

Delivering a regulatory
environment for innovation,
investment and growth

May 2024



CP1089





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Delivering a regulatory environment for
innovation, investment and growth

Presented to Parliament
by the Secretary of State for Department for
Business and Trade
by Command of His Majesty

May 2024

CP1089



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ISBN 978-1-5286-4924-7

E03130201 05/24

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

Foreword

Good regulation allows our markets and societies to function. However, there is strong evidence that points to our regulatory culture acting as a drag on our ability to generate economic activity, innovation and to attract investment. The regulatory environment is often confusing and sometimes features of it appear to exist for the benefit of the regulators, rather than the industries who they regulate, consumers or Britain as a whole. Many well-intentioned laws result in excessive gold plating which frustrates business and consumers.

Following Brexit, the regulatory structures and organisation that we set up are within our control. We must therefore seize the opportunity to improve existing structures and the service that they offer, to deliver for the UK.

In this paper for the first time we identify who the business regulators are that the Government needs to target. We give clear guidelines for how the Government should create regulatory frameworks and engage with regulators to drive better outcomes. Most importantly, we set a template for how regulators should behave under their growth mandate to encourage innovation, investment and economic growth.

Regulators should see themselves as enabling great businesses to deliver fabulous products and services at competitive prices. We stress the importance of a 'service culture' where regulators need to be transparent in how they operate and in what they are doing to ensure companies can innovate and grow. Regulators should be enablers not blockers, their first answer should be 'yes if' not 'no because' and the broader 'body politic' needs to scrutinise their activities more effectively to ensure they are doing this. We should also try to better understand how we assess risk in our economy – encourage a more permissive approach, with more reliance on checks on compliance of activities in practice than on approval in advance. We should look abroad and within, to avoid doubling up on rules and regulations.

This is why we are proud of what this White Paper contains:

- A one-stop shop. A register of regulators. A portal to access regulations. Targeted support for innovative businesses.

All of these will help streamline how regulation impacts business and make the rules clearer and simpler.

- Our 10 principles of smarter regulation that regulators and the Government will sign up to.

This will clearly set out the principles that we and regulators can be held to account against.

- A Regulators' council. Better monitoring of strategic guidance. A framework to measure Growth Duty implementation and published data. Reviews of regulator cases and customer satisfaction. Independent scrutiny. Clear appeal processes. A new dispute resolution pilot.

All of these will improve accountability. And accountability will not just mean ministers and parliamentarians interacting with regulators, but more importantly, better channels for businesses that are being regulated.

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- Greater powers for the Regulatory Policy Committee where options assessments and impact assessments are not good enough. Better consideration of sunset clauses and industry standards. All Departments setting out the cost and benefits of regulations.

This will all ensure that new regulations are well thought through, and minimise the future burdens of regulation on business.

The 23 reforms in this paper show that better regulation and better government is possible. Improvement doesn't always mean big bang legislation and when significant de-regulation is not available, upgrading what government already does is essential. Politicians can lose sight of the incremental detail and be unwilling to fix issues without some grandiose scheme. But the cumulative costs of government not doing such day-to-day improvements falls onto business.

Success will see regulators providing regulated firms with the service support they need to innovate and attract investment, minimising burdens and reporting requirements, whilst Parliament and the Government work hard to ensure the regulatory framework is clear and empowering of these ambitions.

We have always believed that Department for Business and Trade can help boost growth. Not through greater government control and spending, but through championing what businesses and consumers need, and delivering necessary regulation in the most sensible way possible. Solid work by government for practical rewards to businesses.

We would like to thank all those who have participated in this process. We also thank the House of Lords for their work in this area, which has helped inform both our general thinking and some of these specific reforms as well.

This is not a complete regulatory reform agenda. We will go even further in reducing regulatory burdens over time. But is a clear and concrete package for now. It will both make the regulators and government in this country work better and lead to a better experience for businesses that have to engage with regulation. Reforming the process and machinery of government, not just new legislation, is a crucial part of the hard work needed to make our economy stronger.

We look forward to delivering the reforms in this White Paper.



The Rt Hon Kemi Badenoch MP,
Secretary of State for Business and Trade, President of the Board of Trade, and Minister for Women and Equalities



Lord Johnson of Lainston,
Minister of State (Minister for Investment) and Minister of State (Minister for Regulatory Reform)

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Executive summary

The UK regulatory landscape requires improvement to encourage innovation, investment and growth

- The UK's regulatory landscape is frequently held up as an example of international best practice. However, billions of pounds of regulatory costs have accumulated piecemeal on businesses, with some studies suggesting that the impact of red-tape costs could be as high as 3-4% of GDP, or £70bn in 2023 prices.¹ 45% of all businesses see regulation as a burden on their success.² They are also increasingly telling us that the regulatory landscape is too complicated, slow and burdensome, with over 100 bodies involved in regulation and limited clarity on roles and responsibilities. This is not good enough.
- If the UK economy is to grow and we are to create the technologies that will allow us to improve our productivity, we need to review how regulations are made and administered in the UK. We also have a unique opportunity, following our departure from the EU, to set our own rules and standards, and do it in a way which allows businesses to flourish, investment to grow, and innovation to thrive.
- Systemic reform is required; this is about instilling a culture of world-class service in how regulators operate, as well as improving guidance, duties, and accountability. It also requires greater collaboration between regulators and government, to deliver the best outcomes possible. Finally, it is up to the government to better assess its regulatory agenda, to try to understand the cost of its regulation on business and society. That is the purpose of this White Paper – it is not about reducing regulatory safeguards, environmental standards or consumer protections, which are a core element of well-designed regulation.
- **For the first time, the government is defining what a regulator is. To ensure that regulators are transparent in how they are meeting the Growth Duty³, we are also setting standards for regulators reporting on economic growth, introducing clearer measurements of the cost of regulation, and setting the tone for how all who are**

1 Regulatory costs as a percentage of GDP from Better Regulation Task Force 2005 report '[Regulation — Less is More](#)': Regulatory costs as a percentage of GDP, 2005 (Accessed 07/05/2024). This report drew on studies from the Netherlands and the US, which suggested the total costs of regulation on the economy were 10-12% of GDP, with 30% of these costs being administrative - and assumed this relationship would hold for the UK. This study is 20 years old and there could be a high degree of variability between countries, including the UK. In the absence of a more recent study specifically looking at the UK, this is the best estimate available of this specific cost. The £70bn figure is based on applying these percentages to 2023 GDP figures (ONS chained volume measures, seasonally adjusted) and therefore makes the additional assumption that this relationship, if correct, would still hold today.

2 Department for Business, Energy & Industrial Strategy, '[Business Regulation: Business Perceptions Survey 2022](#)', 2023 (Accessed 07/05/2024). Question C2: To what extent do you agree or disagree that the overall level of regulation in the UK is an obstacle to your business's success? 45% agree, 25% disagree, 28% neither, 2% don't know.

3 <https://www.gov.uk/government/publications/growth-duty>. This applies to regulators in scope of the Growth Duty.

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involved in regulation – be they government, regulators or other bodies – should adhere to the highest quality of service.⁴

A culture of a world-class service

- It is essential that regulators adopt a ‘service’ mindset in how they undertake their day-to-day activities. The government is introducing:
 - **Ten Principles of smarter regulation to achieve a world-class service.**
 - **Clear monitoring by Ministers of how regulators apply these principles and the outcomes delivered.**
 - **For the first time, a register of regulators that will be published,** as part of our ambition for a ‘one stop shop’ of regulatory information.
 - **A ‘Share Once Support Register’ to ensure extra help is available to consumers when they need it.**
 - **A holistic assessment of infrastructure investment needs in energy networks, water and telecoms.**

Getting the fundamentals right on guidance, duties, and accountability

- **For the first time, the government is introducing a Growth Duty Performance Framework.** This will encourage that regulators to be transparent about how they are encouraging innovation, investment and contributing to economic growth.⁵
- **The government will launch a Regulators Council** to improve strategic dialogue between regulators and government, alongside **monitoring the effectiveness of policy and strategic guidance issued.**

Government leading by example, to further support regulators

- **All government departments must adopt the Ten Principles of smarter regulation.**
- **All government departmental annual reports must also set out the total costs and benefits of each significant regulation introduced that year.**
- **We will further strengthen the role of the Regulatory Policy Committee and the Better Regulation Framework,** improve the assessment and scrutiny of the costs of regulation, and encourage non-regulatory alternatives.

⁴ In the context of a regulator of business activity, rather than wider forms of regulation. This is a bespoke definition for the purposes of this White Paper. It is not a legal definition.

⁵ This applies to regulators in scope of the Growth Duty.

Introduction

1. Successive governments have been guilty of reaching for the lever of regulation as a first choice, rather than a last resort. They have done this either by regulating directly or through introducing independent bodies that have powers to regulate (“regulators”). Systemic reform is needed: 45% of businesses tell us that regulation is an obstacle to growth; and 33% of innovative businesses experience regulation as a limitation to implementing their innovations.⁶ There has also been insufficient focus on understanding the total costs and benefits of regulation over time, resulting in limited understanding of the aggregate cost of regulation.
2. While the UK’s regulatory system is recognised globally as an example of best practice⁷, we are not always top of class: by some measures of regulatory quality, countries such as Singapore, Australia, New Zealand and Denmark are further ahead (see Figure 1). We could achieve much more if we address the complex, disjointed and burdensome features of our regulatory landscape which have developed over time. Post-Brexit, it is more important than ever that these issues are tackled head-on, to ensure that we make the most of our regulatory sovereignty and provide a world-class regulatory service to consumers and businesses – working with them to innovate and grow the economy.

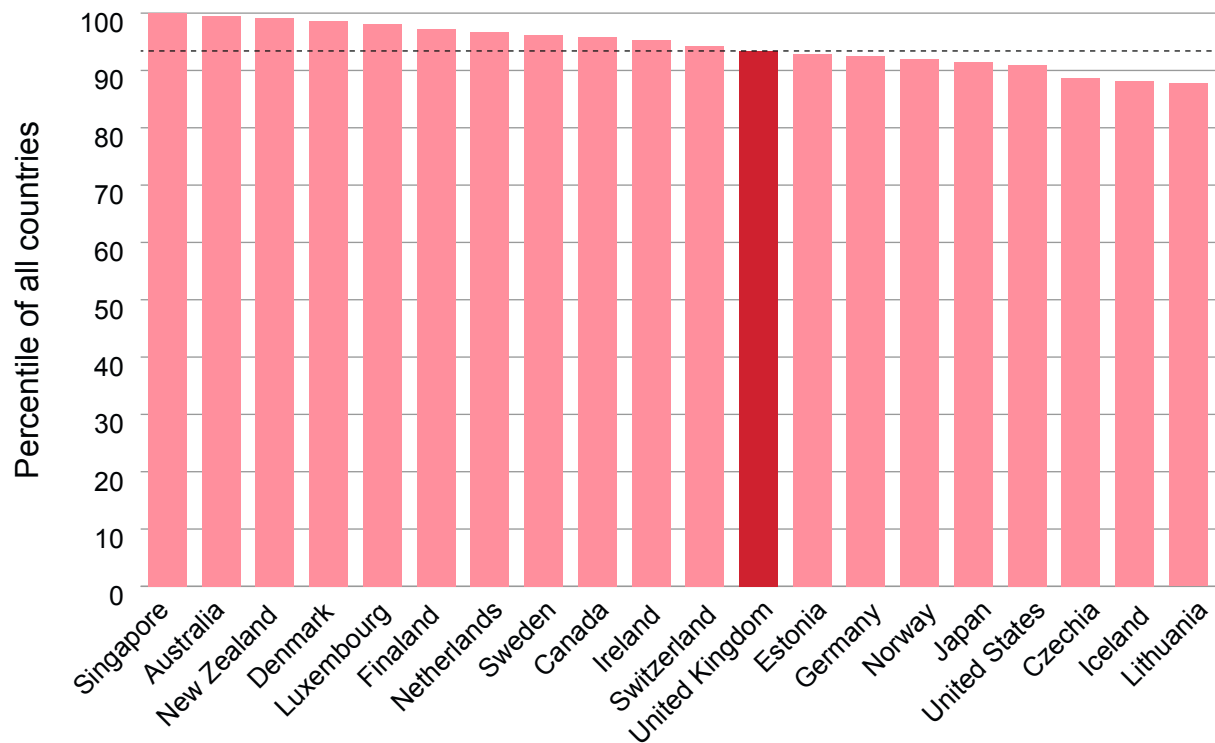
The role of smarter regulation

3. This government is taking on this challenge through the [Smarter Regulation Programme](#). We are clear that regulation should only be used where strictly necessary, with a high bar for introducing it and laser-like focus on how it will be implemented and felt by consumers and businesses. Where this bar is met, regulation can and should play a crucial role in balancing protections across consumers, businesses, and the environment; ensuring trust in well-functioning and resilient markets; and correcting any market failures that undermine the benefits of competition. The bar for strengthened intervention can be met where there is clear evidence that existing regulations or requirements are not working effectively – an example would be the government’s steps to increase regulatory scrutiny in the water sector.
4. Likewise, regulation has an important role in upholding safety, security, and standards, including international standards under treaties and conventions to which the UK is a signatory.

6 Department for Business, Energy & Industrial Strategy, ‘[Business Regulation: Business Perceptions Survey 2022](#)’, 2023 (Accessed 07/05/2024). Question C2: To what extent do you agree or disagree that the overall level of regulation in the UK is an obstacle to your business’s success? 45% agree, 25% disagree, 28% neither, 2% don’t know; Question C3-Agree: Why do you agree that the overall level of regulation in the UK is an obstacle to your business’s success?.

7 The UK is ranked first globally for Regulatory impact analysis (RIA), and second globally for Ex post evaluation, under the Organisation for Economic Cooperation and Development’s (OECD) Indicators of Regulatory Policy and Governance (iREG) survey.

Figure 1: Top 20 countries by regulatory quality

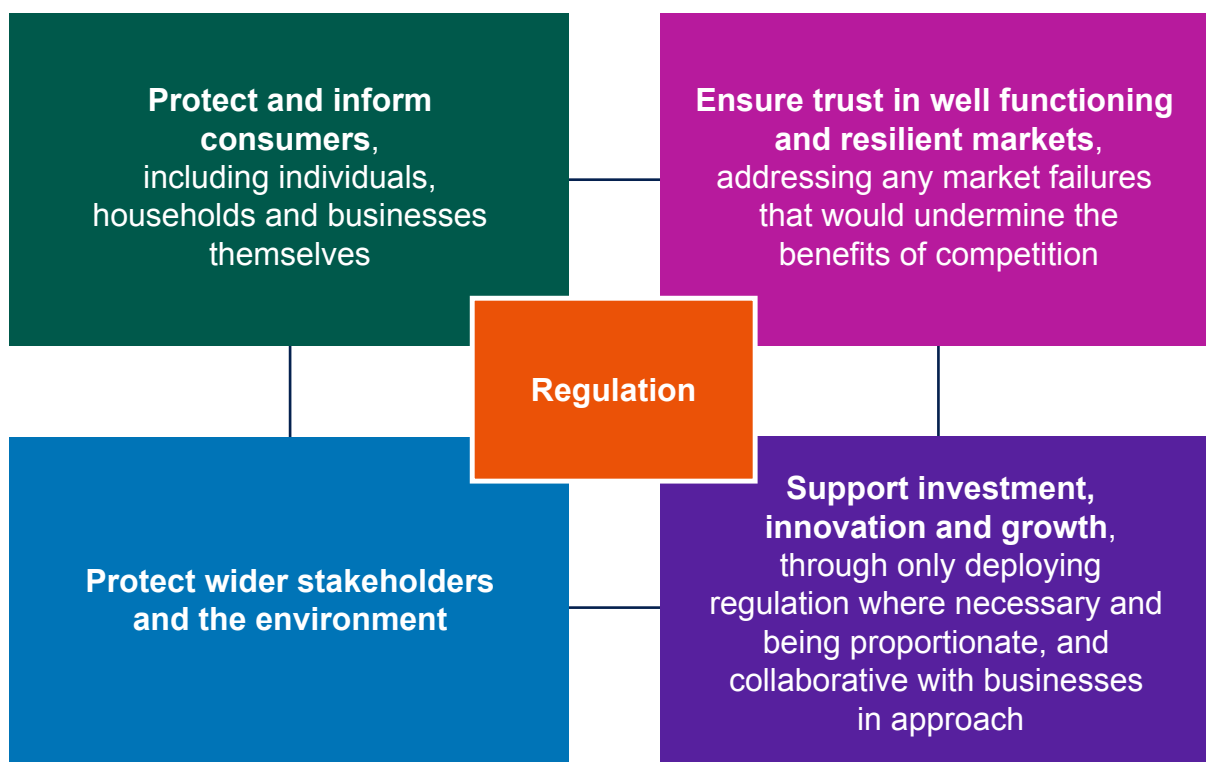


Source: Daniel Kaufmann and Aart Kraay (2023). [‘Worldwide Governance Indicators, 2023 Update’](#), (Accessed on 07/05/2024).

- Starting from first principles, our aim is a regulatory system that in the round achieves harmony across each of these relationships (consumers⁸, businesses, and the environment) and does so in a permissive way, focusing far less on limiting business activity and more on delivering the best outcomes possible, supporting competition, innovation, and growth.⁹ This will require reform and a fundamental change in culture.

⁸ Throughout this paper, we use the term “consumers” to largely mean households and individuals. Businesses can also be consumers, but we refer to them separately as regulation is normally applied directly to businesses.

⁹ We recognise that individual regulator responsibilities may not cover each of these areas, but in the round the system as whole should.

Figure 2: The purpose of regulation

6. Government departments and regulators both need to play their part in this. The UK's regulatory landscape is composed of regulations that are designed and legislated for by government, as well as regulators that are operationally independent from government and have a range of statutory powers including the implementation and enforcement of regulations. We must ask ourselves whether the current structures, balance of responsibilities and regulatory practices are right for the UK. This White Paper aims to do this.
7. We are already making strides to this effect. Since the launch of the Smarter Regulation Programme in May 2023, with '[Smarter Regulation to Grow the Economy](#)', we have delivered over 30 smarter regulation publications outlining reforms across key growth sectors. These have included: extending reforms to the Growth Duty¹⁰ to Ofcom, Ofwat and Ofgem, to ensure that they have regard to the desirability of promoting economic growth across specified regulatory functions; refreshing the Growth Duty statutory guidance to support regulators in driving growth; reforms to assimilated EU law that imposed time-consuming and disproportionate reporting burdens, for example under the EU Working Time Regulations and the Transfer of Undertakings regulations; and

¹⁰ Department for Business and Trade, [Growth Duty - Statutory Guidance](#), 2023 (Accessed 07/05/2024)

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reforms to domestic regulation across a wide range of sectors from transport to food and wine labelling. These reforms are all aimed at improving outcomes for consumers and businesses and are spread across three related pillars of work:

- i reforming the stock of existing regulation to cut regulatory burden and future-proof regulations;
- ii making regulation a last resort and not a first choice, through improved scrutiny of regulatory proposals; and
- iii ensuring a well-functioning landscape of regulators.

8. This White Paper focuses principally on the third of these pillars. In conjunction with supplementary supporting documents, it is the full formal government response to both of the following reports:

- [Smarter Regulation and the Regulatory Landscape](#) – this call for evidence (which was open from 17 November 2023 to 17 January 2024) was a significant evidence-gathering exercise to understand what works well and what can be improved in how independent regulators operate. The questions covered a range of different but related themes, including the clarity of regulator objectives and duties, and whether they cover the right issues; the proportionality with which regulators make decisions, including their approach to risk and handling trade-offs; the speed and agility with which regulators make decisions; the process and governance structures under which regulators make decisions; and finally overall performance and accountability.
- House of Lords Industry and Regulators Committee Report, [Who Watches the Watchdogs: Improving the performance, independence, and accountability of UK regulators](#), published 8 February 2024. The government welcomed the Lords Select Committee inquiry into UK regulators and the findings published in its recent report. The full response is in Annex D.

9. The first part of the government response to the [Smarter regulation: strengthening the economic regulation of the energy, water and telecoms sectors](#) consultation also forms part of this White Paper. The consultation was open from 22 November 2023 to 28 January 2024 and sought views on proposals to improve the economic regulatory environment, increase investment and growth, promote competition, provide support to consumers, and bolster the appeals regime. Part one of the response addresses four of the consultation proposals and can be found at Annex F. The government is still considering the responses received on the remaining proposals and will respond to these in due course.

10. Alongside these reports, in January 2024 the government published our [response to the Regulating for Growth consultation](#), setting out updated statutory guidance that will assist regulators in scope of the Growth Duty in discharging their responsibilities under the Growth Duty.

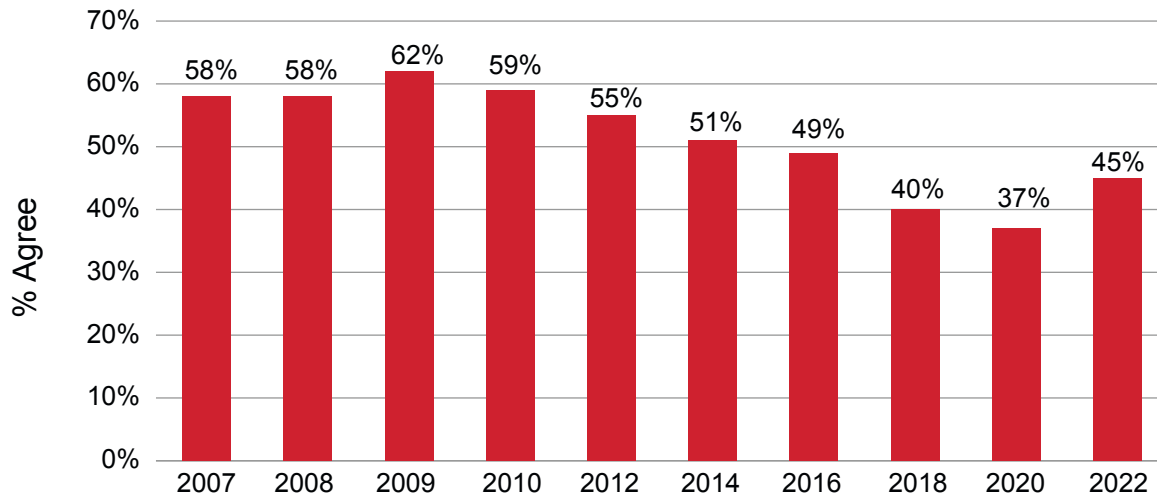
Why is acting now necessary?

Listening to businesses, consumers and wider groups

11. Through our call for evidence on the regulatory landscape, we engaged with hundreds of stakeholders and have formed a detailed picture on what works well and what needs improving. While many stakeholders set out the positives of existing structures, many also identified issues around:
 - The difficulty in navigating the current landscape, with a need for structures, roles and responsibilities to be better explained. The division of responsibilities between regulators is not always clear.
 - Insufficient cooperation between domestic regulators, which if resolved would improve consistency among regulators operating within the same sector, prevent duplicative reporting requirements for businesses, and enable the identification of cross-sectoral challenges and opportunities.
 - The limited agility and responsiveness of regulators to emerging opportunities and challenges. Businesses in particular see this as a barrier to innovation and international competitiveness.
 - The risk aversion of regulators, with concern that burdensome steps are imposed to limit risk in delivery or legal challenge, rather than aiming to achieve the best outcomes for the sector and growth.
 - Limited practical industry experience and/or the necessary technical expertise to understand and therefore regulate the sectors or practices in their remits.
12. Some of these issues have been magnified post-Brexit, as all aspects of regulation are in our control. If we are going to change the fact that almost half of all businesses (45%) view regulation as a burden to success; and only 29% consider regulators to provide timely responses, systemic reform is needed (see Figures 3 and 4).

Figure 3: Too many businesses consider regulation to be a barrier to their success¹¹

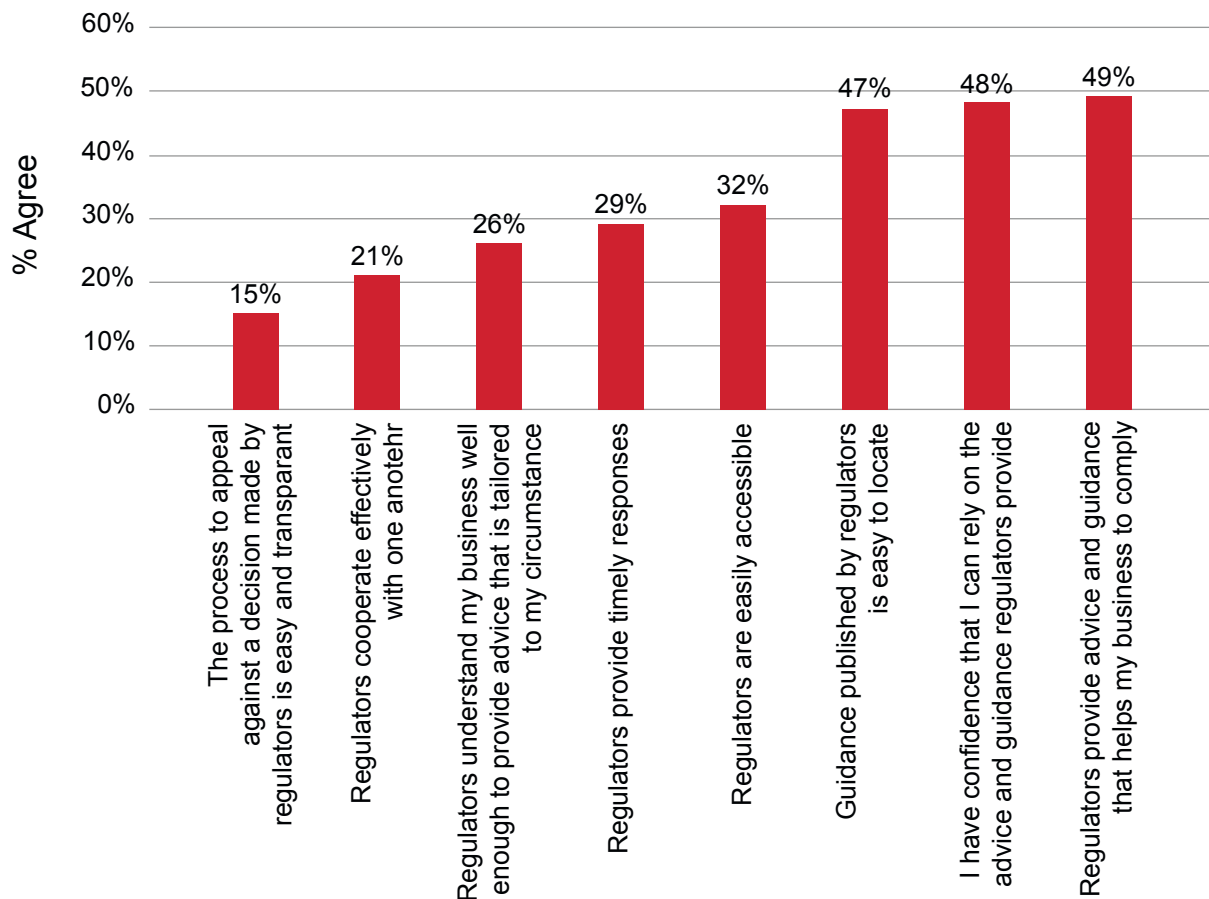
"To what extent do you agree or disagree that the overall level of regulation in the UK is an obstacle to your success?" There has been a downward trend since 2009, with a slight rise in 2022



Source: Business Perceptions Survey 2022

Figure 4: Businesses perception on dealing with regulators¹²

Thinking about the regulators you've dealt with in the past 12 months, to what extent do you agree or disagree with each of the following statements,



Source: Business Perceptions Survey 2022

11 Department for Business, Energy & Industrial Strategy, [Business Perceptions Survey 2022: Research report](#), published July 2023 (Accessed 07/05/2024). See Annex E for further details.

12 Department for Business, Energy & Industrial Strategy, [Business Perceptions Survey 2022: Research report](#), published July 2023 (Accessed 07/05/2024). See Annex E for further details.

Cost of regulation

13. Where regulation is needed, it should be designed and implemented in a way that achieves societal objectives and benefits, at minimum necessary cost. Over past decades, there is evidence that successive governments have added significantly to the total regulatory costs that businesses face, but there is no consistent and comparable set of metrics to fully understand how the totality of net business costs and wider societal benefits from regulation have evolved over time. Existing data suggests that the annual net direct cost to business has increased by up to £6bn¹³ (in 2023 prices) since 2010, spanning the one-in-one-out, one-in-two-out and Business Impact Target policies.¹⁴ While there are no directly comparable estimates for previous decades, a study by Open Europe suggests that the gross costs of additional regulations added in the UK from 1998-2009 came to £46bn, with each £1 of direct costs producing £1.50 of overall societal benefits.¹⁵ Some existing studies even suggest that the administrative costs of regulation could be as high as 3-4% of GDP, which would equate to around £70bn in red tape costs in 2023 prices.¹⁶
14. The costs of regulation are not the whole story, regulations are put into place to deliver some societal objective and therefore typically bring with them increases in net present social value. For example, the Net Present Social Value of those regulations in the Smarter Regulation Programme where quantified estimates are available is expected to be £6.3bn, showing a significant benefit to society from reforms. This shows that there can both be a significant benefit to regulation but also regulatory reforms that ensure regulation is as streamlined and as efficient as possible.¹⁷
15. As this paper makes clear, it is essential that regulators and government take steps to understand the aggregate costs and benefits of regulation and how these are evolving over time. This is key to informing more evidence-based decisions on when and how to regulate, and when not to regulate.

13 This excludes the impact of all COVID pandemic related regulations between 2020-2022.

14 DBT analysis of Business Impact Target and NAO reports. Figures include the impact on EANCDB of all regulations introduced and repealed. To note, one-in-one-out and one-in-two-out regimes excluded EU law (section 1.9 of <https://assets.publishing.service.gov.uk/media/5a7f264aed915d74e33f4a38/bis-13-1038-Better-regulation-framework-manual.pdf>).

15 Open Europe: Still out of control? Measuring eleven years of EU regulation. Figures are additional gross (administrative and policy) costs to business of new regulations introduced.

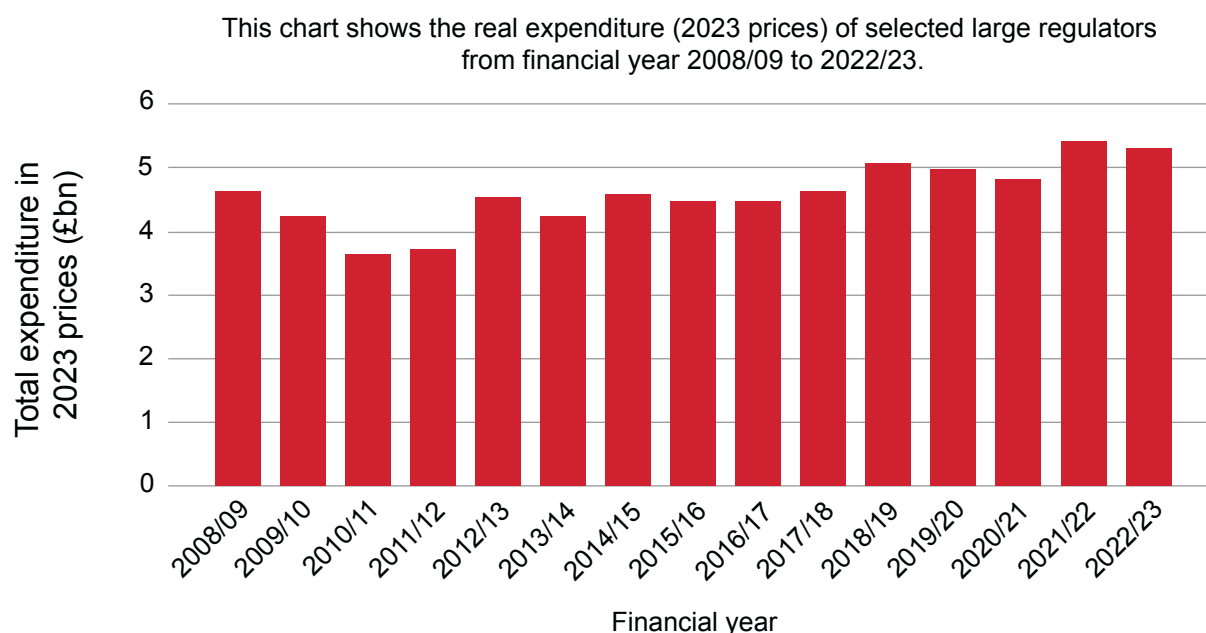
16 Better Regulation Task Force 2005 report '[Regulation – Less is More](#)': Regulatory costs as a percentage of GDP. (Accessed 07/05/2024). This report drew on studies from the Netherlands and the US, which suggested the total costs of regulation on the economy were 10-12% of GDP, with 30% of these costs being administrative - and assumed this relationship would hold for the UK. The £70bn figure is based on applying these percentages to 2023 GDP figures (ONS chained volume measures, seasonally adjusted) and therefore makes the additional assumption that this relationship, if correct, would still hold today. This study is 20 years old and there could be a high degree of variability between countries, including the UK. In the absence of a more recent study specifically looking at the UK, this is the best estimate available of this specific cost.

17 Based on DBT analysis of impact assessments where quantified NPSV is available, for the reforms on the Smarter Regulation Landing page: <https://www.gov.uk/government/collections/smarter-regulation>

Scale and expenditure of regulators

16. The total expenditure and headcount of bodies involved in the regulatory landscape is significant (see Figure 5). In 2022/23, the largest 17 regulators had an expenditure of £5bn and employed 39,000 full-time employees (FTE). This is skewed, however, by the largest regulators – the largest 3 employ 22,000 of the total figure, whereas the remaining employ an average of 1,200. In terms of spend and FTE, these figures are comparable with some larger government departments. It is therefore essential that the activities and service that regulators provide justifies these costs.

Figure 5: The largest regulators spend around £5bn each year



Source: DBT analysis of regulator annual reports.

Note: Expenditure figures include – from 2007/08: Environment Agency, HM Land Registry, Health and Safety Executive, Natural England, Care Quality Commission, Ofcom, MHRA, Ofgem, Food Standards Agency, Competition and Markets Authority (previously the Competition Commission and Office for Fair Trading), Information Commissioner’s Office, Gambling Commission, Office of Rail and Road, Ofwat; from 2012/13 Financial Conduct Authority; from 2014/15 Civil Aviation Authority; from 2017/18 Office for Students

17. Given the issues identified above concerning the complexity and cost of the regulatory landscape and its resulting impact on businesses and ultimately economic growth, now is the time to rise to the challenge of improving the operation of the regulatory landscape. As part of our new regulatory freedoms post-Brexit, we have a prime opportunity to fully grasp these issues and ensure that the landscape as whole delivers for the UK.

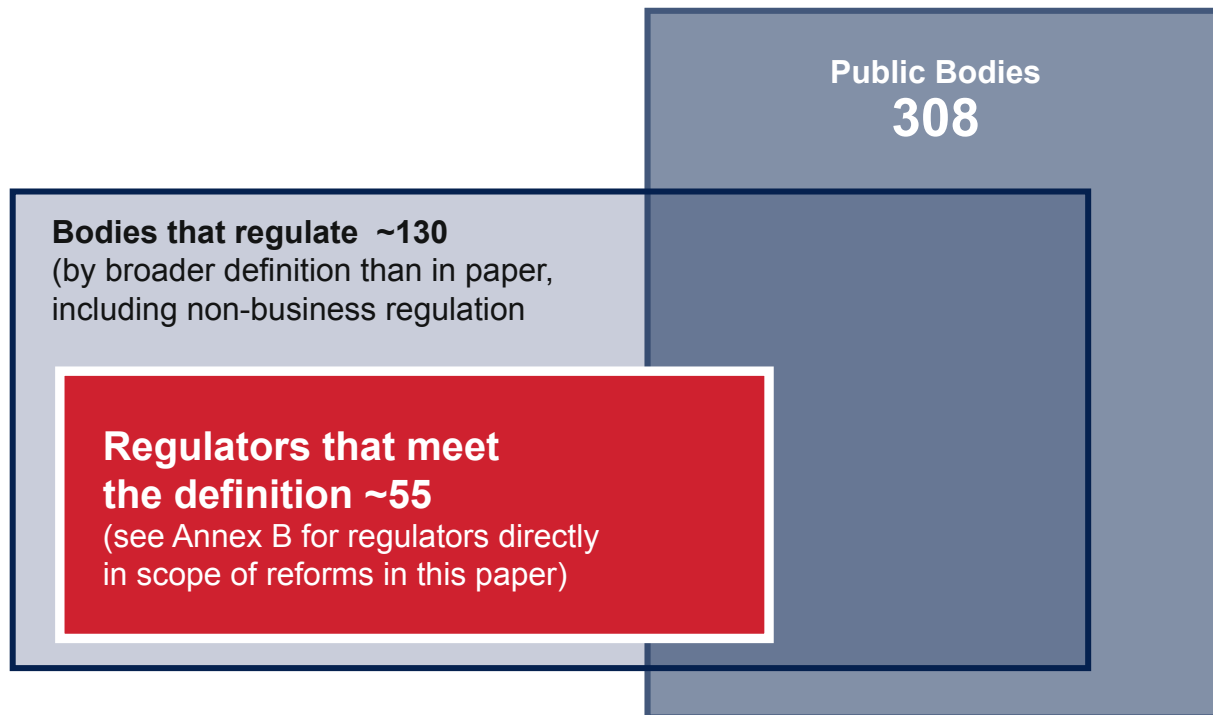
Defining a regulator – how many are there?

18. The exact count of regulators in the UK depends crucially on the breadth of the definition that is applied. For the first time, government is setting out a definition of a regulator of business for the purposes of these White Paper reforms, with a focus on bodies that directly regulate businesses and operate under frameworks set by UK Central Government and Parliament.
19. **Definition of a regulator of business**¹⁸: we are ultimately concerned with any body that meets each of the below:
- (a) have direct (statutory) powers to design, implement or enforce regulations, or are indirectly granted those powers from a body with direct powers;
 - (b) directly regulate businesses operating in a given sector or type of activity (rather than individuals, such as professions);
 - (c) have some degree of operational independence from a ministerial department, but are one of: jointly accountable to ministers and Parliament, Ministers only, or Parliament only; and
 - (d) exercise functions relating to matters which are reserved (or excepted, in Northern Ireland) to UK Government and/or UK Parliament.¹⁹
20. By this definition, there are around 55 regulators and the majority of these (50) are directly in scope of the reforms in this paper (see Annex B). The regulators in scope have a wide range of classifications, depending on their purpose; their degree of operational and policy independence from government; and in turn their channels of accountability to Ministers and Parliament (see Annex C). By more expansive definitions, including non-business regulation, there are around 130 regulators, as illustrated in Figure 6.

¹⁸ This is a bespoke definition for the purposes of this White Paper. It is not a legal definition.

¹⁹ Some regulators might exercise functions relating to matters which are reserved (or excepted, in Northern Ireland) to UK Government and/or UK Parliament, as well as functions covering devolved (or transferred, in Northern Ireland) matters. This White Paper covers the former only.

Figure 6: Regulators, public bodies, and wider organisations



Note: Numbers are approximate and based on the definition of regulator of business outlined

21. There will be some bodies that operate in close proximity to the regulatory system, but which are not directly in scope of the above definition. This may include, for example, bodies that opine on the decisions of regulators or provide advice on the application of regulations, but who do not in their day-to-day operations design, implement or at first point of instance enforce regulations. Whilst these bodies are not directly within the scope of this White Paper, the government recommends that they also adopt the good practice reforms set out.
22. The territorial picture of the regulatory landscape is also part of this complexity. Some regulators operate UK-wide, others cover Great Britain, England and Wales or just England. As set out above, the scope of this White Paper extends to regulators which exercise functions relating to matters which are reserved (or excepted, for Northern Ireland) to the UK government or UK Parliament. This means that it only extends to regulators undertaking functions in Scotland, Wales or Northern Ireland under the policy remit of the UK government or UK Parliament. However, the government recognises regulatory changes may have an impact on regulators exercising functions relating to devolved/transferred matters and will ensure any changes take account both of the needs of its own accountabilities and also those in Scotland, Wales and Northern Ireland. The government is committed to engaging with the Devolved Administrations on all matters relating to the UK regulatory landscape to share best practice and support the best possible outcomes for consumers and businesses across the whole of the UK.

23. The system of financial services regulation and financial services regulators are not within the scope of this White Paper. This is because financial services regulation and financial services regulators were systematically reviewed via the Government's Future Regulatory Framework Review and outcomes delivered through the Financial Services and Markets Act 2023. This has resulted in new solutions that correspond to many of the themes in this White Paper, including a new secondary growth and competitiveness objective in terms of economic growth, a new cost-benefit assessment system, and a new reporting on metrics by financial services regulators.

What are we doing to address these issues?

24. There are three key levers that government and regulators need to pull to address the fundamental issues that stakeholders have raised:
- the first is to deliver a step-change in culture and mindset across regulators, to ensure that they deliver a world-class service to society;
 - the second is to ensure that we are getting the fundamentals right on regulators' guidance, duties and accountability, by enhancing the mechanisms the government uses to set the strategic direction for regulators and identify the outcomes it wants regulators to deliver; and
 - finally, the government must lead by example, to further support regulators by abiding by smarter regulation principles.

The subsequent chapters in this paper cover the reforms that government will bring forward in these three areas. It is our hope that this White Paper demonstrates to stakeholders that we are listening to their concerns and delivering the required change.



Part one: A culture of world-class service

A culture change is needed – introducing the smarter regulation principles

25. In conducting our Call for Evidence on the regulatory landscape, we heard concerns around the lack of clarity on roles and responsibilities of different regulatory bodies; issues around repeat requests for information from regulator to business, with limited context on why the information is needed; as well as issues around the agility and responsiveness of regulators to emerging issues and in engaging with businesses. On top of this, around two thirds of respondents²⁰ consider regulators to be too risk averse in their approach to implementing and enforcing regulation, which can result in a disproportionate and inflexible approach being taken in areas where businesses are trying to innovate or attract investment.
26. It is essential that regulators adopt a ‘service’ mindset and an ambition to deliver the best outcomes possible. This means going the extra mile to deliver a world-class service to society, balancing the interests of consumers, businesses and the environment, in so far as their duties and guidance prescribe.
27. This applies to all dimensions of how regulators operate, including decisions on how regulation is designed; and how it is implemented. It means collaborating with businesses and supporting them to innovate and grow, and taking steps to ensure that their journey through the regulatory process is as transparent and straightforward as possible, with clear steps they need to take to comply and demonstrate compliance with regulations. Whenever a regulator considers that it needs information from stakeholders, it should internally question whether that information is necessary, whether it already has it in some form, and whether such a request is proportionate.
28. For this reason, and in light of the evidence provided by stakeholders in the call for evidence on Regulators and the Regulatory landscape²¹, we are introducing the following **guiding principles of smarter regulation** that we expect all regulators to adopt in their day-to-day decision making. They serve as a checklist of items that should be considered before acting:

20 Based on Qualtrics responses and submissions that explicitly answered Question 21 of the following call for evidence: Department for Business and Trade, [Smarter regulation and the regulatory landscape](#), 2023 (Accessed 07/05/2024). Question 21: In making decisions that involve risk, which of the below do you consider most accurate?

1. UK regulators are too risk averse in their decision making
2. UK regulators achieve the right balance of risk in their decision making
3. UK regulators allow for too much risk in their decision making

21 See paras 9 and 22 for a short discussion on the call for evidence, and for a full summary of responses see the supporting summary document “*Summary of Findings from the Call for Evidence*”

- **Principle 1: Clear guidance, transparency, and accountability.** It is essential that regulators provide clear guidance to consumers and businesses in terms of which regulations apply to them and any steps that they need to take to comply with the regulation. Similarly, regulators must clearly and transparently communicate with stakeholders the reasons for the decisions that they have made, and how these decisions align with the law and their statutory objectives.
- **Principle 2: International recognition and awareness of best-practice.** Regulators should be outwards facing and understand where regulatory decisions in other jurisdictions may provide helpful evidence for domestic decisions – this includes learning from best practice and recognising approvals in other jurisdictions where appropriate.
- **Principle 3: Avoid unnecessary risk aversion.** Regulators will inevitably need to balance risks when making decisions, but internal culture should always challenge excessive risk aversion for the good of delivering the best outcomes. Regulators should note the UK's science – and risk-based application of the precautionary principle, as set out in the Environmental Principles Policy Statement, issued under the Environment Act 2021.
- **Principle 4: Always act proportionately** across all areas of regulatory activity, to avoid unnecessary costs. This applies to all stages of the regulatory process, from designing and implementing regulations, to engaging with and requesting information from businesses. Proportionality is particularly important for small businesses who do not have dedicated regulatory teams to respond to requests. Regulators should ensure that any regulations they introduce are strictly necessary and in line with regulatory best practice.
- **Principle 5: Be pro-innovation in regulatory approach,** adopting anticipatory and agile governance for emerging technology or new/disruptive business processes. This may include allowing new approaches unless they are proved harmful, rather than restricting before harm is shown (noting as above the approach to the precautionary principle).²²
- **Principle 6: Collaborate and join-up with fellow regulators,** to minimise regulatory burdens. This is particularly applicable where businesses or citizens may need to interact with multiple regulators in their ordinary course of business.

²² To illustrate some of the important work that the government is undertaking on innovation, see: Department for Science, Innovation and Technology, '[The UK Science and Technology Framework](#)', 2024 (Accessed 07/05/2024).

- **Principle 7: Be collaborative and responsive when engaging with businesses and citizens**, taking active steps to engage early and understand the issues that businesses face. Businesses and consumers should be responded to in a timely fashion with a clear explanation underpinning any decision. This is particularly important with respect to enforcement and links closely with proportionality and being business aware.
- **Principle 8: Permissiveness and self-certification.** Regulators should be focused on achieving the best outcomes possible and recognise that in many cases a permissive approach that allows businesses to run their day-to-day activities unburdened by regulatory intervention may be most appropriate. This includes allowing for self-certification in low-risk scenarios and where there are clear industry standards, where appropriate and permitted by law. We recognise there will be cases where self-certification is not appropriate to protect consumers and the environment, such as in the water sector.
- **Principle 9: Ensure a skilled and capable workforce**, with dynamic evaluation of organisational skillset, to ensure that employees in regulators have the right skills and understanding of the sectors that they serve. This is key to ensuring that our regulatory structures are on the front-foot, tackling the challenges of tomorrow.
- **Principle 10: Understand how regulation is applied at local levels and felt by businesses and consumers.** Regulations will often be implemented or enforced at the local level, so collaboration and dynamic dialogue with local and primary authorities is essential to understand what is working well and what can be improved. This co-dependency in regulation was a key finding in the call for evidence on the regulatory landscape.

29. By adopting these principles in how they operate day-to-day, regulators will put into practice the 'service' mindset that is necessary to ensure they deliver the best outcomes for businesses, consumers and the environment. There are examples of where regulators are already employing these principles (see case studies below) but the culture-change we are proposing involves all regulators in scope abiding by these principles by default in their day-to-day activities. Noting our commitment to these principles, Ministers will write to regulators whenever there is concern that they are not being adhered to.

30. **Reform 1: Ministers will write to regulators whenever there is concern that the principles of smarter regulation are not being adhered to.** The circumstances in which Ministers will write to regulators will vary with respect to the degree of operational

and policy independence that a given regulator has. This degree of independence varies both within and across executive agencies; non-ministerial government departments; non-departmental public bodies; and statutory corporations.

Case Study 1: The right guidance and collaboration

Example of principles 1 and 7 in practice

In 2005 the Food Standards Agency (FSA) launched '[Safer Food, Better Business](#)' to help small and micro businesses to adopt good food safety procedures. Designed to meet the needs of different types of businesses – including small catering companies, small retail companies, restaurants and takeaways, with different guidance packs for each type of business – this guidance continues to be a core part of the FSA's offering and most restaurant kitchens now have a printed copy.

The 'Safer Food, Better Business' toolkit is the FSA's most used online guidance, attracting c.20,000 hits per month, and with nearly 550,000 downloads of the guidance in 2023²³. It is used by local authorities and food businesses across England, Wales and Northern Ireland to support small businesses with their food safety management procedures and food hygiene regulations²⁴.

23 Food Standards Agency, [Chief Executive's Report to the Board | Food Standards Agency](#)

24 Food Standards Agency, [Achieving Business Compliance Programme | Food Standards Agency](#)

Case Study 2: Innovative thinking around proportionate and effective enforcement /compliance

Example of principles 4 and 5 in practice

Under current regulation, every shop selling food is treated as a separate business and inspected by the relevant local authority. But 95% of retail food sales come from 10 large supermarket chains. Recognising the business models and systems the major retailers now use to manage their food safety and their strong record in food safety compliance, the Food Standards Agency is trialling an enterprise-level regulatory process.²⁵

Building on the success of Primary Authority²⁶ this trial explores whether a business-level assessment of food safety systems, processes and data by one regulator can provide an effective way of assuring compliance, rather than hundreds of local authority on-the-ground inspections. It recognises that individual stores in a supermarket chain broadly operate in the same way, sell the same products and use the same supply chains.

If successful, this approach could free up local authority food teams to spend more time with less compliant or smaller businesses who could benefit more from local support, guidance and intervention. It could also create national-level regulatory relationships with businesses who can use their influence in the sector to foster a culture of food safety throughout their supply chains.

²⁵ Food Standards Agency, [Achieving Business Compliance Programme | Food Standards Agency](#)

²⁶ Office for Product Safety Standards, [Local regulation: Primary Authority](#), 2023 (Accessed 07/05/2023)

Case Study 3: Using the Regulators Pioneer Fund to drive innovation²⁷

Example of principles 5 and 6 in practice

(1) Civil Aviation Authority

In 2021-2022, the Civil Aviation Authority (CAA) worked in collaboration with other regulators and industry to develop the world's first guidance for testing special 'crash protected' containers. These containers allowed drones to carry a wide range of sensitive and dangerous goods, such as patient samples and medical products.

CAA guidance and a report sharing learnings were published in July 2023 based on these findings. This means the UK is one of the first countries in the world to introduce a regime for the testing and approval of such containers, setting a global standard and creating new opportunities for global trade in equipment services and skills.

Furthermore, the CAA developed a market study to provide key insights for the sector and to help develop future policy roadmaps. As a result of this:

- the use of drones has been made more accessible for end users such as the NHS and remote and disconnected communities across the UK;
- the industry is more likely to be able to provide safe and compliant drone services by being more informed of the associated risks; and
- the project could catalyse the creation of a new market in the UK and internationally for safe and compliant crash-protected containers.

(2) Health and Safety Executive

The Health and Safety Executive (HSE) created the world's first Industrial Safetytech Regulatory Sandbox for the construction sector to explore how innovative technologies such as artificial intelligence, visual analytics, augmented reality, virtual reality, internet of things, sensors, wearables, drones and robotics, can help improve health and safety.

The sandbox was a collaborative environment where regulators and industry come together with technology companies to investigate the opportunities new technologies might provide for improving health and safety performance and compliance. It benefitted all parties involved by providing a safe space to explore opportunities for improvements, identify barriers to adoption and suggest how they might be overcome.

²⁷ As administered by the Department for Science, Innovation and Technology

In November 2023 HSE won further government funding to extend the development of the Health and Safety Sandbox System to explore smarter regulation opportunities and create a replicable blueprint for other regulators. The new project will create digital regulation use cases to demonstrate acceleration of regulatory compliance, whilst supporting innovators bringing new 'Regulatory Technology' (Regtech) products to market.

Delivering on the service mindset, to benefit consumers and businesses

31. It is not enough to embed this culture of service into day-to-day thinking; there also needs to be demonstrable action and change delivered through doing so. The government is therefore taking some immediate steps to improve the service that is offered to consumers and businesses.

The road to a one-stop shop for regulatory information

32. Businesses have consistently told us that, due to the complexity and scale of the regulatory landscape, there is often a lack of clarity on which regulators and regulations are relevant to them, as well as what actions they need to take. This uncertainty can be both time consuming and unnecessarily burdensome to businesses; particularly Small and Medium-sized Enterprises (SMEs) who do not – and should not need to – have dedicated regulatory compliance teams.
33. This is a prime example of where regulators and government must adopt a service mindset in how they interact with businesses. Our vision is that regulated entities will not have to traverse organisational boundaries to understand what regulations they need to comply with. Instead, information about their regulatory duties will be designed around the activities businesses want to carry out – for example, take a new medical device to market, open a spaceport, or carry out construction work.

34. **Reform 2: The government intends to create a “one-stop shop” of regulatory information for businesses and any wider stakeholders that wish to access it. We will take the following steps:**

- (a) Building on the list of regulators that is being published today in Annex B to this paper, **the government will publish a ‘register of regulators’ by Autumn 2024.** This will be an online dashboard that aims to set out all regulators, their purpose, statutory duties and who their sponsor department is. It will be continuously

updated to reflect stakeholder feedback on what is most helpful and any changes to the structure of the regulatory landscape.²⁸

- (b) **The government is continuing to progress the Open Regulation Platform, ORP, which allows users to search a ‘register of regulations’. We intend for the first public version of this to be available on GOV.UK this year.** This will allow businesses to search for regulations relevant to them and will support government and Regulatory Technology (‘RegTech’) companies to develop digital tools to help others navigate and comply with regulation in smarter and less burdensome ways.
- (c) **The government is committed to supporting innovative businesses in situations where a standalone digital service might not offer a clear regulatory pathway. In January 2024, the Secretary of State for the Department for Science, Innovation and Technology announced a new regulatory support service to help science and technology companies to navigate rules and regulations.** We will adopt a pilot approach to test the demand for and feasibility of this service.

35. While these reforms will improve the business experience of regulation, it remains essential that regulators do all they can to ensure that the business journey through regulatory processes is as clear and streamlined as possible. To this end, we are introducing the following reforms to ensure that regulators place the “customer regulatory journey” at the front and centre of their processes.

36. **Reform 3: To help ensure high levels of customer satisfaction when engaging with regulators, the government will:**

- (a) **encourage regulators to publish typical customer regulatory journey processes, setting out the key steps and processes that businesses will go through in the lifecycle of their query or application with a regulator.** Where forms are required, the regulator should set out a clear format and accessible design standards;
- (b) **collaborate with regulators to review a sample of closed regulator cases, to understand the customer experience with regulators and the responsiveness and level of service that they receive.** This will review the service and experience given to the customer, not decisions taken by the regulator; and

²⁸ This new register will complement the Government’s existing [Regulated Professions Register](#) – the government’s central website for helping individuals find information about accessing professions across the UK. Regulators that have entries on the Regulated Professions Register (RPR) will only be expected to upload information into the existing RPR website, with information then transferred to the new ‘register of regulators’.

- (c) **encourage regulators to have an annual survey question on customer satisfaction for regulated businesses, and to publish the overall results.**

Improving regulatory safeguards, to protect consumers

37. It is essential that the service mindset extends to protecting consumers and businesses in vulnerable circumstances. Nowhere is this more important than for essential services, including the energy, water and telecoms sectors. We know that consumers across the UK are still facing multiple challenges, including affordability in the context of rising bills.²⁹
38. Ofgem, Ofwat and Ofcom play an essential role in protecting and delivering positive outcomes for consumers. They are responsible for addressing bad consumer practice and ensuring fair treatment for all consumers, especially those that are vulnerable. Recent months have seen further developments that will benefit consumers; however, we know that there are further steps that need to be taken to ensure both households and businesses receive the support that they need.
39. The consultation proposals from the Strengthening Economic Regulation consultation aimed to increase consumer protections through the creation of a multi-sector Priority Services Register (PSR) to ensure extra help or support is available to consumers as and when they need it, whilst increasing awareness of affordability support via the UK Regulators Network (UKRN) coordinating better communication. The first part of the government response to the consultation can be found at Annex F and contains further details of the following reforms.
40. **Reform 4: The government will take forward work to create a Share Once Support Register**, bringing together the current Priority Services Registers and similar telecoms registers. The first step will be to collect and analyse information on existing work, which the current but expanded Ofgem-led working group will lead on with government direction. The group will work across sectors with government, regulators, consumer bodies and devolved administrations. The aim of the project will be to set out key principles and a clear timeline to guide the next phases, before making decisions on the scope of the project, including any necessary procurement and legislative changes, and the potential delivery model.

²⁹ In January 2024 the FCA found that 7.4m people were still struggling to pay bills and credit repayments. Financial Conduct Authority, '[Improving picture for personal finances, but many still struggling](#)', 2024 (Accessed 07/05/2024).

41. **Reform 5: As part of their vulnerability network and cost-of-living working group, the UK Regulators Network (UKRN) has agreed to take on board the feedback from the consultation on affordability support in their upcoming work, bringing together government and consumer bodies. They will also take account of sector differences where appropriate.³⁰**

Delivering with the right skills and capabilities

42. To deliver a world-class regulatory service, it is essential that regulators and government departments have the right skills and capabilities to understand the sectors and activities that they regulate and to be on the front foot when tackling the regulatory challenges of tomorrow.

43. **Reform 6: The government will provide funding for the UK Regulators Network (UKRN) to develop a cross-sector secondment programme (including graduates and apprenticeships) and to develop their existing online platform to enable visibility of jobs and career opportunities across all regulators across the UK.**

44. **Reform 7: The government will work with regulators to fully understand issues and develop initiatives to address skills challenges that regulators are experiencing and to support career development. This includes through launching a task and finish group with regulators and industry experts, to design and implement a ‘Regulator Profession’.** The Profession would concentrate on developing the core skills and capabilities that are central to working in and across regulatory bodies. This would sit alongside efforts to support regulators in recruiting technical expertise as needed, including from industry.

Economic regulation to support investment and infrastructure

45. Economic regulators play a major role in ensuring the supply and efficiency of essential services that are infrastructure intensive, because they operate in sectors where there may be natural monopolies and seek to use competition (or simulate competition) to deliver outcomes and value for consumers. This includes the regulation of the energy, water and telecoms sectors.
46. Investors, industry and sector experts have told the government that a clearer plan for utilities investment for the energy and water sectors is needed. The government regards a robust assessment of infrastructure requirements as necessary for investor assurance. We believe such an assessment would provide effective scrutiny and hold regulators

³⁰ For example, in telecoms, unlike water and energy, the service levels can differ depending on the tariff. The best broadband price for a consumer may be different from that offered by a social tariff.

sufficiently accountable. It would also provide much needed further insight on investment needs across these sectors, crucial for making these sectors world-leading. Consultation responses to the Strengthening Economic Regulation consultation, as seen in part one of the government response at Annex F, indicated strong support for an infrastructure needs assessment, and the government intends to take forward the proposal, with the assessment complementing and utilising existing strategic planning work.

47. **Reform 8: The government will take forward a holistic assessment of infrastructure investment needs in energy networks, water and telecoms sectors. This should enhance monitoring and regulatory accountability, as well as supporting decision-making approaches.**



43.679

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80.346

20.31

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21.655

36.989

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38.742

89.311

57.333

45.864

4096.56

45.790

23.467

22.451

3010.23

27.833

43.678

28.532

13.678

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11211

Part two: Getting the fundamentals right – guidance, duties and accountability

The importance of policy and strategic guidance, backed by ministers

48. The government has a critical role to play in setting the strategic direction and outcomes that it wants to see regulators deliver across all sectors of the UK economy. A key part of this is creating a clear dialogue between government and regulators to ensure that the best outcomes are being delivered. This includes through the use of government strategic steers to regulators, setting out the strategic priorities of the government to which the regulatory authority may have regard.
49. Policy and strategic guidance³¹ is entirely consistent with a model of operational independence for regulators – we know that investors value independence for the stability it can bring to regulatory decisions; but improved policy and strategic guidance and dialogue between regulators and government can also increase the consistency and predictability of decision-making.

50. **Reform 9: The government will:**

- (a) **actively monitor the effectiveness of existing policy and strategic guidance, and whether it has been implemented by regulators; and**
- (b) **publish renewed policy and strategic guidance for the following regulators in 2024 – Civil Aviation Authority, Driver and Vehicle Licensing Agency, Driver and Vehicle Standards Agency, Office of Rail and Road, Office of the Traffic Commissioner, Maritime and Coastguard Agency, Financial Reporting Council, and the Office of the Regulator of Community Interest Companies.**

51. **Reform 10: The government will run a Regulators Council, which will meet twice a year, to understand what is working well and what can be improved, with the first of these in summer 2024 and chaired by Ministers from the Department for Business and Trade.** The government will publish the key findings and actions emerging from each Regulators Council.

³¹ Throughout this paper, 'policy and strategic guidance' is used to refer to both non-statutory and statutory guidance.

Driving growth – the Growth Duty Performance Framework

52. In recent months, the government has taken steps to ensure that regulators support our drive for economic growth. We have extended the Growth Duty to Ofgem, Ofwat and Ofcom, to mandate that these regulators have regard to the desirability of driving economic growth in their decision-making in the energy, water and communications sectors. The Growth Duty does not take priority over regulators' other duties, and will not legitimise non-compliance with existing environmental protections. There will be occasions where other duties may take precedence, which is why the Growth Duty statutory guidance provides regulators with flexibility to ensure this will not take precedence over other duties or enforcement against illegal activities. The purpose of the Duty is to ensure that specified regulators give appropriate consideration to the potential impact of their activities and their decisions on economic growth, alongside their consideration of their other statutory duties. For example, in the water sector, it is critical that Ofwat has the full ability to hold water companies to account. The Growth Duty will not prevent Ofwat from taking enforcement against illegal activity from water companies. The volume of sewage being discharged into our waters is utterly unacceptable and that's why our Plan for Water is delivering more investment, stronger regulation and tougher enforcement to tackle pollution and clean up our water.
53. Alongside this, we have introduced revised statutory guidance for the Growth Duty, to support regulators in the steps they can take to comply with the duty and help drive growth – this includes setting out behaviours of smarter regulation and drivers of economic growth. In the revised guidance, we have outlined that regulators are encouraged to set targets (where permitted by law) on decision times for business applications and that they should deliver year-on-year improvement in their productivity – for example through faster approval times or equivalent measures where the regulator can show that approval times would not be the best metric.
54. The government will now go further, by introducing the Growth Duty Performance Framework to enhance transparency and provide accountability for the year-on-year performance of regulators. Building on their existing reporting, regulators who are in scope of the Growth Duty are expected to report against the Growth Duty Performance Framework. At this time, the government favours using this more flexible non-statutory approach to Growth Duty reporting but will keep this under review.
55. The Growth Duty Performance Framework will help foster greater trust between government, regulators and the regulated. The data collected from regulators through the Framework will also provide valuable insights into regulator operations, identify and share areas of best practice and encourage continuous improvement.

56. The government recognises that regulators differ in their compositions, legal powers and functions and that, as such, a single set of metrics cannot give a comprehensive picture of a regulator's performance. This Growth Duty Performance Framework will therefore build on regulators' annual reporting and will use a mixture of quantitative data and qualitative narrative to give as full a picture as possible.
57. The first iteration of the Growth Duty Performance Framework is published alongside this White Paper, and we will work with regulators subject to the Growth Duty on the further development and implementation of the framework iteratively to highlight successes and drive-up performance. To aid greater transparency, the government will publish data collected via the framework on an annual basis.
58. **Reform 11: Building on the Spring Budget announcement, the government is launching a Growth Duty Performance Framework and has set out a series of metrics that we expect regulators to report on alongside qualitative evidence on how they are delivering economic growth.**
59. **Reform 12: Based on the metrics and qualitative reporting that Growth Duty regulators provide, the government will publish annual data on regulator performance against the Growth Duty.**

Regulators must understand their economic impacts

60. Economic analysis of the costs, benefits and overall societal impacts of decisions is fundamental to decision-making. Without proper analysis, decision-makers will not understand how decisions impact different groups, market competition, or overall economic growth. Analysis is not separate from regulatory policy making, it is fundamental to it.
61. **Reform 13: The government will work with regulators to establish a voluntary regime for assessing and reporting on the impact on competition of regulations that they introduce. These regulatory competition impact assessments will be subject to proportionate independent scrutiny by an appropriate authority.**
62. **Reform 14: The government will work with major regulators and the Regulatory Policy Committee to establish a voluntary regime of independent scrutiny of regulators' cost-benefit analysis.**

Ensuring regulators have the right duties and objectives

63. It is essential that regulators operate to clear and consistent duties and objectives. There has been piecemeal accumulation and layering of duties over time, resulting in a challenging set of trade-offs for regulators and businesses to navigate.
64. Starting from first principles, regulators should have the minimum necessary set of duties for them to achieve the right outcomes. Duties should also be easily accessible to businesses and the public in legislative frameworks which are simple to understand. It should be clear which duties are being used for specific decisions, and for regulatory frameworks to be updated as needed to ensure the best outcomes are delivered.
65. **Reform 15: The government will develop a framework to support a consistent approach to the monitoring and evaluation of regulator statutory duties, where specific evidence of problems is identified.** This framework will build on the best practice already being adopted by regulators and sponsoring departments to evaluate duties.
66. **Reform 16: The government will gather evidence to ensure that Ofgem, Ofwat and Ofcom duties secure the right economic outcomes. Evidence gathering will be led by sponsor departments for each regulator and zero-based (i.e. not based on existing duties). Key outcomes regulators need to deliver will drive the scope: these should be linked to the core economic outcomes proposed in the Strengthening Economic Regulation consultation (growth, competition, protecting consumers, net zero and environmental sustainability) plus financeability.**

An accessible and transparent appeals system

67. It is the government's view that a well-functioning regulatory landscape must be underpinned by an accessible and transparent appeals system, that holds the decision-making of regulators to account and provides businesses with confidence that challenge can be made where there is a case for doing so. The existing appeal mechanisms sometimes fail to deliver timely resolutions, resulting in prolonged uncertainty for businesses.
68. The government intends in due course to conduct an evaluation of the appeal systems across UK regulators to identify areas that could be improved and implement necessary reforms in the longer term. Recognising the urgency of the matter, the Government will introduce two immediate measures to enhance transparency and streamline the appeal process.

69. **Reform 17: The government expects regulators to publish existing internal and statutory appeal procedures in one place in plain language, ensuring that businesses have clear and accessible guidance on navigating the appeal process.** This initiative will empower businesses to assert their rights effectively and promote greater transparency within regulatory frameworks.
70. **Reform 18: The government will develop a dispute resolution pilot programme providing businesses with a faster and more cost-effective means of resolving disputes with regulators.** This mechanism will offer businesses an alternative to some costly statutory appeal and Judicial Review processes, facilitating expedited and lower cost resolution where appropriate and where disputes have not been resolved through the complaints procedure.

Regulatory enforcement

71. It is essential that regulator enforcement is proportionate and effective, deterring non-compliant behaviour while still encouraging investment and innovation from businesses that follow the rules. Any sanctions system needs to provide businesses with confidence that this will be the case.
72. In line with the Macrory principles, regulator enforcement regimes should change the behaviour of those who breach regulations; eliminate financial gain from non-compliance; be responsive and proportionate in considering the most appropriate sanction; restore any harm from non-compliance; and fully deter future non-compliance.³²
73. In seeking to achieve this balance, the government intends to review in due course the potential ‘chilling effect’ that turnover-based fines (previously encouraged via EU law) can have on prospective investors who may be concerned by the risk of incurring disproportionate fines for infractions in the UK, and how better to set fines and civil penalties based on sentencing guidelines.

³² For a full description of the Macrory Principles, see Macrory, R.B. (2006) [Regulatory Justice: Making Sanctions Effective](#)



Part three: Government leading by example, to further support regulators

Leading by example: government will adopt the service mindset

74. **Reform 19: The government will lead by example by adhering to the regulatory principles set out in Reform 1. Departments will publish how they are abiding by the principles in their annual reports.** Departments must not be afraid to set challenging constraints to embed these principles in day-to-day decision making.

Ensuring the quality of government regulation

75. In many cases, there will be a direct link between the quality of the regulations that government departments create and the operational performance of regulators in implementing and enforcing these regulations. It is essential that there is careful management by government of the stock of existing regulation and the flow of new regulations. This will ensure coherence between the policy and strategic guidance that government provides to regulators and the regulations that regulators are in turn responsible for implementing.

76. **Reform 20: The government will strengthen the Better Regulation Framework to apply a higher standard of scrutiny within government to regulatory proposals within the scope of the framework that:**

- (a) **are not supported by an options assessment and-or impact assessment that is judged to be fit-for-purpose by the Regulatory Policy Committee;** or
- (b) **are not supported by a post implementation review of existing regulation, where one is required.** Together, these amendments to the Better Regulation Framework will codify an important role performed in the regulatory system by ministers, in confirming that departments' proposals for new regulation are supported by rigorous assessments, including of existing regulation in the relevant market or industry before they are introduced to Parliament.

77. Scrutiny of regulatory proposals by the Regulatory Policy Committee (RPC) provides assurance to ministers of the case for legislation.³³ Importantly, it also supports Parliamentary scrutiny of legislation. We want to ensure that RPC scrutiny joins up even

³³ We must ensure that regulations reinforce personal and professional responsibilities, especially in sectors that are fundamental to citizens' lives and wellbeing, such as building safety. We have seen and felt the tragic consequences when we get this wrong. The Government has taken swift and decisive corrective action since the Grenfell tragedy but there remains more to do in building safety regulation. Regulatory provisions that relate to the safety of tenants, residents and occupants in buildings are therefore exempt from all elements of independent scrutiny.

more effectively with this Parliamentary activity and supports Parliamentary committees to deliver their important role. The post implementation review regime is governed by the Small Business, Enterprise and Employment Act 2015 and the Better Regulation Framework. The 2015 Act requires secondary legislation that creates or amends regulatory provisions (as defined in the Act) to include a statutory review provision, where certain conditions are met, unless the Minister thinks that such a provision is not appropriate. Post implementation reviews are essential to the work of the government to remove the burden of existing regulation that proves ineffective or unnecessary or is found to lead to negative unintended consequence and to ensure that the design and use of new regulation is proportionate and future-proof.

78. **Reform 21: The government will issue guidance to departments to consider the merits of using ‘sunset’ or expiry clauses in secondary legislation, to allow for the removal of regulatory provisions whose necessity and effectiveness is not confirmed by suitable monitoring and evaluation.** Used appropriately, this approach will create strong incentives for the timely completion of post implementation reviews and guard against the unnecessary accumulation of regulatory burdens over time.
79. **Reform 22: The government will support the independent Regulatory Policy Committee to publish data that enables the scrutiny of departments’ performance against the Better Regulation Framework, including completion of post implementation reviews.** The Department for Business and Trade has begun work with departments to improve the quality of relevant data sets over time and put in place the necessary structures for this reporting. Once established, this reporting will enable Parliament and the public to hold the government to account for the sound management of the regulatory system.

Capturing the costs and benefits of government regulation

80. Just as regulators should support transparency and accountability in performance and impact analysis, so too should Government. There is currently a lack of transparency in the aggregate costs that departments are introducing via new regulation. This information should be readily available and easily accessible. It is fundamental to the transparency of the policy making process that departments fully set out the costs and benefits of each introduced regulatory measure, as well as why regulation was chosen over non-regulatory alternatives. As part of this, it is essential that Departments understand both the administrative and policy components of any regulatory costs that are imposed on businesses: administrative costs should be set at the minimum level necessary to achieve the regulatory objective, so that businesses are not unduly burdened with reporting

requirements and red tape.³⁴ Rather than adding entirely new administrative burdens, policy makers should always consider whether reporting requirements from existing regulations can be utilised. Departments should also take steps to understand the overall impacts of the totality of stock of regulation that they have introduced over time.

81. **Reform 23: The government will lead by example in the transparency and accountability for regulatory costs and benefits. Each government department will publish information on regulations they introduce with a cost to business of £10m/annum or more, accompanied by an explanation of the benefits they are seeking to achieve, in their annual reports.**

Increasing government consideration and use of alternatives to regulation

82. 'Alternatives to regulation' are non-regulatory options that can either be standalone interventions or a complementary measure used with regulation. Examples include applying behavioural insights when designing non-legislative interventions, establishing industry standards, guidelines, information campaigns, economic interventions (e.g. subsidies or grants), civic and self-regulation, co-regulation and capacity building.
83. It is fundamental to smarter regulation that government considers the merits of alternatives to regulation and deploys them whenever these can achieve at least as good outcomes as regulation – this requires both culture change and an increase in the knowledge of the benefits that alternatives can bring.
84. Policymakers should always consider whether 'nudges' can achieve the same or better outcomes as regulation – evidence suggests that they often can: for example, the Food Standards Agency, supported by the Department for Health and Social Care, established the food hygiene rating scheme which was recognised by the Royal Society of Public Health as one of the top twenty public health improvements of the 21st century. Research shows a lower risk to consumers of food borne illness when eating food from higher rated premises.³⁵ Similarly, the NHS reduced the number of missed hospital appointments by including the cost of appointments in SMS reminders.³⁶

34 Regulatory costs to business are composed of both administrative and policy costs: administrative costs are the cost to business in demonstrating compliance (e.g., reporting), while policy costs are those that are inherent to the design of the policy and intended to achieve a given objective – e.g., switching technologies etc.

35 Foodborne illness, hygiene scores, and the Fleetwood, J, and others '[Foodborne illness, hygiene scores, and the 'switch effect'](#)', 2023 (Accessed 07/05/2024)

36 Northern Lincolnshire and Goole NHS Foundation Trust, '[Text reminders re-introduced in bid to reduce wasted hospital appointments](#)', 2022 (Accessed 07/05/2024).

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85. Even where regulations are used, alternatives can be a powerful and proportionate way of enforcing them – as opposed to further prescriptive and burdensome regulation. A good example here is the use of industry-led standards.

Case study 4: The role of standards

Clear standards enable safe reduction of compliance costs whilst improving outcomes through 'earned recognition'. 'Earned recognition' is where businesses may get a lighter regulatory touch because they are using known standards that already demonstrate compliance to regulations. The British Standards Institution (BSI) has implemented this approach within the Energy Savings Opportunity using the BSI Energy Management standard (ISO 50001), businesses can become more energy efficient and save money. This then also avoids the need for a separate assessment for the Environment Agency as part of ESOS.

Longer term considerations

86. The steps that we are taking will provide a fuller picture on the overall costs and benefits of regulation, and enhance the transparency of our regulatory system and its impacts. Going forwards, longer term considerations could include exploring the role of regulatory budgets to ensure the aggregate costs do not exceed certain levels.



Conclusion – evaluating success

87. Our ambition is testament to the systemic regulatory reform that is needed. Consumers and businesses should expect nothing less than a world-class service from regulators and government but features of the existing regulatory landscape need improving. Over many decades, regulations and regulators have been introduced in a disjointed and burdensome way, unnecessarily constraining the innovative and entrepreneurial businesses that underpin our economy.
88. This White Paper has made clear that a fundamental culture change is needed to overcome these challenges: we have set out a series of guiding principles of smarter regulation that we expect to see regulators and government departments act on, with the mandate to drive economic growth as the foundation. In adopting these principles regulators and government will enhance societal and environmental outcomes and deliver a world-class service to consumers and businesses.
89. Businesses need to see that Government and regulators are listening to and acting on their concerns. One area that came across loud and clear via our call for evidence and extensive business engagement was the need for better quality information and join-up between regulators and departments. We have acted immediately on this and are taking a number of key steps, including by publishing a one-stop shop of information on regulators this Autumn. We ask that businesses let us know if this is an effective tool. Similarly, government will be running a biannual Regulators Council – the first this summer – to take forward many of the key reforms and challenges set out in this paper.
90. Regulators must deliver on the service mindset, and we expect to see them engaging actively with the Growth Duty performance framework and making changes where needed to deliver that world-class service to businesses. Every unnecessary delay or request for information to businesses is a drain on our shared economic success.
91. The scale and challenge of regulatory reform must not be underestimated, but it is essential that we take these steps to deliver on our post-Brexit regulatory autonomy and our promise to be the best regulated economy in the world. If we succeed on this shared endeavour, our regulatory environment will go further to support our mission to make the United Kingdom the most attractive place in the world to start-up, grow a business and invest.



Annex A: List of reforms

Reforms in main body of the White Paper

Part one: A culture of a world-class service

- **Reform 1:** Ministers will write to regulators whenever there is concern that the principles of smarter regulation are not being adhered to.
- **Reform 2:** The government intends to create a “one-stop shop” of regulatory information for businesses and any wider stakeholders that wish to access it. We will take the following steps:
 - (a) Building on the list of regulators that is being published today in Annex B to this paper, the government will publish a ‘register of regulators’ by Autumn 2024. This will be an online dashboard that aims to set out all regulators, their purpose and statutory duties, and who their sponsor department is. It will be continuously updated to reflect stakeholder feedback on what is most helpful, and to reflect any changes to the structure of the regulatory landscape.
 - (b) The government is continuing to progress the Open Regulation Platform, ORP, which allows users to search a ‘register of regulations’. We intend for the first public version of this to be available on GOV.UK this year.
 - (c) The government is committed to supporting innovative businesses in situations where a standalone digital service might not offer a clear regulatory pathway. In January, the Secretary of State for the Department for Science, Innovation and Technology announced a new regulatory support service to help science and technology companies to navigate rules and regulations.
- **Reform 3:** To help ensure high levels of customer satisfaction when engaging with regulators, the Government will:
 - (a) encourage regulators to publish typical customer regulatory journey processes, setting out the key steps and processes that businesses will go through in the lifecycle of their query or application with a regulator.
 - (b) collaborate with regulators to review a sample of closed regulator cases, to understand the customer experience with regulators and the responsiveness and level of service that they receive.
 - (c) encourage regulators to have an annual survey question on customer satisfaction for regulated businesses, and to publish the overall results;

- **Reform 4:** The government will take forward work to create a Share Once Support Register.
- **Reform 5:** As part of their vulnerability network and cost-of-living working group, the UK Regulators Network (UKRN) has agreed to take on board the feedback from the consultation on affordability support in their upcoming work, bringing together government and consumer bodies. They will also take account of sector differences where appropriate.
- **Reform 6:** The government will provide funding for the UK Regulators Network (UKRN) to develop a cross sector secondment programme (including graduates and apprenticeships) and to develop their existing online platform to enable visibility of jobs and career opportunities across all regulators across the UK.
- **Reform 7:** The government will work with regulators to fully understand issues and develop initiatives to address skills challenges that regulators are experiencing and to support career development. This includes through launching a task and finish group with regulators and industry experts, to design and implement a ‘Regulator Profession’.
- **Reform 8:** The government will take forward a holistic assessment of infrastructure investment needs in energy networks, water and telecoms sectors. This should enhance regulatory accountability, as well as supporting decision-making approaches.

Part two: Getting the fundamentals right on guidance, duties and accountability

- **Reform 9:** The government will:
 - (a) actively monitor the effectiveness of existing policy and strategic guidance, and whether it has been implemented by regulators; and
 - (b) publish renewed policy and strategic guidance for the following regulators in 2024 – Civil Aviation Authority, Driver and Vehicle Licensing Agency, Driver and Vehicle Standards Agency, Office of Rail and Road, Office of the Traffic Commissioner, Maritime and Coastguard Agency, Financial Reporting Council, and the Office of the Regulator of Community Interest Companies.
- **Reform 10:** The government will run a Regulators Council, which will meet twice a year, to understand what is working well and what can be improved, with the first of these in summer 2024 and chaired by Ministers from the Department for Business and Trade. The government will publish the key findings and actions emerging from each Regulators Council.
- **Reform 11:** Building on the Spring Budget announcement, the government is launching a Growth Duty Performance Framework and has set out a series of metrics that we expect regulators subject to the Growth Duty to report on alongside qualitative evidence on how they are delivering economic growth.

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- **Reform 12:** Based on the metrics and qualitative reporting that Growth Duty regulators provide, the government will publish annual data on regulator performance against the Growth Duty.
- **Reform 13:** The government will work with regulators to establish a voluntary regime for assessing and reporting the impact on competition of regulations that they introduce. These regulatory competition impact assessments will be subject to proportionate independent scrutiny by an appropriate authority.
- **Reform 14:** The government will work with major regulators and the Regulatory Policy Committee to establish a voluntary regime of independent scrutiny of regulators' cost-benefit analysis.
- **Reform 15:** The government will develop a framework to support a consistent approach to the monitoring and evaluation of regulator statutory duties, where specific evidence of problems is identified.
- **Reform 16:** The government will gather evidence to ensure that Ofgem, Ofwat and Ofcom duties secure the right economic outcomes. Evidence gathering will be led by sponsor departments for each regulator and zero-based (i.e., not based on existing duties). Key outcomes regulators need to deliver will drive the scope: these should be linked to the core economic outcomes proposed in the Strengthening Economic Regulation consultation (growth, competition, protecting consumers, net zero and environmental sustainability) plus financeability.
- **Reform 17:** The government expects regulators to publish existing internal and statutory appeal procedures in one place in plain language, ensuring that businesses have clear and accessible guidance on navigating the appeal process.
- **Reform 18:** The Government will develop a dispute resolution pilot programme providing businesses with a faster and more cost-effective means of resolving disputes with regulators.

Part three: Government leading by example, to further support regulators

- **Reform 19:** The government will lead by example by adhering to the regulatory principles set out in Reform 1, when making regulatory decisions. Departments will publish how they are abiding by the principles in their annual reports.
- **Reform 20:** The government will strengthen the Better Regulation Framework to apply a higher standard of scrutiny within government to regulatory proposals within the scope of the framework that:

- (a) are not supported by an options assessment and/or impact assessment that are judged to be fit for purpose by the Regulatory Policy Committee; or
 - (b) are not supported by a post implementation review of existing regulation, where one is required.
- **Reform 21:** The government will issue guidance to departments to consider the merits of using ‘sunset’ or expiry clauses in secondary legislation, to allow for the removal of regulatory provisions whose necessity and effectiveness is not confirmed by suitable monitoring and evaluation.
 - **Reform 22:** The government will support the independent Regulatory Policy Committee to publish data that enables the scrutiny of departments’ performance against the Better Regulation Framework, including completion of post implementation reviews.
 - **Reform 23:** The government will lead by example in the transparency and accountability for regulatory costs and benefits. Each government department will publish information on regulations they introduce with a cost to business of £10m/annum or more, accompanied by an explanation of the benefits they are seeking to achieve, in their annual reports.

Annex B: List of regulators in scope of this White Paper

Regulator	Classification
Animal and Plant Health Agency	Executive Agency
Animals in Science Regulation Unit	Departmental body
British Hallmarking Council	Non-Departmental Public Body
Care Quality Commission	Non-Departmental Public Body
Centre for Environment, Fisheries & Aquaculture Science (inc. Fish Health Inspectorate)	Executive Agency
Charity Commission for England and Wales	Non-Ministerial Department
Civil Aviation Authority	Statutory corporation
Coal Authority	Non-Departmental Public Body
Commission for Equality and Human Rights	Non-Departmental Public Body
Competition and Markets Authority	Non-Ministerial Department
Drinking Water Inspectorate	Departmental body
Driver and Vehicle Licensing Agency	Executive Agency
Driver and Vehicle Standards Agency	Executive Agency
Environment Agency	Non-Departmental Public Body
Financial Reporting Council	PLC (limited by guarantee)
Food Standards Agency	Non-Ministerial Department
Forensic Science Regulator	Non-Departmental Public Body
Forestry Commission	Non-Ministerial Department
Gambling Commission	Non-Departmental Public Body
Gangmasters and Labour Abuse Authority	Non-Departmental Public Body
Groceries Code Adjudicator	Departmental body
Health and Safety Executive	Non-Departmental Public Body
Historic Buildings and Monuments Commission for England	NDBP – Executive
HM Land Registry	Non-Ministerial Department
Human Fertilisation and Embryology Authority	Non-Departmental Public Body
Human Tissue Authority	Non-Departmental Public Body
Information Commissioner's Office	Non-Departmental Public Body
Intellectual Property Office	Executive Agency
Marine Management Organisation	Non-Departmental Public Body
Maritime and Coastguard Agency	Executive Agency
Medicines and Healthcare Products Regulatory Agency	Executive Agency
Natural England	Non-Departmental Public Body
North Sea Transition Authority (former Oil and Gas Authority)	Non-Departmental Public Body

Regulator	Classification
Ofcom	Statutory corporation
Office for Nuclear Regulation	Statutory corporation
Office for Standards in Education, Children's Services and Skills	Non-Ministerial Department
Office for Students	Non-Departmental Public Body
Office of Gas and Electricity Markets (Ofgem)	Non-Ministerial Department
Office of Qualifications and Examinations Regulation	Non-Ministerial Department
Office of Rail and Road	Non-Ministerial Department
Office of the Regulator of Community Interest Companies	Other body
Office of the Traffic Commissioner	Non-Departmental Public Body
Ofwat (The Water Services Regulation Authority)	Non-Ministerial Department
Phone-paid Services Authority	Other Body
Pubs Code Adjudicator	Non-Departmental Public Body
Regulator of Social Housing	Non-Departmental Public Body
Rural Payments Agency	Executive Agency
Security Industry Authority	Non-Departmental Public Body
Sports Grounds Safety Authority	Non-Departmental Public Body
Vehicle Certification Agency	Executive Agency

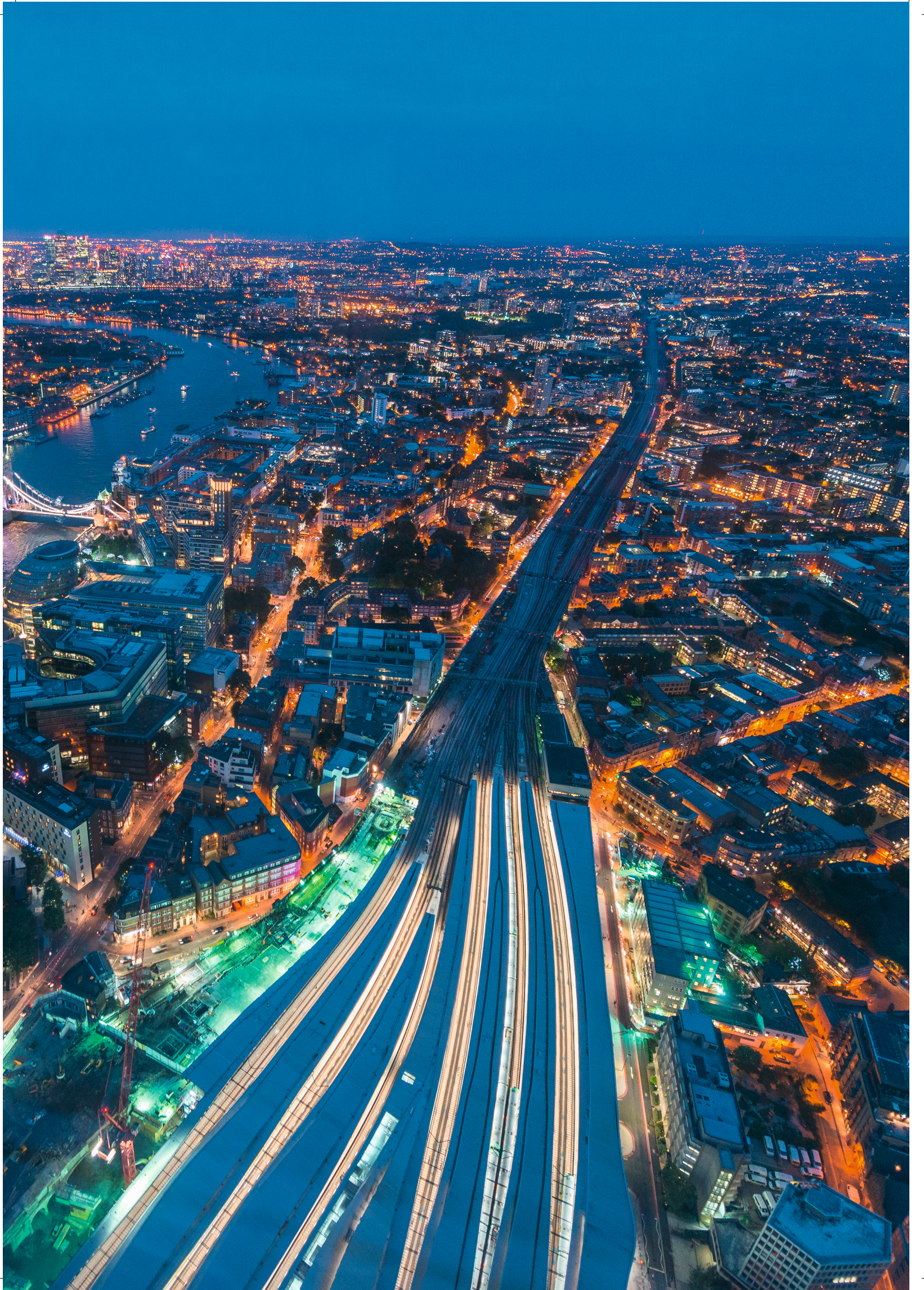
Note: The list of regulators here is non-exhaustive and will be reviewed over time – if stakeholders consider there to be bodies not in this list that meet the definition please do contact smarter.regulation@businessandtrade.gov.uk.

This table covers regulatory bodies in scope according to the regulatory definition in the main text. There are some regulatory bodies that have been excluded for specific reasons:

- (a) Financial services regulators – while these bodies meet our definition of a regulator, financial services regulation and financial services regulators were systematically reviewed via the Government's Future Regulatory Framework Review and outcomes delivered through the Financial Services and Markets Act 2023. This has resulted in new solutions that correspond to many of the themes in this White Paper, including a new secondary growth and competitiveness objective in terms of the growth mandate, a new cost-benefit assessment system, and a new reporting on metrics by financial services regulators.
- (b) Regulators of regulated professions³⁷(and occupational regulatory functions of regulators in scope) do not fall within scope of our definition – reforms in the White Paper overlap with existing reform that DBT has taken forward and will continue to take forward for occupational regulation.

Proposals in the White Paper will apply proportionally and appropriately to regulators within scope, taking into account the difference in size, resources and the level of impact on business.

³⁷ As defined in the Professional Qualifications Act 2022



Annex C: Range of classifications of regulators

Classification	Description	Distinct legal entity	Accountable to Minister via Parliament	Directly accountable to Parliament	Examples
Executive Agency	A clearly designated but administratively distinct arm of a central government department but remains legally part of it. Can carry out regulatory functions for departments, particularly where technical expertise is needed. Led by a chief executive who is accountable directly to a departmental Minister. Levels of independence vary by need to discharge functions.	N	Y	N	Medicines and Healthcare Products Regulatory Agency
Non-ministerial department	Share many of the same characteristics as a government department but operate without a minister and separately from their sponsoring department. Role is typically specialist and political oversight viewed as undesirable or unnecessary.	Y	Y	Y	Ofgem, Ofwat, Food Standards Agency
Non-departmental public body	Operates at arm's length from ministers and is not a government department. They can have different roles; some advise ministers while others carry out executive or regulatory functions. They usually work within a strategic framework set by ministers.	Y	N	Y	Health and Safety Executive, Environment Agency, Care Quality Commission
Statutory corporation	A corporate body founded by statute, typically has no shareholders and defined by an Act of Parliament. The respective legislation can empower them to provide a public service and/or oversee and regulate a particular sector.	Y	N	Y	Ofcom, Civil Aviation Authority
Public limited company (plc) – limited by guarantee	Some quasi-governmental organisations are incorporated as companies limited by guarantee, with a government or minister having ultimate control. These can be empowered to regulate particular sectors.	Y	N	Y	Financial Reporting Council



Annex D: Responses to proposals in House of Lords Industry and Regulators Committee report

1. This annex details the government response to each of the recommendations in the House of Lords (HoL) Industry and Regulators Committee Report, '[Who Watches the Watchdogs: Improving the performance, independence and accountability of UK regulators](#)', published 8 February 2024.
2. The government welcomed the House of Lords inquiry and call for evidence into UK regulators, which overlapped with the government's own call for evidence into the regulatory landscape. We recognise the importance of this issue to stakeholders and, as set out in the White Paper, are committed to ensuring that this landscape delivers a world-class service.

Duties and objectives

3. **HoL Recommendation 1:** *It is welcome that the Government is actively considering these issues [duties and objectives]³⁸ as part of its Smarter Regulation programme and plans to review the duties of each of the economic regulators. In doing so, it should focus their objectives on their core role and avoid overloading them with too many objectives, especially those which they should “consider”, “take account of” or “have regard to”. Where there are political or distributional trade-offs between those objectives that remain, the Government should provide clarity on how regulators should prioritise between them.*
4. **HoL Recommendation 2:** *The Government should undertake similar reviews of the duties of all regulators when they are reviewed as part of the Public Bodies Review Programme. These reviews should aim to streamline the duties and objectives of regulators and provide the greatest possible prioritisation in the event of conflicts.*
5. **Response to HoL recommendations 1 and 2:** To deliver the best outcomes for consumers, businesses, and the environment, it is essential that regulators operate to clear and consistent duties and objectives. The government recognises that over successive decades there has been piecemeal accumulation and layering of duties over time, resulting in a challenging set of trade-offs for regulators and government to navigate. Just as we monitor and evaluate whether specific regulatory policies are achieving their aims, so too should government and regulators gather evidence on whether the duties of regulators are the right ones. To do this, it is also important for government to have the right frameworks in place to support a consistent approach to the monitoring and

38 Throughout this annex, text in square brackets is added for clarity on the content of each reform in the HoL report.

evaluation of regulator statutory duties, where specific evidence of problems is identified. This would also support any legislative reform to duties over the medium-to-longer term, should there be merits to that.

6. As set out in reforms 15 and 16 to the White Paper, the government will:
 - in relation to HoL recommendation 1, work with economic regulators to gather evidence on the effectiveness of their duties.
 - in relation to HoL recommendation 2, develop a framework to support a consistent approach to the monitoring and evaluation of regulator statutory duties, where specific evidence of problems is identified.
7. The Department for Business and Trade will work alongside sponsor teams and regulators to evaluate regulator duties, ensuring join-up with the Public Bodies Team as applicable.
8. Regulator duties should not include any more trade-offs or complexities than necessary, but in some cases, they are included by design: the activities of regulators inevitably involve the balancing of decisions and outcomes both within and across different groups, including individuals, households and businesses. As set out in reform 9 in the White Paper, the government is committed to providing policy and strategic guidance to regulators as appropriate, to help them in navigating these issues. This will be provided in a way that is consistent with the degree of operational and policy independence that a given regulator has – the government recognises the importance of this.
9. This work on duties is distinct from the government's approach for Public Bodies Reviews, which builds on the 2015 to 2020 Tailored Review programme. The National Audit Office criticised tailored reviews as having too narrow a focus on governance and failing to address wider priorities such as overall delivery and effectiveness.³⁹ The Public Bodies Review Programme 2022 to 2025 was designed to address this criticism, setting a broad focus with clear minimum expectations across four quadrants: efficacy; governance; accountability; and efficiency. The efficacy quadrant requires reviews to evaluate the function of each Public Body, including its purpose, strategy, values, objectives, and value-for-money. This will include consideration of statutory duties, objectives, and issues to regard.⁴⁰

³⁹ National Audit Office, '[Central oversight of arm's-length bodies](#)', 2021 (Accessed 07/05/2024).

⁴⁰ Cabinet Office, '[Guidance on the undertaking of Reviews of Public Bodies](#)', 2024 (Accessed 07/05/2024); Cabinet Office, '[Requirements for Reviews of Public Bodies](#)', 2024 (Accessed 07/05/2024).

Independence, strategic guidance and appointments

10. **HoL Recommendation 3:** *When setting up new regulators or conducting reviews of existing ones, the Government should state clearly what it has delegated to regulators to decide independently, and in which areas it will be appropriate for the Government to provide direction. The Government should then adhere to this delineation. If the Government is not content that a responsibility has been delegated, it should legislate to end this delegation, rather than attempting to influence regulators' decisions.*
11. **HoL Recommendation 4:** *The Government should ensure that it provides a strategic steer or policy statement to any regulator facing political or distributional trade-offs in its duties and objectives. These documents should be clear, concise and provide high-level guidance on how to prioritise between any duties or objectives that may conflict. We see merit in such guidance being issued once a Parliament, while noting the need for there to be flexibility in the face of urgent issues or crises.*
12. **HoL Recommendation 5:** *Regulators' boards should be given the power to seek explicit guidance from the Government on strategic policy direction and distributional choices. The Government should bring forward proposals for a specific mechanism to achieve this.*
13. **Response to HoL recommendations 3 – 5:** As set out above, it is essential that regulators operate to clear duties and have clarity on their regulatory remits, to ensure that they can deliver the best outcomes for consumers, businesses and the environment. As set out in the White Paper, the government will develop a framework to allow for a consistent approach to the monitoring and evaluation of regulator duties: this will help identify and address any cases – should they emerge – where clearer demarcation is required between (i) regulator responsibilities that they are expected to discharge entirely independently; and (ii) responsibilities where it is appropriate for government to provide direction.

Where appropriate to do so, the government has a critical role to play in setting the strategic direction and outcomes that it wants to see regulators deliver across sectors of the UK economy. A key pathway to achieving this is creating a dynamic dialogue between government and regulators (including boards, where appropriate), to ensure that the best outcomes are being delivered. This also includes through the use of written government strategic steers to regulators, setting out the strategic priorities and outcomes of the government that the regulatory authority should have regard for.

14. Regulator duties should not include any more trade-offs or complexities than necessary, but in some cases, they are included by design: the activities of regulators inevitably involve the balancing of decisions and outcomes both within and across different groups, including individuals, households and businesses. As set out in the White Paper

(reform 9), the government is committed to providing policy and strategic guidance to regulators as appropriate, to help them in navigating these issues. The government will actively monitor the effectiveness of existing policy and strategic guidance and will also be publishing renewed policy and strategic guidance for the following regulators in 2024: Civil Aviation Authority, Driver and Vehicle Licensing Agency, Driver and Vehicle Standards Agency, Office of Rail and Road, Office of the Traffic Commissioner, Maritime and Coastguard Agency, Financial Reporting Council, and the Office of the Regulator of Community Interest Companies.

15. The use of policy and strategic guidance is consistent with a model of operational independence for regulators – we know that investors value independence for the stability it can bring to regulatory decisions; but improved policy and strategic guidance and dialogue between regulator and government can also increase the consistency and predictability of decision-making. Any policy and strategic guidance issued by the government will be provided to regulators in a way that is consistent with their degree of operational and policy independence: as set out in the White Paper, regulators differ in their degree of independence both within and across the different classifications including executive agencies; non-ministerial government departments; non-departmental public bodies and statutory corporations.
16. **HoL Recommendation 6:** *Where a public appointment to the Chair or Chief Executive of a regulator is not currently subject to pre-appointment scrutiny by a select committee, and a select committee requests that pre-appointment scrutiny is extended to it, the Government should grant the request.*
17. **Response to HoL recommendation 6:** The Cabinet Office guidance on pre-appointment scrutiny by House of Commons select committees is clear that ‘*changes to the list [of appointments subject to pre-appointment scrutiny], including adding new posts, must be agreed between the appointing Secretary of State, the relevant select committee Chair and the Cabinet Office*’. There are no plans to change this process. The process allows for the views of the select committee to be represented, and it is right that the appointing Secretary of State should have a role in this decision as they are accountable to Parliament for these appointments.
18. **HoL Recommendation 7:** *Where the Government decides not to reappoint the Chair or Chief Executive of a regulator, it should publish its explanation for this. Where the Government chooses to appoint a candidate who has not been endorsed by the relevant select committee, it should also publish why it has done so.*

19. **Response to HoL recommendation 7:** Requiring the Government to publish an explanation where a reappointment is *not* made runs contrary to the Governance Code on Public Appointments, at para 3.4, which is clear that '*There is no automatic presumption of reappointment; each case should be considered on its own merits...*'. This remains the Government's established position on reappointments.
20. Select committee reports following pre appointment scrutiny and the government's response to them (including on the rare occasions where a minister appoints a candidate following concerns raised by the select committee) are already published. The pre appointment scrutiny guidance is clear that a minister must consider the evidence provided by the select committee and write to the Chair of the select committee explaining their decision. It also notes that '*it is also important that if a Minister has decided to proceed with the appointment, that they are able to respond to any resulting public debate about the candidate.*'
21. **HoL Recommendation 8:** *The Government must make more timely appointments to regulators' boards. In its response to this report, the Government should set out why it believes these delays are taking place and what actions it intends to take to rectify the situation.*
22. **Response to HoL recommendation 8:** Timeliness of appointments is an issue that was also referenced in the recent National Audit Office report on Non-Executive Director appointments and the subsequent Public Accounts Committee Select Committee hearing on 18 March. As the National Audit Office recognised, the online public appointments application service, rolled out in April 2023, is now providing management information to inform improvements to the process. We are actively monitoring the performance of departments across timeliness, candidate care, regional diversity and the quality of their data on the system. We are developing innovative ways to aid and speed up existing processes, including by largely automating some of the standard process steps. Ministers, and in particular Baroness Neville-Rolfe, are driving this work, given the importance they attach to the smooth and swift functioning of the public appointments system.
23. **HoL Recommendation 9:** *Where they do not do so already, regulators should commission and publish independent reviews of the work and governance of their boards every three years.*
24. **Response to HoL recommendation 9:** As set out in the White Paper, the government would always encourage ongoing monitoring and review of all aspects of regulatory performance and governance. This is the intent of all the reforms outlined in the White Paper, including the introduction of a new Growth Duty Performance Framework to identify what is working well and what can be improved. In due course, the government

will examine whether there would be merit to further reforms to assist in achieving this aim, taking into account responses to the [Smarter Regulation and the Regulatory Landscape](#) Call for Evidence.

Resources and skills

25. **HoL Recommendation 10:** *When carrying out Public Body Reviews of each regulator, the Government should publish an assessment of whether the regulator has the necessary resources to carry out its functions. As part of these reviews, the Government should consider and assess whether there are feasible opportunities for granting regulators the power to raise their own revenues.*
26. **HoL Recommendation 11:** *When regulators are given additional responsibilities, they should publish an assessment of the resources necessary to fulfil them and whether they currently have sufficient capacity. If this assessment shows that the regulator does not have the necessary resources or the ability to raise them, the Government should set out how it will ensure adequate resourcing.*
27. **HoL Recommendation 12:** *When conducting Public Body Reviews of regulators, the Government should assess whether regulators can attract the necessary staff within their current funding regimes and paycales. If they are unable to do so, the Government should allow regulators greater discretion to move outside of those paycales.*
28. **Response to HoL recommendations 10-12:** The resources of regulators and challenges in recruiting the right skills were issues highlighted in responses to the call [Smarter Regulation and the Regulatory Landscape](#) Call for Evidence. Some responses did also raise concerns around regulators undertaking activities that are non-essential to delivering on their duties. The government is always in favour of a dynamic dialogue between regulators and government on the suitable levels of skilled resources to deliver their functions, as well as a suitable level of transparency. The resources that a regulator requires depends crucially on it (i) using existing resources efficiently to deliver on its key duties and objectives; and (ii) having the right duties and objectives.
29. As well as evaluating the function of each Public Body, the Public Bodies Review Programme's efficacy quadrant requires reviews to investigate the form, outcome for citizens, and performance of organisations. This will include consideration of commercial models, revenue generation options, and whether public bodies have sufficient resources to deliver their current and/or proposed functions.
30. The efficiency quadrant requires reviews to evaluate the financial management, benchmarked costs, digitisation, and workforce of each Public Body. This will include consideration of workforce issues like recruitment, retention, and pay controls.

31. As set out in the response to HoL Recommendation 2, where a lead reviewer identifies an opportunity for improvement in any of the four quadrants, they will include a detailed recommendation in their report. The decision whether to accept or reject a recommendation lies with the relevant minister.
32. **HoL Recommendation 13:** *Where regulators face common issues and struggle to recruit the necessary staff individually, they should consider pooling their resources. The Government should consider what measures it could take to facilitate this pooling.*
33. **HoL Recommendation 14:** *The Committee sees merit in regulators setting up centres of excellence to pool their resources. Seconding industry staff to centres of excellence could help reduce the potential for conflicts of interest by providing an intermediate step between them and their sector's regulator.*
34. **Response to HoL recommendations 13-14:** The government recognise the importance of coordination, join-up and knowledge transfer across regulators to address skills shortages. The government has already accepted the cross-cutting and growth duty recommendation in the Maclean Pro-innovation Regulation of Technologies Review and this White Paper reaffirms this commitment.
35. As set out in the White Paper, the government will provide funding for UKRN to develop a cross sector secondment programme (including graduates and apprenticeships) and to develop their existing online platform to enable visibility of jobs and career opportunities across all regulators. This will allow all regulators to advertise vacancies and secondments across the sector, so that skills and experience can be retained in the sector and harnessed by other regulators.
36. The government will work with regulators to fully understand issues and develop initiatives to address skills challenges and support career development. This includes through launching a task and finish group with regulators and industry experts, to design and implement a 'Regulator Profession'.

Accountability

37. **HoL Recommendation 15:** *The Government can play a role in facilitating parliamentary scrutiny. For example, there is currently no comprehensive list of the UK's regulators, their responsibilities, and their oversight arrangements. To assist Parliament in holding regulators accountable, the Government should establish, publish, and maintain such a list, including timely information on regulators' public engagement with parliamentary select committees.*

38. **Response to HoL recommendation 15:** As set out in the White Paper, the number and composition of bodies in a list of UK regulators depends crucially on the definition of a regulator that is applied – this is itself illustrative of the complexity of the landscape, with bodies differing in classification and degree of operational and policy independence across executive agencies, non-ministerial government departments; non-departmental public bodies and so on. Alongside this, there will also be organisations that do not directly design, implement or enforce regulations but are closely linked to the overall regulatory landscape. A contribution of the White Paper has been to set out these issues and provide a working definition.
39. The government will go further and intends to make information on regulators accessible by publishing a ‘register of regulators’ by Autumn 2024. This will be an online dashboard that aims to set out all regulators, their purpose and statutory duties, and who their sponsor department is. It will be continuously updated reflecting stakeholder feedback on what is most helpful, and to reflect any changes to the structure of the regulatory landscape.
40. Alongside facilitating parliamentary scrutiny, this reform will provide benefit to businesses and wider stakeholders that interact with regulators. Businesses have consistently told us, including through the call for evidence on the regulatory landscape, that there is often a lack of clarity on which regulators are relevant to them. This uncertainty can be both time consuming and unnecessarily burdensome to businesses, particularly Small and Medium-sized Enterprises (SMEs).
41. This work on the register of regulators forms part of a coordinated effort across government to provide a “one-stop shop” of regulatory information for businesses. As set out in the White paper, the government is also going further by continuing to progress the Open Regulation Platform which allows users to also search a ‘register of regulations’. We intend for the first public version of this to be available on GOV.UK this year.
42. **HoL Recommendation 16:** *The expertise of the National Infrastructure Commission should be put to further use by Parliament in its scrutiny of the utilities regulators. To that end, we call on the Government to place the Commission on a statutory footing, with the ability to examine government policy outside of its National Infrastructure Assessments. This would enhance the Commission’s ability to report independently on long term infrastructure challenges, including where these are the result of insufficient investment and maintenance.*
43. **Response to HoL recommendation 16:** Certain regulators play a major role in ensuring the supply and efficiency of essential services that are infrastructure intensive: because they operate in sectors where there are natural monopolies and seek to use

competition (or simulate competition) to deliver outcomes and value for consumers, we refer to these as economic regulators. This includes the regulation of energy, water and telecoms sectors.

44. Investors, industry and sector experts have told the government that a clearer plan for utilities investment for the energy and water sectors is needed. The government regards a robust assessment of infrastructure requirements necessary for investor assurance and believes such an assessment would be useful to enhance regulatory accountability, as well as support decision making. Consultation responses to the Strengthening Economic Regulation consultation indicated strong support for an infrastructure needs assessment, and the government intends to take forward the proposal.
45. As set out in the White paper, the government will take forward a holistic assessment of infrastructure investment needs in energy networks, water and telecoms sectors. This should enhance regulatory accountability, as well as supporting decision-making approaches.
46. The government is satisfied with the National Infrastructure Commission's effectiveness in delivering independent policy advice for government and do not believe their current status inhibits their ability to effectively fulfil their objectives. The National Infrastructure Commission already publishes an annual Infrastructure Progress Review setting out an assessment of the government's progress on implementing its commitments on infrastructure.
47. **HoL Recommendation 17:** *The Government should create an independent statutory body analogous to the National Audit Office to advise and support Parliament and its select committees in holding regulators to account for their performance in a routine and systematic manner. We suggest that this body could be named the 'Office for Regulatory Performance'.*
48. **HoL Recommendation 18:** *As in the case of the National Audit Office, such a body should be accountable to Parliament, rather than the Government. Its remit will need to be designed carefully so that it complements, rather than conflicts, with existing parliamentary scrutiny of regulators. It would need specialist, experienced staff to aid Parliament in conducting effective scrutiny.*
49. **HoL Recommendation 19:** *We envisage that the new body would be funded from Parliament's budget, like the National Audit Office. The Government should ensure a commensurate increase in Parliament's budget to properly fund the new scrutiny body.*

50. **HoL Recommendation 20:** *The new body should publish its reports, providing useful insight to Parliament, the Government and the public. These reports should become a key element in committee scrutiny of the performance of regulators, in a similar fashion to the Public Accounts Committee's use of the reports of the National Audit Office.*
51. **Response to HoL recommendations 17-20:** The Government is committed to creating more transparency and accountability for regulator performance and notes the Committee's proposal for an Office for Regulatory Performance. There are a range of options for the legal basis and remit of such a body, including a Parliamentary body, public body or a function of a ministerial department. Given Parliamentary accountability is an issue for House authorities, we will work with the Committee and the House Authorities to explore the merits of each option.
52. In the short-term, as set out in the White Paper, the government is introducing a Growth Duty Performance Framework to enhance transparency and provide accountability for the year-on-year performance of regulators. Regulators who are in scope of the Growth Duty are expected to report against the Growth Duty Performance Framework. At this time, the government favours using this more flexible non-statutory approach to Growth Duty reporting but will keep this under review. It is important to note we have been clear the Growth Duty will not take precedence over other duties, and it will never take precedence over enforcement against illegal activities.
53. The Growth Duty Performance Framework will help foster greater trust between government, regulators and the regulated. It will also provide valuable insights into regulator operations, identify and share areas of best practise and encourage continuous improvement. As set out in the White Paper, the government will be running a Regulators Council to facilitate this and to address other issues through dynamic dialogue between government and regulators.

Transparency and engagement

54. **HoL recommendation 21:** *Effective scrutiny depends on information being both available and accessible. Regulators should review how they publish and present performance information. In doing so, they should ensure performance information is presented in a prominent and accessible way, and in clear, succinct and simple language that the public and parliamentarians can understand. These publications should explain how regulators have complied with their objectives, including matters they are required to 'have regard to'. Where relevant, they should also include information on the enforcement action regulators take (or choose not to take) against non-compliance, and an assessment of the effectiveness of this.*

55. **HoL recommendation 22:** *Regulators should use metrics that are focused on outcomes measured against regulatory objectives. Quantitative metrics should be used alongside qualitative assessment, particularly where objectives or activities cannot be measured numerically. Where relevant, regulatory performance metrics should be designed with consumer interests at their heart.*
56. **HoL recommendation 23:** *Leaving the designation of metrics solely to the regulators themselves risks allowing them to mark their own homework. To counteract this tendency, there will need to be additional scrutiny of the metrics used by regulators, preferably through the new 'Office for Regulatory Performance' we have recommended earlier in this report.*
57. **Response to HoL recommendations 21-23:** It is essential that regulators publish performance data and government is supportive of the Committee's recommendations. To supplement the data published by regulators, the Government is – as set out above – introducing a Growth Duty Performance Framework to enable some comparative data to be developed. We are working with regulators and stakeholders to determine which metrics are included and will ensure the Framework is suitably robust to deliver continual improvement.
58. The Government recognises that regulators differ in their compositions, legal powers and functions and that, as such, a single set of metrics cannot give a comprehensive picture of a regulator's performance. This Growth Duty Performance Framework therefore uses a mixture of quantitative data and qualitative narrative to give as full a picture as possible.
59. **HoL recommendation 24:** *Where they do not do so already and where resources allow, regulators should survey those they regulate, ideally annually. Summaries of the results of these surveys should be made public.*
60. **Response to HoL recommendation 24:** It remains essential that regulators do all they can to ensure that the business journey through regulatory processes is as clear and streamlined as possible. To help ensure high levels of customer satisfaction when engaging with regulators, the government encourages regulators to have an annual survey question on customer satisfaction for regulated businesses, and to publish the overall results. This is alongside the government recommendation that regulators publish typical customer regulatory journey processes, setting out the key steps and processes that businesses will go through in the lifecycle of their query or application with a regulator.
61. **HoL recommendation 25:** *As part of any Public Bodies Reviews of regulators, the Government should consider and explain how consumers are represented in each regulator's decision-making.*

62. **HoL recommendation 26:** *Where there is no statutory provision for independent consumer advocacy in sectors that have a substantial retail element, the Government should establish or designate a statutory consumer advocate or explain why it has chosen not to do so.*
63. **Response to HoL recommendations 25 and 26:** As part of the aim to provide a world-class service to business and consumers, government is introducing a set of guiding principles of smarter regulation that we expect all regulators to apply in their day-to-day decision making. This includes the principle to be responsive and efficient when engaging with businesses and citizens, going the extra mile to ensure the best outcomes are delivered. Regulators should take active steps to ensure businesses and consumers are responded to in a timely fashion with a clear explanation underpinning any decision. Ministers will write to regulators whenever there is concern these principles are not being followed.
64. To deliver the best outcomes for consumers, businesses, and the environment, it is also essential that regulators operate to clear and consistent duties and objectives. Multiple respondents raised concerns in their responses to the [Smarter Regulation and the Regulatory Landscape](#) Call for Evidence that consumer interests were not sufficiently considered in the duties and objectives of regulators, or that they were often de-prioritised where conflicts occur. The government will develop a framework to allow for the consistent evaluation of regulator statutory duties across all regulators, where specific evidence of problems has been identified. These reviews where applied would be undertaken by sponsoring departments but in close collaboration with the Smarter Regulation Directorate in the Department for Business and Trade and, as applicable, ensuring join-up with the Public Bodies Team. As part of the monitoring and evaluation process, consideration will be given to whether consumer groups are sufficiently represented in a regulator's decision-making.
65. When designing the current Public Bodies Reviews programme, the Government acknowledged the expertise of departments in relation to their arm's length bodies. Instead of prescribing a uniform approach to Public Bodies Reviews, the programme's guidance intentionally afforded departments flexibility to deliver reviews closely tailored to each Public Body.
66. Reviews of bodies operating in sectors that have a substantial retail element commonly do consider and explain how consumers are represented in the organisation's decision-making process. For example, when reviewing Homes England, government's housing and regeneration agency, the Department for Levelling Up, Housing and Communities aimed to assess 'how customer-focused the agency is' and ran a public call for evidence to capture diverse views from members of the public.

67. The Cabinet Office's 'Guidance on the undertaking of Reviews of Public Bodies', updated in February 2024, sets out the purpose, scope, and approach of Public Bodies Reviews, including how stakeholders should be engaged during a review.
68. Each review's independent lead reviewer will determine the most appropriate lines of enquiry. In practice, reviews commonly assess decision-making processes and capture additional consumer views via a wide range of engagement options, including public calls for evidence, consultations, and consumer representation on challenge panels to capture consumers' views.
69. **HoL recommendation 27:** *We heard that labour market regulators should more formally integrate the voice of workers into their decision-making, specifically through tripartite governance structures. The Government should set out its views on this proposal in response to this report.*
70. **Response to HoL recommendation 27:** The Government recognises the importance and value that all voices bring in the effective delivery of regulatory activity. We continue to work closely with business, its representative bodies, workers and worker voice representatives to ensure they are all heard.
71. Both the government and regulators work closely with the Director of Labour Market Enforcement (DLME), Margaret Beels, to ensure the effective coordination of the three enforcement bodies within her remit (Gangmasters Labour Abuse Authority, Employment Agencies Standards Inspectorate and HMRC-National Minimum Wage). The enforcement bodies, as well as the DLME, are empowered to raise awareness and promote their work. The enforcement bodies regularly meet with stakeholders including workers and worker representatives to deepen their understanding of what is happening in practice and seek to share information to upskill stakeholders. This is achieved via various mechanisms and includes the delivery of online seminars to workers and holding business specific events to raise awareness and offer support to businesses in meeting their legal obligations. Additionally, the DLME has a statutory responsibility to assess the scale and nature of non-compliance in the labour market through an annual strategy which is laid in Parliament. The themes and topics identified in the DLME's annual strategy are identified through engagement with worker representative organisations, workers, and other stakeholders including businesses.
72. The government will continue to monitor where improvements might be possible and consider next steps as appropriate.

Annex E: Methodology and assumptions for analysis in the paper

- This section sets out the methodology and assumptions underpinning all the key graphs and numbers in this paper, for which analysis was undertaken by the Department for Business and Trade.

Costs and Benefits of Regulation

- There is limited data available on the aggregate direct costs of regulation: by this, we mean the totality of direct administrative and policy costs that business face as the result of regulation. Administrative costs are those costs that businesses incur through setting up processes to demonstrate compliance with a regulation (e.g., reporting requirements), while policy costs may be those that are inherent to achieving policy aims (e.g., costs of switching technologies).

Data from regulatory offsetting regimes across 2010 to 2022

- For the period 2010-15, we drew on data from the National Audit Office (2016) “The Business Impact Target: cutting the cost of regulation”, which suggested a £0.6bn increase in net direct costs to business over the period, based on £2.2bn of net savings for measures in scope of the Business Impact Target at the time, and £2.8bn of costs for measures not in scope of the target – two thirds of these additional costs came from EU regulations.⁴¹
- For the each of the subsequent years across 2016 to 2022, we used annual and biannual (spanning two years) business impact target reports, in conjunction with any NAO reports on costs of regulatory exclusions, to estimate a total increase of £5.4bn across the period.
- We then adjusted each of these figures from nominal to 2023 prices using the appropriate GDP deflator for each year.⁴² This results in a total increase of £6.2bn in 2023 prices across the period. We do not assume that this is a fully exhaustive summary of all the net costs/benefits of regulation, but are making the assumption that the annual figures are additive and separable (i.e. the costs and benefits from the partial analysis of one regulation do not act to change the costs and benefits from another regulation, that is analysed separately).

41 For the period 2010-2015, see National Audit Office, [‘The Business Impact Target: cutting the cost of regulation, 2016 \(Accessed 07/05/2024\)’](#). For each subsequent year through to 2022, see Department for Business, Energy and Industrial Strategy, [Business Impact Target \(BIT\): report 2015 - 2017](#), 2018 (Accessed 07/05/2024); Department for Business, Energy and Industrial Strategy, [Business Impact Target \(BIT\): report 2017 - 2019](#) (Accessed 07/05/2024); Department for Business, Energy and Industrial Strategy, [Better regulation: annual report 2019 to 2020, 2021 \(Accessed 07/05/2024\)’](#); Department for Business, Energy and Industrial Strategy, [Business Impact Target \(BIT\): report 2020 - 2021 2022 \(Accessed 07/06/2024\)’](#); Department for Business, Energy and Industrial Strategy, [Better regulation: annual report 2021 to 2022, 2023 \(Accessed 07/05/2024\)’](#).

42 Office for National Statistics, [‘GDP Deflator: Year on Year growth: SA %’](#), 2024 (Accessed 07/05/2024).

Further studies on regulatory costs

- The Better Regulation Task Force (2005) report 'Regulation: Less is More' estimated the percentage of GDP that are regulatory costs, drawing on studies from the Netherlands and the US, which suggested the total costs of regulation on the economy were 10-12% of GDP, with 30% of these costs being administrative. The report assumed this relationship would hold for the UK. To provide a picture of what this percentage figure would mean in 2023 terms, we applied the 3-4% (0.3×0.12) to 2023 GDP figures (ONS chained volume measures, seasonally adjusted). Two key assumptions are being made here: (1) that the 30% figure referenced by the Better Regulation Taskforce was an accurate representation of the UK in 2005; and (2) that this relationship, if correct, still holds in 2023. This figure is highly uncertain, and given the magnitudes as a percentage of GDP we have referred to the figure in the main text as 'could be as high as'.

Data on overall societal benefits of regulation – net present social value

- The reforms, consultations and calls for evidence in the Smarter Regulation Programme⁴³ were used as a sub-sample of recent government regulatory changes. Those reforms which have impact assessments published were examined and where the Net Present Social Value has been calculated were aggregated together to come up with an estimate for the overall Net Present Social Value of the Smarter Regulation Programme so far. It is worth bearing in mind that the Smarter Regulation Programme is only a subset of all recent government regulations, and given its nature as a regulatory reform programme focussed on including regulatory reforms that reduce burdens on business and consumers and improve innovation and competition, it is unlikely to be representative of the overall regulatory change that has occurred. A further caveat is that a number of reforms in the programme have not quantified the Net Present Social Value of the reform, either because quantification is not possible or because it is too early in the policy process to have a fixed policy to assess (for example a call for evidence or early stage consultation).
- *Example of analysis of costs and benefits that come from Smarter Regulation reforms:* As an example of the social benefits of regulatory change arising out of the Smarter Regulation Programme – DBT is introducing rules to ban the trading of fake reviews and introduce obligations on those who host reviews to take reasonable and proportionate steps to ensure they are not misleading consumers. DBT estimated that these additional responsibilities for businesses would create an EANDCB of £48m. DBT estimated there would be a wider societal benefit (Net Present Social Value) of £1.8bn over 10 years. Although some businesses will forego some revenue arising from fake reviews, there will be a reduction in consumer issues with products purchased, as well as reducing overspend on products with fake reviews. Other non-monetised benefits include

43 Department for Business and Trade, [Smarter Regulation](#), 2023 (Accessed 07/05/2024).

expenditure being redirected towards fairer practicing traders, improved competition in the digital landscape following improvements in review authenticity, improved consumer trust and satisfaction, and business savings from reduced customer issue resolution costs. Evidence showed that despite the existence of platform terms and conditions and guidance on reviews, fake reviews are still prevalent and misleading consumers, hence the need for regulatory intervention.

Analysis of Business attitudes towards regulation, from the Business Perceptions Survey

- The Business Perceptions Survey is a cross-sectional and nationally representative business survey that has been running since 2007, running every two years. The survey was originally funded by the National Audit Office and the former Department for Business, Energy and Industrial Strategy. It is now owned by the Smarter Regulation Directorate in Department for Business and Trade. The survey provides valuable insight into the impact that regulation has on businesses and helps Government on ways in which this impact could be reduced.
- For the main stage of the survey 2022, a total of 2,000 telephone interviews, lasting an average of 25 minutes, were conducted using Computer Assisted Telephone Interviewing (CATI). Interviews were carried out between 5th January and 10th March 2022. As in previous waves, all interviews were conducted with the person at the business responsible for legal and compliance issues.
- Figure 3 is a time-series of businesses who agreed in the question “To what extent do you agree or disagree that the overall level of regulation in the UK is an obstacle to your business’s success?”. In 2022, 45% of businesses agreed, while 25% disagree and 28% neither agreed nor disagreed.
- Figure 4 is businesses who agreed to the listed statements from the Business Perception Survey.

Analysis of regulator expenditure

- To generate Figure 5 in the main text, DBT reviewed the annual reports of each of the regulators listed in the figure – with some annual reports providing data for multiple years. After producing a nominal time series from 2008/09 through to 2022/23, we then applied the annual GDP deflator to convert all values in 2023 prices. Given annual reports vary in financial year, we also cross checked the values using the financial year GDP deflator – the results were directly comparable.

Annex F: Government response to the Smarter Regulation: Strengthening the economic regulation of the energy, water and telecoms sectors (part one)

1. The government published this consultation⁴⁴ in November 2023, seeking views on a set of key proposals that can improve the economic regulatory environment: increasing investment and growth, promoting competition, enhancing transparency, providing support to consumers and bolstering the appeals regime.
2. The consultation covered the regulators Ofgem, Ofwat and Ofcom's economic functions (except for the duties proposals within the wider landscape of what regulators do) and the energy, water and fixed telecoms (specifically fixed broadband) sectors. It is important to note that Ofgem operates in Great Britain only, Ofwat in England and Wales only and Ofcom across the UK. Water policy is devolved in Scotland and Wales, with energy and water policy devolved in Northern Ireland⁴⁵. The proposals will not apply to live price review processes such as the 2024 price review in water (PR24).

How we consulted

3. The consultation ran for 9 and a half weeks from 22 November 2023 to 28 January 2024. It comprised of:
 - i A digital survey to capture stakeholder responses
 - ii The option to submit responses via email and post
 - iii Letters and phone calls to targeted stakeholders
 - iv Official level engagement across the Department for Business and Trade and other government departments
 - v Three sector specific webinars, conducted alongside the relevant sponsor department, and an investor roundtable led by Lord Johnson.

We would like to thank all who took part in the consultation for their time and views.

⁴⁴ [Smarter Regulation: strengthening the economic regulation of the energy, water and telecoms sectors](#), 2024.

⁴⁵ The devolution of water policy in Wales is currently subject to very limited exceptions, such as the appointment and regulation of a water or sewerage undertaker operating in Wales whose area is wholly or mainly in England. Although the consultation proposals solely apply to water policy in England and the regulation of water or sewerage undertakers whose areas are wholly or mainly in England, Welsh Government will continue to be engaged on any proposals taken forward that relate to Ofwat.

Who responded

4. The consultation received 141 responses in total. Most responses to the online consultation form were submitted by organisations, with the majority of respondents choosing to provide responses in email form. This allowed for a degree of discussion outside of the scope of this consultation. Extra information not relevant to the consultation proposals or questions that was submitted will not feature in this response; however, it has been recorded and will inform ongoing work.
5. Some responses displayed interactions with others, requiring treatment to prevent double counting of views. These characteristics were as follows:
 - i **9 duplicated responses**

9 responses were duplicated, usually due to a response being submitted both through the online form and via emails. Where the respondent specified which they would like to be considered, we have discounted the other. In instances where no such preference was communicated, we have condensed the information from both responses into a single response. This reduces the number of responses to 132.
 - ii **Over50sMoney**

13 responses were from individuals who seconded the open response of Over50sMoney.⁴⁶ These responses have been counted as individual responses; however, throughout the below summary of responses, we acknowledge where this has had a large impact on quantitative results.
 - iii **Joint Response**

4 organisations grouped together and provided a joint response; however, 3 of these also provided an individual response. The themes of the joint response have been synthesised into the individual responses.
6. **Regulated entities were by far the largest group of respondents**, followed by individual consumers (though noting 13 of these were seconding the Over50sMoney response). However, respondents were a diverse range, spanning politics, regulators, industry, consumers, charities and academia.

⁴⁶ Over50sMoney, '[Over50sMoney responds to Government consultation](#)', 2024

Table 1: Types of respondents

	Respondent Type	Number
1	Regulated entity (i.e. business)	48
2	Consumer	18
3	Industry body	12
4	Charity	7
5	Non-governmental organisation (NGO)	6
	Other	42

Summary of responses

7. In the following sections we summarise the responses to consultation questions 1, 23-26 and 28-31. Where appropriate we respond to some questions together.

Consultation Proposal (1): A holistic infrastructure needs assessment in energy networks and the water sector should be delivered. This should enhance regulatory accountability, as well as supporting decision-making approaches, respectively.

Question 1: The government welcomes views on appropriate terms of reference, including scope, for an infrastructure needs assessment, as well as views on who would be best placed to deliver this. The government welcomes any further views on the assessment.

8. 53 respondents answered this question of whom the majority (68%) agreed with it. Only 1 respondent disagreed. Of the remaining 16; 8 gave mixed responses whilst 8 gave no position at all, instead commenting on infrastructure needs more generally. The group of respondents most interested in this question were regulated companies.
9. Respondents mostly supported the delivery of an infrastructure needs assessment, highlighting that it could accelerate infrastructure delivery, enhance consumer and investor confidence, and promote cost-effective solutions for the sectors in scope.
10. Respondents welcomed the second National Infrastructure Assessment (NIA2) from the National Infrastructure Commission (NIC). However, they outlined appetite for a more detailed plan against which a greater range of decisions can be informed.
11. Respondents in the energy sector highlighted the importance of ensuring the assessment complements and does not duplicate the Strategic Spatial Energy Plan (SSEP), the Centralised Strategic Network Plan (CSNP), or other relevant plans in the sector.
12. On scope generally, more than half of respondents pointed to existing work and the need for the assessment to be complementary, whilst exactly half thought the main focus should be on funding/investment. Not many respondents suggested that the status of

assets should be included in the scope of the infrastructure needs assessment, with only 8 responses highlighting it for inclusion, with a similarly low response for resilience. However, only a subset of respondents gave answers to the scope part of the question, suggesting they agreed with the issues raised within the consultation document itself.

13. Respondents stressed the importance of the assessment being delivered in a way that ensures credibility. Most respondents suggested the NIC should lead the assessment. Where respondents provided views on timelines, most suggested that the assessment should be delivered in the near future but must ensure sufficient consideration of key issues.
14. Consumers did not respond to this question in significant numbers. However, broadening to all respondents other than regulated entities, such as NGOs or think tanks, and the pattern of results is similar to that described above. Respondents were supportive of an infrastructure needs assessment, covering investment and supply chain needs, However, they did warn against the needs assessment resulting in a favourable outcome for some firms, but not others.

Government response

15. The government agrees with the assessment from respondents that an infrastructure needs assessment could enhance customer and investor confidence and will therefore take forward this proposal.
16. The assessment will:
 - i Explore where the risk of supply chain bottlenecks for future infrastructure delivery can be minimised in the energy networks and water sectors, including through identifying where there are further opportunities for British business to meet future demand. In light of challenges such as climate change and the increased digitisation of the UK economy, the sectors must deliver significantly more infrastructure in the coming decades than they have in the past. It is important a robust assessment can be made of whether supply chains can meet demand, and that clear steps can be identified for government and regulators to take where gaps may exist.
 - ii Consider interdependencies between plans across the telecoms, energy and water sectors. The focus in energy will be on energy networks, however energy generation will also be considered where relevant to plans for the water and telecoms sectors. This consideration of interdependencies will build on the NIA2. The assessment will consider a range of scenarios including climate change, changes to population and demand and where there are opportunities for non-infrastructure solutions, or nature-based solutions to be used to enhance value for money and deliver optimally against government's climate targets.

- iii Undertake a review of the condition of assets in the water and wastewater sectors to identify whether the sector is resilient to future pressures, including: climate change, changes to population demand and opportunities for non-infrastructure solutions, or nature-based solutions.
17. Government continues to agree it is important that the assessment complements relevant plans in the sectors and will ensure a wide range of relevant stakeholders are engaged on next steps. The assessment will look to complement and utilise the strategic planning work from the National Energy System Operator, when established, as well as other relevant bodies. Government will ensure that timelines complement live and planned work in the energy sector such as the SSEP.
 18. We note that many respondents suggested the NIC would be a suitable organisation to lead such an assessment. However, the NIC is a policy-focused body and this work would be outside of the NIC's existing remit. Government does not therefore seek the NIC to lead this work, however government expects the NIC to provide a strong advisory role where appropriate.
 19. Government recognises that for the assessment to have a positive, lasting impact, the leadership of it must have the confidence of investors, regulators and companies. Further detail on the assessment will also be published in due course.

Consultation proposal (7): The government will coordinate and work collaboratively with regulators, industry, and devolved administrations to explore the creation of a single, multi-sector Priority Services Register.

Question 23. What are your views on the creation of a single, multi-sector Priority Services Register?

Question 24. What are the best data sources of vulnerability that the PSR should use? Who should be able to input data?

Question 25. What vulnerabilities and services should the PSR cater for?

20. There were 96 responses on this proposal, representing a response rate of 72%. The vast majority of respondents agreed with the proposal (88%), whilst raising challenges for future work.⁴⁷ 6 respondents had mixed opinions, largely due to their support for a system of good data sharing between existing registers with opposition to a single register. 6 respondents disagreed with the proposal because of a lack of government oversight, concerns about costs and burdens, and data privacy concerns.

⁴⁷ 13 responses to these questions were from individuals who seconded the open response of Over50sMoney but majority support from respondents would hold true regardless.

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21. As part of their response one consultancy undertook a survey across England and Wales. It showed overwhelming support (90%) from customers who are only registered on one PSR – those who would directly benefit from the proposal.⁴⁸
22. There was support for telecoms being included in the work, with some respondents also wanting to include financial services. Devolved bodies expressed support for the multi-sector Priority Services Register to cover both Wales and Scotland.
23. The initial steer from responses is for this work to cover at least Great Britain, if not the UK, and focus on the energy, water and telecoms sectors.⁴⁹ This should ensure that the work is narrow enough to have a tangible impact on consumers whilst ensuring that it covers consumers that move between the different nations within the UK.
24. One of the key areas for debate is the delivery model for a multi-sector Priority Services Register. There was overall support for any model to include a consumer-facing portal, however two types of delivery model emerged: one single register (a monolithic database) or good data sharing between existing registers (a distributed database).⁵⁰
25. There was widespread support in the responses for the ‘Tell Us Once’ principle of consumers only having to contact one body once (although there was also an emphasis on consumers being able to revoke or amend their data if their situation changed). Government leadership was highlighted as being key to unlocking the challenges on data protection and what vulnerability to include whilst coordinating across sectors. Respondents emphasised that the design process for any project needs to be accessible and transparent, with vulnerable consumers involved from the start.
26. Challenges raised included working within UK GDPR legislation, data protection and privacy concerns, the need to account for sector differences, and the need to improve and standardise the quality of data that companies collect, ensuring data is in the right format. These will need to be addressed during the design stage of any project, with involvement from the Information Commissioner’s Office key to addressing data sharing and privacy concerns.
27. The best sources of data that respondents felt should be used largely fell into three categories – direct consumer (and consumer representative) input, data from existing PSRs and regulated companies, and government data (largely from welfare and health

48 2,002 sample size, nationally representative.

49 The Utility Regulator for Northern Ireland is [currently undertaking work](#) to reduce their customer care registers to three (gas, electricity and water in Northern Ireland), with the long-term goal to amalgamate the three registers so that there is a single customer care register for utilities in Northern Ireland. We will work with devolved administrations and bodies to finalise the intended scope of a multi-sector Priority Services Register.

50 Telecoms companies do not hold Priority Services Registers, so a distributed model would need to be based on the priority fault repair services or having data interoperability standards across companies to facilitate data-sharing.

as well as local authorities, housing providers and resilience forums).⁵¹ There will be legal risks and challenges around this which will need to be addressed during the design stage of any project.

28. Respondents noted the importance of ensuring that the current level of support offered to vulnerable consumers is not reduced. Therefore, responses indicated that the starting point of a multi-sector PSR should be to cater for the support already provided in both emergency situations and for regular communications such as billing.⁵² There was also supportive feedback on focussing on the support needs of vulnerable consumers, rather than the underlying vulnerability that has led to support being needed.

Government response

29. Following feedback in the consultation, the government will take forward work to create a Share Once Support Register, bringing together the current Priority Services Registers and similar telecoms registers.⁵³ The first step will be to collect and analyse information on existing work, which the current but expanded Ofgem-led working group will lead on with government direction. The group will work across sectors with government, regulators, consumer bodies and devolved administrations. The aim of the project will be to set out key principles and a clear timeline to guide the next phases, before making decisions on the scope of the project, including any necessary procurement and legislative changes, and the potential delivery model.

Consultation proposal (8): For the UK Regulators Network (UKRN) to convene work with regulators, industry and the government to ensure greater consistency in how affordability support and bill changes are communicated, within and across sectors, looking at both household and business customers.

Question 26. How can existing affordability support be better communicated to increase customer awareness?

30. Just over half (54%) of all respondents responded to this question. There was overall support for this proposal from respondents, with responses largely coming from regulated companies across all three sectors, regulators and consumer groups⁵⁴.

51 Aligning local authority and resilience forum data has been repeatedly raised by water companies as a blocker to them rapidly obtaining and effectively using vulnerability data during incidents.

52 Where services are offered by one sector but not another, these will need to be considered on a case-by-case basis. Sector differences will still be recognised as each sector will still have unique needs.

53 The future name of the project will be discussed during the next phase, with user testing, consumer research and discussions with industry and key stakeholders where relevant.

54 13 responses to this question were from individuals who seconded the open response of Over50sMoney but support from respondents where mentioned would hold true regardless.

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31. This work was highlighted as an obvious area for collaboration as everyone is protecting the same consumers, who almost all use energy, water, and telecoms, albeit in different proportions.
32. Respondents and participants in consultation discussions were keen to highlight the good ongoing work of UKRN in this space through the UKRN vulnerability group and cost-of-living network, and areas that already work well for individual organisations, such as joint campaigns with consumer groups, the Consumer Council for Water's (CCW) standardised naming conventions and using data-modelling to auto-enrol customers onto affordability schemes.
33. Areas for new exploration were suggested by most respondents, with calls for more alignment on the language used within and across sectors, more behavioural research on the consumer journey to access affordability support, the need to work more with third parties such as consumer bodies and the importance of using multiple communications channels, both digital and non-digital.
34. Many regulated companies and consumer groups emphasised that affordability support is broader than just social tariffs. It is also important to look at energy and water efficiency measures, while recognising that in telecoms the best broadband price for a consumer may be different from that offered by a social tariff. Unlike energy and water, in telecoms the service levels (i.e. broadband speed) a customer receives can differ depending on the tariff.
35. Regulated companies stressed that the responsibility for affordability support should still fall on them given their direct relationship with consumers, and that any guidance produced should be flexible to account for this.
36. Respondents also highlighted that the needs of non-household consumers may differ from household consumers in these sectors. Regulators and companies should be aware of their diverse business customer base, the need to target microbusinesses and SMEs directly and the importance of value for money, compensation, resilience and reliability for some businesses.

Government response

37. Following feedback in the consultation, the government will be accepting this proposal by passing on the insights from consultation responses to UKRN to feed into their upcoming work, with UKRN bringing in government and consumer bodies where needed. Whilst it is important that the regulated companies still own this work, UKRN are best placed to coordinate how to achieve more consistency given their cross-sector remit. UKRN can help shape next steps including pulling together relevant research and guidance.

Consultation proposal (10):

The government, led by sponsor departments, will work with regulators to conduct a thorough review of duties, with a view to rationalise duties and enable regulators to focus more on economic duties and functions. This exercise will consider the following:

Which duties are still essential in today's economic landscape and whether they are fit for purpose.

- 1 If these are unnecessary regulatory burdens, the government should consider how best these could be streamlined or reassigned to another organisation.**
- 2 Existing duties should be reviewed to ensure they are outcome focused and delivering their intended outcomes.**
- 3 Considering how the duties all interact with one another, where there are trade-offs, and understand how these are impacting the sectors. To avoid continued layering, any new duties would need to be thoroughly considered between regulators and the government on how best to interpret these duties and how to deal with interactions and tensions between the multiple duties.**

Question 28. What would be a suitable timeframe in which to conduct a review of these regulators' duties?

Question 29. What is an effective remit for economic regulators? How can regulators improve delivery of both economic and non-economic functions?

Question 30. The government's provisional view is that regulators' economic core duties are: fostering economic growth; ensuring effective competition; delivering net zero and protecting the environment; and protecting consumers. Are these the correct set of core economic duties regulators should be focused on? If not, what should regulator duties be focused on?

Question 31. What are key benefits of this approach? What might any risks or unintended consequences be?

38. Around half of the respondents to these four questions represented regulated entities and around a third represented consumers.⁵⁵

⁵⁵ 13 responses to this question were from individuals who seconded the open response of Over50sMoney, which inflates the proportion of respondents who represented consumers to these four questions. If these responses were considered as one response, the proportion of responses who represented consumers would be around 6% on average but this does not significantly impact support for or against this proposal. This would, however, significantly increase the proportion of respondents representing regulated entities for Question 31 to 96%.

39. Respondents were generally supportive of a review of duties, with consumer groups welcoming the opportunity to ensure duties focused on simplicity and flexibility. On timings, stakeholders from both the energy and water sectors flagged that any review should be concluded in sufficient time to enable findings to be considered as part of the next price review cycle, so that clarity is given to investors and industry ahead of submitting their plans. Regulators flagged the timing issue and the risk of destabilising the sector should the review be mistimed. In terms of how long it should take, responses from industry across the sectors range from 12-24 months. Some responses called for regular reviews on a 3–5-year basis.
40. Both energy and water industry responses flagged that there is a need to delineate possible overlap between both the Future Systems Operator and Ofgem, as well as the Environment Agency and Ofwat. Some telecoms industry responses state Ofcom's remit as being too broad and the need to review and streamline, and consumer groups highlighted that protecting consumers should be at the heart of any remit.
41. Question 30 received the most responses (54% of all respondents answered). There were divergent views on what the core duties should be: whilst some support net zero and the environment as a core duty, some respondents highlighted consumers and proposed a finance duty, ensuring companies are appropriately financed to carry out their functions, as the priority.
42. Consumer groups, energy and telecoms industry responses broadly supported the government's suggested four core duties, with energy companies raising net zero as having particular importance. The case for an additional financeability duty was based on providing reassurance to investors, and that some regulators factor this into decision-making. Some stakeholders also proposed that all three regulators should have a resilience duty, given the increasingly interconnected nature of sectors.
43. Some telecoms stakeholders have expressed concern that Ofcom's duties are too broad which can result in a lack of focus on economic regulation. Devolved governments suggested that Ofcom's duties should consider equity of coverage (i.e. rural areas). Some telecoms companies suggested the regulator could use growth and consumer duties as rationale to avoid competition.
44. There was a suggestion that each review led by the relevant sponsoring department may not achieve a consistent focus on economic regulation, therefore DBT should play a role to ensure consistency of approach.
45. On other considerations, a water company, water NGO and water think tank flag Strategic Policy Statements (SPS) as being important in setting strategic direction. Transparency of the balance and trade-offs between duties was also mentioned. A regulator flagged

the impact of any changes to both England and Wales where they regulate, and the devolved governments stated any rationalisation should reflect this. Some telecoms companies flagged that they support a review and rationalisation of duties, but are unsure if a hierarchy of duties will work. An internet service provider supported a review but took the view that telecoms duties are clear.

Government response

46. Following feedback from the consultation, the government will proceed with gathering evidence to ensure that Ofgem, Ofwat and Ofcom duties achieve the right economic outcomes. Evidence gathering will be zero-based and led by the respective sponsor departments for each regulator.
47. Given the volatility in the energy retail market, and the position of some companies in the telecoms market, we therefore propose that financeability is also considered by sponsor departments as a core economic duty.
48. The key outcomes regulators need to deliver will drive the scope of evidence gathering, which are linked to the core economic outcomes proposed in the consultation (growth, competition, protecting consumers, net zero and environmental sustainability) plus financeability. Government will outline next steps in due course.

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Department for Business and Trade

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Published by

Department for Business and Trade

May 2024