



HOUSE OF LORDS

Industry and Regulators Committee

Corrected oral evidence: Regulators and growth

Tuesday 24 February 2026

10.30 am

Watch the meeting

Members present: Baroness Hayter of Kentish Town (The Chair); Lord Best; Baroness Carberry of Muswell Hill; Lord Fuller; Baroness Harding of Winscombe; Lord Teverson; Viscount Thurso; Viscount Trenchard; Lord Udney-Lister; Baroness Valentine.

Evidence Session No. 12

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Questions 145 - 160

Witnesses

[I](#): Blair McDougall MP, Minister for Small Business and Economic Transformation, Department for Business and Trade; David Lunn, Director, Regulation Directorate, Department for Business and Trade.

Examination of witnesses

Blair McDougall and David Lunn.

Q145 **The Chair:** Good morning, and welcome to the Industry and Regulators Committee. This is an evidence session for our work on regulation and growth. Could we start with you introducing yourselves?

Blair McDougall: I am Blair McDougall, Minister for Small Business and Industrial Transformation, which covers industrial strategy, small business enterprise and regulation.

David Lunn: I am David Lunn, director of the Regulation Directorate in the Department for Business and Trade

The Chair: We are delighted to have you here. You will have seen from our work how pertinent it is to your responsibilities. I will start with the first question. Your department's remit has included regulation for around 20 years. Many regulators already have a growth duty in what they do and have done for some time. We are interested in how your current focus on the growth agenda will be different from what has gone on before.

Blair McDougall: There is some well-earned cynicism on this agenda because every Government promise bonfires of red tape and all the rest of it and not every Government deliver on that. Some Governments do the opposite.

There is room for optimism at the moment, for several reasons. First of all is the leadership from the top within Government, which, from the Prime Minister and Chancellor down, is clearly signalling that this is a priority. That is connected to political necessity. The rising costs in business and from other areas—the fiscal situation limiting our ability to reduce costs for business in that way—mean that there is more of a responsibility to do the job on regulatory costs well.

The second thing that is different, and that we see in the Industrial Strategy, is that there is a clear sense within Government of the growth mission being a joint project. When we develop these strategies, we develop them in co-ordination with business, but that relationship does not then end. For example, we have the Industrial Strategy Council. We are trying to create a relationship where business is continually pushing us and holding our feet to the fire on this.

The third thing that is a reason for optimism is the feeling of it being a genuine cross-government endeavour. David and I spent a lot of time working with other government departments on this. Because of the political leadership there is a clear sense that this is central to the Government's growth mission.

The final thing, and I know that you have spoken to David Willetts about this, is the feeling of an opportunity that is there at the moment. We are in this period of extraordinary economic disruption and innovation, and as

well as reducing the burden that is there from historic regulation, there is the need to be nimble and get regulation right when it comes to innovation, because we could miss out on whole new industries that will define the decades to come.

The Chair: Do you find that the regulators are responding well to that approach?

Blair McDougall: I think they are. We have now had two regulatory council meetings, which is a new body that we have established, which gets them all together with the Secretary of State and the Chancellor. The feeling is that they have responded very positively to the challenge from Government.

You have a sense that everyone is looking up within the regulatory system. Companies are looking up to regulators for certainty and guidance to manage their own risk. The regulators are looking up at the political leadership, and it feels like they are responding positively to the very clear steer that they are getting from the Government on the prioritisation of growth.

Q146 **Lord Udney-Lister:** What I really want to inquire of you is: what is the split between the Department for Business and Trade (DBT) and the Treasury in this area? How do you divide the work up? How do you work together?

Blair McDougall: It is a joint enterprise between us, with an official level joint directorate. That directorate is working on making sure that the regulators are delivering the right outcomes, that the pipeline of regulation that is coming from the Government is proportionate, that the historic stock is reformed, and that the regulatory environment in general is supportive of growth.

We were just saying in conversation that having the Treasury owning, for example, the 25% target, is very useful for us in the DBT. It owns the 25% target but we own the regulatory policy generally on those cross-cutting issues. Having that very clear steer that the Treasury owns this and that this is a cross-government priority is helpful for getting things done across Government and giving that sense of focus.

Government departments are used to performing for the Treasury. They want to keep the Treasury happy in a way that perhaps they do not necessarily want to always keep the DBT happy.

Lord Udney-Lister: I will leave it at that.

The Chair: It is just that the Treasury has a bigger stick than you do.

Blair McDougall: It has a bigger wallet than we do, probably.

Q147 **Baroness Valentine:** I would just like to follow up on the previous question with a bit more focus on the Action Plan. Can you tell us what mechanisms are in place to hold regulators to account in achieving the

aims of the action plan?

Blair McDougall: The Action Plan contained, at the end, dozens of commitments that regulators themselves have made, which are timebound. On the responsibility for that, Secretaries of State for the sponsoring departments will hold them to account for the commitments made within the action plan. The joint unit and our Department for Business and Trade (DBT) directorate work with those departments to help them to achieve that.

On the other mechanisms for accountability, although the 25% target is a cross-government target, we are very clear that everyone has to contribute to that. That is how we hold people to account.

We are also now implementing biannual reviews by Secretaries of State of the regulators they are sponsoring, to give a clear steer and focus and also to give the regulators the political cover they need at times to move quickly and to deliver on these things.

The other layer of accountability that we are putting on top of that is more in-depth expert performance reviews—akin to an Ofsted inspection of regulators—where we are getting experts in to look at regulators in depth. We have started that with the Office of Rail and Road.

There are many levels in terms of formal mechanisms. In addition, as I say, as the department responsible for the wider regulatory agenda, we are constantly meeting with our colleagues to push around the action plan and its delivery.

Baroness Valentine: Can I just press you on one thing? We have heard the need to increase the pace in responding to a business asking for clearance or authorisation. When they fail to meet their statutory obligations, what exactly will happen?

Blair McDougall: The other thing I should have mentioned, Baroness Valentine, in those accountability mechanisms, is that we are reviewing the key performance indicators (KPIs) for all regulators through Secretaries of State to ensure that they are fit for purpose and properly capture the experience of the users of those regulators and the experience of the industry. We are now putting those KPIs into the publicly available dashboard, so there is an element of transparency to their performance.

That KPI dashboard is a tool for the accountability meetings that we will have, but individual Secretaries of State will hold the individual regulators that they are sponsoring to account on pace. The KPIs we are publishing and reviewing are specifically looking at the timeliness of approvals, licences and everything that involves businesses waiting.

Baroness Valentine: I think I heard that your answer was transparency. If people are missing their statutory deadlines, we are, in response, making the public aware that they are?

Blair McDougall: Yes, there will be clearer transparency, and also the ability to compare and contrast the performance of the regulators. But ultimately, individual Secretaries of State who have that relationship with the regulators they oversee will make judgments as to what the correct response is when a regulator is not performing in the way that they would like.

David Lunn: Different regulators will also be set up on a different statutory basis. Most of them will have a statute that they underpin and that will talk to who makes the appointments and all of those kinds of key questions. So, it will depend on those types of concerns as well. Where the power sits and where accountability lies will depend in part on statute.

Q148 **The Chair:** Minister, I think you used the phrase “all regulators”. I think the National Audit Office wondered whether you actually do have a list of all regulators and whether they are all covered by this growth agenda. Is that now a full and comprehensive list?

Blair McDougall: We do have a list of regulators. There is then the second question of which regulators are the focus of the current growth duties and our intention to expand and clarify that growth duty. There are some technical reasons why these things are quite difficult to answer definitively. David, do you want to have a go?

David Lunn: A lot of it is down to the way that the legislation works. The legislation originally derives from the Deregulation Act 2015, which has a list of regulators in it. But what actually bites is the Act’s description of the regulatory functions that the growth duty applies to. You then need to take a view on whether different regulators apply those functions or not. It is more complicated than it might sound, but for the vast majority it is clear.

The list of organisations that you would expect to be included are included. It is less clear-cut about whether it appears to Trinity House, some lighthouse organisations, and some of the more—I was going to say “marginal”—

Blair McDougall: Discrete?

David Lunn: Discrete cases. But for the vast majority it is clear-cut. It would be much nicer to be able to say, “Here’s a list of 20 organisations that the duty applies to and it is all very clear”. As the Minister says, one of the things that we are looking at is making changes to the growth duty—moving it to a stronger basis akin to that which currently applies to financial services regulators. In doing that, there is an opportunity to clarify exactly which organisations it applies to, in a slightly more clear-cut way than the current legislation allows for.

Blair McDougall: In terms of where the focus of Government is on this, you can see the cast list of the regulatory council, which is obviously focused on the growth element.

Lord Fuller: Can I just follow up on that last point about having the list? When you buy a car, there are a lot of features. You have those little ticks or crosses: does it have metallic paint, et cetera? It seems to me that you have a list of options there. Is it regulatory? Is it safety? Is it growth? It would enormously help this committee, and anybody else who might read our report in due course, to navigate the regulatory landscape if that list of all the options was laid out for us. Is that list generally available?

David Lunn: We can certainly write to you, to give you as clear a view on that as we can.

Q149 **Lord Fuller:** I think that would really help us to navigate. The question I want to ask is around the fact that we have a Minister responsible for the Industrial Strategy, we seem to be deindustrialising very rapidly—which certainly keeps me awake at night—and I do not want to be in a situation where regulators are paying lip service to growth but the reality is that they are all overlapping and uncertain as to who is doing what and so forth. I know from my own personal commercial experience how difficult it is for foreign companies that are minded to invest here in the UK to navigate the regulatory landscape and some of the issues that might be clarified by that list.

What assessment is being done of the way in which—whether it be perception or reality—the UK regulatory landscape is open to foreign investors? What steps are being taken to—I do not want to say “have a fast lane”—assist people for whom English is not their first language or who have different rules of law in their country? How are we rolling out the red carpet for foreigners to invest in our economy?

Blair McDougall: That is a really important question. The *Business Perceptions Survey* for domestic companies finds that people find the regulatory landscape complex, duplicative, costly and difficult to navigate. As you say, if you are entering a market where you are unfamiliar with that regulatory landscape, that is even more the case.

We also have the concierge service from the Office for Investment, which is about unlocking and smoothing the pathway for foreign investment. That is the key facilitator. Part of that is about creating those relationships with regulators so that they can overcome some of those issues. We are trying to do a similar piece of work with scale-ups in the UK, so that when regulatory issues are discovered through that concierge relationship, as well as helping individual to overcome those barriers, the lessons about why those barriers are there are recycled into the system and dealt with. It cannot just be about helping people climb over the barriers; it should be about smoothing them down as well.

Lord Fuller: Certainly, the idea of a concierge has to be welcome. It would be churlish to say otherwise. That is exactly the sort of thing I mean. Last week we heard from Lord Willetts that, particularly with the scale-up situation, there are ways in which the path may be smoothed. But one of the problems that he identified is that there is very little

incentive for individual regulators to depart from the custom and practice. In fact, not only is there little incentive to do that, but rather there is the disincentive that if you get it wrong, you are on your own and you cop the blame. Is this concierge service empowered to help regulators to take more risk, so that it de-risks it for the inward investor?

Blair McDougall: The concierge service is about navigating the system. It is then the job of the regulators to do what you are discussing. There is a line in the Fingleton review about how “our system gives many the power to block change, but few the incentive or ability to enable it”. That is a mindset change that we need to have across the regulatory system.

Too much of the focus at the moment is on the risks rather than the rewards, which have been missed out on. If something goes wrong, people like me get held to account for it, heads of regulators and Secretaries of State get held to account for it, and it appears on the front pages. But if you have a heavy-handed, overly complex regulatory system that misses out on foreign investment or delays domestic investment, the risk of losing the reward is not taken into account. That is why we need to do more on giving clarity on growth duty and what the purpose of regulators is, so that they err on the side of the reward.

David Lunn: On growth duty, the other thing we would look at is the ability of the Government to give regulators strategic steers and putting that on a statutory basis where it is not at the moment. We would need to define the scope exactly but focusing on those regulators with the clearest line into growth. That is the document where the Government can give regulators the cover that they need to take those bigger pictures and questions. There are examples already in the financial sector.

Lord Fuller: On the regulatory council, perhaps I misread the brief, but is it just the 17 regulators that are participants? What happens to all the others?

Blair McDougall: We have focused on 16 regulators at the moment because they are judged as being the ones that are core to the economic need. But that is not to negate the fact that, if you are a regulator in a particularly discrete area—to use the old line—“If you think you’re too small to make a difference, you’ve never spent the night in a room with a mosquito”. Smaller regulators can have an outsized impact if their job is not done correctly.

The Chair: Is the legal services regulator part of your 16?

Blair McDougall: Yes.

The Chair: That is interesting because, of course, it does an awful lot on inward investment and things such as that.

Q150 **Lord Best:** Quite a lot of the witnesses have told us that out-of-date regulation through legislation is a serious problem. Some of the legislation is 60 years old and does not allow for the flexibility that is needed in a modern world with changing circumstances. Do you think it is

a duty of your department to be looking out for the kind of legislative changes that are needed and then trying to get the parliamentary time to get the legislation through? Is that a role for the department?

Blair McDougall: Yes. Over the autumn, we had dozens of round tables with industry around the country, often looking at particular clusters in particular areas and asking the questions, "What are the problems in the regulatory landscape and what needs to change?" We also conducted a business survey that asked the same question more broadly. Some of the things that those companies report are directly within the Department for Business and Trade's (DBT's) responsibility but most are the responsibility of other departments. It is our job to work with other departments to identify where those problems exist and, where there are legislative requirements to fix those problems, try to make the case for that. Obviously, those will be a matter for King's Speeches. Parliamentary time is often scarce.

But we are not limiting ourselves to legislative change; there is a lot that can be done just through the improving the delivery of processes. Probably the majority of complaints you hear are things that could be solved through improvements to the efficiency of administration, communication and the availability and simplicity of guidance as compared with things that require legislative change.

Lord Best: Yes, we have heard pace mentioned every time. But you see it as part of your role to identify the legislative changes that are needed and then try to get the parliamentary time to sort them?

Blair McDougall: Absolutely.

David Lunn: Not just now—although, clearly, the Treasury looks after financial services regulation and should be thinking about these questions as well. But it is definitely part of our long term.

Blair McDougall: I would also add that it is also our role to look at the fact that there is an inevitability about the pace of economic change, which is so rapid at the moment. Think of AI, for example—what was true in that part of the economy six months ago is not true today. We have a duty as the DBT to look at how you reform the entire regulatory landscape to ensure that there is the room for that type of innovation. I know that Lord Willetts talked to you about that as well.

Q151 **Viscount Thurso:** I want to come back to growth. We have had quite a lot of witnesses who have more or less said that they are not entirely sure what the Government mean by growth or what it means for them. Growth is one of those wonderful things, like motherhood and apple pie, that we are all in favour of, but what it actually means when you get down to the nitty-gritty can be quite different for different regulators and in different ways, and there are trade-offs involved. My question is: what are you doing to give clarity to the regulators as to what you mean by the growth duty for them, but also to have clarity within the Government about what it means, so that we can all understand what they are

seeking to achieve and, in other words, get to the detail beyond the motherhood and apple pie?

Blair McDougall: Regulators come back with the completely fair counter-challenge, "What do you mean by that?" Part of the difficulty is that the regulatory landscape is incredibly complex, with regulators doing different things in different contexts. We have a process under way at the moment where Secretaries of State are working with the regulators on growth goals. This is short of, hopefully at some point, legislating on the growth duty in order to give greater clarity within the context of those individual regulators.

Beyond that, as I say, from the conversations in the regulatory council and the work to get towards the 25% cut in admin burdens, the overall message of our focus on growth is not lost on the regulators. But you are right that there needs to be granular work, regulator by regulator, to make it clear in their context what we mean and what their responsibility is. Initially, that is about the growth goals and clear strategic steers for regulators. Then, as I say, we want to also legislate the growth duty to give that clarity as well.

Viscount Thurso: One example we were given in evidence was, "It depends on what you mean by growth". If growth is about long-term investment in infrastructure, that is one set of decisions that the regulator might make, but if growth is about an immediate uplift in the economy, it might be a completely different set. They might actually be fighting against each other, almost. It seems to me to be perfectly acceptable for any Government to say, "We want one or the other. This is how we do it". But that granularity does not really exist in the mechanism at the moment, so how do you manage to get the levers in that you can then pull?

Blair McDougall: That is why it is important that the individual Secretaries of State are having that conversation in the context of the individual regulators. We have to be able to walk and chew gum at the same time, though. We have to be able to make those big structural choices that regulators will make—with a strategic steer from the Minister but in an independent way—while having a good rummage around to see what things we can do quickly to make doing business easier and less costly in this country. We are seeing, through the regulatory simplification plans and the work we are doing on that, that people are responding to that urgent need while having longer-term conversations about the more granular nature of what growth means within their particular context.

Viscount Thurso: I will ask one last question if I may. Do you see it more as a case of regulators not getting in the way—in other words, freeing up the track for people to get on with the job, rather than proactively going out and saying, "We are going to really push X to achieve growth"?

Blair McDougall: Sorry to give a terribly vague answer, but it depends on the circumstances. There will be some situations where getting out of the way and creating that space for people to innovate and get on with it will be the right approach. To take health and safety as an example, one of the complaints we hear is that often the guidance around health and safety is not prescriptive enough, which is what leads to people gold-plating and doing overly costly things when they did not need to do it. So it depends on the circumstances.

David Lunn: There will be some circumstances where people or businesses say that they need regulation to allow a new market to be established. Back in October, there was an announcement from the Civil Aviation Authority about a road map to drone use and autonomous vehicles, which is a good example of where the regulators need to step in to allow growth. It is not all one-way, as the Minister says.

Q152 **Viscount Trenchard:** Good morning, Minister and David. Some of our witnesses have said that regulators are too cautious and risk averse. They do not consider the risks of missed opportunities or the benefits that might have been derived from them. Rather, they only consider the risks of harm. Do you agree with this assessment, and if so, what actions are you taking to encourage regulators to take a wider view and give them cover to allow them to be more permissive?

Blair McDougall: I have spoken a little bit about some of this already. The more the Government give the clear steer that growth is a priority in all the different ways we are, through the action plan and the growth goals that Secretaries of State are setting for them, that will give them a bit of political cover to push a little bit further to show discretion around decisions that would help with economic growth.

Regulators are organisations that are crawling with lawyers. When the decision-making in the organisation is about whether choices and behaviours are legally defensible, that can lead to risk aversion. That is why we want to have greater clarity around the growth duty.

At the recent regulators' council meeting, we asked the regulators that already have a very clear growth duty what difference it makes for them. They said that it enables them, throughout their organisational strategy, to have the prioritisation of growth run alongside other priorities, such as the protection of consumers or whatever their other core duties are. The very clear political steer that we are giving is one part of it, but we have to recognise the legal context to this, and we have to give people that feeling of legal comfort.

Viscount Trenchard: Assuming that you, therefore, encourage the regulators to take a slightly more permissive approach, to what extent will you permit any risks to consumers, workers or the environment which may result from that?

Blair McDougall: It is important to say that, as we look to strengthen the growth duty, the core functions of regulators will remain. They will still have to protect the environment and consumers and have that concern

about safety. They will have a duty that encourages them to balance that and to implement that in a way that is supportive of innovation, investment and growth at the same time.

A lot of the time, the complexity and duplication of regulation is not helpful for some of those core functions, at the same time. I would be amazed if Lord Willetts, when in front of you, did not give this example: he often talks about how the most common cause of workplace deaths and injuries is still falls from height, yet the regulation of drones by the Civil Aviation Authority does not enable drones to be used in the way they might—for example, for the inspection of pylons, tall buildings or whatever. We have got to be a little bit careful to not frame regulatory reform as being at odds with the more protective roles that regulators have.

Q153 Baroness Carberry of Muswell Hill: Minister, you have mentioned the 25% target a few times, and obviously we have discussed that with witnesses in this inquiry so far. I would not say that there has been crystal clarity about what the Government require and how the Government are going to measure progress against that target. I should say that £5.6 billion by the end of Parliament is definitely a prize worth having, but it is not that clear how you are going to get there. For example, we have heard witnesses tell us that it is not clear whether the problem is too much reporting or overcomplex systems—as you have already acknowledged in answer to another question—or whether it is because outdated, analogue methodologies are being used. Maybe it is all those things, and maybe more clarity is now coming forward with the regulatory simplification plans that have already been submitted. Could you just discuss that a little bit and tell us how the Government intend to track progress against that target?

Blair McDougall: We initially had the action plan. That was followed up with an update in October, where we set the baseline for the administrative costs. It is quite remarkable that we did not have that before, so just getting to the analytical place where we were able to quantify and measure it was a step forward in itself. When we did the update in October, we also updated on how we were doing so far, with about £1.5 billion of gross savings towards the target.

At the moment, we are going through work in my department and the Treasury. I have got more meetings later today with Ministers to go through their submissions that they have made through the simplification plans. We are working with them to push them as far as they can go on that. One of the interesting things from that exercise is the extent to which that in itself is identifying more cross-cutting issues, where different departments are learning from each other's approaches, and it is becoming something that accelerates. We will report to you as a committee and publicly on the outcome of that work on the annual simplification plans.

David, do you want to add anything? You are in the weeds every day of this.

David Lunn: As the Minister said, in October, we reported some early wins or things that we know are happening that we think will contribute to the targets. That included changes that the financial services regulators were making to their data requirements, including the Infrastructure and Planning Act and the reforms coming through there, and what the Department for Business and Trade (DBT) was doing around corporate reporting and reducing some of the requirements for the detail of corporate reports. There is a start there. That was a gross number.

The target is a net one, and that is part of the challenge. We need to identify all the regulatory changes which are going on in both directions. This is why we need the quite heavy-duty annual simplification plan process to bring the information together. That is very much happening now.

We will look to report progress in the spring. Because it is quite a heavy-duty process to monitor it, it is not something that you can easily update on; you need to do the work to get the information together. It will be an annual programme to report on progress against that. At the same time, we will also report progress against the 60 or so regulator commitments which were made last March. We will produce a big, single report on progress made. Similarly, we gave an update on those in October last year. We are reporting where we can, but we will do it properly in the spring. That is what we are looking to do.

Baroness Carberry of Muswell Hill: That was a really helpful answer. I wonder whether your initial reporting, which you will be able to share with the committee, would be available in time for the committee's report on this inquiry, which will also be in—

The Chair: Also spring. We are going to be competing about when the daffodils come out. What is your definition of spring?

David Lunn: It will not be March; it will be later spring.

Baroness Carberry of Muswell Hill: I will ask one follow-up to Lord Best's question, which was about updated regulatory burdens that arise from outdated legislation. This has come through some of the commentary we have heard from witnesses, where the observation has been made more than once that the cost of the administrative burden is less than the cost of complying with regulations, which can be outdated. Could you say what the department's attitude to that is and whether you are scrutinising where more costs could be saved elsewhere other than the administrative burden?

Blair McDougall: The focus on the administrative burden should not be taken to mean that we are not trying to reduce costs of compliance and to lift regulation where it does not serve a useful economic purpose at the same time.

Q154 **Baroness Harding of Winscombe:** None of our witnesses has objected

to a 25% reduction in the admin burden. We have heard very clearly that the speed of decision-making for many businesses is much more important than the actual cost of complying. How can you influence regulators to make good decisions quicker?

Blair McDougall: With shorter and more predictable timescales. Sometimes it is about the length of time, but sometimes it is about not knowing what the length of time is likely to be, which holds up investment and increases time to market for industry. We are, as I said earlier on, within the refreshed and now-reported-on key performance indicators (KPIs) on the dashboard. A key part of that is ensuring that time for approvals and licences is part of that. Some of this is about transparency and the exposure to that. It is also about the comparison between regulators.

We are already seeing some improvements across regulators. The Competition and Markets Authority (CMA) has cut the amount of time for straightforward mergers quite significantly. The National Institute for Health and Care Excellence (NICE) and medical regulators have cut the approval time for new technologies. We are also looking around the world at the lessons we can learn from other jurisdictions, where they are particularly effective at doing things quickly—looking at the US Food and Drug Administration (FDA) or the EU's approach to medicines, for example. Pace has to be seen alongside predictability, because often you will embark on a project and find that it is taking longer than you think, and then you have to go through the costs of reworking or perhaps lose the confidence of an investor on the way.

Baroness Harding of Winscombe: We have heard that as well. What is your view of the role of fast lanes as a means of speeding up regulation?

Blair McDougall: We are looking at the experience of them around the world. There are some fast lanes that exist at the moment across Government—passports, for example. I will say two things about fast lanes. First, to perhaps come back to a point I made to Lord Fuller, a risk with fast lanes is that they become a source of income and funding for regulators. That is fine if they are paying for that enhanced service, which is incredibly important for getting things done for the economy, but there should be an expectation that if there is a fast lane because there is a delay we should look to try to fix the delay, and that it should not be an alternative to the wider work on administrative burdens.

The other thing with fast lanes—this goes back to the particular piece on smaller and innovative companies—is that there is a risk that SMEs are disadvantaged by that, because fast lanes are used by companies with deeper pockets. If you are implementing fast lanes, you have to think carefully about how to make sure that does not disadvantage smaller and innovative companies, which might not have those deep pockets and might not be able to accelerate the process in the same way.

Baroness Harding of Winscombe: Is it fair to say that you are saying that they have a role and it is a horses for courses question?

Blair McDougall: Yes, it is. They have a role. Given the choice between dealing with those concerns I have just outlined and growing the economy, we choose growing the economy, but we need to make sure that, if we are experimenting with fast lanes, they are not an alternative to dealing with regulatory complexity and delay.

Baroness Harding of Winscombe: Thank you, that is very clear. I just have a final question. We have also heard that some of the reasons for regulatory delay lie at the ministerial level rather than with the regulators themselves. What can you do about decisions that get held up at ministerial level?

Blair McDougall: I would encourage you to name and shame. We can certainly use our traffic cop role to try to encourage and speed things up. There is also a role for Ministers to make sure that their sponsored regulators are working in a collaborative way with other regulators, because that is often what slows things down. With Defra, for example, we have seen really good work that it is doing with the lead environmental regulator, bringing together lots of different regulatory interests—you have one point of contact if you are a major project. That seems to be bearing fruit. There is little doubt, at ministerial level and across Government, of the clear steer that has been given by the Prime Minister, the Chancellor and down as to the priority of fixing these problems within the regulatory environment.

Q155 **Lord Teverson:** Minister, you are the Minister for Small Business. What difference do you think small businesses have found so far on regulation? You meet them, presumably. Has anything actually changed for them yet?

Blair McDougall: David mentioned the changes to corporate reporting at the moment. We have lifted hundreds of thousands of largely SMEs out of various aspects of corporate reporting, which will save hundreds of millions of pounds for those small businesses.

There is an issue, and previously, regulation was not combined with the person responsible for small business. There is an advantage to them being together, which is that I am constantly asking the question, "What does this mean for small business?" So much of the conversation on regulation is driven by companies that have large compliance departments and are able to make the argument about how regulation is impacting on them. Ironically, they are the business organisations that are most able to bear that burden, because they have large compliance departments and deep pockets. We are constantly asking the question, "What does this mean for small businesses?"

With my small business hat on, I have been meeting with small businesses and small business organisations to challenge them to come to us and ask a little bit more. Sometimes, there is a fatalism to small businesses, where they do not feel empowered to complain and do not believe that they have an ability to change something because they think, "Who am I? This is just the system". We want to encourage people to

raise their voices and complain about those things a little bit more, which is why, for example, we have been organising these round tables that lots of SMEs, particularly innovative SMEs, have been at. It is why we have the business survey, because we are keen to capture those things.

Lord Teverson: What is the top complaint from that population that you meet?

Blair McDougall: Within the regulatory space?

Lord Teverson: Yes.

Blair McDougall: It is incredibly varied, and it is often very specific to their sector. The speed of decision-making is a constant complaint. There are constant complaints about the pace of decision-making from agricultural SMEs, farmers and the like. There are commonly complaints about duplication of reporting and inspection, where you have to give the same information over and over again or the inspectors inspect the same thing over and over again. We hear that a lot. The complaints are as varied as the number of regulators.

Lord Teverson: To take you up on your Defra point, we had Defra here, and it talked about having a lead regulator in a particular area. One of the things that came out from that was—in fact, I think it was Lord Willetts—the example of Falmouth Docks. That is near where I live, so I know a little bit about it. It only involved Defra regulators. Although it was marine, it did not involve, say, the Department for Transport or the Maritime and Coastguard Agency. I do not know whether they needed to be involved in that area at that time, but if it became interdepartmental, it seemed to be a problem. Is that something that you see? Is this Defra example, which is obviously important and might work, applicable to other departments as well?

Blair McDougall: We think it should be. Defra is testing that in Falmouth Docks and the Lower Thames Crossing. Part of the lesson from it is that it is helpful to have the lead regulator, but you need individuals as well as an institutional lead. Within the regulator, you also have to have a named person as the contact. The other part of it is that you also have to have the company set up to engage with that lead regulator, because they are used to dealing with lots of different organisations.

It will always be difficult to stitch the regulatory landscape together, but, particularly where you have major projects, it should be easier to get regulators around the table, so that you do not get to an advanced stage with a major project and then one of the perhaps more discrete regulators comes along and says, “We have got a problem with this”. The model that Defra is using is something that we would like to see duplicated across the piece.

David Lunn: There are some examples in other spaces of regulators working together in perhaps slightly different ways. In the digital space, there is the Digital Regulation Cooperation Forum, which is made up of

the Competition and Markets Authority, Ofcom, the Financial Conduct Authority (FCA) and the Information Commissioner's Office. They come together to consider more strategic questions in that space. The Medicines and Healthcare products Regulatory Agency (MHRA) and the National Institute for Health and Care Excellence (NICE), in the medical space, co-ordinate their decision-making processes, so that they at least come to decisions at the same time. In the financial services, the FCA and the Prudential Regulation Authority are working together around scale-ups, so there are other examples there.

As you say, Minister, one of the common complaints you get coming through is about the sheer multiplicity of regulators and having to deal with similar questions in different forms. The more you can ask people to work together, it is not just more efficient but I suspect you will get better outcomes through greater co-operation between regulators.

Lord Teverson: Is there a willingness to do that, or do you get resistance?

David Lunn: You cannot talk to it in the round; you need to identify particular areas of interest and particular areas of the regulatory environment and the economy where they overlap in lots of ways. If you look at some of the work that Jon Cunliffe did around the water industry or John Fingleton did in nuclear, there is a similar theme there. In both cases, they recommended more structural, corporate changes, not just corporation mechanisms.

Lord Teverson: I can see that Lord Fuller wants to come in. I will just ask one last question, widening it slightly to international co-operation. One of the other areas we talked about a little bit is regulatory divergence. Is it necessary that every member of the G7 has a different specification for nuclear power stations or whatever? Can we cut through in terms of pace and what Baroness Harding was talking about? Can we get a lot of this stuff moving quicker if we recognise other regulators internationally? Where do we stand there?

Blair McDougall: There is a lot of debate at the moment about tariffs. Our experience is that, a lot of the time, the problem is not at the border; it is beyond the border—it is when you are in the economy and you are trying to work with the regulator or the compliance regime that they have. If we are trying to reduce red tape for business, we need to try to do that—you are right—not just in our own jurisdiction, but as far as possible elsewhere.

The Ricardo Fund within the trade strategy seeks to do that. It seeks to provide regulators with some funding, so they can go and do that type of work that you are suggesting. A great example of that is our regulator working with the energy regulators in Brazil and Colombia on their emerging offshore wind industry. Our regulators are shaping their regulatory environment there, sharing our expertise and our reputation on good regulation to shape their market, which in turn is an economic benefit for us, because the players in our economy, when they try to win

business in Brazil or Colombia, are operating in a regulatory environment that feels familiar to them.

- Q156 **Lord Udny-Lister:** I just want to go back to pace, because we have had several people come before us and pace has been a common theme that has kept coming up. On the one hand, we have had the argument that—I am perhaps putting words in their mouth—“Your target does not really matter. What really matters is us doing the job properly and quickly. If we do it properly and quickly, we will achieve what you want to achieve” rather than doing anything else. We have had another one where they had difficulty answering the telephone until the Secretary of State changed the management and kicked them sufficiently hard to make the necessary changes. We have heard of quite a few horror stories about pace. Do you think there is more that could be done from the department’s point of view to signal to everybody that speed is the single most important thing? Obviously, it is important that they do their job properly; that goes without saying, but speed is the number one issue. Is that unfair?

Blair McDougall: I am not sure whether it is the number one issue, but it is certainly a major issue that is reported to us. I would not decouple pace from predictability, because there are some tasks that regulators do that necessarily take time, because they are dealing with complex and very serious risks. But the industry should know how long that takes and not have it stretching over the horizon so that it just becomes too uncertain for investment decisions.

This comes back to the conversations that the Secretaries of State are having with individual regulators about growth and to make it clear, again, that the sense of urgency that we have as a Government around growth is related to those issues around the pace of decision-making within regulators. Again, I come back to the fact that we are reporting on pace.

There is an element of professional pride within regulators. No one wants to be the slow person. Having that dashboard where you can compare and contrast the performance is helpful for driving that change.

- Q157 **Lord Fuller:** We have heard so much encouraging stuff—good initiatives; not the fast lane but the concierge service; and so forth. But it seems to me, and I have listened carefully, that a lot of this is vested in individuals and personal relationships—the chemistry between regulators. Then David said, “Well, of course there are lawyers in all the regulators”. My interest is: to what extent can we make permanent change—provide lasting air cover for the risks of changes, so that we are not hunky-bunkered by those personal relationships, which evaporate? People change, they move on. How are we going to get this permanent shift so that the initiatives that we are testing can be baked in for ever? Otherwise people will change and the lawyers will go back to type—“Here’s the regs, here’s the legislation”—and it has all been for nothing.

Blair McDougall: Again, I come back to—

Lord Fuller: I ought to ask David, really, but please, Minister, you go first.

Blair McDougall: Are you suggesting that David's career has greater longevity than mine? Surely not. I will turn to David in a second. The intention to strengthen the growth duty is an attempt to create that structural and cultural change. One of the things we have not spoken about, which again partly comes back to the question of co-operation between regulators, is that we have also published a new skills framework for regulators. That is a conversation that has not really been had about the ability of people within regulators to move between each other—to have a common language and a common set of professional standards—so that, if you do have particularly good practice in one regulator, it is easier for someone to port into other regulators. But you are right: David will probably be here long after I have been reshuffled off somewhere else.

David Lunn: It does come back to the growth duty. In parts, that bakes growth into the legal frameworks for the different regulators, and then the strategic steers which the Government give to regulators around that. If they are going to be useful, they will need to talk to the trade-offs that regulators face regularly through their business. I guess the last strand is the appointment process. If you want to make a difference to the culture of the organisations, thinking very carefully about the people you have at the top is an important part of it. So yes, people do change, but the Government are involved in that process, so can decide who they want to have at the top of these different regulators.

Q158 **Baroness Valentine:** I just wanted to come back on the concierge service again. You have got an inward investor coming in, and you have a concierge service. As I understood it, you could not on the whole get the regulators to work together across departments very easily. I would just like to prod a little further on whether there is a role for banging heads together that sits somewhere in Government.

Blair McDougall: I oversee the Industrial Strategy, as I say, and, as well as the meetings I constantly have with other departments specifically on the regulatory agenda, we will also have a register of particularly significant industrial strategy moments that we are trying to unblock. Sometimes those will absolutely include things that are related to big international investors. "Knocking heads together" is unfair, because that is suggestive of maybe people being on a naughty step or something. It is more a case of getting people to work together and unblock things. When things are owned by several different parts of Government, there is sometimes maybe a feeling of everyone waiting for someone else to move, and you do need a process to get everyone to move together. The other thing to come back to is the model—that Defra piloting of lead regulators—so that, if you are an investor in something incredibly significant, you have a single point for managing the regulatory relationship around that particular project.

Baroness Valentine: By saying "banging heads together", I did not

mean that someone is on the naughty step but, if you have got a transport requirement that is incompatible with an environment requirement and they just need working through, who does that?

Blair McDougall: The sponsoring Secretaries of State will do that, but our role as the Department for Business and Trade (DBT), through the regulatory work and through the industrial strategy work, and through the Office for Investment, would be to identify those areas where there are blockages and problems to escalate them, to highlight them, and to make sure that people are working together to—

Baroness Valentine: Is that on specific projects? Are you taking the top 10 inward investment proposals and disentangling them, or is that not what you are saying?

Blair McDougall: Where there is a particularly significant investment, it would be our job, working with Secretaries of State, to identify any blockages that there are and to make sure that those are unblocked. But it will depend on the individual circumstances, obviously.

Q159 **Baroness Harding of Winscombe:** I just wanted to follow up on Lord Fuller's last question. At the very high level, everything that you have covered in the last hour or so is eminently reasonable and administratively sensible. It is over a year since the action plan process was set up and about to be a year since it was published. Why are we not seeing growth actually improve? Is this an emperor's new clothes problem and this is not really the lever? When do you expect growth to actually start to improve as a result of this focus on improved regulation?

Blair McDougall: Inevitably there is a long tail with these things. When we were talking about risk aversion, we spoke about the idea that the reward is often a hidden thing. The benefits of good regulation are often hidden as well because, when things are working well, when processes are efficient and when approvals are fast, no one thinks about them. I would argue that you are seeing the benefits of many of the things we are doing already.

On accelerating the growth impact, I know that Lord Willetts will have spoken about the briefs that he has been given in particular areas we think are of potential high growth going forward, where he is tasked to help unlock the best possible regulatory environment. But there is a larger structural job that we have to do to change the overall culture. Alongside that, particularly through the regulatory simplification work that we are doing, we are looking for the things we can do quickly that can have immediate impacts—that do not require huge legislative change but will make a difference. The example we gave earlier on of changes to corporate reporting is a fairly rapid and substantial saving for lots of businesses. We are trying to do the things quickly as well as the big structural stuff.

Q160 **The Chair:** I have two extra questions and then, if we have a bit of time, we can hear from any of my colleagues. My first question arises from

something that Lord Teverson was asking about SMEs. If you want to really get SMEs energised at the moment, you ask them about something that comes under your responsibility, which is director verification. This is something done for regulatory purposes, yet seems to have been set up in a way that is exceptionally difficult to navigate through. Are you learning some lessons from that about what it is really like to be overseeing a regulator that perhaps has not set up something in quite the way that is most helpful?

Blair McDougall: I am meeting Companies House to talk about that this week.

David Lunn: Today.

Blair McDougall: It is today, actually. The volume of verifications which Companies House is getting through is pretty impressive. We are talking about millions of people going through this process, and the vast majority of them, when they are asked through Companies House surveys, are finding it easy. It is clear that many are not, within it, and that is exactly why I am meeting Companies House later on to discuss what additional support they give to the people who are, for whatever reason, struggling—whether it is because of the system or because of particular vulnerabilities that they might have in terms of the support available to them. I have a meeting about that later today.

The Chair: Your response to my letter on that was less than helpful, so maybe you will have that in your pocket when you meet them.

Blair McDougall: Okey-doke.

The Chair: You are talking about either SMEs who do not have the lawyers you referred to earlier—the compliance—or indeed incoming people wanting to set up a company.

The other question I have arises from something that you said, I think in response to a question from Viscount Trenchard. I was very reassured when you gave a statement about moving towards growth and maybe being less risk averse. I think you said they would continue with their consumer and other protections, which was reassuring. But in that context I just wonder what discussions you are having, therefore. Is it about workers or consumers or the environment? Are you meeting the Trades Union Congress (TUC) or Which? or the non-governmental organisations (NGOs), so that you have assurance that those protections are not being diminished? Are you getting some feedback from them as well?

Blair McDougall: We have this series of deep dives that are going on into particular areas. One of those is around the complexity of guidance, for example, in health and safety, and we are working with trade unions in that space. I know the Food Standards Agency gave evidence to you; it is a really interesting example here. It is using the data and the information it has about the people it inspects and regulates to focus its attention in the places where harm is most likely to happen. If you have

large, super-compliant businesses, the approach to inspecting them might be different from particular sectors or particular areas where you think there is a problem. That has to be part of the discussion as well—that smart use of data so that regulators are focusing their attention on the most problematic part of the landscape that they regulate, rather than perhaps crawling over people who are very compliant.

The Chair: It was quite a big company, I think, that brought in the horsemeat some years ago, so the big ones are not always reliable.

Blair McDougall: In a situation like that, you would expect them to flex and there to be an impact from that in how they are regulated. But where people are doing the right thing, there should be a proportionate approach to them and perhaps more of the focus going to those problematic areas.

The Chair: You are talking to consumer groups on this sort of issue?

Blair McDougall: We are.

The Chair: Excellent. That is all that I think arose from things you were saying. Do any of my colleagues have anything else? No? In that case, we thank both of you—and all your support staff who I am sure prepared you for today—for coming, and we look forward in due course to seeing your fellow Minister from HM Treasury. We will see whether he speaks as well of your joint working as you have done.

Blair McDougall: I am going to check my homework.

The Chair: For the moment, I thank you both. That concludes this hearing.