

Public Accounts Committee

Oral evidence: Regulating for Growth, HC 1782

Monday 16 March 2026

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[Watch the meeting](#)

Members present: Sir Geoffrey Clifton-Brown (Chair); Mr Clive Betts; Anna Dixon; Sarah Hall; Chris Kane; Rupert Lowe; Sarah Olney; Tristan Osborne; Blake Stephenson; Matt Turmaine.

Gareth Davies, Comptroller and Auditor General, National Audit Office; Anita Shah, Director of Regulation, National Audit Office; and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-81

Witnesses

I: Gareth Davies, Permanent Secretary, Department for Business & Trade; Jim O'Neil, Second Permanent Secretary, HM Treasury; Caleb Deeks, Director General—Competition, Markets and Regulatory Reform, Department for Business & Trade; Jessica Glover, Director General—Growth and Productivity, HM Treasury; and David Lunn, Director—Regulation Directorate, Department for Business & Trade.

Report by the Comptroller and Auditor General
Regulating for Growth (HC 1595)

Examination of witnesses

Witnesses: Gareth Davies, Jim O'Neil, Caleb Deeks, Jessica Glover and David Lunn.

Chair: Welcome to the Public Accounts Committee on Monday 16 March 2026. Well-designed regulation can support investment and promote competition, while protecting the consumer. However, poorly crafted and implemented regulation risks undermining investment and inhibiting growth. Since 2005, there have been at least 10 Government initiatives aimed at reducing regulatory costs in support of economic growth. In March 2025, His Majesty's Treasury published its regulation action plan, outlining a series of commitments for regulators and a target to reduce the administrative burden on businesses by £5.6 billion a year over this Parliament.

This afternoon's session will be an opportunity for the Committee to examine plans to deliver on the action plan, challenge progress in reducing the administrative burden on businesses, and scrutinise whether the Government understand the trade-offs required for regulation to contribute to growth. To help us with all that, we welcome all our witnesses, particularly the permanent secretary, Gareth Davies. Thank you, Gareth, for coming today and spending time with us. Would you all like to introduce yourselves? I am going to make a slight alteration today by asking everybody to tell us when they were appointed to their present role.

Gareth Davies: My pleasure, Chair. My name is Gareth Davies. I am the permanent secretary at the Department for Business and Trade and was appointed in January 2023.

Jim O'Neil: I am Jim O'Neil, second permanent secretary at the Treasury. I was appointed in July 2025.

Caleb Deeks: I am Caleb Deeks, DG for competition, markets and regulatory reform in DBT, and I have been doing this role since the end of 2021.

Chair: A special welcome to you, as this is your first time at this Committee. I hope you will find it worth while—not necessarily enjoyable, but worth while.

Jessica Glover: I am Jessica Glover. I am DG for growth in the Treasury and was appointed in July 2023.

David Lunn: I am David Lunn, director of the regulation directorate in DBT. I started there in July 2025.



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Chair: Very good. Thank you all very much for coming today to help us with this inquiry. To start us off, could we please have the first question from Rupert Lowe?

Q1 **Rupert Lowe:** Good afternoon, everybody. If you will indulge me, I want to understand the genesis of the name “Regulating for growth”. Who actually came up with that? Rachel Reeves irritates me when she spreads it around the Chamber liberally, so who actually thought that that was a sensible name?

Gareth Davies: The genesis of it is a very good question. If I’m honest, I don’t know; I couldn’t give you the answer and I hesitate to speculate. I think this is used more broadly than just in the political arena, but what it is trying to get to—if I back up a bit, in terms of what I think is the intent of what you are asking—is this: is there a zero-sum conflict between regulation and growth, or is there a way in which well-crafted regulation can actually help, enable or foster growth?

I will use one example. For a while, I worked in the private sector in Asia. When I went to supermarkets in countries in that part of the world—China, Malaysia and the like—I was often struck by how, along with the price, they had a little flag of the country where the food was from. That was in the early 2010s. I thought, “Maybe that’s all about carbon miles,” which were fashionable at the time, but colleagues I worked with, who were locally employed, said, “No, no. We want to know that the food is coming from a far away as possible, because we have no confidence in the food regulatory standards in our country.” At the time, there were lots of controversies about how artificial dyes or lead had been used as colouring to make tomatoes look vibrant. The thing that struck me was that well-crafted regulation—I emphasise “well-crafted”—can make a big difference to how effective markets can work.

Essentially, what happened there is that, because of the failure of public institutions’ regulation and state capacity, people were happily importing food instead. That is what I take from—

Q2 **Rupert Lowe:** Thank you for your example, Gareth, but I think labelling is a different issue from regulation. I would argue that you deregulate for growth; you do not regulate for growth. The NAO rightly sets out that regulators are primarily set up to correct market failures and to protect consumers, the public and the environment. By talking about regulating for growth, are you not asking leopards to be kind to their prey? Is that what you are trying to achieve?

Gareth Davies: Let me come at this in another way and look at some of the reforms to the Competition and Markets Authority over the past year, and the complaints or concerns that a lot of businesses I spoke to had about the CMA back in 2023 or 2024. Obviously, people will complain about decisions when it goes against them. That is par for the course; I always say, “You’re never going to love your regulator,” because they are often trying to address market failure issues, as you say. But one of the



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big complaints was about how regulators such as the CMA went about their business.

There was concern about the time it took. For example, there was one merger case in which I think the investigation took over 20 or 24 months. That is just not a commercial timeframe. The criticism was about not just the “what” but the “how” of the way regulators operate. Are they operating in a way that is frankly proportionate to the decision in front of them? You can always gold-plate what you do, but are they operating at a pace that allows people to make commercial decisions within that framework? Is it predictable? Can you work out which way the regulator is going to jump? That is better, because you can plan that into investment decisions up front.

That is why I am interested in the way this action plan has been framed around administrative costs, because it is about how regulators operate as much as what they do.

Q3 Rupert Lowe: Right. I asked a question of the Secretary of State for Business and Trade about “the number and proportion of senior civil servants within his Department that have (a) historic and (b) current directorships listed on Companies House.” In July 2023, there was one. What I am asking you—the question I am trying to get at—is whether your Department really understands what you are trying to achieve. In a minute, I will go on to ask you to define what you consider to be delivering growth, but let’s get to the heart of this.

I think that by calling it “Regulating for growth”, you have missed the point. I am not sure that your Department is fit to oversee the delivery of growth. From everything I have read, I do not think that you have accurately defined what you consider growth to be. If you have not defined it, given how things are with the regulators—I read in here that they are engaging with you reluctantly, which is hardly surprising, because they have all built up huge little empires that they want to protect—I am not sure that you have got your message. I am not clear, and I have been in the City for 20 years and I run multiple businesses. I read these documents, and I am not clear what you define growth as, so I just think it is a bit of a mess. Really, you have summed it up by what I would describe as an oxymoron—“Regulating for growth”. I think you are trying to push water uphill. If you really want growth, you need to deregulate and return to what London used to be when it was the pre-eminent financial centre in Europe—to caveat emptor.

Chair: Okay, Rupert. I think we have got the message.

Rupert Lowe: Can you define what you consider to be delivering growth?

Gareth Davies: There was a collection of questions in there. Let me try to work my way through them all.

Do I think that my Department has the capability and capacity to deliver on the growth agenda? That is probably not for me to say; I would say that you should go and speak to some businesses, and there will obviously



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be mixed views, as ever with any Government Department or organisation. The thing that I have focused on in my time as permanent secretary is making sure that we bring the business voice into the Department. For example, I spend at least 20% to 25% of my time speaking with the chief execs of businesses and making sure that I am engaging with people to understand the business voice about what this means—not necessarily doing everything that business wants, but making sure we can have frank conversations.

You raise a point about the number of people in the Department with company directorships. That does not surprise me, because there would be conflicts of interest. I would be surprised if people were on company boards.

Rupert Lowe: I am still not clear: how do you define economic growth?

Gareth Davies: Sorry—I am just working my way through your questions. If I look at the people in the Department, I do not have the stats in front of me, but a significant number of people have significant amounts of business experience. For example, on my board, one of the directors general was at a major corporate law firm for 30 years. I spent the first 10 years of my career in the private sector, privatising businesses in eastern Europe. I worked at a major insurer in Asia, AIA, for two years, working directly with Mark Tucker. I could go through the list just to give you a flavour of the business experience.

With how we define growth—this brings in the broader Treasury definitions—I have a very simple approach. What is economic growth? It is growing GDP. We know the challenge facing our country: since the financial crisis, growth has flatlined, when you unpick it. You can look at it in different ways. You can do GDP per head, you can look at productivity or you can look at real household disposable incomes. Whichever way you cut it, performance has been poor. Certainly if you compare, say, the trends in the 20 years running up to the financial crisis with the 20 years afterwards, we have been far higher. At the heart of this—

Q4 **Rupert Lowe:** What do these regulators need to deliver for you to consider it successful growth? I am not clear.

Gareth Davies: They need to help their sectors flourish and grow. If you look at the work of the Civil Aviation Authority, which, when I worked in the Department for Transport, was led ably by Richard Moriarty, it obviously focuses on safety—that is an absolutely core role—but also on how new technologies can be introduced into that sector. For example, there was the work on drones, which is now a flourishing sector in terms of not only domestic civilian use, but military capability. With all these regulators, we are looking at how they can help to support a flourishing sector.

Q5 **Rupert Lowe:** What do you consider success and what do you consider failure in terms of GDP growth? Have you told them that?

Gareth Davies: In terms of quantified numbers?

Rupert Lowe: Yes.

Gareth Davies: No. What we are doing and working on—

Q6 **Rupert Lowe:** So how do they judge whether they have been successful or not?

Gareth Davies: We are working our way through the strategic steers, and the growth guidance will be issued regulator by regulator, so that I am making it specific. What we have to do is break down the top-level success—GDP—into what that means specifically for the individual regulator.

Again, let me take the example of the CAA. You risk spurious accuracy by trying to tie back GDP changes to the regulator, given the long and variable lags. The growth goals there will be around the third runway at Heathrow, because you can see the underlying evidence around the impact that makes.

Q7 **Rupert Lowe:** Okay. I am still not clear, but over what time are you looking for them to deliver this? What is your timeframe for delivery? I am not clear on the definition, but assuming they are—I am far from certain they are—what is the timeframe over which you want this delivered? If you do not know the objectives, they cannot deliver them for you.

Gareth Davies: How do we work our way through this? With individual regulators we will set a strategic steer, which is over the course of the Parliament. Then, more tangibly, we will have an at least annual—normally biannual—meeting of the Minister and the key regulator, and annual growth goals that set out specific things they need to do. The key issue in regulating for growth is the actions and behaviours they need to take, so the timelines will depend on the reforms we are asking them to do.

Look at the changes we have made at the CMA. We have changed the senior leadership through changing the chair. There is a new strategy, with its approach around pace, proportionality, predictability and the like. We are already seeing changes in how that is operating with businesses and in the feedback I get from inward investors.

Rupert Lowe: I have no more questions, Geoffrey.

Q8 **Chair:** Just to delve a bit more into Mr Lowe's questions, when your Minister is seeing the key regulators, do you also obtain an opinion from the sector leaders relating to that regulator? Do you balance that with any consumer groups that may also be involved with that regulator? What is your feedback loop before you see the regulator?

Gareth Davies: That is a very good question. There are two ways in which we do this. I might bring Caleb in on the consumer side. On businesses, underpinning the industrial strategy are eight sectors that we think will drive growth over the next 10 years. Each of those sectors has a sector council, which is normally chaired jointly with the Minister and the relevant industry leader and looks at how regulation can help or hinder the

growth and flourishing of that sector, so we have a good feedback loop on that. Caleb, will you talk about consumers?

Caleb Deeks: We talk to a range of stakeholders. We talk to consumer groups and look at whether regulators are having an impact in the competition sphere. Not just for the CMA, but for other regulators, for example in the utilities, we look at the prices and quality that consumers are receiving in that market. That is part of the performance conversation that we expect Departments to have with key regulators on a regular basis.

Q9 **Chair:** Given that you oversee the policy, the next obvious question is whether all Government Departments have the same procedure.

Gareth Davies: Yes. That is exactly the benefit of having the integrated action plan reporting to the Chancellor and having the joint unit with officials from my team and from the Treasury. We set the strategy, which we agree through various governance within Government, and each Government Department has similar levels of responsibility.

Q10 **Sarah Olney:** Mr O'Neil, what does less risk-averse regulation look like in practice?

Jim O'Neil: This will build a bit on what Gareth said. Maybe I will draw an analogy with financial services, recognising your career in financial services and my own. The Chancellor said that after the crisis the regulatory system sought to eliminate risk taking. Her view is that that has gone too far and that we should reintroduce informed risk taking into the system, give the PRA and the FCA more formal growth duties and responsibilities—not that those were not part of the things they assessed—and have a balance. Regulators have a lot of difficult things to balance—they need to make the system safe and they need to protect consumers—but the growth mandate for their individual sectors should be part of the discussion.

Q11 **Sarah Olney:** Can you give me any specific examples? You cited financial regulators.

Jim O'Neil: I would also say that the Government, the regulators and the industry are on a journey on this. This is the beginning of the journey. In fairness, this dialogue has been going on in financial services for a while. Simplification and streamlining are some of the lower-hanging fruit. Reporting requirements across business, but in particular in the financial services sector, have gone down. I would also point to prospectus rules, speeding up listings and timelines of approvals. The FCA and the PRA have—

Q12 **Sarah Olney:** Can I interrupt you very quickly? You said that reporting requirements had decreased. Has that delivered any specific boost to growth?

Jim O'Neil: One of the key KPIs that we are getting out of this meeting is the 25% reduction in administrative costs. That has been scored with engagement with the industry at £100 million.

Q13 Sarah Olney: Would you agree that there is a possibility that it is very easy to cut the administrative cost, but perhaps less easy to demonstrate how that is driving growth?

Jim O'Neil: On Gareth's point, at the end of the day, growth is the GDP. It is very difficult to have a Venn diagram of exactly everything that drives GDP, but more growth-friendly actions by regulators have to contribute to that. Granted, it is not a direct correlation.

Q14 Sarah Olney: What certainty will there be in selecting the activities you no longer require regulated industries to carry out? You might have a range of things you could suggest, but how will you select the ones that are more likely to deliver growth?

Jim O'Neil: First of all, it is up to us—as the Chancellor has done with the FCA and PRA—to set the growth duties. It is up to the regulators to choose these actions. The regulators interface with industry; as Gareth said, we in Treasury also interface with industry, and we interface with consumer groups as well, but it is up to the regulators to take these actions. We are giving them feedback; there are these twice-a-year reviews of those actions. We need to get that feedback to assess their effectiveness. Some are short term and some, by definition, are longer term.

Q15 Sarah Olney: You can only assess the effectiveness from looking at GDP.

Jim O'Neil: In terms helping that industry grow, GDP growth comprises a lot of things. It is not a one-for-one thing, but I think you can assess what is happening. The PRA and the FCA have more published KPIs than not just other regulators here, but most global financial services regulators. We can always debate KPIs, but they have very open disclosures to try and measure progress, which I think is at the heart of your question.

Q16 Sarah Olney: Ms Glover, the same question to you: can you give specific examples of where an increase in regulatory risk appetite can deliver growth?

Jessica Glover: Thank you for the question. On how we think about growth, the Chancellor's framework of stability, investment and reform is really important. The macroeconomic stability that we need in place to allow the conditions for inflation and interest rates to come down is incredibly important for our growth goals. That is why, for her, fiscal stability is such an important thing.

The second one, investment, is where this question of regulation comes in. We know that we have under-invested in terms of public investment—we are not here to talk about that today, but the Chancellor's new fiscal rules allowed for an extra £120 billion in this Parliament. We are really talking today about private investment. The industrial strategy was published last July, and through all the consultation we did jointly as two Departments—DBT and the Treasury—we found six dominant themes in terms of what was stopping people investing, and one was regulation. So when you ask how we know whether we are succeeding in removing a barrier to growth, I think business investment is an important one.



You asked whether there are specific examples of risk taking within that. The examples I would give are in the areas of planning and environmental regulation, and we can come on to water regulation too. DEFRA asked Dan Corry to carry out a review of environmental regulation, looking at whether it was contributing to economic growth and protecting the environment. This is an example not so much of risk taking, but of a very risk-averse approach and of looking very narrowly at the environmental rules the organisations in question were there to enforce. They were not thinking more broadly about how to achieve the outcomes on growth or the environment that they were there to achieve. There are now conversations much earlier about how to achieve a set of outcomes where you balance the nature objectives and the growth objectives—for example, through a lead environmental regulator for the lower Thames crossing or, as announced on Friday, the East West Rail project, where teams coming together can work out what the right answer to a particular question is, without having a completely risk-averse approach that stops them even talking to the right people to find the right answer.

- Q17 Chair:** Jim, while we are on the subject of regulating the City, we have evidence—I am afraid you have not seen it yet, but we will be publishing it and will make it available to you afterwards—from CityUK, which I am sure you talk regularly. They say, “The UK regulatory environment is complex and regulatory compliance is costly.” They cite, in particular, the CityUK PwC report published in November 2025, which reckons that annual regulatory costs now exceed £33.9 billion. They say, “UK regulation has gone too far in seeking to eliminate risk, undermining investment, enterprise, innovation and growth.” That £33.9 billion is a big figure. Isn’t there a case for reconsidering the whole of financial services regulation?

Jim O’Neil: Again, I referenced some of the Chancellor’s quotes, and I do not think that that is inconsistent. She did not have this £33 billion number, and I don’t know how they calculated that. I think she said that the system got too out of whack and sought to eliminate risk taking, and risk taking, in the right way, needs to be reintroduced, from a regulatory perspective.

It is a very expansive question, but the FCA and the PRA are both on journeys on these growth missions. We did not talk about PRA changes, but there was major change in Solvency II and the matching adjustment, allowing insurance companies to invest further in the UK, and change in capital rules for banks. One can always debate the speed of the trajectory, but there is no debate about the trajectory that we want to be on to support growth.

- Q18 Chair:** They then go on to say, “High regulatory standards are a central tenet of what makes the UK a world-leading international financial centre”, so what they want is world-beating regulation. By the tone of that evidence, they probably do not think that we do have world-beating regulation, so that there is a case for looking at the regulation of the whole financial services industry, is there not?



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Jim O'Neil: Again, I do not think there is any debate that we are trying to have more growth-oriented regulation, and there have been a lot of accomplishments. I would point to the PwC survey, which says that the UK is the second biggest investment destination in the world; that could not be done without a world-leading financial services sector. I do not think there is any debate over the direction of travel in terms of trying to have more growth-oriented regulation in the UK financial services.

Chair: Thank you for those answers. I now come to my very able deputy, Clive Betts.

Q19 **Mr Betts:** On to other sorts of regulation, is there a trade-off between regulation and risk?

Gareth Davies: I am trying to think of the best way into that. Ultimately, yes, because there is always that sense of how you get the appropriateness of the regulation, which is absolutely critical. The key thing in a market economy is that we are not trying to take away all risk. If you speak to CityUK—as the Chair referenced—one of the critiques they have is that we are moving more to a risk-off society, rather than a risk-on one.

For me, the question is what the appropriate level of risk is. There will be some areas where you want zero tolerance: parts of health and safety, risk to life and limb, and the like—you want to be absolutely clear there. In other areas, you might be willing to take more risk in a proportionate way, particularly around some new technologies. It is an awful phrase, but in the sandbox type of approach you can test out new technologies in a particularly limited, controlled way. We have done some interesting things on that with drone technology and parts of fintech—one of the success stories in financial services in the last decade is the way in which the regulatory environment has helped the growth of fintech.

So, ultimately, yes, but I always worry—certainly in my Department—when we go too quickly towards saying that there is a clear trade-off, because sometimes you can do both/and through the appropriate design and structuring of regulation.

Q20 **Mr Betts:** But there are times of conflict, aren't there? We can go back to times when mistakes were perhaps made and the balance swung too far. Thinking of the Grenfell disaster, the failure to update building regulations was clearly a factor in that. It was part of the mantra of one in, one out—you can't bring in any more regulations until some have gone. The idea that all regulation was bad was behind that. Now we have the building safety legislation, and it is clear from talking to builders and construction companies that the way the HSE is operating that is leading to a slowdown in building high-rise flats. That is a conflict, potentially, between building and growth, which the Government are really into, and public safety. Who oversees that balance?

Gareth Davies: The responsibility for that balance is with MHCLG, which is responsible for building. The central, joint team between my Department and the Treasury will provide advice, guidance and challenge

to that process. For me, you do not get sustainable growth by threatening or risking life and limb in that way. That is why we wanted to make sure we designed those targets in an appropriate way and focused on the administrative cost of the regulation, as opposed to the policy cost. On building safety explicitly, that is excluded from the target.

- Q21 Mr Betts:** Right. Whose job is it to get that balance right? So far, the comments have all been that it is the regulators who have to strike that balance, but surely it cannot just be down to them, can it? There may be policy decisions, but surely the Departments have responsibility for giving a sense of direction to the regulators. Where is that? Can we read it anywhere?

Jessica Glover: To give two examples, on Thursday last week, the Secretary of State for the Environment, Emma Reynolds, issued new strategic policy statements to Natural England and the Environment Agency. Those were part of a new package of measures, which I can go through, that were put out on Thursday and Friday to help with this overall question of giving the right direction to the regulator to balance the various objectives that they have.

The straight answer to your question is that it is for the Department to set the objectives for their regulators. But it is a dialogue; it is then for the regulators to come back to the Department and say, "This isn't working," "This balance is wrong," or, to respond to the earlier question, "It's not clear enough."

Some of us in the Treasury and DBT have our own regulators, as we have just been discussing, but system-wide, are we being coherent and are we identifying a clear set of measures, such as the performance reviews or the annual simplification plans, which drive consistency across the system? We are not doing a one in, one out policy exactly, for the reasons you allude to. We do not want to falsely prevent important regulation that keeps people safe from coming into force.

David Lunn: One of the things the Chancellor and the Secretary of State announced last October was the plan to introduce not only a stronger growth duty, but alongside that a statutory power to issue strategic steers across the top 16 regulators. The process that Jess talked to there would operate across the piece.

- Q22 Mr Betts:** Paragraph 6 of the Report says very clearly that DBT and the Treasury "have not yet articulated how regulation can enable growth in the context of balancing objectives with managing, and accepting, greater risk." You have signed up to that Report, as Departments. Why haven't you done it?

Jessica Glover: As David alluded to, the process we are going through of making sure each regulator has a refreshed policy statement from the Department is the vehicle for making sure that that happens consistently across the board.



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David Lunn: It looks different in each case, because in every case it will need to be relevant to the sector and the regulator you are looking at.

Q23 **Mr Betts:** Right. So that omission will be put right?

Caleb Deeks: Yes.

Gareth Davies: Yes.

David Lunn: Yes.

Jessica Glover: Yes.

Q24 **Mr Betts:** When?

Gareth Davies: We are working our way through that over this year. We gave an update on our work in October; we will give another update before the summer. This will already be happening with Departments across the top 16 regulators; all of them have already had a ministerial bilateral, and the work through on the growth goals and the strategic steers will be happening over the rest of this year and into the next.

David Lunn: The new strengthened growth duty and the strategic steer powers are obviously subject to legislation, and that is all subject to the King's Speech in a couple of months' time, so we will see what we get.

Q25 **Mr Betts:** So by the end of the next financial year it should all be in place, should it?

David Lunn: Subject to the King's Speech.

Q26 **Mr Betts:** But you do not need primary legislation to give the appropriate guidance to regulators, do you?

David Lunn: You can definitely write letters, but for them to have statutory power, you need the legislation.

Q27 **Mr Betts:** Who needs statutory power?

David Lunn: The Secretary of State can write letters to regulators. For those letters to have statutory effect—that matters for individual regulators because they are ultimately subject to judicial review, and the law matters for them—you need the statutory power behind them. That is in place for some, but not all, and that is what we have to provide.

Q28 **Mr Betts:** That does not stop the letters being written, does it?

David Lunn: No.

Q29 **Mr Betts:** They are clearly in the public domain, and you would think that most regulators would have regard to them in a proper way. You might need the legislation to back them up, but by the end of the next financial year, irrespective of the legislation, all that guidance will be in place, will it?

Gareth Davies: Yes.

Q30 **Mr Betts:** We might look forward to seeing that on the Committee.

Gareth Davies: I am sure we will be bringing it back then.

Chair: Thank you, all of you. That was a useful step forward.

Q31 **Rupert Lowe:** Right, me again for round 2. This one is probably for you, Jim, given that both of us have had a career in the City *[Interruption.]* Dear me, that's my wretched watch. As you and I probably know and understand, which not everybody will, in the financial services markets of 2000, London was the most vibrant capital market in Europe. It no longer is; a lot of London's businesses emigrated to Nasdaq and other parts, where they do have an appetite for risk taking. You mentioned Solvency II and MiFID I and II, which were largely regulatory initiatives coming out of Europe rather than the UK, and they have arguably damaged the UK as a risk-taking centre. We aggressively regulated London following FSMA 2000, which, as you know, morphed into the FSA and then the FCA and the PRA, which you have mentioned.

I know the financial sector, so I am using that as an example. I am well aware that there are other sectors that we are looking at here that are equally important—I have building companies and other businesses that are affected by regulation. However, for the sake of today—and if you will indulge me, Geoffrey—I had a look at the FCA, which in my opinion is a hugely out-of-control regulator, and at the cost burden. The FCA's turnover grew between 2015-16 and 2024-25 from £554 million to £820 million, which is an increase of 48%. Staff costs went from £324 million to £492 million, which is an increase of 52%. Staggeringly, headcount went from 3,285 to 5,434, which is an increase of 65%. A lot of that is levied on the industry itself and results in regulatory burden, so you have cost and burden.

I can see that there is a job to be done there. However, my question is whether you have looked at those issues for all the other industries that are regulated by regulatory bodies—particularly the HSE, Ofcom and the MHRA—and that are also being held back. Have you done that exercise? I would like to know that you all feel happy that you understand what cost and burden is being loaded on to not just financial businesses but other businesses. Have you done that work?

Jim O'Neil: It is a fair challenge. I will talk about the PRA and the FCA, and some of my colleagues can talk about some of the other regulators. The onus on the Department is to be satisfied with the value for money proposition of the regulators, which I think is part of the heart of your question. The other thing you are addressing is the impact on the industry.

Civil service, regulatory and arm's length body headcounts have increased since covid. A lot of Departments, including the Treasury, have headcount reductions under way to try and balance that. That is part of a Department's responsibility of looking at any arm's length body, including regulators.



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On your question on the FCA, we have merged the Payment Systems Regulator into the FCA. I do not know the apples and oranges off the top of my head, because there was a merger there, but I will look at it. However, a lot of these regulators have taken on more responsibility, so that has increased headcount.

Again, on the FCA, when I look at the things it is doing with the sandboxes—having dedicated staffing for growth companies to help them with their sandbox and help them navigate regulation—that does require people and costs. I would balance that with the cost of regulating industry, but also some of the growth initiatives.

Fintech, which Gareth mentioned, is a great growth story for UK financial services. It attracted £3.6 billion of investment last year—second only to the United States. The FCA, with its sandboxes, deserves some credit for that. I am happy to have some of my colleagues talk about others.

Q32 Rupert Lowe: I am not sure I agree with that. I think that, since 2000, London has declined. Look at the market capitalisation of our stock market. Look at the number of our companies that are being taken over because they are undervalued and there is no liquidity. This is what happens if you kill the pool that provides the capital to match with the risk taker. Things have morphed, and we have become more concerned about an ageing retiree base than a vibrant young group of people who are prepared to take risk. If we are going to get at the truth, we must have a frank debate about whether you can achieve what you are trying to by, as you say, “Regulating for growth”—as I said, I think that that is an oxymoron, and I would call it deregulating for growth.

I need to understand, if I can, how you are going to identify the cost and the burden on business and judge success. I blame the FCA and the PRA for a lot of the demise of London as a financial centre. They have grown far too big; they have replaced the concept of caveat emptor. It has become nanny regulation that protects, basically, people who are not helping—

Chair: Right, Rupert, we have got the point.

Rupert Lowe: We have to get at the answer to this.

Jim O'Neil: I started in UK financial services in 1999 after having been in New York, so I was there in that period, and I agree with a lot of what you said about that period. Equally, we did have the financial crisis, and I think you and I would agree that the financial services system did fail. You had regulation come in, with the separation of the FSA and the creation of the FCA and the PRA. I think the Chancellor herself said that process was to eliminate regulation, and she feels that has gone too far. Trying to change that is part of the heart of these growth duties. I think maybe we are talking about the trajectories of change versus the need to change, and we agree with that.

There was a lot in what you said, but particularly on equities in the United Kingdom, the prospectus for reform has been very good in terms of having

companies list here, and in the last Budget there was the tax incentive of a share holiday. To your point about investing, I do not want to go through all the pension reform initiatives to try to get that moving; that does not change overnight, but that direction of travel has started.

Q33 Rupert Lowe: This is my final question, because I can feel that the Chairman is itching. Are you looking to help the financial sector or, to Clive's point, the building sector? What sectors are you looking to achieve benefit for, above all else?

Caleb Deeks: I can start off on that. We are absolutely looking, right across the Government, at all regulators and asking them the same set of questions about where they can reduce the burdens on business and where they can speed things up. We are doing that across every relevant regulator. You asked about particular sectors, and we are doing that too. You mentioned the Health and Safety Executive; we have a team working with them on a deep dive right now. We have heard from business—small businesses in particular—that that is an area of concern, so we have a team looking at that.

We have also looked at the particular regulatory issues in each of the eight sectors in the industrial strategy where we have real growth potential, to see where we can make progress and unlock them. We have another of those deep dives going on in agritech, for example, to uncover good things that we can do and change quickly. Jess could speak in more detail if you wanted, but there is clearly a huge focus on the whole area of infrastructure and planning regulation to try to get that sector moving more quickly.

Rupert Lowe: This is, I think, the 10th plan to effectively reduce regulatory burden and increase growth. Hopefully we will not need an 11th, but I can't quite see how we aren't going to need it.

Q34 Anna Dixon: Apologies for coming late to the session. I was very interested to hear, in your response to Rupert's question, that you are thinking about all sectors. I want to bring up two sectors that we probably do not normally think about when we are thinking about growth. The first is farmers. Jessica, you were talking about environmental regulation, which was the subject of a recent Public Accounts Committee session. We heard that farmers are facing, at a minimum, five or six different regulatory agencies.

I am interested that you are focusing on the administrative cost, and I want to get at how you are calculating that. For farmers, one of the factors is having to engage with so many regulators; if you were asking only individual regulators, that would not necessarily capture the administrative cost. It is often about the time that it takes to engage and fill out forms, which is a massive opportunity cost for farmers, but it is also about poor customer service. Whether it is Companies House or other regulators, we hear a lot about people spending an enormous amount of time waiting on telephone lines only to be unable to reach someone or get a response. How are you calculating these administrative costs and recognising the full



extent of the administrative burden on much smaller businesses like farmers?

Jessica Glover: Thank you for the question. In a moment, I will ask my colleague David to talk through the methodology of the admin burden calculation, but let me say first that I massively recognise your point. For all these businesses, including farmers, time is money, so anything we can do to simplify, streamline and speed up their engagement with regulators is incredibly important.

That is why the Secretary of State for the Environment at the time asked Dan Corry to carry out his review of environmental regulation in particular. He published his report in April 2025, and the Government are now implementing it. He found that there was insufficient focus on outcomes, and that the regulators were taking too much time and were not co-ordinating with each other in terms of how they interacted with businesses. A lot of the culture change that the leaders of the relevant regulators have brought about since, in how they talk to each other, is to try to prevent a situation where a particular farmer is getting six different answers from six different regulators, all from slightly different points of view. Of course, Jon Cunliffe's review of water regulation has come up with a similar set of conclusions, and the Government are implementing those too.

Finding solutions that are good for both the environment and growth is really important. The NAO Report identifies the Environment Agency as taking a riskier approach with farmers and businesses that have already shown that they can be trusted to some of the innovations that they bring forward. A lot of it is about the strategic steers and the rules that we have mentioned, but a lot of it is also about the culture of the regulators in the way that they interact. David, do you want to say something about the methodology for the admin burden?

David Lunn: Absolutely. The approach we have used is something called standard cost methodology, which was developed 20 years ago. It was used in the exercise that was done in the UK from 2005 to 2010, but it has also been used internationally. It was originally developed in Holland, and the EU is using the same methodology for the 25% target that it is looking to deliver. It is a well-established methodology, and it is all about time—that is absolutely what it is looking to measure. It is about time spent filling out forms, retrieving information, inspections—all those things. It would include costs spent with intermediaries: if you have to use an accountant to help guide you on the regulation, then that would be captured. But time is the fundamental basis.

Q35 **Anna Dixon:** But, to clarify, it is not the regulatory impact assessment; it is not the cost of regulatory compliance.

David Lunn: The regulatory impact assessment should split out the admin burden, but it is not the cost of compliance. It is the time spent engaging with the regulator and with the regulation. On your farming example, to emphasise Caleb's earlier point, we are doing some work on the farming



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industry at the moment, in particular around agritech and looking at whether there are opportunities to make changes to the regulatory regime that might make it easier to use new technology. We are very aware of the importance of the farming sector, and it is definitely something that we are looking to pick up.

Q36 Anna Dixon: Can you explain why you have not given DEFRA, for example—or Departments—a specific target?

David Lunn: We have not done that for a couple of reasons. First, it is an overall target; the target that we have is £5.6 billion across the Government as a whole. We thought about whether we could introduce regulatory budgets, which is in effect what we would be looking at here. We have not done that, for a couple of reasons. Different parts of the Government are looking to do different things, and some of those things will involve new burdens coming in. If you are trying to do a blunt admin burden budget or target, then it risks losing some of the nuance, which is what people saw with Grenfell and other areas around building standards—I think you need to be a bit cleverer than that. Secondly, what we have not done this time around is spend a lot of money developing individual budgets for individual Departments, which is what they did back in 2005. We have taken numbers that we had previously and developed an overall target around them. To try to break that down into individual Departments based on the analysis that we have got would be too difficult—I think it would be very difficult.

Q37 Anna Dixon: Of the £5.6 billion estimate, how much have you already delivered in savings since you published the plan?

David Lunn: We said in October that we have identified £1.5 billion-worth of savings, but those are gross savings and the target is net—I want to be clear about that. The process that we are going through at the moment is working with individual Departments. Each of them is in the process of delivering to us what we have called an annual simplification plan; we will then pull that together, and later in the spring we expect to report on progress at that net level. At the moment, we have identified some gross savings, but later in the spring we hope to produce our update on what the net position looks like.

Q38 Anna Dixon: Can I check one final thing? I will use the care sector as an example. It has lots of very small businesses that are quite fragmented. Obviously, there is important quality and safety regulation from the CQC, but many of those businesses are just shy of bankruptcy—they operate at very small margins. How are you ensuring that there are not unintended consequences? You can dilute regulation too far, as we have seen with some care agencies that were specifically set up and brought in overseas workers, but have delivered very poor-quality care. They were not inspected after they were registered. How are you ensuring that you are not diluting regulation too far, and allowing businesses to operate that should not be given licences to operate?

David Lunn: I would say two things to that. The target is the admin burden. That is why we are looking at the “how” of regulation, rather than



the substance. It is not one in, one out; there is not a blunt target. That is part of the answer.

The second part is that this is not a deregulation agenda; it is a better regulation agenda. There are new regulations coming in that will add admin burdens, at the same time as we are looking to reduce them elsewhere. There is nothing within the system that prevents that from happening. You can point quite easily to examples in my Department where there will be new admin burdens coming in. The challenge is that, if you are doing that, you need to find additional ways of saving admin burdens elsewhere if we are going to hit the target. But it is not a deregulation agenda per se.

Q39 Chair: Before I ask my next question, I want to clarify my entry in the Register of Members' Financial Interests: I have farming interests, and I am a chartered surveyor.

Gareth, we had a hearing recently on regulation in the water sector, and I asked the DEFRA permanent secretary about the suggestion that has been made to merge the Drinking Water Inspectorate with parts of the Environment Agency and Ofwat. That has more or less been accepted. When I suggested that perhaps the Environment Agency might be merged with Natural England, there was a look of horror on the chief executives' faces, but actually, as you mentioned earlier, one of the areas where we get regulation most wrong in this country is the planning sector—I practised in it, so I know it backwards. It can take years sometimes, and it is a big deterrent for developers. Have you thought about further amalgamations? As Anna Dixon said, farmers have to deal with both Natural England and the Environment Agency, which often answer the same questions. They both deal with the planning system, and they often look at the same plans when it is a sensitive planning application. They both deal with prosecutions in much the same field. It would surely make sense to look at merging those two agencies, wouldn't it?

Jessica Glover: Shall I come in on this? You are absolutely right that infrastructure is key. The NAO Report found, in figure 9 on page 38, that 48% of regulators expect infrastructure to be a major driver of economic growth. That is why planning reform has been such a big plank of the Government's plan so far. As you know, the Planning and Infrastructure Act came into force in December, with some major changes to the national infrastructure planning system. It requires national policy statements to be updated every five years. It removes the statutory pre-consultation period, which should speed up the process by up to 12 months in many cases. It streamlines judicial review attempts. It establishes cost recovery for local planning authorities. There is more—you know it, so I will stop listing it. Those really important changes will be implemented by 2027.

On the question of the environment, that Act also brought in the mechanism of the nature recovery fund, whereby, instead of remediating a particular development site—

Q40 Chair: We have covered that in great detail and had questions on it. I



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have big reservations about it, I have to tell you.

Jessica Glover: Okay, fine, but the intent there is to make sure that nature and development can continue in concert by the developers paying for nature recovery elsewhere. That is the intent. On the question of whether it would be appropriate to think about merging environmental regulators—

Chair: Or any other regulators.

Jessica Glover: On the in-principle question, the answer is that we look at it on a case-by-case basis. Jim mentioned the financial services regulators, and you are absolutely right that we are creating a single water regulator as a result of Jon Cunliffe's review.

On environmental regulators specifically, Dan Corry looked at that issue and concluded that there needed to be much better cultural co-operation between the regulators, but that it would not be the right answer to merge the regulators. One reason for that, of course, is that merging regulators and bodies takes an awful lot of time, effort and energy that could be spent making sure that you are co-operating effectively to support the aims you share.

DEFRA has instead introduced the lead environmental regulator model, which it is piloting on the lower Thames crossing, as well as East West Rail now. Those big infrastructure projects, as far as the project is concerned, just have one lead regulator. They go to that regulator, and it is that regulator's job to check what any other relevant regulators are providing—they are like a single front door for the project. DEFRA has also established an infrastructure board and a developers' council, which are bodies designed to bring together the relevant people to make sure that problems are being identified upstream, and that they are then surfaced, escalated and addressed.

In the case of the environmental regulators, those are not being merged, and the lead environmental regulator model has been introduced instead. Overall, you are looking at a case-by-case consideration of where merging regulators is appropriate. It is certainly a question that the Chancellor often asks, and an area that she is very interested in.

Gareth Davies: To build on what Jess said, there are different ways in which you can tackle this. The key point that you highlighted, Ms Dixon, is the complexity of this compared with how it can look—it can look very sensible from a Whitehall perspective, but you have to turn this around.

I was very struck by the comments made today by the Federation of Small Businesses, whose report on regulation said, "Actually, yes, you need to look at it regulation by regulation, but you also need to turn it around and look at the cumulative impact, which can often be more than the sum of the parts." I think that is a really important point, which is why we have deliberately tried to come at this from two sides. Yes, it is about the individual regulations, but we must also look sectorally through the sector

councils and—as Caleb mentioned earlier—the overall thematic reviews to think about how all this comes together.

I am very excited by the lead regulator model, given that merger and closure can be prohibitively expensive, take time and be very distracting. We should not shy away from opportunities to reduce the absolute number. For example, Caleb is leading work on employment rights and employment legislation, including the creation of the Fair Work Agency, which actually has the opportunity to bring a number of disparate regulators into one place to make the interface with business much simpler.

Jessica Glover: I will add that John Fingleton’s review, the nuclear regulation taskforce, which the Prime Minister and Chancellor commissioned—it reported in the autumn, and we published our implementation plan having accepted the vast majority of its recommendations—recommends having one lead regulator for nuclear projects. The Government has accepted that recommendation and will be introducing one lead regulator, so that is also an example of merging.

Chair: Thank you for those full answers.

- Q41 **Sarah Olney:** Mr O’Neil, the Report references the fact that there have been 10 separate attempts to do this over the last 15 years or so. What we have learned from those previous attempts to reduce the regulatory burden is that one or two things can have a great impact. How will you go about identifying which of the regulatory burdens, if they are relieved, can have the greatest impact on business?

Jim O’Neil: It is a very fair question—thank you for that. There has already been an assessment, and Jessica referenced the planning Act. I think that was viewed as having an outside impact to get building done more quickly and to make it easier to build things. We as a team make an assessment as we engage with regulators and business along those lines, when we are asking, “What are the biggest impacts?” That is one that I would particularly point to, and financial services is a particularly important area. But as Caleb said, we are here not just for the 80:20 rule; we are looking across the piece.

- Q42 **Sarah Olney:** I completely understand, but how will you identify the 20 of the 80:20, or the ones that are going to deliver 80% of the impact? How are you going about identifying those?

Caleb Deeks: I will add a bit to that. We are using a number of methods; one is what David mentioned earlier, which is asking all Departments for an annual simplification plan. That is a challenge laid down to them that says, “Where can you find some administrative burden savings for businesses across your areas?” We are in a process of reviewing those with Departments now, and they will also be identifying the pipeline.

- Q43 **Sarah Olney:** Sorry, just quickly, are you challenging Departments to find the ones that will have the greatest impact?

Caleb Deeks: Yes, absolutely, because we are really focused on delivering that target.

The other thing we are doing is a whole load of engagement with businesses. It is no good just asking the Departments and the regulators; we also want to hear what is holding businesses back. They tell us in the survey that regulation is a problem; we know that. We have done lots of roundtables with different sizes of businesses and different sectors—we have done around 30 of those recently. We have had a business questionnaire, and we got lots of responses to that.

We are obviously talking to all the business groups and seeking their ideas, and particularly their specific ideas—not just about regulation being a problem, but what things they think would make a difference. Those are the inputs to, as you say, identifying the things that will drive the biggest bang for buck. As you say, in that 2005 to 2010 period, which was a successful initiative, a relatively small number of things delivered the majority of the savings.

Q44 **Sarah Olney:** Are you close to identifying what that small number of things will be this time round?

Caleb Deeks: I think we know some of the components. Clearly, what Jess was describing about infrastructure and planning is a really important element, and that drove some of the £1.5 billion that David talked about earlier.

Q45 **Sarah Olney:** How have you identified those? Is it from that business engagement or a different source?

Caleb Deeks: Jess can probably speak a bit more about those ones. If I look at some of what we are responsible for within DBT, we have a big initiative on looking at the whole area of company reporting. We have made some steps already in legislation to change some of the thresholds that had not been updated in a long time, and to make things simpler for certain types of company. We think that there is more scope, returning to the original vision about information that is material to—

Q46 **Sarah Olney:** You have identified that as one of the things that will have an outsize impact.

Caleb Deeks: Yes. We have already delivered savings worth £280 million from secondary legislation that we have passed. We have announced things that will deliver a further £230 million of savings, and then we also have some further ideas that we will consult on shortly, which will bring further savings of a similar sort of magnitude, I expect. That is quite an important component for us in the Department, and we know that because of conversations we have been having with people in the industry, and because it has not been looked at in a long time. Some really compelling representations have led us to focus on that as one of our key things.

Q47 **Sarah Olney:** Just to be clear, you are saying that changing reporting requirements is one of the things that can have a larger impact overall on growth.



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Caleb Deeks: Yes. And another more thematic one is thinking about digitisation—taking people further along that journey, and making the whole area of regulators and regulation easier to navigate for business. That is more of a cross-cutting one, rather than an individual regulatory area.

We have further to go to get to what you described as a top 20. That is probably quite a sensible number, but I would not say that we have all 20 identified yet. But the process I described with Departments—the annual simplification plans—is designed to help us get to that place.

Q48 **Sarah Olney:** Mr Davies, you wanted to come in.

Gareth Davies: Yes, I was really struck by your question. I hanker after a single model where you can put all the options in, score them all on a consistent basis and see the impact on GDP clearly. It goes back to your question at the start, Mr Lowe; the connection between some of the reforms we are doing and the ultimate GDP impact is, frankly, long and variable lags.

We have to look at this in a number of different ways. You can do the analytical piece around the administrative cost or the analysis of what the likely impact will be, but a lot of this is about business sentiment; the chain of logic I run in my head is that business sentiment drives investment, which drives growth. That is why the direct feedback from businesses about what matters most is absolutely critical here. Yes, we can do our desk research, but it is an active conversation, and we have triangulated our way through different sources of data to have a prioritised list.

Q49 **Sarah Olney:** I understand what you are saying about how that process works, but what will you do to prevent too much time and energy being spent on regulatory change that ultimately does not deliver a big impact?

Gareth Davies: That is definitely a risk. The main way in which we are focused there is through the use of things such as the sector councils, where we get some of the largest investors around the table with Ministers so that they can give feedback about what is making a difference and what is not. The feedback from what is happening with business investment is a good interim output, which will ultimately drive growth.

Jessica Glover: I think that the £5.6 billion target is quite a good calibration device to understand whether something is significant or not. We know that the planning and infrastructure changes are significant, as Caleb outlined. Coming into office, this Government had already decided that they wanted to make changes to that system because of lots of feedback from lots of quarters.

We will be able to assess through the central team and help other Departments calibrate whether or not something is significant by applying the methodology to determine how much of an admin burden is being taken up by a particular piece of regulation. That is why the top-down and bottom-up approach is really important. The bottom-up approach comes



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from Departments, through their annual simplification plans. Of course, we trust Departments to have their own view of their own regulation and regulators, but in aggregate we can see, top down, where there is most promise for finding admin burden reductions, hence all the focus on planning, environment, water, health and safety, and the other areas that Caleb mentioned.

Q50 Chair: How are we going to achieve the £5.6 billion target if you do not know what the targets are for individual regulators?

Caleb Deeks: We know what the target is overall and obviously we are in the process of working out what individual Departments think they can contribute. We will go through a process of further challenging them until we have plans that get us to the overall number. As David said, it would be using quite a blunt instrument to just set targets for Departments. We do not have a really strong basis for doing that at the moment. We will challenge them to go as far as they possibly can towards meeting that.

Q51 Chair: I do not see how you can come up with a total target if you do not know where it is coming from.

Caleb Deeks: The target is in line with what we have been able to achieve in past exercises like this. It is also in line with a similar initiative that the EU did. Those are some of the things that underpin the target-setting process.

Q52 Chair: Are you going to ask individual Departments, in due course, what their contribution could be? When will that process be complete? The £5.6 billion target might be conservative or it might be way out. When will we know what the basis for that target is?

David Lunn: That is absolutely the process that we are going through at the moment—

Chair: Yes, but when, David?

David Lunn: We are literally doing it now. Returns are coming in and we will look to issue the first return on this later in the spring. It will then be a repeat process; this is not a one-shot game. We will come back next year and go back through.

Q53 Chair: It is a repeat process every year, but when will you have a more comprehensive answer to whether this £5.6 billion is realistic or not?

David Lunn: That is the challenge now. That is where we would like to get to now; we will have a better view in a few weeks' time.

Q54 Chair: I did not ask about the challenge; I asked when we are going to know.

David Lunn: That is where we hope to get to over the next few weeks. We will see whether that is where we get to.

Q55 Chair: Gareth, will you write to us when you know you have any comprehensive make-up of that £5.6 billion?

Gareth Davies: Yes, I am very happy to. Of course, we will crystallise a lot of this in the update that we have planned for before the summer recess.

Chair: Brilliant. Thank you very much.

Q56 **Mr Betts:** The figure is for savings, but it is not a net figure because it could be offset by other regulations brought in elsewhere.

David Lunn: The target is a net one. If new regulations come in and those bring burdens, we will need to find compensating savings elsewhere.

Q57 **Mr Betts:** Right. It is a bit difficult to grasp what precise savings are going to be achieved. Are they just in form-filling? Are they in complying with the narrow definition of the regulations? In paragraph 12 of the NAO Report there are very good examples of measures, such as building safety regulations, that are excluded from the target.

Any increase in burden from those, even though it could cost businesses, is not included in the target that you are aiming for. The same is true of changes to the national living wage, the apprenticeship levy and other things. The target is a very specific saving, isn't it, excluding lots of things that may be costs?

David Lunn: It does exclude those things, but it includes things such as the corporate reporting, all the infrastructure and planning—as Jess was saying—and environmental legislation and the economic regulation. A lot of things are still within the target. It excludes building safety and the tax system; those are the two big exclusions.

Gareth Davies: Can I just bring that to life by referring to the decisions that the Government have made on the minimum wage? Increasing the minimum wage is a policy decision for Ministers. They said that they wanted to focus on the cost of administering the minimum wage—not the transfer from businesses to workers. That is what we mean when we say that the cost of the minimum wage is excluded.

The cost of filling out the paperwork or—back to your earlier question—of dealing with the various regulators are all included, but the direct cost of how much it costs to pay is excluded, as that is an explicit ministerial policy decision.

Q58 **Mr Betts:** Does the same go for building safety regulations?

Gareth Davies: No; building safety is completely outwith this, because of all the concerns, which you touched on earlier, with Grenfell.

Jessica Glover: On building safety, the sorts of questions that we are asking are about culture and the experience of working with the regulator. Those are the sorts of things that MHCLG is talking to the Building Safety Regulator about, but they are excluded from the admin burden reduction precisely because we do not want to risk another tragedy like Grenfell occurring.

Q59 **Mr Betts:** There are other issues. It is sometimes difficult to work out



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what should be included and what shouldn't. Again, in paragraph 12, the 2021 reforms to energy efficiency are measured. Those were estimated to deliver a major social benefit—by keeping homes warmer and the need to use less energy, particularly for low-income families—but that costs business £4 billion. How do you offset those sorts of issues when you are trying to look at the cost of regulation? There are so many things that are not really being looked at in the figures you have given us, aren't there?

David Lunn: Sorry; I might need to look at the precise text. Again, I think those numbers quoted in the Report are compliance costs and policy costs—or policy burdens—so, as Gareth said, that is not caught within the target, precisely because we do not want to force those trade-offs through this system. The bit that is caught is the admin burdens associated with those compliance costs.

There is then a separate policy question for Government about whether they feel that the compliance burdens associated with policies are worth the policy benefits coming with them. That is normal government; those are normal questions. They are not caught within our particular target here, but that does not mean that those sorts of considerations are not going on elsewhere, because they are.

Jessica Glover: I think you are very right to observe that we may be successful in reducing the admin burden of regulation in one place, in a certain set of regulations that already exists, but the Government might decide, for policy reasons, to introduce new regulations that more than offset that admin burden reduction saving.

What I would say about that is that we have given ourselves the task, as a Government, of regulating in the most effective, most streamlined, most simple way—or, to use the CMA terms, pace, proportionality, predictability and process all being at the highest possible quality standard. The Government are obviously also entitled to regulate, subject to parliamentary approval, if that is the best means of achieving the policy objective that they have set out to achieve.

Mr Betts: An example given in paragraph 1.22 is about the guaranteed hours policy in the employment rights legislation, and there clearly is a cost because the Government believe that to be the case. That is not taken account of in your cost-saving measures through better regulation.

Caleb Deeks: I have not got that paragraph in front of me, but, as we were discussing before, the administrative costs of that policy will be counted towards the target. As for the costs that are effectively a transfer from businesses to workers, which is what we might be talking about here—whether that is for the national minimum wage, as Gareth was talking about, or for some of the policies around guaranteed hours—they will not hit the target, but that does not mean that Government do not care about them and are not looking at them through impact assessments and through seeking to bear down on the overall costs.

As we have been saying, the target around administrative burdens that we have been discussing—the £5.6 billion target—is focused on the “how” rather than the “what”.

Q60 Mr Betts: There seems to be a switching of terminology between “administrative burden” and “administrative cost”. Are they the same?

Caleb Deeks: I think they fundamentally are. As we have talked about, we are particularly looking for the time spent by businesses. We have talked about the methodology before in terms of hours but, if you translate that, we are looking at saving the average business that employs someone 200 hours a year. That is a significant portion of time for a small business, which could be spent on growing the business or on developing new products, rather than on dealing with paperwork, regulators and so on. That is where our target is focused, but it is not the sum total of our efforts on regulation.

David Lunn: Just to be really clear, although I might not be able to find the page now, figure 2 in the NAO Report—

Jessica Glover: Page 20.

David Lunn: Figure 2 on page 20 sets out the definition of what we are looking to do. “Administrative costs” breaks down into two buckets: “Business-as-usual administrative costs”, or things that they would need to do anyway, which are not a result specifically of regulation; and “Administrative burden”, which is—the thing that we are targeting—the things that they need to do only because of the regulatory processes, because of the regulators. That is where we are focused.

Q61 Mr Betts: Right. Who decides whether business as usual, in the “Business-as-usual administrative costs”, is actually business as usual? Do you actually ask business about that?

David Lunn: Again, that comes back down to this standard cost methodology, or standard cost model, which was developed 20 years ago. It is well established and has been well used, breaking things down—I think 16 different categories of things fall into that bucket. We need to assess those, and that will need to be reviewed on each individual basis, challenging the evidence around it in a normal way.

Mr Betts: We will not ask you to go through the 16 categories.

David Lunn: I would get a few, but not all 16.

Mr Betts: That is all the questions from me.

Q62 Chair: Jim, I will ask you one question and then we will have a short break, as we normally do. Clive has been quoting examples. Part of the example he quoted is referenced in paragraph 2.4 on page 26: “Over the 2015–2017 Parliament...the Confederation of Business and Industry estimated cost”—to business, of—“£24 billion over the Parliament.” It references specific exclusions such as the national living wage and apprenticeship levy.



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Surely you as the Treasury will be doing all this work to save a potential £5.6 billion—not that £5.6 billion is not a lot of money, because it is, but I have great scepticism whether you will achieve it, given that you have only identified £1.5 billion of savings so far, and the beginnings are always the easiest to do. Your work on this, however, is being absolutely overshadowed, if we are not careful, by the regulatory impact. Should the Treasury not be advising Government much more strongly on the regulatory impact burden, as well as the cost of regulation?

Jim O'Neil: Are you referring specifically to the national living wage, or more broadly?

Chair: More broadly.

Jim O'Neil: Okay. What you have heard here, Chair, is that the administrative cost is important, and it is a way to make this tangible, to try to address the administrative burden on business. We would all love to exceed the £5.6 billion, and there are different ways to calculate it, but it gives us something tangible to point to.

We have had the debate about how one allocates it, or looks at it, but I think what you have heard here is that that is not the stopping point; it is the judgment of what overall impact is caused to business, both positive and negative. I think that that is part of the Treasury's work—if there is any doubt about that—and we have talked about some examples on the positive side and things like additional tax sometimes. Tax is not technically regulation, but it is part of a broader assessment of impacts on business. That is part of the work of the Treasury.

Q63 **Chair:** That was a great answer, but it did not mention regulatory impact burden one iota. Will you please now answer the question?

Jim O'Neil: Sorry, regulatory impact on—

Chair: Regulatory impact burdens on business and what more the Treasury could do to advise Government, when they are thinking about increasing regulatory impact burdens, of the effect—the real, true cost—on business of implementing that new policy.

Jim O'Neil: The answer is yes: it is a role of the Treasury to do that—for regulations of sufficient scale to come to the Treasury; it is part of the role of the Treasury to do that.

Chair: Thank you. Very helpful. We will be watching that quite closely. We are now going to take a short break. The clock is, conveniently, showing 16:49, so we should be back here fairly promptly by 16:55. I remind all our witnesses that the microphones will be open, so be careful what you say. We look forward to seeing you back in about five minutes' time. Thank you.

Sitting suspended.

On resuming—



Chair: We will start the second part of the session with Matt Turmaine.

Q64 **Matt Turmaine:** Jim, I would like to address this question to you. Can you tell us a bit about the progress that you have made so far in delivering the action plan?

Jim O'Neil: I think we have commented on some of the processes that we have done. We will write to you, Chair, when we have the update on the administrative burden costs. That is a very tangible way to do that. We have also mentioned the simplification plans from Departments, which are an important part of that in terms of assessing where we lean in. As I said in some of my other answers, we have made progress, but we still have a long way to go. I point to those two specific things.

Jessica Glover: There are 61 commitments in the action plan, as you have seen; 15 have been completed and the majority of the rest are on track. As Gareth said, regularly reporting to this Committee will be part of how we are rightly held to account for whether the action plan is indeed being actioned.

David Lunn: We would expect to update on those 61 commitments at the same time as updating on the 25% target. It would all be part of a package.

Chair: That is very helpful; thank you.

Q65 **Matt Turmaine:** Paragraph 1.14 on page 16 of the Report says that the plans are currently “off track”. Are you confident you are going to make up the progress that you need to make in the time available?

Jessica Glover: What would I say about that? You will see before you, I hope, that the Treasury and DBT are working incredibly closely on this, embodied in David as the director in charge of the joint unit. We have our own regulators in the Treasury and DBT that we are working with ourselves. But of course this is a huge cross-Government programme and a set of commitments that spreads across many Departments. We have all sorts of mechanisms, formal and informal, to keep the show on the road.

On the formal side, Gareth, with James Bowler, chairs a permanent secretaries group of the relevant Departments, which meets roughly every six weeks and periodically has regulation on the agenda to check progress. We have a new growth and living standards Cabinet Committee, which is the keystone of all the architecture on growth, and that receives regular reports on progress. And of course we have all sorts of other lower-level and informal mechanisms to talk to Departments about whether we are making progress towards these objectives.

I do not want to sound as though I think this is an easy exercise—I don't think it is an easy exercise. In some instances, it requires a shift in culture, which takes time. In some instances, it requires prioritisation of things in Departments that they might not want to prioritise. It is an ongoing conversation and dialogue, and we welcome the scrutiny of this Committee to help ensure that we hold ourselves and others to account for

meeting these objectives and targets. As David says, we will want to report regularly on progress. We are currently on track to meet the commitments in the action plan that we have set out, but we are keeping that under careful review. We cannot afford to be at all complacent, because it is not an easy task we have set ourselves.

Q66 Matt Turmaine: That is great, thank you. Paragraph 2.4 on page 26 references that the 2010 to 2015 Government did achieve driving down regulatory costs by £10 billion. It also identifies that 90% of that was down to 10 changes. Are there replicable lessons from that? Are you already looking at those 10 areas and what their impact might be on future regulatory savings?

Jessica Glover: Caleb will want to comment too, but I think that what we were talking about in terms of the bottom-up and top-down approach is really important. From the bottom up, we are asking Departments for their view about how best they should simplify their regulation. Then from the top down, there are the areas that we mentioned: planning and infrastructure, environment, health and safety, and company reporting. Caleb can perhaps talk about those a bit more. We are looking at those areas that we are told about by businesses and that, through our methodology, we consider to be most burdensome and ripe for our prioritised focus from the centre.

Caleb Deeks: I do not have a huge amount to add. I cannot tell you precisely today whether it will be 10 or 20, but the number of things that deliver the biggest savings will most likely be in that order of magnitude. We need to focus on the things that will make the biggest difference to business while challenging everybody to have good discipline overall. It will be those sorts of themes. The list that Jess outlined is the beginning of that. Those cross-cutting themes, particularly around the use of technology—of data and digital—by Government and regulators to streamline, simplify and speed up things for business, will be another important component. That will also enable businesses to navigate the landscape more easily and devote less time to it as a result.

David Lunn: Just to add one point, it is worth reflecting that the EU has a very similar target of 25% across admin burdens as well; it is 35% in the case of SMEs. The EU has what it calls 10 omnibuses to deliver that. There is a big correlation between what it is looking at and what we are looking at, and that also gives us something to challenge ourselves on. If the EU has identified something where it thinks there is a saving and it is not an area that we are looking at, that suggests that there is maybe something there that we should be having a go at as well.

Jessica Glover: One of the three themes of the Irish presidency of the EU in the latter half of this year is regulatory simplification. We are talking to our Irish and EU colleagues about where they see the most promising avenues for exploration in terms of simplification as well. That is part of the way that we are working with EU colleagues.

Q67 Sarah Olney: Mr O'Neil, the joint DBT-Treasury unit has not yet



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established regular reporting. Obviously, we have heard from Ms Glover that there is currently reporting into the unit from all the separate Departments involved. What is happening at the unit level to ensure that the plan is being delivered?

Jim O'Neil: I will invite Gareth to comment as well because it is very much a joint effort. The teams are very integrated. There are joint integration and reporting into both Treasury and DBT. There are regular meetings, and I and Jess have regular meetings with the team. In addition to the list of groups that Jess mentioned, Gareth and I chair the industrial strategy delivery group and regulation is a very important part of that. In addition to the various entities this reports into, that is another one I would add.

Q68 Sarah Olney: Okay, but what are you doing at the unit level to ensure that the action plan is being delivered?

Gareth Davies: I will bring in David as he runs the unit.

David Lunn: The NAO Report was a couple of months ago now and, to a degree, we have developed our processes since then. We very much think that we do report into lots of bits of Government machinery, including the perm sec group, the Cabinet and the other meetings that Jess was referring to. We report into the industrial strategy processes as well, so there is lots of reporting that we feed into.

If you think about the action plan, there are 61 regulator commitments. We are reporting on those—or we are gathering that information—on a quarterly basis and we will report publicly on that in the spring. The key piece is the 25% target. It is quite a big job to gather the information because you need to go out across Government—you need Departments to be telling you not just what they are doing, but also what the regulators that they sponsor are doing. It is a big process. We commissioned these annual simplification plans back in December and they are arriving now—literally as we speak. Then we will need a bit of time to review, analyse and challenge the information that we are getting there. Then we will look to report on that, publicly as well as internally.

Q69 Sarah Olney: So individual Departments do not have individual targets.

David Lunn: They don't have individual targets, no.

Sarah Olney: So it is up to the unit to deliver that 25% as an overall. What assurance do you have that the unit is on track to do that?

David Lunn: I think we will know a lot better in a few weeks' time when we have gathered the information through these annual simplification plans, have pulled it together and have a clear view of what the overall picture looks like. That will then give us an opportunity to challenge. We are not just—what is the word?—passive receivers of the information; we will also be challenging back. We will be talking to Treasury colleagues, to DBT and to No. 10 and using the full weight of the Government machine to drive this process and drive progress towards the target.



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Q70 Sarah Olney: How will you hold those individual Departments accountable? If they do not have their own targets within that 25% overall target, how will you hold them accountable for the actions that they need to deliver?

David Lunn: Personally, I don't think you need individual targets to work out whether Departments are trying—whether they are putting their back into it—and whether they are delivering against the objective.

Q71 Sarah Olney: What do you need? What will you do?

David Lunn: You need a sense of the number of different initiatives that they have identified. You need to understand whether they have actually spoken to their regulators, and we talk to the regulators independently so that gives us a cross-check. You can get a sense of whether they are taking the measures that other parts of Government are taking around digitalisation, co-ordination and co-operation between regulators. There are lots of ways you can inform yourself on the processes that regulators are taking, and that gives you evidence on which to push back; you don't need individual departmental targets or budgets to allow you to do that. Like I say, that is very much what we are doing at the moment.

Jessica Glover: One of the observations in the Report that we really welcome is the role that parliamentary Committees can play across the board in asking the same questions to the Departments and regulators themselves when they come before Committees. Figure 8 in the Report shows that regulators and Departments are frequently called before various Committees and very rarely asked about this and very rarely asked about growth. We think that there is an opportunity there. We, of course, have to do exactly what you are suggesting we do, which is hold our colleagues to account and have the right conversations to be able to assess whether these actions are serious and being taken seriously. But the other bodies that hold them to account can also play a role.

Q72 Chair: David, are we sort of asking each Department to set their own target?

David Lunn: Like I say, there are not individual departmental targets; that is not the approach that we have taken. There is an overall Government target. We have not gone down—

Q73 Chair: How do you know if the overall Government target is realistic?

David Lunn: One way is that, if we look at what was delivered from 2005 to 2010, there was an identical 25% target then that was delivered.

Q74 Chair: It wasn't met, was it?

David Lunn: No, it was met.

Chair: Okay.

David Lunn: If you look at the previous history, that is the one target that was clearly met, so that gives us some comfort, but it is not easy. As Jess said, this is not a straightforward target, and this is not an easy job.



Jessica Glover: On why it is 25%, in part because that has been achieved in a previous period in Government history, and in part because the EU has adopted a similar level of ambition in its target, it is a reasonable and ambitious target in our view. All Departments are invited and asked to participate in this exercise, and to understand the scale of it. They are asked through the annual simplification plan process to put forward their contribution. We are not dictating from the centre what the actual, numerical target for that is, but we are expecting a level of effort commensurate with the overall Government effort. As the plans come in and as we assess them, if they are found not to be commensurate with that effort, we will need to have a conversation to say, "Look, I think you need to put a bit more into this."

We are not at that stage. At the moment, we are at the stage where we are hopeful, given all the conversations that we have had with our colleagues throughout the year, that the effort they are putting into it, and that Peter Kyle and Rachel Reeves' Cabinet colleagues are putting into it, is commensurate with the effort that the Prime Minister has laid out.

Gareth Davies: This is the key point, Chair. The target is effectively top down, informed by previous exercises and where Ministers are with what they want to do on the costs of administrative burdens for administering regulations. On the assurance process—will it all add up to the 25%? —we can assure ourselves through what we are getting back from the annual simplification plans. When we add up all the returns, we will have ideally hit, if not exceeded, the target. If there is a gap, we then go back round again and challenge Departments to go further.

Q75 **Chair:** Gareth, are these savings audited by the Departments' internal auditors? Otherwise, how do you know if they are real?

Gareth Davies: They will be audited by the individual Departments' auditors.

Q76 **Chair:** They will? Great. I have a few questions. Paragraph 1.11 on page 15 talks about the sample of regulators that the NAO identified. It says, crucially, "However, nearly half (48%) report that they do not know how their sponsor departments define growth." Who wants to comment on that? That seems to me to be a fundamental flaw in the whole system.

Caleb Deeks: I am happy to kick off on that, Chair. It goes back to when we were talking about what we are seeking to do with the programme of work we have under way, which is to have a much clearer dialogue between sponsor Departments and their regulators about what the overall priorities are—and what they are specifically on growth. The role of the strategic steer is for the Department to communicate those priorities to its regulator, and to reinforce those in the biannual conversations. We mentioned earlier that we were working on growth goals for the most important regulators, whereby you take the strategic steer and break it down into something that is more measurable, outcome-focused and timebound. You then say to the regulator that these are the things specifically in their area—because it will differ from regulator to regulator,

according to the context and what they are doing—that will make a difference.

Gareth mentioned the CAA saying, “Think about drones. Think about Heathrow.” In other areas it might be about saying: “Look, the timescales for approval for a certain type of licence are taking too long. We need you to go faster.” In another area, we might say, “We are seeing some real innovation in the market, and you need a better route in for companies with new ideas and new products to get approved.” It will be tailored to the specific requirements in those sectors. That is the thing that will answer that question, which, as the Report helpfully draws out, is not clear enough in all cases yet. Those growth goals are well advanced for the key regulators—the 16 most important—and we should have those published in the next few months.

Q77 Chair: One of you mentioned earlier that you needed new regulation to get these letters properly enforced legally. Paragraph 2.17 says, “The Enterprise Act 2016 introduced the option for ministers to require that the regulators in scope of the Growth Duty publish annual performance reports against the duty, but the clause has not been activated.” Would that not be a simple way of achieving the same thing?

Caleb Deeks: It would be nice if it was, and we would certainly have done it if that was the case. That takes us on to the growth duty, which, again, is something that the Report is really useful in assessing. The duty was introduced back in 2015. It is a relatively weak duty—it is a duty to have growth.

Q78 Chair: You are strengthening the regulation.

Caleb Deeks: That is our intention. It is a duty to have regard to the desirability of promoting growth. It has had some effect on some regulators, and the Report draws out where that has been the case, but our overall assessment is that it is insufficient as it currently stands. We could ask people to report on it more, and we have piloted doing that in some areas. We got some very mixed results. It applies quite widely to regulators, including some quite obscure organisations that you probably would not want to burden with this—the Commissioners of Irish Lights, and so on and so forth. We believe that we need to strengthen the duty, making it something more akin to the secondary duty that the FCA or the PRA have, for example, which is more meaningful. We need to be clearer about those organisations to which the growth duty applies. The 2015 Act talks about regulatory functions. I can understand why predecessors have done that, as they knew that you get machinery of government changes, and different bodies take on different functions over time. However, as the Report helpfully draws out, that has resulted in it not always being crystal clear where it applies and where it bites. We want to change that, and those are the things that we think will make a difference. Just adding a reporting requirement into what we already have would, frankly, just add a load of bureaucracy, without actually changing the outcomes we really want to see.

Q79 Chair: That is a very fair answer. Jim, unless colleagues have other questions, I want to finish with this question. I emerge from this hearing today sceptical that all the Departments are going to pull their full weight in this effort, without setting them a target. How about the Treasury setting each Department a standard template for what is expected of their regulators, and then incorporating that into “Managing Public Money”?

Jim O'Neil: Thank you for the question and suggestion, which we will consider. We feel like we will go through this exercise and then see whether we can get success out of it—if we are unsuccessful, we will have to think about other ideas. You have heard some ideas as to why we have not set a specific target, and I think we agree with that in principle. If we have to reassess that, we will do so, but we need to go through this process and see where we are versus the objectives.

Q80 Chair: How long will the process take to establish whether it is working?

Jim O'Neil: Well, I think we have talked about it a little bit already.

Jessica Glover: Our first indication will be before the summer. We will be reporting to the Committee, and you will be able to tell us whether you think we are being over-optimistic in claiming that we are on track or not. Equally, we will look at that ourselves, because we have set this target for the life of the Parliament. While that may not be a totally linear trajectory, we will want to have confidence, and the Prime Minister, the Chancellor and Peter Kyle will want us to give them confidence, that the system we have put in place to achieve this goal is working. We will have to tell them honestly whether we think it is working or not. If we tell them that it is not working, they will also expect us to tell them what we think we are going to do about that.

Q81 Chair: David, you had your hand up.

David Lunn: Sorry, I was just resting my hand.

Chair: You need more exercise, obviously—I had better let you go away and get some exercise.

Gareth Davies: Sorry, can I just quickly come in at the end? David has very helpfully flagged that I got something wrong—apologies, Chair and Committee members. You asked how we are assuring ourselves that the targets for individual Departments are right, when they come back with administrative savings. However, it will be done not by the auditors but by the chief economists. In each individual Department, there will be an analytical review of it, but that will not be done by the internal audit function because—as David quite rightly pointed out—the chief economists are the ones who will have the analytical capability to do that.

Chair: We will look at that answer too.

Rupert Lowe: I am glad you clarified that; I was going to double-check that.

Chair: Thank you all very much for coming today. We have had some



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interesting answers to our questions, which we will be carefully analysing. We will make a report with recommendations in due course, which I hope you will look at carefully. An uncorrected version of the transcript will be available in the coming days. Again, many thanks for coming before us this afternoon.